



**MINUTES
AUDIT ADVISORY COMMITTEE MEETING**

11 February 2020

The Chief Executive Officer recommends the endorsement of these minutes at the next Audit Advisory Committee Meeting.

Signed: 

Date **12/02/2020**

These minutes were confirmed at the Audit Advisory Committee Meeting held on 24.02/2021

Signed: 

(Presiding Person at the meeting at which minutes were confirmed)

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Please note that meetings may be recorded for minute taking purposes.

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AUDIT COMMITTEE MEETING MINUTES

11 FEBRUARY 2020

1. OFFICIAL OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member, President Ballard, declared the meeting open at 6:55 pm.

2. RECORD OF ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE

Committee Members (Voting)

Mr L Ballard – Shire President (Presiding Member)
Cr T Wiese – Deputy Shire President
Cr S Lushey
Cr G Broad
Cr C Bartron
Cr J Early
Cr B Seale
Cr G Ballard

Staff

Mr D Stewart – Chief Executive Officer
Mr F Ludovico – Executive Manager Corporate & Community Services
Mr T Evans – Executive Manager Technical & Rural Services
Mr R Powell – A/g Executive Manager Development & Regulatory Services
Mrs K Oborn – Manager Finance
Ms C Thompson – Executive Assistant

Apologies

Cr M Fisher

3. DECLARATION OF INTEREST BY ELECTED MEMBERS AND COUNCIL EMPLOYEES IN MATTERS INCLUDED IN THE MEETING AGENDA

Name	Item No	Interest	Nature
Nil			

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

OFFICER'S RECOMMENDATION AND COMMITTEE'S RESOLUTION

Moved: Cr Seale Seconded: Cr Early

That the minutes of the Audit Committee Meeting held on 11 December 2019 be confirmed as an accurate record of the proceedings.

CARRIED 8/0

5. ANNOUNCEMENTS BY THE PERSON PRESIDING WITHOUT DISCUSSION

Nil

6. MATTERS WHICH REQUIRE DECISIONS

6.1 ANNUAL COMPLIANCE AUDIT RETURN 2019

File Reference	14.1.1
Disclosure of Interest	Neither the Author nor Authorising Officer have any Impartiality, Financial or Proximity Interests that requires disclosure.
Applicant	Shire of Narrogin
Previous Item Numbers	None
Date	24 January 2020
Author	Niel Mitchell – Governance Consultant
Authorising Officer	Frank Ludovico – Executive Manager Corporate & Community Services
Attachments	1. Compliance Audit Return 2019

Summary

The completed Annual Compliance Return for 2019 is presented to the Committee for consideration.

Background

It is a requirement of all Local Governments to complete the Annual Compliance Audit Return as part of its regulatory obligations to the Department of Local Government, Sporting and Cultural Industries.

Comment

The Compliance Audit Return has been completed for the 2019 year and is submitted for review. There are no issues of noncompliance identified for further attention.

As per the Local Government (Audit) Regulations, this item is presented to the Audit Committee to make appropriate recommendation to Council.

Consultation

The Return has been discussed with the Chief Executive Officer, Executive Manager Corporate & Community Services, and relevant staff.

Statutory Environment

Local Government (Audit) Regulations 1996 –

- Regulation.14 – Compliance audit return to be reviewed by Audit Committee and report made to Council

- Regulation 15 – once considered by Council, the return is to be signed by President and CEO and lodged with the Department by 31 March

Policy Implications

None

Financial Implications

None

Strategic Implications

Shire of Narrogin Strategic Community Plan 2017-2027		
Objective	4.	Civic Leadership Objective (Continually enhance the Shire's organisational capacity to service the needs of a growing community)
Outcome:	4.1	An efficient and effective organisation
Strategy:	4.1.1	Continually improve operational efficiencies and provide effective services
Strategy:	4.1.2	Continue to enhance communication and transparency

Voting Requirements

Simple majority

OFFICERS' RECOMMENDATION AND COMMITTEE'S RESOLUTION

Moved: Cr Seale Seconded: Cr Lushey

That it be a recommendation to Council that with respect to the Compliance Audit Return 2019, the Council adopt the return, noting no matters of non-compliance, and authorising signing by the Shire President and Chief Executive Officer and its lodgement with the Department of Local Government, Sporting and Cultural Industries.

CARRIED 8/0



Narrogin - Compliance Audit Return 2019

Certified Copy of Return

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

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2019?	N/A		Niel Mitchell
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2019?	N/A		Niel Mitchell
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2019?	N/A		Niel Mitchell
4	s3.59(4)	Has the local government complied with public notice and publishing requirements of each proposal to commence a major trading undertaking or enter into a major land transaction for 2019?	N/A		Niel Mitchell
5	s3.59(5)	Did the Council, during 2019, resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Niel Mitchell



Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority?	N/A	No delegations made to committees	Niel Mitchell
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing?	N/A		Niel Mitchell
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17?	N/A		Niel Mitchell
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations?	N/A		Niel Mitchell
5	s5.18	Has Council reviewed delegations to its committees in the 2018/2019 financial year?	N/A		Niel Mitchell
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act?	Yes		Niel Mitchell
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority?	Yes		Niel Mitchell
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing?	Yes		Niel Mitchell
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Niel Mitchell
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	Yes		Niel Mitchell
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees?	Yes		Niel Mitchell
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2018/2019 financial year?	Yes	Reviewed May 2018 to apply to 2018/2019 and July 2019 to apply to 2019/2020	Frank Ludovico
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required?	Yes		Niel Mitchell

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



No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made?	Yes		Carolyn Thompson
4	s5.73	Where the CEO had an interest relating to a gift under section 5.71A(1), was written notice given to the Council?	N/A		Carolyn Thompson
5	s5.73	Where the CEO had an interest relating to a gift in a matter in respect of a report another employee is providing advice on under section 5.71A (3), was the nature of interest disclosed when the advice or report was provided?	N/A		Carolyn Thompson
6	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day?	Yes		Carolyn Thompson
7	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day?	Yes		Carolyn Thompson
8	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2019?	Yes		Carolyn Thompson
9	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2019?	Yes		Carolyn Thompson
10	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return?	Yes		Carolyn Thompson
11	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76?	Yes		Carolyn Thompson
12	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28?	Yes		Carolyn Thompson
13	s5.89A Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under section 5.71A, in the form prescribed in Administration Regulation 28A?	Yes		Carolyn Thompson
14	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76?	Yes		Carolyn Thompson
15	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee?	Yes		Carolyn Thompson



No	Reference	Question	Response	Comments	Respondent
16	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes?	Yes		Carolyn Thompson
17	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report?	Yes		Carolyn Thompson
18	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee?	Yes		Carolyn Thompson
19	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees?	Yes		Carolyn Thompson

Disposal of Property

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

Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 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 received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates?	Yes		Carolyn Thompson
2	Elect Reg 30G(3) & (4)	Did the CEO remove any 'disclosure of gifts' forms relating to an unsuccessful candidate or a successful candidate that completed the term of office from the electoral gift register, and retain those forms separately for a period of at least 2 years?	Yes		Carolyn Thompson



Finance						
No	Reference	Question	Response	Comments	Respondent	
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes		Niel Mitchell	
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	N/A	No delegations to committees	Niel Mitchell	
3	s7.3(1)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor, a registered company auditor?	N/A	Audit by Office of Auditor General	Niel Mitchell	
4	s7.3(1), 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council?	N/A		Niel Mitchell	
5	Audit Reg 10	Was the Auditor's report(s) for the financial year(s) ended 30 June received by the local government within 30 days of completion of the audit?	Yes		Karen Oborn	
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2019 received by the local government by 31 December 2019?	Yes		Karen Oborn	
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government, ensure that appropriate action was undertaken in respect of those matters?	Yes		Karen Oborn	
8	S7.12A (4)	Where the auditor identified matters as significant in the auditor's report (prepared under s7.9(1) of the Act), did the local government prepare a report stating what action had been taken or it intended to take with respect to each of the matters and give a copy to the Minister within 3 months after receipt of the audit report?	Yes		Karen Oborn	
9	S7.12A (4)	Within 14 days after the local government gave a report to the Minister under s7.12A(4) (b), did the CEO publish a copy of the report on the local government's official website?	Yes		Karen Oborn	
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit?	N/A	Office of Auditor General	Niel Mitchell	
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit?	N/A		Niel Mitchell	



No	Reference	Question	Response	Comments	Respondent
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit?	N/A		Niel Mitchell
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor?	N/A		Niel Mitchell
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor?	N/A		Niel Mitchell

Integrated Planning and Reporting					
No	Reference	Question	Response	Comments	Respondent
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	Adopted 27 June 2018	Niel Mitchell
2	s5.56 Admin Reg 19DA (4)	Has the local government reviewed the Corporate Business Plan in the 2018-2019 Financial Year. If Yes, please provide date of Council meeting the review was adopted at?	Yes	Adopted 27 June 2018 Reviewed 24 July 2019	Frank Ludovico
3	s5.56 Admin Reg 19C	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	24 May 2017	Niel Mitchell
4	s5.56 Admin Reg 19C (4)	Has the local government reviewed the current Strategic Community Plan. If Yes, please provide date of most recent review by Council in Comments. Note: If the current Strategic Community Plan was adopted after 1/1/2016, please respond N/A and provide adoption date in Comments?	Yes	Review adopted 24 July 2019	Niel Mitchell
5	S5.56 Admin Reg 19DA (3)	Has the local government developed an Asset Management Plan(s) that covers all asset classes. If Yes, please provide the date of the most recent Plan adopted by Council in Comments?	Yes	Corporate Business Plan adopted 24 July 2019 including consideration of AMP.	Frank Ludovico
6	S5.56 Admin Reg 19DA (3)	Has the local government developed a Long Term Financial Plan. If Yes, please provide the adoption date of the most recent Plan in Comments?	Yes	Corporate Business Plan adopted 24 July 2019 including consideration of LTFP.	Frank Ludovico
7	S5.56 Admin Reg 19DA (3)	Has the local government developed a Workforce Plan. If Yes, please provide adoption date of the most recent Plan in comments?	Yes	Corporate Business Plan adopted 24 July 2019 including consideration of WMP.	Frank Ludovico



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



Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer?	Yes	Executive Manager Corporate & Community Services	Niel Mitchell
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c)?	Yes		Niel Mitchell
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made?	Yes		Niel Mitchell
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint?	Yes		Niel Mitchell
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred?	Yes		Niel Mitchell
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c)?	Yes		Niel Mitchell



Optional Questions					
No	Reference	Question	Response	Comments	Respondent
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 Local Government (Financial Management) Regulation 5 (2)(c) within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	Presenting to February 2020 Audit Committee Meeting	Frank Ludovico
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) Regulation 17 within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	Presenting to February 2020 Audit Committee Meeting	Frank Ludovico
3	Financial Management Reg 5A.	Did the local government provide AASB 124 related party information in its annual report(s) tabled at an electors meeting(s) during calendar year 2019?	Yes	Note 18 of 2017/2018 Annual Report - Electors Mtg 27 Mar 2019. Annual Electors Meeting for 2018/2019 to be held 11 Feb 2020	Frank Ludovico
4	S6.4(3)	Did the local government submit to its auditor by 30 September 2019 the balanced accounts and annual financial report for the year ending 30 June 2019?	Yes		Frank Ludovico

Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2))?	Yes	WALGA panels used	Frank Ludovico
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract?	Yes		Frank Ludovico
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice?	Yes		Frank Ludovico
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16?	Yes		Frank Ludovico



No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation?	Yes		Frank Ludovico
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16?	Yes		Frank Ludovico
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender?	Yes		Frank Ludovico
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria?	Yes		Frank Ludovico
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection?	Yes		Frank Ludovico
10	F&G Reg 19	Did the CEO give each tenderer written notice advising particulars of the successful tender or advising that no tender was accepted?	Yes		Frank Ludovico
11	F&G Reg 21 & 22	Did the local governments advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22?	N/A	No EOI issued	Niel Mitchell
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice?	N/A		Niel Mitchell
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services?	N/A		Niel Mitchell
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest, a notice in writing in accordance with Functions & General Regulation 24?	N/A		Niel Mitchell
15	F&G Reg 24AC (1) & (2)	Has the local government established a policy on procurement of goods and services from pre-qualified suppliers in accordance with the regulations?	N/A	No panels created	Niel Mitchell
16	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice?	N/A		Niel Mitchell
17	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE?	N/A		Niel Mitchell



No	Reference	Question	Response	Comments	Respondent
18	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application?	N/A		Niel Mitchell
19	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, given notice of the variation?	N/A		Niel Mitchell
20	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications?	N/A		Niel Mitchell
21	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria?	N/A		Niel Mitchell
22	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG?	N/A		Niel Mitchell
23	F&G Reg 24AI	Did the CEO send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted?	N/A		Niel Mitchell
24	F&G Reg 24E	Where the local government gave a regional price preference, did the local government comply with the requirements of F&G Reg 24E including the preparation of a regional price preference policy?	N/A		Frank Ludovico
25	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy?	Yes	Policy amended 24 July 2019	Niel Mitchell
26	F&G Reg 11A	Does the local government have a current purchasing policy that comply with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less?	Yes	Policy amended 24 July 2019	Niel Mitchell



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

No	Reference	Question	Response	Comments	Respondent
27	F&G Reg 11A	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract is, or is expected to be \$150,000 or less or worth \$150,000 or less?	Yes		Frank Ludovico

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

Signed Mayor / President, Narrogin

Signed CEO, Narrogin

6.2 FINANCIAL MANAGEMENT AND RISK REVIEW

File Reference	12.8.1
Disclosure of Interest	Neither the Author nor Authorising Officer have any Impartiality, Financial or Proximity Interests that requires disclosure.
Applicant	Shire of Narrogin
Previous Item Numbers	Nil
Date	30 January 2020
Author	Frank Ludovico – Executive Manager Corporate and Community Services
Authorising Officer	Dale Stewart – Chief Executive Officer
Attachments <ol style="list-style-type: none"> 1. Review of Financial Management, Risk Management, Legislative Compliance and Internal Control and Interim Audit Implementation Plan (FMR Plan) 2. Tabled 11/2/2020 – ICR2019505 - A letter to the Chief Executive Officer from Director Financial Audit, Office of the Auditor General – “Focus Audit – Local Government Management of Contract Renewals or Extensions and Variations”. 	

Summary

The CEO is required to undertake a review of and the appropriateness and effectiveness of financial systems and risk management, internal control and legislative compliance every three years.

During this process the Office of the Auditor General (OAG) also conducted an Interim Audit on 1 April to 12 April 2019. The Interim Audit was formally presented to Council at its December 2019 meeting.

The findings of the 3 processes above have been incorporated into Financial Management, Risk Management, Legislative Compliance and Internal Control and Interim Audit Implementation Plan (FMR Plan) showing the issues involved, action taken or proposed to be undertaken, and the timeframes proposed

The FMR Plan is presented to the Audit Committee for recommendation to Council.

Background

The independent FMR and Management and Risk reviews were undertaken in February 2019 by Moore Stephens (MS) (after a procurement process) with the final report received on 28 May 2019.

The last Financial Management Review presented to Council was at its 27 May 2014 Council meeting. Please note the Local Government (Financial Management) Regulations 1996 were amended in June 2018 to alter the review interval from 4 years to 3 years.

The table below summarises items by risk category and timeframe.

Risk Category	No of items	Actions				
		Completed	31/3/2020	30/6/2020	31/12/2020	30/6/2021
Significant/High	33	12	1	16	3	1
Moderate/Medium	29	16	0	8	5	0
Minor	2	2	0	0	0	0
TOTAL	64	30	1	24	8	1

Note MS and OAG use different risk descriptors to identify risk categories so they have been aligned to improve legibility.

All the recommendations made in the FMR Plan, have been allocated a responsible person and a timeframe to address the improvements proposed.

Comment

A number of items have been completed, and a majority of the others are planned to be completed before 30 June 2020.

Some items have long lead times and implementation schedules e.g. updating Asset Management Plans (Item 31). So, a realistic approach has been used in developing timeframes.

It is proposed to report to the Audit committee on a semi-annual basis the progress of finalising all items in the FMR Plan.

Consultation

The Chief Executive Officer and the Manager of Finance were consulted during the development of FMR Plan.

Statutory Environment

Regulation 17 of The Local Government (Audit) Regulations 1996 directs the Chief Executive Officer (CEO) to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management; internal control and legislative compliance once every 3 financial years and to report the results of the review to the Audit Committee.

Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 directs the CEO undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

Policy Implications

A number of Council policies are impacted by the FMR Plan these include:

- 1.1 Code of Conduct;

- 1.13 Legislative Compliance;
- 2.8 Enterprise Risk Management Policy;
- 3.1 Purchasing Framework.

Various policies may need to be amended or created to be aligned with the new processes proposed. This will take place via the normal policy review processes.

Financial Implications

Most of the items contained in the FMR Plan are extensions to existing operations and will be accounted for within the operational budget.

In some instances (e.g. IT security) outside assistance maybe required. As these matters are progressed funding will be sought through the normal budget process.

Strategic Implications

Shire of Narrogin Strategic Community Plan 2017-2027		
Objective	4.	Civic Leadership Objective (Continually enhance the Shire's organisational capacity to service the needs of a growing community)
Outcome:	4.1	An efficient and effective organisation
Strategy:	4.1.1	Continually improve operational efficiencies and provide effective services
Strategy:	4.1.2	Continue to enhance communication and transparency

Voting Requirements

Simple Majority

The Executive Manager Corporate & Community Services noted that the Shire of Narrogin was in receipt of a letter to the Chief Executive Officer from The Director of Financial Audit, Office of the Auditor General, "Focus Audit – Local Government Management of Contract Renewals or Extensions and Variations" dated 3 February and tabled the letter for Elected Members' consideration, noting that the three matters contained therein has already been dealt with and implemented. (ICR2019505).

OFFICERS' RECOMMENDATION AND COMMITTEE'S RESOLUTION

Moved: Cr Broad Seconded: Cr Lushey

That it be a recommendation to Council that, with respect to Financial Management and Risk Review the Council receives the findings of the review and note the improvement actions proposed, which have been incorporated into an implementation plan.

CARRIED 8/0

Shire of Narrogin
 Review of Financial Management, Risk Management, Legislative Compliance and Internal Control and Interim Audit Implementation Plan

Item Number	Source Document	Risk Assessment Category	Risk Issue and Failure Modes	Risk Identified	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Action Taken	Responsible Officer	Timeframe
1	Reg 5 and Reg 17 Review	1.1 Code of Conduct	Code of conduct provides guidance on responsibilities with regard to declarations of gifts. The guidance however omits the disclosure requirements under sections 5.82 & 5.83 of the Local Government Act 1995. In its current form, the policy could confuse elected members and designated employees of their obligations with disclosures required of them.	OSH Incident Compliance breach	Medium	Planned action required	Update the Code of Conduct to include guidance on disclosure requirements referred to at sections 5.82 & 5.83 of the Local Government Act 1995, relating to disclosure of gifts and contribution to travel for elected members and designated employees.	Code updated at 24 July 2019 Council meeting (Policy 1.1). Also awaiting new Regulations and WALGA Model to make additional adjustments due to recent Local Government Act amendments.	CEO	Complete
2	Reg 5 and Reg 17 Review	2.8 Risk Management Policy	The current Policy is based on a superseded Risk Management Standard.	Failure to identify risks or adequately treat identified risks	Medium	Planned action required	When next undertaking a review of the Policy, update the Policy to align to the current Risk Management Standard ISO 31000:2018	Policy updated at 24 July 2019 Council meeting (Policy 2.8). Amended to refer to as Enterprise Risk Management, to differentiate from occupational risk management. Australian Standard reference amended.	CEO	Complete
3	Reg 5 and Reg 17 Review	3.1 Purchasing Framework	The Policy provides no direction in relation to contract variations and extensions for contracts awarded or against a written specification, where not awarded by tender. Extension of contracts and associated price changes are also not covered by the Policy. For contracts awarded by tender, legislation provides minimum requirements. Purchasing limits for various officers are not defined with the Purchasing Policy or any other policy.	Lack of probity. Financial loss. Unauthorised purchasing.	High	Prioritised action required	Amend the Policy to provide the following: Prohibit price variations to existing contracts awarded by tender other than those provided within the original contract, as required by Local Government (Functions and General) Regulations 1996 Regulation 11(2) (j) (iv). Procedures should also be developed for the authorisation of variations allowed for by the regulations.	Amendments made at the 24 July 2019 Council meeting. - Policy 3.1 Purchasing - Delegation 3.1 Tenders - power to set etc - Delegation 3.2 Contracts - Variations	EMCCS	Complete
4	Reg 5 and Reg 17 Review	3.1 Purchasing Framework	The Policy provides no direction in relation to contract variations and extensions for contracts awarded or against a written specification, where not awarded by tender. Extension of contracts and associated price changes are also not covered by the Policy. For contracts awarded by tender, legislation provides minimum requirements. Purchasing limits for various officers are not defined with the Purchasing Policy or any other policy.	Lack of probity. Financial loss. Unauthorised purchasing.	High	Prioritised action required	Amend the Policy to provide the following: Purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increase over a policy threshold level, due to the variation or extension.	Amendments made at the 24 July 2019 Council meeting. - Policy 3.1 Purchasing - Delegation 3.1 Tenders - power to set etc - Delegation 3.2 Contracts - Variations	EMCCS	Complete
5	Reg 5 and Reg 17 Review	9.6 Risk Management Policy	This is a duplicate Policy of policy 2.8. Although targeted at context of OHS, risk management practices should be considered in the context to which they apply. When implemented and performed effectively, a single policy and framework applied throughout the organisation is sufficient.	Failure to identify risks or adequately treat identified risks	Medium	Planned action required	Rescind and remove the duplicated policy.	Policy deleted at 24 July 2019 Council meeting.	CEO	Complete

Item Number	Source Document	Risk Assessment Category	Risk Issue and Failure Modes	Risk Identified	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Action Taken	Responsible Officer	Timeframe
6	Reg 5 and Reg 17 Review	Asset Management Plan	The Shire has formed asset management plans for roads (December 2016) and buildings (June 2017). The risk assessments within these plans in their current format identify several high level risks. It is not evident from the plans what risk management framework was utilised for the assessment of the risks. Risk treatment plans to reduce risk levels are included in the plans, however there is no evidence to indicate that these actions have been undertaken or progressed further. The plans are to be finalised.	Failure to appropriately manage assets Ineffective spending of financial resources on assets	Medium	Planned action required	Update and finalise the asset management plans.	Developed the role of Senior Finance Officer - Strategic. KRA will be AMP by due dates that meets DLGSCI criterion.	EMCCS	31/12/2020
7	OAG INTERIM AUDIT RESULTS	Authorisation of Acquisition and Disposal forms	We noted that addition and disposal forms are processed and approved by the same staff. It was noted however, that supporting invoices have been appropriately approved by delegated authority and are the asset's custodian.		Minor	We recommend the Shire review the process surrounding asset addition and disposal forms. Asset forms should be prepared and reviewed by independent staff to ensure that assets are appropriately accounted for.		Acquisitions and disposals will now be entered into the Asset register by either Finance Officer Support or Senior Finance Officer, with Manager Finance reviewing and authorising. Forms have been altered to show authorisations.	MF	Complete
8	Reg 5 and Reg 17 Review	Business Continuity Plan	A Business Continuity Plan was originally developed in April 2016, and has not been reviewed since that time, nor has it been finalised or tested.	Failure to adequately manage a business disruption event	High	Prioritised action required	Finalise the Plan and test to ensure validity. Identify and document key business continuity risks along with the treatments, to reduce the risk to an acceptable level.	Noted.	EMCCS	30/06/2020
9	Reg 5 and Reg 17 Review	Caravan Park Revenue	From staff representations, controls in relation to the recognitions and control of revenue require improvement.	Lack of probity. Financial loss.	High	Prioritised action required	Undertake a detailed review of all controls in relation to the caravan park.	Noted. Procedures will be reviewed.	MF/EMCCS	30/06/2020
10	Reg 5 and Reg 17 Review	Caravan Park Revenue	Caravan park staff currently maintain a debtors ledger that is not recorded in nor reconciled with the Shire's Synergysoft program.	Lack of probity. Financial loss.	High	Prioritised action required	In particular, if possible, significantly reduce the potential amount of cash received at the caravan park, through use of EFTPOS etc. Appropriate procedures and controls are required to ensure that banking and recognition of debtors are reported and occurring.	Noted. Procedures will be reviewed.	MF/EMCCS	30/06/2020
11	OAG INTERIM AUDIT RESULTS	Change Management Implementation	We noted no formal Change Management policy and procedures in place to ensure all changes to IT systems are appropriately controlled and managed.		Moderate		We recommend the Shire develop and implement appropriate change control policies and procedures. These should ensure that all changes to IT systems are appropriately controlled and managed.	Noted. Procedures will be reviewed.	EMCCS	30/06/2020
12	Reg 5 and Reg 17 Review	Checklists	Checklists of key functions are maintained for selected functions. Checklists were not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation.	Compliance Breach	High	Prioritised action required	Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists are of assistance in ensuring compliance with repetitive legislative compliance tasks.	Documented procedures are now in place in the Finance area.	EMCCS	Complete
13	Reg 5 and Reg 17 Review	Contractor Insurance	Contractors' insurances are not assessed prior to award of contracts in all cases. Reliance is placed on contract managers to ensure copies of insurances are provided.	Financial Loss OSH Incident	High	Prioritised action required	To help ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Shire, procedures should be developed, and records maintained to ensure copies of contractor's insurances are held on file.	Noted. Procedures will be reviewed.	EMTRS/EMDRS	30/06/2020
14	Reg 5 and Reg 17 Review	Council and Audit Risk Committee	Identified risks are not included within agenda items for elected member consideration.	Failure to identify risks or adequately treat identified risks	Medium	Planned action required	Identified risks relating to a Council decision should be communicated within the agenda item, to enable elected members to be fully informed of the identified risks when making decisions.	Agenda items will include commentary on risk assessment.	CEO	30/06/2020

Item Number	Source Document	Risk Assessment Category	Risk Issue and Failure Modes	Risk Identified	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Action Taken	Responsible Officer	Timeframe
15	OAG INTERIM AUDIT RESULTS	Credit card usage	We identified expenditure incurred on the CEOs corporate credit card is not in line with the Council Policy Manual, as it involved the purchase of alcohol by the CEO for the CEO, 4 Councillor's and 2 spouses. As per Council Policy, the Shire can pay spouse costs of accommodation upgrade and official conference dinner. Under section 1.8 of the Council Policy Manual, alcohol expenses are only covered for members if they are authorised and moderate in nature. The amount purchased would not be deemed to be "moderate" given the quantity and value of the purchase.		Moderate	Credit card purchases should be in line with the Shire's policy.		<p>It is noted that the actual expenses incurred were slightly above the definition of reasonable for an employee under the ATO Guidelines on both occasions.</p> <p>It is noted that the actual expenses incurred were slightly above the definition of reasonable for an employee under the ATO Guidelines on both occasions.</p> <p>The expenditure was incurred with the full knowledge of participating elected members including the Shire President and Deputy Shire President, and complies with the intent of the Council Policy 1.8 'Elected Members – Conference & Training Expenses' and is expressly permitted pursuant to clause 6 (v) of Council Policy 3.8 Transaction Cards.</p> <p>The Policy was also amended by Council at the 24 July 2019 Council meeting to overcome this.</p>	CEO	Complete
16	OAG INTERIM AUDIT RESULTS	Disaster Recovery and Business Continuity Plan Implementation	We noted the Shire does not have a disaster recovery or a business continuity plan. An analysis has not been performed to confirm critical functions and processes in order to develop the priorities for the disaster recovery and continuity plan.		Moderate	<p>We recommend the Shire develop a business continuity plan based on an evaluation of risks which may disrupt critical business functions. The evaluation should identify critical systems and processes, minimum resources and response times needed to assure/resume operations.</p> <p>An incident response plan - containing the information needed to respond to an incident (e.g. emergency contact lists, responsibilities) and a disaster recovery plan - detailing the steps to be taken to recover operations, should be developed based on the business continuity plan.</p> <p>Plans should be communicated to staff and tested on a periodic basis to ensure that staff are familiar with their responsibilities. This should also include testing of</p>		<p>A copy of our Business Continuity Plan does exist. It is acknowledge it is not signed and requires review.</p> <p>We are planning to undertake this work in 2019/20.</p>	EMCCS	30/06/2020
17	Reg 5 and Reg 17 Review	Documented Procedures	Limited documented procedures currently exist. We noted from staff representations, a number of procedures have recently been developed by staff or intentions are to develop procedures. This is encouraged.	Breakdown of internal controls. Controls reliant on the capability and honesty of staff	High	Prioritised action required	Opportunities exist to improve standard operating procedures and ensure they are documented with key controls clearly identified. Once these procedures are developed and implemented, they require constant monitoring for adherence and to ensure effectiveness.	A Process Improvement Project commenced in November 2019 by the corporate services department. A key deliverable of this project will be the development of an Executive Instruction on updating procedures. This will also form a part of a "Finance Manual".	EMCCS	31/12/2020
18	Reg 5 and Reg 17 Review	Employee Banking Details	New employees banking details are entered by the payroll officer into Synergysoft, and details reviewed and confirmed by the MF. No verification is performed against the ABA file when payroll is processed to ensure that bank account details have not been altered since initial review was performed.	Lack of probity. Financial loss. Internal control breakdown	High	Prioritised action required	New employees banking details should be verified against the ABA file for their first pay. Procedures to minimise risk of any employee banking details being changed prior to deposit of payroll and regular reviews of software audit trails are encouraged.	Each Fortnight New employees banking details are verified for their first pay and signed off by Manager Finance and the Executive Manager Corporate and Community Services. In addition the exception report which highlights payroll changes, is noted and verified.	MF	Complete

Item Number	Source Document	Risk Assessment Category	Risk Issue and Failure Modes	Risk Identified	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Action Taken	Responsible Officer	Timeframe
19	Reg 5 and Reg 17 Review	Employee Inductions - Code of Conduct	Employees are issued induction packages, including the code of conduct, which is required to be signed and returned to be retained on file, as acknowledgement they have read and understand the document.	Internal control or compliance breach	Medium	Planned action required	An induction procedure should be implemented to ensure the code of conduct has been read and understood by new employees, where appropriate staff read through the document with new employees, similar to other induction procedures already in place.	Process are now in place.	MF	Complete
20	Reg 5 and Reg 17 Review	Employee Termination Procedures	No formal process or procedure is currently in place to ensure the appropriate termination of employees. Departmental managers are entrusted with responsibility of ensuring Shire assets are recovered, however there is no structure in place to ensure that IT permissions and security codes are restricted, or for Shire property (phones, vehicles, keys) are returned prior to the employee finishing with the Shire.	Lack of probity. Financial loss. Internal control breakdown	High	Prioritised action required	Establish procedures or checklists to manage and document the termination of employees, ensuring access to IT systems etc is appropriately restricted and Shire assets are recovered.	Exit Interview process established (FCCS024).	MF	Complete
21	Reg 5 and Reg 17 Review	Financial Interest Register	A primary return was noted for a contractor in March 2018, however an annual return is not included in the register for the period ended 30 June 2018, as required under the Local Government Act 1995. Staff representations and examination of the contracts register indicate the contractor is still engaged by the Shire of Narrogin, and therefore is required to submit an annual return.	Internal control breakdown and compliance breach	Medium	Planned action required	Ensure systems and procedures are in place to obtain all returns required. Determine if the contractor is no longer deemed to be a relevant person and not required to lodge an annual return, their return should be removed to a separate register for the required time, as required under the Local Government Act 1995.	Systems and procedures are now in place. Contractor removed.	EMCCS	Complete
22	Reg 5 and Reg 17 Review	Financial Interest Register	We noted returns for an elected member who was a Councillor for the former Town of Narrogin pre-dating 1 July 2016 were included in the register. The current entity 'Shire of Narrogin' was formed on 1 July 2016, and any returns completed by elected members under the former Town of Narrogin or Shire of Narrogin should be instead maintained for the required period in a separate register.	Internal control breakdown and compliance breach	Medium	Planned action required	Remove returns for elected members pre-dating 1 July 2016 which are included in the current financial interest register, to a separate register for the required period.	Systems and procedures are now in place. Contractor removed.	EMCCS	Complete
23	Reg 5 and Reg 17 Review	Homecare Service Controls	Limited oversight or review of financial transactions is currently occurring, and no documented procedures are in place for reconciling the Homecare service IT software with funds receipted into the Shire accounts.	Lack of probity. Financial loss.	High	Prioritised action required	A full review of procedures and controls is required to determine practical procedures, documentation and controls for the receipt of revenue, recognition of debtors and allocation of client funds (cash) through the Homecare service. Procedures should ensure compliance with associated regulatory requirements require under the Local Government Act 1995 and subsidiary regulations.	Noted. Procedures will be reviewed.	MF/MCCS	30/06/2020
24	Reg 5 and Reg 17 Review	Homecare Service Controls	Revenue from the Homecare service is only receipted into the ERP system from the bank statement. Occurrences were observed where cash is being held on site and banked through the main administration office only once per week.	Lack of probity. Financial loss.	High	Prioritised action required	A full review of procedures and controls is required to determine practical procedures, documentation and controls for the receipt of revenue, recognition of debtors and allocation of client funds (cash) through the Homecare service. Procedures should ensure compliance with associated regulatory requirements require under the Local Government Act 1995 and subsidiary regulations.	Noted. Procedures will be reviewed.	MF/MCCS	30/06/2020
25	Reg 5 and Reg 17 Review	Homecare Service Controls	Homecare service staff currently maintain a debtors ledger that is not recorded in nor reconciled with the Shire's ERP system.	Lack of probity. Financial loss.	High	Prioritised action required	A full review of procedures and controls is required to determine practical procedures, documentation and controls for the receipt of revenue, recognition of debtors and allocation of client funds (cash) through the Homecare service. Procedures should ensure compliance with associated regulatory requirements require under the Local Government Act 1995 and subsidiary regulations.	Noted. Procedures will be reviewed.	MF/MCCS	30/06/2020

Item Number	Source Document	Risk Assessment Category	Risk Issue and Failure Modes	Risk Identified	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Action Taken	Responsible Officer	Timeframe
26	Reg 5 and Reg 17 Review	Homecare Service Controls	Few controls are in place to record cash received from clients for excursions, and subsequent expenditure incurred. Appropriate procedures are required to minimise risk of fraud / theft and to ensure transparency with the allocation of client funds.	Lack of probity. Financial loss.	High	Prioritised action required	A full review of procedures and controls is required to determine practical procedures, documentation and controls for the receipt of revenue, recognition of debtors and allocation of client funds (cash) through the Homecare service. Procedures should ensure compliance with associated regulatory requirements require under the Local Government Act 1995 and subsidiary regulations.	Noted. Procedures will be reviewed.	MF/MCCS	30/06/2020
27	Reg 5 and Reg 17 Review	ICT Security	We noted limited controls in relation to the access to IT systems both physical access to hardware and network access to software and data.	Security breach	High	Prioritised action required	Undertake a comprehensive IT security review and implement findings.	Noted. Procedures will be reviewed.	EMCCS	30/06/2020
28	Reg 5 and Reg 17 Review	ICT Strategic Plan	An ICT Plan highlighting and addressing ICT risks and how they are to be addressed was not available for inspection.	Loss of IT System.	High	Prioritised action required	Develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level.	An ITC plan is to be developed.	EMCCS	31/12/2020
29	Reg 5 and Reg 17 Review	ICT Strategic Plan	Presently a single consultant is engaged to provide IT support services and advice regarding security etc. A high level of risk could be assumed by engaging a single entity to provide all IT services.	Loss of IT System.	High	Prioritised action required	Careful development of a strategy will assist in developing a scope to articulate service level agreements for a range of IT services to be potentially issued to different providers.	An IT Officer has been recruited for level 1/2 services. Procurement of level 2/3 services is occurring. We believe a single supplier that is industry trusted and a WALGA preferred supplier is a low risk.	EMCCS	31/03/2020
30	OAG INTERIM AUDIT RESULTS	Information Technology related policy and physical security	We noted that the Shire does not have any formal policies governing IT security policy nor procedures to maintain the integrity of the IT systems and corresponding user access. This also extends to security around removable/portable devices.		Moderate		IT policies and procedures should be updated and communicated to users of the IT systems.	Noted. Procedures will be reviewed.	EMCCS	30/06/2020
31	OAG INTERIM AUDIT RESULTS	Infrastructure, Property, Plant and Equipment – Asset count not undertaken	We noted through our review of Infrastructure, property, plant and equipment that there is currently no periodic asset count process in place. Per discussion with the Shire's management, reliance is placed on the independent valuer to verify the existence of Property, plant, equipment and infrastructure. We also noted that the valuer based their valuations on assets from the asset register.		Significant	We recommend the Shire consider performing a complete asset verification process to confirm the existence and completeness of all asset classes to comply with the requirement of the Act.		Council has adopted an Asset Management Policy which dictates the classes of assets requiring Asset Management Plans. These classes are: a) Transport assets – roads, paths, bridges, culverts, drainage, airport, street furniture etc.) b) Property assets – buildings, freehold land and associated ancillary infrastructure; c) Recreation assets – parks, ovals, reserves, gardens, playgrounds etc.; d) Plant and equipment – vehicles, tools, plant and machinery, information technology and communications equipment etc. e) Portable and Attractive assets – in accordance with the Local Government (Financial Management) Regulations 1996 Reg.17B; and f) Other classes as deemed appropriate or necessary. In addition, the Shire is required to undertake a review of Fair Value Valuations within a period of at least 3 years but no more than 5 years after the day on which the asset was last valued or revalued Local Government (Financial Management) Regulations 1996 s. 6.10 17A(4)(b). It is proposed to take a physical count for item b and item d assets on a 3 year rotational basis coinciding with there fair value revaluations for that particular class. Other asset classes eg Transport are not subject to much change and other processes pick up and changes. Portable and Attractive assets will be verified once a year from the soon to	EMCCS	30/06/2021

Item Number	Source Document	Risk Assessment Category	Risk Issue and Failure Modes	Risk Identified	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Action Taken	Responsible Officer	Timeframe
32	OAG INTERIM AUDIT RESULTS	Interest on trust funds	We noted that interest earnings on trust fund moneys are not retained in trust or provided back to the entitled recipient on return of their moneys. The interest has instead been paid into the Municipal bank account and is recognised as the Shire's interest revenue.		Significant	The Shire should account for and manage trust fund moneys and associated interest, in accordance with the Act. The Shire should undertake the necessary steps to identify any obligations it has to return moneys that it has incorrectly retained from the current and previous years. We recommend the Shire assess and consider the impact of the interest earned in current and prior periods as required by the Act.		The calculation of interest received on Trusts held at 30/6/19 was completed. However clarification has been received from the Office of Auditor General subsequent to this audit (WA Local Government Position Paper No 1 received on 1 July 2019). Only funds that are required to be held in Trust (egg Public Open Space) will be kept in the Trust fund. Other funds (eg bonds for hall hire) are processed with existing trust codes to avoid confusion and ensure clarity for sound customer service but are transacted through the Municipal fund. There has been no change to trust transactions. Procedures and reporting have been amended to reflect this change in position.	MF	Complete
33	Reg 5 and Reg 17 Review	Internal Audit	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	Internal and Compliance risks not identified	Medium	Planned action required	We suggest that as the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required as recommended by the OAG in their report to parliament on the Audit of Local Government.	A Process Improvement Project commenced in November 2019 by the corporate services department. A key deliverable of this project will be the development of an internal audit process and procedures but not necessarily an Internal Auditor. This will also form a part of a "Finance Manual".	EMCCS	31/12/2020
34	Reg 5 and Reg 17 Review	Internal Control	Currently, no policy on internal controls has been adopted by Council.	Lack of strategic direction for implementation of internal controls	Medium	Planned action required	Development and adoption of an Internal Control Policy will help formalise Council's commitment to internal controls, based on risk management principles.	Policy adopted at 24 July 2019 Council meeting Policy 1.12 - Internal control (not required by legislation).	CEO	Complete
35	Reg 5 and Reg 17 Review	Investment Register	An investment register is not routinely maintained to evidence the nature and location of all investments and all related transactions.	Financial Loss and Breakdown of Internal Control	Medium	Planned action required	Recording the nature and location of all investments and related transactions is required by Regulation 19 (2) of the Local Government (Financial Management) Regulations 1996. Tracing of funds on maturity of investments is essential and record of where funds are transferred and who authorised the transfer should be maintained within the register. Maintaining printed copies of the investment register, reviewed and authorised by a senior manager independent of the control of the investments, prevents subsequent amendment to the register.	Register has been created and checklist updated.	MF	Complete
36	Reg 5 and Reg 17 Review	Legislative Compliance	Currently, no policy on internal legislative compliance has been adopted by Council.	Lack of strategic direction for legislative compliance	Medium	Planned action required	Development and adoption of an internal legislative compliance policy will help formalise Council's commitment to legislative compliance.	Policy Adopted at 24 July 2019 Council meeting Policy 1.13 - Legislative Compliance (not required by legislation).	CEO	Complete
37	Reg 5 and Reg 17 Review	Long Term Financial Plan	Long Term Financial Plan 2017-2028 has been prepared in draft form. The Plan includes a section titled 'Risk Assessment' (which refers to a superseded risk management standard) and details external and internal factors. Long term financial risks are not identified within the draft Plan.	Failure to appropriately manage assets Ineffective spending of financial resources on assets	Medium	Planned action required	Update and finalise the long term financial plan.	Developed the role of Senior Finance Officer - Strategic. KRA will be LTFP by due dates that meets DLGSCI criterion.	EMCCS	30/06/2020
38	Reg 5 and Reg 17 Review	Overhead and Administration Allocations	No process is currently in place to determine the allocation of indirect costs. From staff representations, current allocation rates are based on historical estimates and no calculation method to support the allocations was available.	Breakdown of internal controls. Financial Loss	High	Prioritised action required	Undertake a review of activity based costings to support calculation of overhead and administration allocations.	Noted a review will be undertaken.	MF/EMCCS	30/06/2020
39	Reg 5 and Reg 17 Review	Payroll Authorisation and Audit Trails	Limited review of changes made to employee details and parameters is currently undertaken when each payroll is processed. Reliance is placed on officers responsible for processing and authorising payroll to remember individual details and identify any errors (such as deductions, superannuation contributions etc) when reviewing payroll reports for authorisation for payment.	Lack of probity. Financial loss. Internal control breakdown	High	Prioritised action required	Procedures to minimise risk of unauthorised changes to employee details and regular reviews of software audit trails should be implemented. Where possible, segregation of duties should exist where employees responsible for processing payroll transactions are unable to make changes to employee banking details.	Each fortnight new employees banking details are verified for their first pay and signed off by Manager Finance and the Executive Manager Corporate and Community Services. In addition the exception report which highlights payroll changes, is noted and verified.	MF	Complete

Item Number	Source Document	Risk Assessment Category	Risk Issue and Failure Modes	Risk Identified	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Action Taken	Responsible Officer	Timeframe
40	Reg 5 and Reg 17 Review	Payroll Exception Reporting	The officer responsible for processing payroll has started to maintain a master sheet of employee parameters to assist with review and capture of employee entitlements, allowances, deductions etc. Reliance is placed on officers responsible for processing and authorising payroll to remember individual details and identify any errors when reviewing payroll reports for authorisation for payment.	Lack of probity. Financial loss. Internal control breakdown	High	Prioritised action required	A full review of procedures and controls is required to determine practical procedures, documentation and controls for the accurate processing of payroll each fortnight. Details for each employee should be reviewed against individual employment contracts to capture allowances, deductions, entitlements etc, with appropriate review and authorisation for accuracy. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes.	Each fortnight new employees banking details are verified for their first pay and signed off by Manager Finance and the Executive Manager Corporate and Community Services. In addition the exception report which highlights payroll changes, is noted and verified.	MF	Complete
41	Reg 5 and Reg 17 Review	Policy Review	Policies are reviewed annually by Council to help ensure they remain current however the 'history' (review / amendment) date is only updated where the policy is adopted or amended.	Failure to identify risks or adequately treat identified risks	Medium	Planned action required	Following the annual administrative review and biennial Council review of Policies, update the history section within each Policy to provide an accurate record of the Policy review occurring.	Detailed review completed and presented to the 24 July 2019 Council meeting.	CEO	Complete
42	OAG INTERIM AUDIT RESULTS	Posting of manual journals	We noted that all finance staff are inherently able to prepare and post journals in SynergySoft. From 1 July 2018 to 28 February 2019, 224 manual journals were posted of which 135 were posted and also approved by the same employee, without independent review by a second staff. We also noted that there is currently no system access restriction in SynergySoft to assign the posting of manual journals only to appropriate staff. Further, there is no review of manual journals posted to the system.		Significant	We recommend that a person more senior than the preparer authorises all journal entries, and evidence of authorisation is retained.		It has been confirmed with IT Vision that SynergySoft (our corporate accounting package) does not have the capabilities to assign the posting of manual journals only to appropriate staff. The Shire of Narrogin however does have internal policies that require staff to seek authorisation from the Manager prior to posting journals. The Shire also records all general journals on a 'Journal register'. Senior Finance Officer now raises general journals, with the MF authorising. The Shire has added the task of reviewing the manual journals register to the listing of journals posted in SynergySoft, to the End of Month (EOM) tasks and have also developed a General Journal Request Form for 'requested' journals by other officers.	MF	Complete
43	Reg 5 and Reg 17 Review	Potential Unspent Grant Funds	The Homecare service is currently funded through a service agreement, which requires acquittal annually. In previous years, surplus funds from the service have been retained and accumulated in a reserve account, to be allocated to future Homecare activities. Discussions with various staff indicate the Shire do not have full discretion or control over surplus funds.	Lack of probity. Financial loss.	High	Prioritised action required	Surplus funds from the Homecare service be reviewed to determine the appropriate treatment of the funds.	Noted contact will be made with funding providers.	MF/MCCS	30/06/2020
44	Reg 5 and Reg 17 Review	Procedure Changes	Process for amending or changing procedures are not formalised. This creates opportunities for unilateral undocumented changes to procedures and a breakdown in key controls.	Failure to identify risks or adequately treat identified risks	High	Prioritised action required	Establish process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, to assist with managing changes to procedures.	A Process Improvement Project commenced in November 2019 by the corporate services department. A key deliverable of this project will be the development of an Executive Instruction on updating procedures. This will also form a part of a "Finance Manual".	EMCCS	31/12/2020

Item Number	Source Document	Risk Assessment Category	Risk Issue and Failure Modes	Risk Identified	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Action Taken	Responsible Officer	Timeframe
45	Reg 5 and Reg 17 Review	Procurement	Through limited testing of payments, a non compliant procurement was identified relating to the procurement of IT services, where the required number of quotations were not obtained for the value of the service. The purchasing policy allows for the requirement to obtain quotations to be circumvented in exceptional circumstances, however in this instance the service has been ongoing for a number of months, by the same provider and does not conform with the exceptions allowed within the policy.	Lack of probity. Financial loss. Unauthorised purchasing. Fraud Risk	High	Prioritised action required	All procurement of goods or services should be undertaken in accordance with the Procurement Policy and legislative requirements, regardless of the type of service or goods.	IT Officer now employed. See also Item 44.	EMCCS	Complete
46	Reg 5 and Reg 17 Review	Procurement - Tender Assessment	The Shire currently uses a panel of officers identified by the project officer, to assess the tenders and provide a score against assessment criteria. Members of the panel are expected to declare an interest if one exists. Documented procedures are not in place to require the declaration of interest and confidentiality to be signed prior to tender submissions being passed over for inspection.	Lack of probity. Fraud risk.	High	Prioritised action required	To help ensure probity and fairness when assessing tenders, procedures for the declaration of interests prior to assessing tender should be documented.	A Process Improvement Project commenced in November 2019 by the corporate services department. A key deliverable of this project will the development of an Executive Instruction on Tender Assessment procedures. This will also form a part of a "Finance Manual".	EMCCS	30/06/2020
47	Reg 5 and Reg 17 Review	Procurement - Tender Assessment	The tender register contains a record of officers who were present when tenders were opened. Our inspection of the register not all officers listed in this record have signed the register.	Lack of probity. Fraud risk.	High	Prioritised action required	To help support probity and fairness with the tender process, all officers present at the opening of tenders should sign the register to confirm their presence and the records entered into the tender register.	A Process Improvement Project commenced in November 2019 by the corporate services department. A key deliverable of this project will the development of an Executive Instruction on Tender Assessment procedures. This will also form a part of a "Finance Manual".	EMCCS	30/06/2020
48	Reg 5 and Reg 17 Review	Procurement - Tender Assessment	We noted from samples tested, not all officers listed on the assessment panel within the tender register had signed the assessment of some tenders.	Lack of probity. Fraud risk.	High	Prioritised action required	All officers responsible for assessment of tenders should sign an assessment record to support their participation in the evaluation process.	A Process Improvement Project commenced in November 2019 by the corporate services department. A key deliverable of this project will the development of an Executive Instruction on Tender Assessment procedures. This will also form a part of a "Finance Manual".	EMCCS	30/06/2020
49	Reg 5 and Reg 17 Review	Procurement Assessment	In certain cases, a panel is utilised to assess responses to requests for quotations. We did not observe any documented formal requirements when undertaking these assessments.	Fraud risk	High	Prioritised action required	To help support probity and fairness when assessing responses to requests for quotation, the process undertaken should be documented. The process to be followed should require a higher level of probity and due diligence, the higher the value or risk associated with the purchase.	A Process Improvement Project commenced in November 2019 by the corporate services department. A key deliverable of this project will the development of an Executive Instruction on Procurement procedures. This will also form a part of a "Finance Manual".	EMCCS	30/06/2020
50	Reg 5 and Reg 17 Review	Receipting Procedures	Receipt batches are only updated after they have been reconciled to the bank statement.	Lack of probity. Financial loss. Unauthorised purchasing.	High	Prioritised action required	To minimise the risk of fraud or error, funds received should be receipted immediately and batches updated daily, with a reconciliation to the daily banking undertaken routinely. Errors identified through the reconciliation to the bank statements should be corrected through appropriately authorised journals.	The mitigation strategy suggested has been implemented.	MF	Complete
51	Reg 5 and Reg 17 Review	Recreation Facility Fees and Charges	A management agreement currently exists for a third party to operate recreation facilities, including the swimming pool. The agreement allows the operator to review and set fees and charges with Council approval, however the fees are not set within the schedule of fees and charges at the time of adopting the annual budget.	Lack of probity. Financial loss.	High	Prioritised action required	Under a management agreement, fees and charges are required by legislation to be set by Council, adopted by absolute majority and included within the schedule of fees and charges. The current imposition of fees and charges for recreation facilities use is non compliant which requires immediate rectification.	2019/20 Fees and Charges (including Narrogin Regional Leisure Centre fees) were adopted at the 24/7/19 Council meeting.	MF	Complete

Item Number	Source Document	Risk Assessment Category	Risk Issue and Failure Modes	Risk Identified	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Action Taken	Responsible Officer	Timeframe
52	OAG INTERIM AUDIT RESULTS	Review of key reconciliations	We noted that reconciliations for the Accounts Receivable, Accounts Payable and Asset modules were completed however it is not signed by either the preparer or the reviewer.		Moderate	We recommend that the preparer and reviewer sign the reconciliation and the reviewer is an appropriate staff independent of the preparer.		Reconciliations for all subsidiary ledgers how been revisited with responsible officers completing and the MF reviewing, to ensure correctness. Future practices will involve the responsible officers completing the task as part of the EOM process, with the MF authorising.	MF	Complete
53	Reg 5 and Reg 17 Review	Risk Management	Risk Management activities currently undertaken are largely undocumented.	Lack of strategic direction for risk management procedures	Medium	Planned action required	Risk management procedures and process to be developed in accordance with the latest risk management standard (ISO 31000:2018).	Developed the role of Senior Finance Officer - Strategic. KRA will be development implementation and maintenance of Risk Registers	CEO	31/12/2020
54	Reg 5 and Reg 17 Review	Risk Management	Risk Management activities currently undertaken are largely undocumented.	Lack of strategic direction for risk management procedures	Medium	Planned action required	Implement risk management procedures and processes throughout the organisation	Developed the role of Senior Finance Officer - Strategic. KRA will be development implementation and maintenance of Risk Registers	CEO	31/12/2020
55	Reg 5 and Reg 17 Review	Risk Register	A risk register in relation to high risks was not available to reflect identified risks, and if they have been adequately treated.	Internal Control	Medium	Planned action required	Maintaining risk registers for all identified risks is important to help ensure appropriate recording and communication of high risks, along with providing a record to enable the verification of whether treatment plans have appropriately reduced the risk.	Developed the role of Senior Finance Officer - Strategic. KRA will be development implementation and maintenance of Risk Registers	CEO	31/12/2020
56	OAG INTERIM AUDIT RESULTS	Risk Register policies and procedures	We noted that the Shire has not completed a review on its risk management register since its draft inception in April 2016. It is unclear whether the document underwent proper review, establishing of risks and if any subsequent work were performed. In addition, there is no process in place for the audit committee to regularly review the risk register (triannual) and the progress made in completing required treatment actions.		Moderate		We recommend that the Shire review and update its risk management register. As part of this review, the Shire should ensure that the items under 17(1) Local Government (Audit) Regulations 1996 are considered. The results of this review and any changes made should be endorsed by the audit committee. In addition, the Shire should consider providing a regular report to the audit committee on the status of the risk management register and associated actions.	Risk Policy Adopted By Council at its 24/7/2019 Council meeting.	CEO	Complete
57	OAG INTERIM AUDIT RESULTS	Service Level Agreement for IT Services	Lack of a formal SLA outlining the terms of an agreement for services provided by the external IT consulting firm may create an expectation gap between the parties. As no formal agreement is in place, a sudden change due to unforeseen circumstances could result in a detriment to the Shire's IT infrastructure and ability to carry out its daily operations.		Moderate	Management should establish a temporary SLA with the external IT consulting firm stipulating the terms provided in the quote.		Detailed Service Level Agreement obtained.	EMCCS	Complete
58	Reg 5 and Reg 17 Review	Staff Training	Staff training needs are currently identified on an ad-hoc basis. We understand management wishes to establish a more formal staff training structure.	Internal control or compliance breach	Medium	Planned action required	Develop a staff training matrix to identify staff training needs relevant to their role is important to ensuring it is co-ordinated across the organisation.	Noted. Procedures will be reviewed.	MF/SFO	30/06/2020

Item Number	Source Document	Risk Assessment Category	Risk Issue and Failure Modes	Risk Identified	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Action Taken	Responsible Officer	Timeframe
59	OAG INTERIM AUDIT RESULTS	Supplier Master File – redundant records	<p>We noted that there were superseded and outdated supplier records. The Shire does not periodically review its supplier master file to deactivate old, unused or duplicate supplier records.</p> <p>The supplier master file is a comprehensive file in the financial system which stores key information about suppliers for processing payments to suppliers, including information on bank accounts and addresses.</p> <p>Audit notes that creditors in the system may be labelled as "Suspended", however a large number of the above supplier files were not removed or updated.</p>		Minor		We recommend management undertake a periodic review of the supplier master file to deactivate inactive, old, unused or duplicate records.	<p>The Shire has in the past had the Finance Officer Support review and clean up the Names and addresses module. This covers all records.</p> <p>This task was performed in 2015/2016 as part of the merger between the Town and the Shire. It was also completed approximately March 2017. Another review commenced in January 2019, and we are in discussions with IT Vision (our corporate software supplier) due to system issues.</p> <p>Reviewed was completed in May 2019.</p> <p>This process has been incorporated into the End of Year (EOY) processes.</p>	MF	Complete
60	Reg 5 and Reg 17 Review	Tender Register	The tender register contains incomplete entries. Our samples selected did not include a copy of the tender advertisement to evidence advertising occurred as per statutory requirements.	Internal control breakdown and compliance breach	Medium	Planned action required	Place a copy of state-wide advertisement as evidence of regulatory compliance for each tender in the register.	A Process Improvement Project commenced in November 2019 by the corporate services department. A key deliverable of this project will be the development of an Executive Instruction on Procurement procedures. This will also form a part of a "Finance Manual".	EMCCS	30/06/2020
61	Reg 5 and Reg 17 Review	Tender Register	Some tenders recorded in the register contained details of the value of all submissions received.	Internal control breakdown and compliance breach	Medium	Planned action required	To maintain the confidentiality of submissions received values of submissions received be removed from the tender register.	A Process Improvement Project commenced in November 2019 by the corporate services department. A key deliverable of this project will be the development of an Executive Instruction on Procurement procedures. This will also form a part of a "Finance Manual".	EMCCS	30/06/2020
62	OAG INTERIM AUDIT RESULTS	Termination checklist	We noted that the Shire does not have a policy or formalised process that requires a termination checklist to be completed with departing employees.		Moderate	We recommend the Shire review processes associated with employee terminations to ensure that a termination checklist is completed for terminated employees.		Checklist implemented see Form FCS024.	CEO	Complete
63	Reg 5 and Reg 17 Review	Waste Facility Cash Handling	Imposition of fees and charges for domestic waste have resulted in cash being collected at the waste facility. Controls in relation to the handling of cash received at the waste facility are considered inadequate.	Lack of probity. Financial loss.	High	Prioritised action required	Remove or significantly reduce the potential amount of cash received at the waste facility, through use of pre-purchased vouchers etc. Should cash continue to be accepted, appropriate procedures and controls are required.	Noted. Procedures will be reviewed.	MF/ EMDRS	30/06/2020
64	Reg 5 and Reg 17 Review	Workflow Diagrams	Workflow diagrams have not been compiled for undocumented procedures.	Breakdown of internal controls. Controls reliant on the capability and honesty of staff.	Medium	Planned action required	In conjunction with, or as an alternative to, the development of documented procedures and checklists, update and development of workflow process diagrams may assist in clearly identifying controls and processes to be followed.	Documented procedures are now in place in the Finance area.	EMCCS	Complete



Our Ref: 8500

Mr Dale Stewart
Chief Executive Officer
Shire of Narrogin
PO Box 1145
NARROGIN WA 6312

Shire of Narrogin RECEIVED	
Directed to	<u>Dale / Frank</u>
10 FEB 2020	
Ref No	<u>ICR2019505</u>
Property File	
Subject File	<u>F.I.I</u>
Ref	

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: (08) 6557 7500
Fax: (08) 6557 7600

Email: info@audit.wa.gov.au

Dear Mr Stewart

FOCUS AUDIT – LOCAL GOVERNMENT MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS

As you would be aware, the Auditor General has been undertaking this audit in your Shire and a sample of other local government entities. Audit findings for your Shire are included in the attached management letter for your attention. These matters have been discussed with your relevant staff and their comments have been included on the attachment for your information.

This management letter will be used to prepare the draft report which will be sent to your Shire in the next few months as part of our process for ensuring factual accuracy and contextual appropriateness before we finalise the report. The final report is scheduled for tabling in Parliament in April 2020.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

I would like to take this opportunity to thank you, the management and the staff of your Shire for their cooperation with the audit team during our audit.

A copy of this letter has also been sent to the President. Please contact me on 6557 7574 if you have any queries.

Yours sincerely

RENUKA VENKATRAMAN
DIRECTOR FINANCIAL AUDIT
3 February 2020

Attach

SHIRE OF NARROGIN

PERIOD OF AUDIT: 1 JANUARY 2018 TO DATE OF AUDIT

FINDINGS IDENTIFIED DURING THE FOCUS AUDIT- LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Procurement Policy and Procedures		✓	
2. Contract Register		✓	
3. Tender Process	✓		

KEY TO RATINGS

The ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF NARROGIN

PERIOD OF AUDIT: 1 JANUARY 2018 TO DATE OF AUDIT

**FINDINGS IDENTIFIED DURING THE FOCUS AUDIT- LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS****1. Procurement Policy and Procedures****Finding**

We reviewed the Shire's Council Policy Manual and noted that it did not include:

- a requirement to maintain a contract register, or specify the value above which contracts are to be recorded in the contracts register and the custodian of the register
- outline the procurement process for contract renewals or extensions, including a requirement for a formal documented assessment of current contractor performance before an existing contract is extended or renewed
- a requirement for timely review of the contract register to identify contracts that are due to expire, with the view of commencing appropriate action well before the expiry of the contract.

We understand that in practice, reviews of the contract register and contractor performance before renewal or extension of contracts are completed.

Rating: Moderate**Implication**

In the absence of comprehensive procurement policies and guidelines, there is an increased risk that contract renewals or extensions may not be effectively managed, potentially resulting in failure to achieve value for money.

Recommendation

The Council Policy Manual should be updated to include:

- a requirement to maintain a contract register, with details of the key information to be included in the register
- the dollar value above which contracts are to be recorded in the contract register and the custodian responsible for the regular review and update of the register
- a requirement for the custodian of the contract register to regularly review the register for contracts nearing expiry, so that negotiations can commence well before the expiry of the contract. This will ensure continuity in the supply of goods and services as well provide best value for money
- a requirement for the evaluation of current contractor performance to be performed to ensure poor performing contractors are identified and concerns are adequately addressed, prior to exercising the contract renewal or extension option.

Management comment

The Local Government Accounting Directions 1994 at Clause 8(13), stated all documentary agreements, contracts, debentures, guarantees, vesting orders, title deeds, leases, indemnities, mortgages and other legal documents of the local government are securely stored and that appropriate details are recorded in a suitable register.

Under Clause 24 of Schedule 9.3 *Local Government Act 1995*, local governments "All registers, records and documents which a former municipality was required under the former provisions to keep are to be kept by the continuing authority for the purposes for which the registers, records or documents were required to be kept under those provisions."

SHIRE OF NARROGIN**PERIOD OF AUDIT: 1 JANUARY 2018 TO DATE OF AUDIT****FINDINGS IDENTIFIED DURING THE FOCUS AUDIT- LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS**

Thus, our view is that we comply with the law by having a compliant contract register, and a Council policy is therefore not necessary, particularly given we have:

1. A Council Policy, number 1.13, Legislative Compliance, that states that the Shire of Narrogin has an obligation to ensure that legislative requirements are complied with (by the CEO and Administration); and
2. A Corporate Library and Annual Plan that reference the key Documents of the Shire that are maintained, inclusive of the Contracts, Deeds & Agreements Register.

We agree with the best practice suggestions to record the dollar value of the contracts and already have responsible officer and departments allocated in the register, which is reviewed regularly.

Whilst this process occurs now, and is reviewed by the Chief Executive Officer on a regular basis, an end of month procedure will be instituted for a relevant Officer to review the Registers with a requirement to report outstanding matters on a cyclical basis to relevant accountable officers and the Executive Management Team.

We note that the suggestion of a requirement for the evaluation of current contractor performance to be performed to ensure poor performing contractors are identified and concerns are adequately addressed, prior to exercising the contract renewal or extension option is what we would class as common sense, and only the Chief Executive Officer or the Council have authority within the organisation to enter into contracts, deeds or agreements greater than 12 months in length and / or of value greater than \$75,000.

This notwithstanding, our Register has been amended to contain a notation that requires an evaluation of contractor performance prior to renewal. Poorly performing contractors would be clearly evident to officers throughout the organisation and performance evaluation would be undertaken as a matter of course, if renewal or a further optional term is contemplated.

Responsible person: Executive Manager Corporate and Community Services
Completion date: 31 December 2019

SHIRE OF NARROGIN**PERIOD OF AUDIT: 1 JANUARY 2018 TO DATE OF AUDIT****FINDINGS IDENTIFIED DURING THE FOCUS AUDIT- LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS****2. Contract Register****Finding**

We reviewed the Shire's contract register, and noted that the following key contract details were not included in the register:

- Value of contracts (including the value of any contract extensions and variations)
- Detailed information on contract variations, such as the number and dollar value of individual variations
- Details of contract renewal or extension options available and the dates of options exercised.

Rating: Moderate**Implication**

Lack of complete and accurate information in the contract register could potentially limit the Shire's ability to effectively monitor and manage its contractual obligations.

Recommendation

Management should review and update the contract register to ensure that key information relating to all current contracts are included in the contract register.

Management comment

Contract renewal dates and extension options were included in the Register where they existed for most contracts, and we have added those that were missed or the words 'Not Applicable' to those, where they did not.

Contract variations are minimal or of negligible, if any value, given most contracts in the Register are with community groups, paying a lease fee of \$1 per annum.

The value of contracts has now been added and we accept that suggestion as best practice.

Responsible person: Executive Manager Corporate and Community Services
Completion date: 31 December 2019

SHIRE OF NARROGIN

PERIOD OF AUDIT: 1 JANUARY 2018 TO DATE OF AUDIT

FINDINGS IDENTIFIED DURING THE FOCUS AUDIT- LOCAL GOVERNMENT
MANAGEMENT OF CONTRACT RENEWALS OR EXTENSIONS AND VARIATIONS**3. Tender Process****Finding**

Division 16(3) of the Local Government (Functions and General) Regulations 1996 and Section 3.1(c)(5) of the Shire's Council Policy Manual require that tenders are opened in the presence of at least 2 employees, or one local government employee and at least one person authorised by the Chief Executive Officer to open tenders.

We noted that of the 10 tenders recorded in the tender register during the period 1 January 2018 to 31 May 2019, 3 tenders were opened in the presence of only 1 employee, as evidenced by their signatures on the tender register.

Rating: Significant**Implication**

This is not in compliance with the requirements of the Local Government Regulations and the Shire's Council Policy Manual. Further, this reduces transparency and accountability over the tender process and can potentially increase the risk of fraud.

Recommendation

Management must ensure that tenders are opened in the presence of at least 2 employees in accordance with Section 3.1(c)(5) of the Shire's Council Policy Manual and Division 16(3) of the Local Government (Functions and General) Regulations 1996.

Management comment

We confirm that the 3 tenders were indeed opened by 2 people, as required by the law, and is evidenced in the Tender Register with the recording of their names and managements confirmation of their attendance with the officers concerned.

Employees likely to attend future tender openings have been reminded of the best practice approach of signing the attendance sheet, in the column already provided, as evidence confirming compliance with the Regulations however.

Responsible person: Executive Manager Corporate and Community Services

Completion date: 31 December 2019

7. CLOSURE OF MEETING

There being no further business to discuss, the Presiding Member declared the meeting closed at 7:15 pm.