

# Audit & Risk Committee Meeting

To be held in Council Chambers 13 Cottrell Street, Dowerin WA 6461 Thursday 19 December 2019 Commencing 9.30am





### NOTICE OF MEETING

Dear Audit & Risk Committee Members,

The next Audit & Risk Committee Meeting of the Shire of Dowerin will be held on Thursday 19 December 2019 in the Shire of Dowerin Council Chambers, 13 Cottrell Street, Dowerin commencing at 9.30am.

Rebecca McCall Chief Executive Officer 17 December 2019

#### DISCLAIMER

Statements or decisions made at this meeting should not be relied or acted on by an applicant or any other person until they have received written notification from the Shire. Notice of all approvals, including planning and building approvals, will be given to applicants in writing. The Shire of Dowerin expressly disclaims liability for any loss or damages suffered by a person who relies or acts on statements or decisions made at a Council or Committee meeting before receiving written notification from the Shire.

The advice and information contained herein is given by and to Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

It should be noted that the Attachment hyperlinks may not be functional from this document when sourced from the Shire of Dowerin's website. Attachment copies follow on at the end of this Agenda or are available by contacting the Shire Office on 08 9631 1202 or dowshire@dowerin.wa.gov.au.

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## Shire of Dowerin Audit & Risk Committee Meeting Thursday 19 December 2019



Official Opening

2.	Record of Attendance / Apologies / Leave of Absence		
	Councillors:		
	Cr DP Hudson Cr BA Ward	President	
	ТВА	Observers	
	Staff		
	Ms R McCall Ms C Delmage Ms V Green	Chief Executive Officer Manager Corporate & Community Services Executive & Governance Officer	
	Office of the Auditor General / AMD Chartered Accountants	(via teleconference)	
	Members of the Public:		
	Apologies:	Mr JB Whiteaker	
	Approved Leave of Absence:	Cr RI Trepp (subject to Council resolution)	
3.	Public Question Time		

4. Disclosure of Interest

Committee Members are to complete a Disclosure of Interest Form for each item they are required to disclose an interest in. The Form should be given to the Presiding Member before the meeting commences. After the meeting, the Form is to be provided to the Executive & Governance Officer for inclusion in the Disclosures Register.

	to the Executive & Governance officer for inclusion in the Disclosures Register	
5.	Confirmation of Minutes of the Previous Meeting(s)	
5.1	Audit & Risk Committee Meeting held on 22 October 2019 <u>Attachment 5.1A</u>	
	Voting Requirements	
	Simple Majority Absolute Majority	
Officer	's Recommendation - 51	

That, in accordance with Sections 3.18 and 5.22(2) of the *Local Government Act 1995*, the Minutes of the Audit & Risk Committee Meeting held on 22 October 2019, as presented in Attachment 5.1A, be confirmed as a true and correct record of proceedings.

#### 6. PRESENTATIONS

The Exit Interview to discuss the Audited Financial Report, Management Report and any other relevant matters with representatives from the Office of the Auditor General and AMD Chartered Accountants, will be conducted via teleconference (Refer Item 7.1) at the commencement of the meeting.

#### OFFICER'S REPORTS

#### 7.1 Adoption of the 2018/19 Audited Financial Report

Corporate & Community Services		
Date:	16 December 2019	
Location: Not Applicable		
Responsible Officer: Cherie Delmage, Manager Corporate &		ity Services
Author: Vanessa Green, Executive & Governance Off		
Legislation: Local Government Act 1995		
Sharepoint Reference:	Organisation/Corporate Management/Reportin Financial Report	g/2018-19 Audited
Disclosure of Interest: Nil		
Attachments: <u>Attachment 7.1A</u> - 2018/19 Audited Financial Report ( Management Letters)		Report (including

Purpose of Report

**Executive Decision** 

Legislative Requirement

Summary

This Item presents the 2018/19 Audited Financial Report to the Audit & Risk Committee for consideration and, if satisfactory, recommendation to Council for adoption.

Background

The annual financial statements for the year ended 30 June 2019 have been audited by the Auditors under the Office of the Auditor General (OAG).

The 2018/19 Audited Financial Report and Management Report are included as an Attachment.

#### Comment

Pursuant to its Terms of Reference, it is relevant that the Audit & Risk Committee considers the 2018/19 Annual Financial Statement, Auditors Report and Management Letter and where appropriate, makes recommendation(s) in respect of these reports.

In accordance with Section 7.9 of the Local Government Act 1995, an Auditor is required to examine the accounts and annual financial report submitted by a local government for audit. The Auditor is also required, by 31 December following the financial year to which the accounts and report relate, to prepare a report thereon and forward a copy of that report to:

- 1. the Mayor or President;
- 2. the Chief Executive Officer: and
- 3. the Minister for Local Government.

Furthermore, in accordance with Regulation 10(4) of the Local Government (Audit) Regulations 1996, where it is considered appropriate to do so, the Auditor may prepare a Management Report



to accompany the Auditor's Report, which is also to be forwarded to the persons specified in Section 7.9 of the *Local Government Act 1995*.

The Management Report provides an overview of the audit process and outcomes, whilst also identifying any matters that, whilst generally not material in relation to the overall audit of the financial report, are nonetheless considered relevant to the day to day operations of Council.

#### 2018/19 Annual Report

Due to the timing of receiving the audited financial report it has not been possible to finalise the full 2018/19 Annual Report.

Local governments are required to adopt the annual report within 30 days of receiving the audited financial report and conduct an annual electors meeting (AEM) not more than 56 days after adopting the report.

Considering the above legislative timeline, as the 2018/19 Audited Financial Report was received on Monday 16 December 2019, along with the Annual Report, it must be adopted by Council no later than Wednesday 15 January 2020. With the Ordinary Meeting of Council scheduled for Wednesday 29 January 2020 it will therefore be necessary to conduct a Special Meeting of Council for this purpose.

Due to the Christmas/New Year period the Administration Office will be closed from Friday 20 December 2019 and reopen on Monday 6 January 2020. In addition, the Despatch will not be produced between 13 December 2019 and February 2020. This will limit the usual method available to the Shire in providing local public notice of the Special Council Meeting. However, Regulation 12(4) of the *Local Government (Administration) Regulations 1996* enables the CEO the discretion to determine the most practicable way in which to provide public notice, this can be via the Shire's website and social media channels, along with flyers on appropriate notice boards.

The date of the Special Council Meeting will affect the date(s) on which the AEM can be held. It is suggested that these dates be discussed with Council during its December 2019 Workshop.

Discussion with the OAG and Auditors

Representatives from the OAG and AMD Chartered Accountants will discuss the Management Report, and any other relevant matters, with the Audit & Risk Committee.

Consultation

OAG / Auditors

Rebecca McCall, Chief Executive Officer

Cherie Delmage, Manager Corporate & Community Services

Policy Implications

Nil

Strategic Implications

Strategic Community Plan

Community Priority: Our Leaders

Objective: A thriving and progressive rural community enabled by innovation in leadership, a focus on continuous improvement and adaptability to evolving community needs

Outcome: 2 & 3

Reference: L3, L4 & L5

Asset Management Plan

Nil

Long Term Financial Plan

Nil

#### Statutory Implications

The *Local Government (Audit) Regulations 1996* provides the legislative framework for the conduct of audits in local government, and the role of the Audit & Risk Committee in considering the results of those audits.

Sections 5.53 & 5.54 of the *Local Government Act 1995* specifies local governments are to receive the Annual Report.

Sections 5.4 & 5.5 of the *Local Government Act 1995* specifies local governments are to convene Council Meetings.

Regulation 12 of the *Local Government (Administration) Regulations 1996* stipulates the methods of public notice of Council Meetings.

Risk Implications

The Audit & Risk Committee, and Council, would be contravening the *Local Government Act* 1995 and the *Local Government (Audit) Regulations* 1996 if this item was not considered.

The external audit provides assurance for the accuracy of the end of year financial report.

It covers a robust area of risk assessment and compliance with auditing in compliance with Australian Accounting Standards.

# Financial Implications Nil Voting Requirements Simple Majority Officer's Recommendation - 7.1

That, in accordance with *Local Government (Audit) Regulations 1996*, the Audit & Risk Committee:

- 1. adopts the 2018/19 Audited Financial Report, and receive the Auditor's Report and Management Report, as presented in Attachment 7.1A, from AMD Chartered Accountants for the 2018/19 financial year; and
- 2. recommends to Council that it adopts the 2018/19 Audited Financial Report, and receives the Auditor's Report and Management Report, as presented in Attachment 7.1A, from AMD Chartered Accountants for the 2018/19 financial year.

7.2 CEO's Review of Risk Management, Internal Control and Legislative Compliance and Risk Management Governance Framework – Regulation 17

# Governance & Compliance



Date:		
Location:	Not Applicable	
Responsible Officer:	Rebecca McCall, Chief Executive Officer	
Author:	Vanessa Green, Executive & Governance Officer	
Legislation:	Local Government Act 1995; Local Government (Audit) Regulations 1996	
Sharepoint Reference: Organisation/Compliance/Risk Management/2019 - CEO for Audit Regulation 17		
Disclosure of Interest:	erest: Nil	
Attachments:	Attachment 7.2A - CEO's Regulation 17 Review Report	

 Purpose of Report

 Executive Decision

 Summary

This Item presents the CEO's Review of Risk Management, Internal Control and Legislative Compliance and Risk Management Governance Framework - Regulation 17 to the Audit & Risk Committee for consideration and, if satisfactory, recommendation to Council for adoption.

#### Background

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the 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. The review may relate to any or all of the matters referred to the sub-regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 3 calendar years.

The CEO is to report to the Audit & Risk Committee the results of that review.

To assist in developing the report, the CEO sought quotes from 3 external consultants to undertake an initial review of the Shire's systems and procedures, with the quote from Mr Gary Martin considered the best value for money. Therefore, Mr Martin was appointed to undertake the review. Mr Martin conducted the review onsite at the Shire Administration Office during the week commencing Monday 2 September 2019. Mr Martin's report was considered by the Audit & Risk Committee at its October 2019 meeting (CMRef 0055).

The 2019 review has identified that the Shire has made significant positive improvements relating to risk management since 2017 despite the changeover of CEOs, and these changes are continuing.

However, the current CEO reported to the Audit & Risk Committee in March 2019 that with the loss of key personnel during 2018, quarterly monitoring and reporting of the risk profiling tool did not take place. Also, that upon the commencement of the current CEO in late August 2018, there was an immediate need to concentrate on operational priorities. Although quarterly monitoring

or reporting did not occur, there has been an emphasis on reviewing identified policies and procedures to ensure the necessary controls are in place.

The CEO acknowledges the delay in further implementing the risk management process and is now actively pursuing that objective. This includes developing an internal Governance Calendar and implementing the Risk Dashboard (refer Item 7.4). The Dashboard will be reviewed quarterly in February, May, August and November of each calendar year and reported to the Audit & Risk Committee every six months (suggested as June and December).

A Risk Management standing item is also to be included for review in Senior Management action lists for discussion at Senior Staff meetings.

It is the intent of management to develop an action list, to include priorities to address the recommendations identified in Mr Martin's review report, which will be presented to the Audit & Risk Committee and Council in December 2019 with the full report on the CEO's Review of Risk Management, Internal Control and Legislative Compliance and Risk Management Governance Framework.

It is then anticipated that the report on the CEO's Review of Risk Management, Internal Control and Legislative Compliance and Risk Management Governance Framework will be reviewed and presented to the Audit & Risk Committee and Council on an annual basis (in December each calendar year).

Comment

The full report is included as an Attachment and provides commentary on a number of topics.

Consultation

Mr Gary Martin, Local Government Consultant

Rebecca McCall, Chief Executive Officer

Senior Management Group

**Policy Implications** 

Policy 2.2 - Risk Management Policy applies.

Strategic Implications

Strategic Community Plan

Community Priority: Our Leaders

Objective: A thriving and progressive rural community enabled by innovation in leadership, a focus on continuous improvement and adaptability to evolving community needs

Outcome:

Reference: L5

Asset Management Plan

Nil

Long Term Financial Plan

Nil

Statutory Implications

Regulation 17 of the Local Government (Audit) Regulations 1996 states:

*"17. CEO to review certain systems and procedures* 

3

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to
  - (a) risk management; and

- (b) internal control; and
- (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review."

**Risk Implications** 

The Audit & Risk Committee, and Council, would be contravening the *Local Government Act* 1995 and the *Local Government (Audit) Regulations* 1996 if this item was not considered.

The Shire of Dowerin has a Risk Management Governance Framework which includes a policy and procedure. The framework provides tools that monitor the Shire's risk profile on a quarterly basis. When regular monitoring and review takes place risk implications are low.

	Financial Implications	
Nil		
	Voting Requirements	
	Simple Majority	Absolute Majority
	Officer's Recommendation - 7.2	

That, in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996*, the Audit & Risk Committee:

- 1. receives the Chief Executive Officer's review of the Regulation 17 Report consisting of Shire of Dowerin's Risk Management, Internal Controls and Legislative Compliance report as presented in Attachment 7.2A;
- 2. receives the Chief Executive Officer's review the Shire of Dowerin Risk Dashboard Report as presented in Attachment 7.2B; and
- **3.** recommends adoption of the Chief Executive Officer's review of the Regulation 17 Report consisting of Shire of Dowerin's Risk Management, Internal Controls and Legislative Compliance report and the Shire of Dowerin Risk Dashboard Report by Council.

8.	Questions from Members
9.	Urgent Business Approved by the Person Presiding or by Decision
10.	Date of Next Meeting
	February/March 2020 on a date and at a time yet to be determined.

11. Closure

Attachment 5.1A



# Audit & Risk Committee Meeting

Held in Council Chambers 13 Cottrell Street, Dowerin WA 6461 Tuesday 22 October 2019



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9.	Urgent Business Approved by the Person Presiding or by Decision	
10.	Date of Next Meeting	
11.	Closure	

Shire of Dowerin Audit & Risk Committee Meeting Tuesday 22 October 2019		SHIRE OF DOWERIN TIN DOG TERRITORY	
1.	Official Opening		
	The Chair welcomed those in a	ttendance and decl	ared the meeting open at 11.05am.
2.	Record of Attendance / Apolo	gies / Leave of Abs	sence
	Members:		
	Cr DP Hudson Cr BA Ward Mr JB Whiteaker	President From 11.10am v	via teleconference
	Staff		
	Ms R McCall Ms C Delmage Mr G Brigg Ms V Green	Manager Works	orate & Community Services
	Members of the Public:	Nil	
	Apologies:	Mr AJ Metcalf	
	Approved Leave of Absence:	Nil	
Reques	Request for Attendance via Teleconference		

In accordance with Regulation 14A of the *Local Government (Administration) Regulations 1996* Mr Whiteaker has requested attendance at this Audit & Risk Committee Meeting via telephone communication.

	Voting Requirements		
<u> </u>	Simple Majority	Absol	ute Majority
Officer's Recommendation/Resolution			
Moved:	Cr Ward	Seconded:	Cr Hudson
0048	That, by Absolute Majority pursuant to Regulation 14A of the <i>Local Government</i> (Administration) Regulations 1996, the Audit & Risk Committee:		
			t the Ostaber 2010 Audit 9 Diale

- 1. Approves Mr Whiteaker's attendance at the October 2019 Audit & Risk Committee meeting via telephone communication; and
- 2. Approves an office at 395 Fitzgerald Street, Northam WA 6401 as a suitable place for Mr Whiteaker's attendance.

CARRIED 2/0

11.10am – Mr Whiteaker was contacted by telephone and joined the meeting.

Public Q

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Confirm

Nil

Nil

5

uestion Time
e of Interest
ation of Minutes of the Previous Meeting(s)

5.1	Audit & Risk Committee Meeting held on 18 March 2019 Attachment 5.1A	
	Voting Requirements	
	Simple Majority	Absolute Majority
Officer'	s Recommendation/Resolution	
Moved:	Cr Ward	Seconded: Mr Whiteaker

0049 That, pursuant to Sections 3.18 and 5.22(2) of the *Local Government Act 1995*, the Minutes of the Audit & Risk Committee Meeting held on 18 March 2019, as presented in Attachment 5.1A, be confirmed as a true and correct record of proceedings.

CARRIED 3/0

#### 6. PRESENTATIONS

Nil

#### 7. OFFICER'S REPORTS

#### 7.1 Standing Item - Business Arising from the Previous Meeting(s)

Corporate & Community Services			
Date:	7 October 2019		
Location: Nil			
Responsible Officer: Cherie Delmage, Manager Corporate & Community Service		ity Services	
Author:	Vanessa Green, Executive & Governance Officer		
Legislation: Local Government Act 1995			
Sharepoint Reference: Nil			
Disclosure of Interest: Nil			
Attachments: Nil			

Purpose of Report

Executive Decision

Legislative Requirement

Summary

This report provides an update on business arising from previous Audit & Risk Committee meeting(s).

Background

At its Meeting held 18 March 2019, the Audit & Risk Committee discussed the Australian Tax Office (ATO) GST Liability of \$108,703.

Comment

The amount owing to the ATO as a result of the overstatement of Business Activity Statement Credits due to fraud resulting in an overclaim of monies from the ATO during the period October 2011 to September 2015 has been paid to the ATO.

The amount of \$108,703 was paid via EFT on 7 May 2019. This is the full amount owing and a nil balance remains.

In accordance with the agreement with the ATO all penalties and interest on the amount have been waived.

Consultation

Australian Tax Office

Finance Committee Meeting 20 May 2019

**Policy Implications** 

General Financial Transaction and Financial Management Policies

#### Strategic Implications

Strategic Community Plan

Community Priority:	Our Leaders
Objective:	A thriving and progressive rural community enabled by innovation in leadership, a focus on continuous improvement and adaptability to evolving community needs
Outcome:	2 & 3
Reference:	L3, L4 & L5
Asset Management Plan	
Nil	
Long Term Financial Pla	n
Nil	

Statutory Implications

As outlined in the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.

**Risk Implications** 

The item ensures that recommendations arising from previous Audit & Risk Committee meetings are considered, actioned and updates provided to the Committee.

Financial Implications

Nil to the 2019/20 Budget as the amount was paid in the previous financial year.

Voting Requirements

Simple Majority

Absolute Majority

Officer's Recommendation

That the Audit & Risk Committee notes the progress on actions and recommendations arising from previous meeting(s).

Resolutio	on			
Moved:	Mr Whiteaker	Seconded:	Cr Ward	
0050	That the Audit & Ris recommendations arisin		•	of actions and

CARRIED 3/0

#### Reason

As the Item referred to matters which had been completed, as opposed to still progressing, the Committee believed this was better reflected in the resolution.

#### 7.2 Policy Manual Review - Risk Management Policy

Governance & Compliance		
Date: 7 October 2019		
Location:	Not applicable	
Responsible Officer: Rebecca McCall, Chief Executive Officer		
Author: Vanessa Green, Executive & Governance Officer		
Legislation: Local Government Act 1995; Local Government (Audit) Regulat. 1996		(Audit) Regulations
Sharepoint Reference:	ence: Organisation/Governance/Council Policies/Policy Manual	
Disclosure of Interest:	Nil	
Attachments:	<u>Attachment 7.2A</u> - Reviewed Risk Management Policy <u>Attachment 7.2B</u> - Risk Management Policy (adopted May 2017)	

Purpose of Report

**Executive Decision** 

Legislative Requirement

Summary

This Item presents the Risk Management Policy for consideration and, if satisfactory, recommendation to Council for adoption.

#### Background

The Shire of Dowerin's Risk Management Policy and Framework sets out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks.

The previous Risk Management Policy, adopted in January 2008 and reviewed in May 2017, has been reviewed and is included as an Attachment. Also included as an Attachment is the policy adopted in May 2017 for comparison.

#### Comment

The 2019 review has expanded the Policy to include Risk Assessment and Acceptance Criteria and also a Monitor and Review process. In addition, the Roles and Responsibilities have been expanded to clearly define the CEO's responsibilities relating to risk management.

Other changes are considered minor, mainly to make the wording more reader-friendly and understandable, while not affecting the intent of the Policy.

As the matter of risk management is a major component of the CEO's review of certain systems and procedures required under Regulation 17 of the Local Government (Audit) Regulations 1996, and the role (in part) of the Audit & Risk Committee in accordance with Regulation 16 of the Local Government (Audit) Regulations 1996, is to review the report given to it by the CEO under Regulation 17, and to report to the Council the results of that review, as well as monitoring and advising the CEO when carrying out functions in relation to the Regulation 17 review, the Risk Management Policy and Risk Management Framework (refer Item 7.3) are presented to the Audit & Risk Committee for consideration.

Consultation

Senior Management Group

**Policy Implications** 

If adopted, the Policy Manual will be updated with the reviewed policy.

Strategic Implications				
Strategic Community	Strategic Community Plan			
Community Priority:	Our Leaders			
Objective:	A thriving and progressive rural community enabled by innovation in leadership, a focus on continuous improvement and adaptability to evolving community needs			
Outcome:	3			
Reference:	L5			
Asset Management Pl Nil Long Term Financial F Nil				

Statutory Implications

Section 2.7 of the *Local Government Act* 1995 stipulates that the role of Council is to determine policies.

Risk Implications

The Shire of Dowerin has a Risk Management Governance Framework which includes a policy and procedure. The framework provides tools to monitor the Shire's risk profile on a quarterly basis. With the implementation of regular monitoring and review risk implications are considered low.

 Financial Implications

 Nil

 Voting Requirements

 Simple Majority
 Absolute Majority

 Officer's Recommendation

That, by Simple Majority in accordance with Regulations 16 and 17 of the *Local Government* (*Audit*) Regulations 1996, the Audit & Risk Committee receives the reviewed Risk Management Policy, as presented in Attachment 7.2A, and recommends to Council that it adopts the reviewed Risk Management Policy.

## Resolution Moved: Mr Whiteaker Seconded: Cr Ward

0051 That, by Simple Majority in accordance with Regulations 16 and 17 of the *Local Government (Audit) Regulations 1996*, the Audit & Risk Committee receives the reviewed Risk Management Policy, as presented in Attachment 7.2A and as amended, and recommends to Council that it adopts the reviewed and amended Risk Management Policy.

CARRIED 3/0

#### Reason

The Committee suggested further changes to the Policy being:

- 1. The inclusion of 'point 10 Operational Management' under Policy; and
- 2. A reduction in the Financial Impact for Major and Catastrophic Ratings to \$500,000.

These changes would be incorporated into the document for presentation to Council.

#### 7.3 Risk Management Framework Review

Governance & Compliance				
Date:	7 October 2019			
Location:	Not applicable	Not applicable		
Responsible Officer:	Rebecca McCall, Chief Executive Officer			
Author:	As above; Vanessa Green, Executive & Governance Officer			
Legislation:	Local Government Act 1995; Local Government (Audit) Regulations 1996			
Sharepoint Reference:	Compliance/Risk Management/Planning/Risk Management Framework			
Disclosure of Interest:	Nil			
Attachments:	Attachment 7.3A - Risk Management Framework			

 Purpose of Report

 Executive Decision

 Summary

This Item presents the Risk Management Framework for consideration and, if satisfactory, recommendation to Council for adoption.

#### Background

The Shire of Dowerin's Risk Management Policy and Framework sets out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks. All components of the Risk Management Framework are based on AS/NZS ISO 31000:2018 Risk Management - Guidelines.

It is essential that all areas of the Shire adopt these procedures to ensure:

- 1. Strong corporate governance;
- 2. Compliance with relevant legislation, regulations and internal policies;
- 3. Integrated Planning and Reporting requirements are met; and
- 4. Uncertainty and its effects on objectives is understood.

The Risk Management Framework aims to balance a documented, structured and systematic process with the current size and complexity of the Shire along with existing time, resource and workload pressures.

Appropriate governance of risk management within the Shire provides:

- 1. Transparency of decision making;
- 2. Clear identification of the roles and responsibilities of the risk management functions; and
- 3. An effective Governance Structure to support the risk framework.

The Risk Management Framework is to be reviewed for appropriateness and effectiveness at least every two years, hence a review has been undertaken and the reviewed Risk Management Framework is included as an Attachment.

#### Comment

The Shire has adopted a "Three Lines of Defence" model for the management of risk. This model ensures roles, responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the Council, management and community will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate and Operational Plans.

All work areas of the Shire are required to assess and manage the risk profiles on an ongoing basis. Each Manager, in conjunction with the CEO, are accountable for ensuring that risk profiles are:

- 1. Reflective of the material risk landscape of the Shire;
- 2. Reviewed on at least a six-monthly basis, unless there has been a material restructure or change in the risk and control environment; and
- 3. Maintained in the standard format.

This process is supported using key data inputs, workshops and ongoing business engagement.

The risk management process is standardised across all areas of the Shire. It is essential to monitor and review the management of risks as changing circumstances may result in some risks increasing or decreasing in significance. By regularly reviewing the effectiveness and efficiency of controls and the appropriateness of treatment / action options selected, it can be determined if the organisation's resources are being put to the best use possible. During the quarterly reporting process, management are required to review any risks within their area and follow up on controls and treatments / action that are mitigating those risks.

As mentioned in Item 7.2, as the matter of risk management is a major component of the CEO's review of certain systems and procedures required under Regulation 17 of the *Local Government (Audit) Regulations 1996*, and the role (in part) of the Audit & Risk Committee in accordance with Regulation 16 of the *Local Government (Audit) Regulations 1996*, is to review the report given to it by the CEO under Regulation 17, and to report to the Council the results of that review, as well as monitoring and advising the CEO when carrying out functions in relation to the Regulation 17 review, the Risk Management Policy (refer Item 7.2) and Risk Management Framework are presented to the Audit & Risk Committee for consideration.

Consultation

Rebecca McCall, Chief Executive Officer

Policy Implications

Council's Risk Management Policy is applicable.

Strategic Implications

Strategic Community Plan

Community Priority: Our Leaders

Objective: A thriving and progressive rural community enabled by innovation in leadership, a focus on continuous improvement and adaptability to evolving community needs

Outcome: 2 & 3

Reference: L3, L4 & L5

Asset Management Plan

Nil

Long Term Financial Plan

Nil

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#### Statutory Implications

The Local Government Act 1995 and Regulation 17 of the Local Government (Audit) Regulations is applicable.

Risk Implications

The Shire of Dowerin has a Risk Management Governance Framework which includes a policy and procedure. The framework provides tools to monitor the Shire's risk profile on a quarterly basis. With the implementation of regular monitoring and review risk implications are considered low.

 Financial Implications

 Nil

 Voting Requirements

 Simple Majority
 Absolute Majority

 Officer's Recommendation

That, by Simple Majority in accordance with Regulations 16 and 17 of the *Local Government* (*Audit*) Regulations 1996, the Audit & Risk Committee receives the Risk Management Framework, as presented in Attachment 7.3A, and recommends to Council that it adopts the Risk Management Framework.

#### Meeting Comment

The CEO advised the Committee that the organisation had completed and documented at least 75% of its Safe Work Method Statements as part of the First Line of Defence.

Resolutio	on			
Moved:	Mr Whiteaker	Seconded:	Cr Ward	
0052	That, by Simple Majority in accordance with Regulations 16 and 17 of the <i>Local Government (Audit) Regulations 1996</i> , the Audit & Risk Committee:			
	<ol> <li>receives the Risk Management Framework, as presented in Attachment 7.3A and as amended;</li> </ol>			
	2. acknowledges that impleme		e Risk Management Framework will progress of implementation and the	

- achievement of milestones to be reviewed and reported quarterly to the Audit & Risk Committee and Council; and
- 3. recommends to Council that it adopts the amended Risk Management Framework.

CARRIED 3/0

#### Reason

The Committee suggested further changes to the Framework, which would be incorporated into the document for presentation to Council. Additionally, the Committee wished to acknowledge that implementation of the Framework would be ongoing with regular updates on the progress of the implementation being provided to the Committee and Council.

#### 7.4 Risk Dashboard Quarterly Report - October 2019

Governance & Compliance		SHIRE OF DOWERIN TIN DOG TERRITORY
Date: 16 October 2019		
Location: Not Applicable		
Responsible Officer: Rebecca McCall, CEO		
Author: As Above		
Legislation: Local Government Act 1995		
Sharepoint Reference: Compliance/Risk Management/Reporting		
Disclosure of Interest: Nil		
Attachments:       Attachment 7.4A - Risk Dashboard Quarterly Report - October 201		port – October 2019

Purpose of Report

**Executive Decision** 

Legislative Requirement

Summary

This Item presents the Risk Dashboard Quarterly Review to the Audit & Risk Committee for consideration and, if satisfactory, recommendation to Council for adoption.

#### Background

The Shire of Dowerin's Risk Management Policy in conjunction with the Risk Management Framework sets out the Shire's approach to the identification, assessment, management and monitoring of risks.

Appropriate governance of risk management within the Shire provides:

- 1. Transparency of decision making;
- 2. Clear identification of the roles and responsibilities of the risk management functions; and
- 3. An effective governance structure to support the Risk Management Framework.

The Audit & Risk Committee has a role to play and its responsibilities include:

- 1. Regular review of the appropriate and effectiveness of the Risk Management Framework;
- 2. Support Council to provide effective corporate governance;
- 3. Oversight of all matters that relate to the conduct of external audits; and
- 4. Must be independent, objective and autonomous in deliberations.

It is essential to monitor and review the management of risks as changing circumstances may result in some risks increasing or decreasing in significance. By regularly reviewing the effectiveness and efficiency of controls and appropriateness of treatment/action options selected, it can be determined if the organisation's resources are being put to the best use possible. During the quarterly reporting process, management are required to review any risks within their area and follow up controls and treatments/actions that are mitigating those risks.

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#### Comment

The reviewed Risk Dashboard is included as an Attachment for the Audit & Risk Committee's perusal and comment.

Consultation

Michael Sparks, Senior Risk Consultant - Risk and Governance Services, LGIS

Rebecca McCall, Chief Executive Officer

Cherie Delmage, Manager Corporate & Community Services

Vanessa Green, Executive & Governance Officer

#### Policy Implications

The Risk Management Policy is applicable.

Strategic Implications

Strategic Community Plan

Community Priority: Our Leaders

Objective: A thriving and progressive rural community enabled by innovation in leadership, a focus on continuous improvement and adaptability to evolving community needs

Outcome: 3

Reference: L5

Asset Management Plan

Identified key controls and actions associated with asset management are factored into the Asset Management Plan.

Long Term Financial Plan

Identified key controls and actions associated with financial management are factored into the Long-Term Financial Plan.

Statutory Implications

The Local Government Act 1995 and Regulation 17 of the Local Government (Audit) Regulations is applicable.

Risk Implications

The Shire of Dowerin has adopted a 'Three Lines of Defence' model for the management of risk. This model ensures roles, responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, Council, Management and the community will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate and Operational Plans.

Financial Implications

Many of the actions required to manage the risks identified will require resourcing and are being progressed within the current budget allocations.

#### Meeting Comment

The Committee discussed the Dashboard and its implications in detail, with the main points of the discussion as follows:

#### CEO Comment - General

The CEO and Management Team aims for continuous improvement with the aim to achieve best practice. It is acknowledged that due to restricted resources it will take time to implement identified actions to achieve the desired outcome.

#### <u>Dashboard</u>

Main Discussion Points

• There is a preference to adopt a pragmatic approach towards managing risk and ensuring the Risk Dashboard and Profiling (Risk Register) is a workable document for the organisation.

#### Risk Theme - Asset Management Practices

#### Main Discussion Points

• Do identified actions adequately treat the listed not rated and inadequate key controls?

#### **CEO** Comment

The CEO acknowledged that the listed actions were unclear. The actions will be reviewed by the Management Team as a priority and re-presented to the Audit & Risk Committee and Council.

#### Risk Theme - Business & Community Disruption

#### Main Discussion Points

• There is not the need for the organisation to have a Business Continuity Framework in place, a straightforward Business Continuity Plan will meet the needs of the Shire of Dowerin.

#### CEO Comment

The Business Continuity Plan is in draft. The document is complex and requires refinement prior to presenting to the Audit & Risk Committee.

#### Risk Theme - Failure to Fulfil Compliance Requirements

#### Main Discussion Points

- Key Control Governance Management Framework was not rated.
- Rather than identify the overarching Key Control Governance Management Framework, list the main individual controls that make up the Framework.

#### CEO Comment

It is planned to document an overarching Governance Management Framework to integrate the individual key controls. The individual key controls are in place and adequate, however the Framework aligning the controls is yet to be developed.

#### Risk Theme - Errors, Omissions & Delays

#### Main Discussion Points

• There are no key controls addressing the risk context regarding building, development, health and environment.

#### CEO Comment

The Management Team will review the risk context and take into consideration existing key controls and treatment actions.

#### Risk Theme - IT & Communication System & Infrastructure

#### Main Discussion Points

• There is a need to focus on this risk theme to achieve an adequate rating.

#### CEO Comment

Treatment actions will be included in the priority action list with the aim to achieve an adequate rating.

#### <u>Risk Theme - Misconduct</u>

#### Main Discussion Points

- The Committee raised specific concerns in relation to the Misconduct Risk and the rating of key controls as being inadequate, particularly in the context of past occurrences of misconduct within the organization. Additionally, the Committee queried the overall risk rating as being low, particularly if the controls were assessed as inadequate.
- The Committee requested that Management review this risk category as a priority, listing the key controls in place to manage the misconduct risk and report back to the next Audit Committee Meeting.

#### CEO Comment

The CEO acknowledged that the rating was not reflective of the reality around controls in place to mitigate misconduct, as the rating merely reflected the adequacy of the controls listed. The CEO is confident the organisation is not at risk, with examples of existing controls in place including Regulation 17 Review, Delegations, Segregation of Duties, Primary and Annual Returns, and Declarations.

It is acknowledged that there is a lack of control documentation and internal controls are not centralised. However, continuous improvement is the focus, and it is the aim of the CEO to develop overarching frameworks to integrate existing key controls. As part of the development of the framework current controls will be reviewed, documented and centralised.

Frameworks include:

- 1. Governance Management;
- 2. Financial Management;
- 3. Human Resource Management; and
- 4. IT & Communications.

#### <u>Risk Theme - Supplier/Contract Management</u>

Main Discussion Points

• Consideration to review key controls to add Procurement Policy.

CEO Comment

The Management Team will review the existing key controls and actions.

#### Profiling Template - Control Assurance

Main Discussion Points

• This component of the template is a good management tool, however there is not a need to include it in the reports presented to the Audit & Risk Committee and Council in the future.

#### <u>Indicators</u>

Main Discussion Points

• Are identified indicators achievable, relevant, tracked, data recorded, measurable and do they add value to the organisation?

#### CEO Comment

The Management Team will review the indicators across the risk themes to ensure the indicators are achievable, relevant, data recorded, measurable and add value to the organisation.

Voting Requirements	
Simple Majority	Absolute Majority
Officer's Recommendation	

That, by Simple Majority in accordance with Regulations 16 and 17 of the *Local Government* (*Audit*) Regulations 1996, the Audit & Risk Committee receives the quarterly Risk Dashboard Quarterly Report – October 2019, as presented in Attachment 7.4A, on progress of actions to identify risks and track treatments to manage risks at the Shire of Dowerin, and recommends to Council that it adopts the quarterly Risk Dashboard Quarterly Report – October 2019.

Resolution	n			
Moved:	Cr	Ward	Seconded:	Cr Hudson
0053	That, by Simple Majority in accordance with Regulations 16 and 17 of the <i>Local Government (Audit) Regulations 1996</i> , the Audit & Risk Committee:			
		presented and amended in At	tachment 7.4 actions to id	dentify risks, track treatments and

3. Recommends to Council that it receives the quarterly Risk Dashboard Quarterly Report – October 2019.

CARRIED 3/0

#### Reason

In discussing the Dashboard, the Committee suggested a number of amendments which would be incorporated into the document for presentation to Council. In particular, the Committee discussed the current controls in place to manage particular risks to enable a more accurate perspective on the current situation to be documented.

#### 7.5 2019 Financial Management Review

#### Governance & Compliance SHIRE OF DOWE TIN DOG TERF 7 October 2019 Date: Location: Not applicable Responsible Officer: Rebecca McCall, Chief Executive Officer As above; Vanessa Green, Executive & Governance Officer Author: Legislation: Local Government Act 1995; Local Government (Audit) Regulations 1996 Sharepoint Reference: Organisation/Financial Management/Reporting Disclosure of Interest: Nil Attachments: Attachment 7.5A – Financial Management Review Report

Purpose of Report

**Executive Decision** 

Legislative Requirement

Summary

This Item presents the 2019 Financial Management (FM) Review for consideration and, if satisfactory, recommendation to Council for adoption.

#### Background

The CEO is responsible for implementing policies, procedures and controls which are designed to ensure the effective and efficient management of the Shire's resources. In accordance with Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 the CEO is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures. At least once in every three financial years the CEO is to report the results of those reviews to Council.

The last FM Review was conducted in 2016 by Mr Ron Back.

The CEO sought quotes from 3 external consultants to undertake the FM Review, with the quote from Mr Gary Martin considered the best value for money and therefore Mr Martin was appointed to undertake the FM Review.

The FM Review entailed an examination of various financial systems and procedures including (but not limited to):

- 1. Bank Reconciliations and Petty Cash;
- 2. Trust Funds:
- 3. Receipts and Receivables;
- 4. Rates:
- 5. Fees and Charges;
- 6. Purchases, Payments and Payables (Including Purchase Orders);
- 7. Salaries and Wages;
- 8. Credit Card Procedures;
- 9. Fixed Assets (Including Acquisition and Disposal of Property);
- 10. Cost and Administration Overhead Allocations;
- 11. Minutes and Meetings;



- 12. Budget;
- 13. Financial Reports;
- 14. Registers (Including Annual and Primary Returns);
- 15. Delegations;
- 16. Audit & Risk Committee;
- 17. Insurance;
- 18. Storage of Documents/Record Keeping; and
- 19. Integrated Planning.

The FM Review did not entail an examination of compliance with all provisions of the *Local Government Act 1995* or all Regulations (apart from the *Local Government (Financial Management) Regulations 1996*), which did not impact on the key functions mentioned above. Emphasis was placed on internal controls and management oversight of the various functions mentioned as well as the matters raised in the recent external interim and annual audits.

The FM Review was conducted during the week commencing Monday 2 September 2019 onsite at the Shire Administration Office. The FM Review Report completed by Mr Martin is provided as an Attachment.

#### Comment

The two Key Report Findings are detailed below:

- 1. "The systems and processes associated with the Shire's financial management function are generally efficient and effective and suitable for a Shire such as Dowerin. The various activities required to meet its obligations are taking place and are subject to continuous improvement. The CEO and the recently appointed employees are focussed on process improvement and best practice.
- 2. The key finding is a lack of documented internal controls. The "controls" in place are generally a result of existing practice and not a precise and purpose driven direction from the CEO that specifies what control measures are required. For example, most reconciliations are subject to a preparing Officer (name or a signature) and a checking Officer (name or signature) but without any formal written direction specifying what is required and how."

The identification and improvement in management processes since 2016 has required significant time and effort to develop and implement, even though this has taken place in an environment which has not provided the clear air to achieve all that is required. It is recognised that ideally, a period of some weeks or months dedicated solely to process improvement development and implementation is required, however this is both unachievable and unrealistic. Therefore the "completion" of reviewing and implementing a robust governance/internal control/compliance/risk regime will be on-going for the immediate future.

The FM Review noted there has been significant improvement across the various management functions, and that this is continuing on an almost daily basis. It is relevant that these changes are taking place in conjunction with the induction and settling in of at least four new employees, who all have their own normal duties and backlog to deal with.

The FM Review identified the Council has a significant role and responsibility to play in recognising the situation that exists, as well as the pitfalls and the efforts being made to achieve a solid best practice environment. While a strong management environment is the expectation it is unrealistic in the current circumstances, particularly considering the recent history of the Shire's management.

Funding, human resources, time and competing demands (particularly community expectations and normal day to day operations) all compete with the work and effort required to achieve the high standard management regime expected and which is also required.

In summary, the 2019 FM Review found that the existing systems and procedures are adequate and working, however they require tightening to improve control and be fully effective.

It is the intent of management to develop an action list, to include priorities, to address the recommendations identified in Mr Martin's report.

Staff may provide further comment on the FM Review at the meeting.

Consultation

Mr Gary Martin Senior Management Group

#### Policy Implications

It is noted that Policies are being reviewed as part of the continual improvements. These reviewed policies will be considered separately by Council at the completion of the review process. Comments made in the FM Review relating to specific policies will be taken on-board as part of the review process.

Strategic Implications

Strategic Community Plan

Community Priority:	Our Leaders
Objective:	A thriving and progressive rural community enabled by innovation in leadership, a focus on continuous improvement and adaptability to evolving community needs
Outcome:	3
Reference:	L5
Asset Management Pla Nil	an
Long Term Financial P	lan
Nil	

Statutory Implications

Regulation 5(2) of the Local Government (Financial Management) Regulations 1996 states:

"(2) The CEO is to -

- a) ensure that the resources of the local government are effectively and efficiently managed; and
- b) (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
- c) 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."

The FM Review has been undertaken in accordance with this Regulation.

#### **Risk Implications**

The risks associated with matters in this report are:

- 1. Misconduct;
- 2. External Theft and Fraud;
- 3. Errors, Omissions and Delays;
- 4. Failure to fulfil Statutory, Regulatory or Compliance Requirements; and
- 5. Ineffective Employment Practices.

The impact of the risk is Financial, Non-Compliance and Reputational. The consequences of these risks are considered to be extreme. Mitigation includes contracting an independent consultant to undertake the FM Review.

#### Financial Implications

The 2019/20 Budget contains an allocation for the costs associated with undertaking the FM Review, provided at GL 20552 GOV Other Consultants – Regulation and Compliance.

#### Meeting Comment

The CEO advised that a prioritised action list on the outcomes identified in the Review would be presented to the Audit & Risk Committee at its December 2019 meeting.

Voting Requirements	
Simple Majority	Absolute Majority
Officer's Recommendation	

That, by Simply Majority in accordance with Regulation 5(2) of the *Local Government (Financial Management) Regulations 1996*, the Audit & Risk Committee receives the 2019 Financial Management Review, as presented in Attachment 7.5A, and recommends to Council that it endorses the 2019 Financial Management Review.

Resolution				
Moved:	Mr Whiteaker	Seconded:	Cr Ward	

0054 That, by Simply Majority in accordance with Regulation 5(2) of the Local Government (Financial Management) Regulations 1996, the Audit & Risk Committee receives the 2019 Financial Management Review, as presented in Attachment 7.5A, noting that a prioritised action list detailing progress and achieved milestones will be reported to future Audit & Risk Committee meetings, and recommends to Council that it endorses the 2019 Financial Management Review.

CARRIED 3/0

#### Reason

In accordance with the CEO's comment at the meeting, the Committee believed it was appropriate for updates on the progress of implementing the corrective actions recommended in the Review to be reported to the Committee.

7.6 CEO's Review of Risk Management, Internal Control and Legislative Compliance and Risk Management Governance Framework

# Governance & Compliance



Date:	7 October 2019		
Location:	Not applicable		
Responsible Officer:	Rebecca McCall, Chief Executive Officer		
Author:	Vanessa Green, Executive & Governance Officer		
Legislation:	Local Government Act 1995; Local Government (Audit) Regulations 1996		
Sharepoint Reference:	Organisation/Compliance/Risk Management/Reporting		
Disclosure of Interest:	Nil		
Attachments:	Attachment 7.6A - Regulation 17 Review Report		

Purpose of Report

Executive Decision

Legislative Requirement

Summary

This Item presents the external consultant's report undertaken as supporting documentation to the CEO's Report required under Regulation 17 of the *Local Government (Audit) Regulations 1996*, for consideration and, if satisfactory, recommendation to Council for noting.

#### Background

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO at least once every 2 calendar years to review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance. The CEO is to report to the Audit & Risk Committee the results of that review.

To assist in developing the report, the CEO sought quotes from 3 external consultants to undertake an initial review of the Shire's systems and procedures, with the quote from Mr Gary Martin considered the best value for money. Therefore, Mr Martin was appointed to undertake the review.

The review was conducted onsite at the Shire Administration Office during the week commencing Monday 2 September 2019. Mr Martin's report is provided as an Attachment.

#### Comment

The appointment of an external consultant to conduct such a review enables an independent viewpoint on the status of the Shire's systems and procedures and also enables Council to have an added level of confidence in the outcomes.

The previous Regulation 17 review was conducted in 2017 and includes reference to the lack of internal controls which had existed at the Shire previously.

The 2019 review has identified that the Shire has made significant positive improvements relating to risk management since 2017 despite the changeover of CEOs, and these changes are continuing.

However, the current CEO reported to the Audit & Risk Committee in March 2019 that with the loss of key personnel during 2018, quarterly monitoring and reporting of the risk profiling tool did not take place. Also, that upon the commencement of the current CEO in late August 2018, there was an immediate need to concentrate on operational priorities. Although quarterly monitoring or reporting did not occur, there has been an emphasis on reviewing identified policies and procedures to ensure the necessary controls are in place.

The CEO acknowledges the delay in further implementing the risk management process and is now actively pursuing that objective. This includes developing an internal Governance Calendar and implementing the Risk Dashboard (refer Item 7.4). The Dashboard will be reviewed quarterly in February, May, August and November of each calendar year and reported to the Audit & Risk Committee every six months (suggested as June and December).

A Risk Management standing item is also to be included for review in Senior Management action lists for discussion at Senior Staff meetings.

It is the intent of management to develop an action list, to include priorities to address the recommendations identified in Mr Martin's review report, which will be presented to the Audit & Risk Committee and Council in December 2019 with the full report on the CEO's Review of Risk Management, Internal Control and Legislative Compliance and Risk Management Governance Framework.

It is then anticipated that the report on the CEO's Review of Risk Management, Internal Control and Legislative Compliance and Risk Management Governance Framework will be reviewed and presented to the Audit & Risk Committee and Council on an annual basis (in December each calendar year).

Consultation

Mr Gary Martin

Senior Management Group

**Policy Implications** 

Council's Risk Management Policy applies.

Strategic Implications

Strategic Community Plan

Community Priority: Our Leaders

Objective: A thriving and progressive rural community enabled by innovation in leadership, a focus on continuous improvement and adaptability to evolving community needs

Outcome:

Reference: L5

Asset Management Plan

Nil

Long Term Financial Plan

Nil

#### Statutory Implications

3

Regulation 17 of the Local Government (Audit) Regulations 1996 states:

"17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to
  - (a) risk management; and
  - (b) internal control; and

- (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the Audit & Risk Committee the results of that review."

**Risk Implications** 

The Shire of Dowerin has a Risk Management Governance Framework which includes a policy and procedure. The framework provides tools to monitor the Shire's risk profile on a quarterly basis. With the implementation of regular monitoring and review risk implications are considered low.

#### Financial Implications

The 2019/20 Budget contains an allocation for the costs associated with undertaking the initial Regulation 17 Review, provided at GL 20552 GOV Other Consultants - Regulation and Compliance.

	Voting Requirements		
Simple Majority		Abso	lute Majority
Officer's Recommendation/Resolution			
Moved:	Mr Whiteaker	Seconded:	Cr Ward

- 0055 That, by Simple Majority in accordance with Regulations 16 and 17 of the *Local Government (Audit) Regulations 1996*, the Audit & Risk Committee:
  - 1. receives the Audit Regulation 17 Review report from Mr Gary Martin, as presented in Attachment 7.6A;
  - 2. notes the Audit Regulation 17 Review report from Mr Gary Martin is a supporting document to the CEO's Review of Risk Management, Internal Control and Legislative Compliance and Risk Management Governance Framework which is anticipated to be presented to the Audit & Risk Committee in December 2019; and
  - 3. recommends to Council that it receives the Audit Regulation 17 Review report from Mr Gary Martin.

CARRIED 3/0

#### 7.7 Interim Audit Results for the Year Ending 30 June 2019

Governance & Compliance		
Date: 7 October 2019		
Location:	Not Applicable	
Responsible Officer:         Rebecca McCall, Chief Executive Officer		
Author: Vanessa Green, Executive & Governance Officer		
Legislation: Local Government Act 1995; Local Government (Audit) Regulation: 1996		
Sharepoint Reference: Organisation/Financial Management/External Audits/201 OAG Audit		
Disclosure of Interest:	Nil	
Attachments:	Attachment 7.7A - Correspondence & Report	

Purpose of Report Executive Decision

Legislative Requirement

Summary

This Item presents the results and findings of the Interim Audit for the year ending 30 June 2019, and the actions taken to rectify the deficiencies identified.

Background

The Office of the Auditor General (OAG) conducted its Interim Audit for the Shire of Dowerin on 20-21 May 2019. The Report on the results of the Audit has been received and is included as an Attachment for the Audit & Risk Committee's Information.

The Report was presented to Council's July 2019 meeting for consideration, and while it is not necessary for Council or the Audit & Risk Committee to consider the results of the Interim Audit (only the Annual Audit) the Report is being presented to the Audit & Risk Committee's October meeting (being its first meeting since the Report was received) in the interests of transparency and good governance.

#### Comment

The Report identifies 6 areas which are considered deficient, being:

- 1. Purchasing and Payments Procedures;
- 2. Payroll Exceptions;
- 3. Reconciliation of Investment Balances and Fixed Assets;
- 4. Review of Month-End Reconciliation;
- 5. Receivables Master File; and
- 6. Invoice and Credit Note Request Forms.

The rating given to these deficiencies is Moderate, meaning the findings are of sufficient concern to warrant action being taken to rectify the deficiency as soon as practicable.

The Report details the Finding against each deficiency, indicates the Implications the deficiency may have on the organisation, and makes Recommendations on how the organisation can best

rectify the deficiency. Management were made aware of the identified deficiencies at the conclusion of the Audit and were afforded the opportunity to provide comment and context to the deficiency.

While the matters are fully detailed in the Report, they have been summarised in the table below:

Finding	Recommendation	Management Comment
Purchasing and Payments Procedures	<ol> <li>The Purchase Order Request form used should be consistent with the policy.</li> <li>Purchase orders should be raised for all transactions prior to the expenditure being incurred by the Shire and be authorised by an officer with delegated authority.</li> <li>All creditor EFT batch listings should be signed by the required two authorities as evidence of independent review and approval, and should be retained for accountability purposes.</li> <li>Supporting documents for petty cash expenditure should be retained for accountability.</li> </ol>	Recruitment and restructures within the finance and administration team will result in improved practices and internal controls. Policies are being reviewed. Majority of deficiencies were a result of staff shortages rather than intentional inappropriate action by staff.
Payroll Exceptions	<ol> <li>The payroll bank EFT report should be signed off by the two independent reviewers as evidence of review and authorisation.</li> <li>Termination calculations should be prepared and signed off by the independent reviewer for all terminated employees. We recommend the termination calculations for employee number 158 be reviewed to ensure they are correctly calculated and paid including leave entitlements.</li> <li>All pay rates should be supported by a signed contract or formal letter advising of the correct pay rate and be reviewed by another officer before processing. We recommend the pay rate of employee number 279 be rectified retrospectively.</li> <li>All allowances and deductions should be supported by an approved agreement or deduction form.</li> <li>All leaves taken should be supported by an appropriately authorised leave form.</li> </ol>	All recommendations have been taken on board with new processes and procedures being implemented. Policies are being reviewed.
Reconciliation of Investment Balances and Fixed Assets	<ol> <li>Reconciliations of investments should be performed and independently reviewed on a monthly basis.</li> <li>The fixed assets register reconciliations to the general ledger should be performed for all fixed assets on a regular basis to</li> </ol>	The recommendations of the Auditors will be adopted. Implementation of both a monthly reconciliation of investments & fixed assets with an independent review will commence.

Review of Month-End

Reconciliation

enable effective monitoring and accurate reporting to the Council.	
Reconciliations prepared by the Finance Manager should be reviewed by a more senior employee who is suitably independent to ensure an objective review is undertaken.	The implementation of the new organisation structure and recent recruitment will resolve the issue of staff shortages.
	Consistent practice of separation of duties (review, independent review and authorisation) can now take place which will be aided by tighter internal controls.
An independent review of all changes	Management will conduct a

Receivables Master File	<ul> <li>An independent review of all changes made to receivables master files should be conducted periodically. This review should involve:</li> <li>1. a download of all changes (new/old/modify) made to the master file</li> <li>2. a representative sample then be tested and traced to originating/ supporting documentation to ensure validity and timeliness.</li> </ul>	Management will conduct a review of current procedures and implement the appropriate changes to ensure all changes are documented, verified & signed off by an independent reviewer. It is anticipated this exercise will form part of a monthly check of all audit trails relating to creditors, debtors & payroll.
Invoice and Credit Note Request Forms	<ol> <li>The Shire should use the Debtors Invoice Request form for all sundry debtors raised with the form being independently reviewed.</li> <li>A Credit Note Request form should be developed and implemented to record the independent review and approval of credit notes raised.</li> </ol>	As part of the review process being undertaken following the Audit, Management will include the recommendation and ensure it is implemented.

Staff may provide additional comment on the Findings at the meeting.

Consultation

Council Meeting 23 July 2019

Senior Management

Auditors / OAG

Policy Implications

As mentioned in the Management Comment, the necessary policies will be reviewed and amended in accordance with the OAG recommendations.

Strategic Implications

Strategic Community Plan

Community Priority: Our Leaders

Objective:

A thriving and progressive rural community enabled by innovation in leadership, a focus on continuous improvement and adaptability to evolving community needs Outcome: 3

Reference:

Asset Management Plan

Nil

Long Term Financial Plan

Nil

Statutory Implications

L5

Section 10(4) of the Local Government (Audit) Regulations 1996 states:

"Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor's report."

Council's auditors provided a management report in conjunction with its audit report for the year ended 30 June 2018.

**Risk Implications** 

The Report identifies the Implications (risk) of each Finding. The implementation of the Recommendations will reduce and/or avoid the risk therefore any ongoing risk implications to the Audit & Risk Committee (and Council) are considered to be low.

Financial Implications

There would be minimal, if any, financial implications by implementing the OAG Recommendations.

Voting Requirements

Simple Majority

Absolute Majority

Officer's Recommendation/Resolution

Moved: Mr Whiteaker

Seconded: Cr Hudson

0056 That the Audit & Risk Committee, by Simple Majority pursuant to Section 7.9(2) of the *Local Government Act 1995*, receives the results of the Interim Audit Report for the year ending 30 June 2019, as presented in Attachment 7.7A, and notes the Management's actions to rectify the deficiencies identified in the Report.

CARRIED 3/0

#### 7.8 Review of Terms of Reference

# Corporate & Community Services



Date:	15 October 2019	
Location:	Nil	
Responsible Officer:	Rebecca McCall, Chief Executive Officer	
Author:	Vanessa Green, Executive & Governance Officer	
Legislation: Local Government Act 1995; Local Government (Fina Management) Regulations 1996; Local Government (A Regulations) 1996		
Sharepoint Reference:	Organisation/Governance/Controlled Documents/Council Committees Terms of Reference	
Disclosure of Interest:	Nil	
Attachments:	<u>Attachment 7.8A</u> – Terms of Reference <u>Attachment 7.8B</u> – Proposed Terms of Reference	

Purpose of Report	
Executive Decision	Legislative Requirement
Summary	

This Item brings a revised Terms of Reference (TOR) before the Audit & Risk Committee (the Committee) for consideration and, if satisfactory, recommendation to Council for adoption.

#### Background

In September 2017 the Department of Local Government, Sports & Cultural Industries (DLSGC) provided advice in Circular 16-2017 regarding proposed changes to the conduct of local government audits and financial management.

Following consultation with local government in line with the State Local Government Partnership Agreement, the proposed amendments to the *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit Regulations) 1996* were revised and gazetted on Tuesday 26 June 2018.

One of the key changes affecting local governments was the appointment of the Office of the Auditor General to undertake all local government audits and the introduction of performance audits.

Another of the key changes was the strengthening of the role of Audit & Risk Committees to assist the CEO to carry out the reviews of audit systems. An Audit & Risk Committee's responsibilities have also been extended to 'monitor and advise' the CEO in reviews conducted into financial management systems and audit systems and procedures. Additionally, an Audit & Risk Committee will support the auditor as required and have functions to oversee the implementation of audit recommendations made by the auditor, which have been accepted by Council; and accepted recommendations arising from reviews of local government systems and procedures.

With these changes, and in line with the local government elections, it was necessary to review the Committee's TORs.

#### Comment

In conducting the review considerable amendments are proposed. For this reason, it is recommended to completely replace the existing TOR, rather than amend the current document. Both the existing and proposed TORs are included as Attachments.

The reviewed TOR expands on and clarifies the objectives, authority, membership, role, responsibilities and operation of the Committee and aligns with the new legislative requirements.

Of particular note is the appointment of the external member with a change in the term and enabling the option to attend meetings via teleconference or other communication methods. It is hoped this added flexibility can assist in the attendance of an external member to the Committee.

Consultation

WALGA

Senior Management Group

Policy Implications Nil Strategic Implications Strategic Community Plan **Community Priority: Our Leaders** 

A thriving and progressive rural community enabled by innovation in Objective: leadership, a focus on continuous improvement and adaptability to

evolving community needs

2&3 Outcome:

Reference: L3, L4 & L5

Asset Management Plan

Nil

Long Term Financial Plan

Nil

Statutory Implications

Various sections and regulations in the Local Government Act 1995; Local Government (Financial Management) Regulations 1996; Local Government (Audit Regulations) 1996 have been amended and are applicable to the appointment to, and operation of, an Audit & Risk Committee.

**Risk Implications** 

While it is not a legislative requirement for an Audit & Risk Committee to have a TOR, it is common practice and ensures committee members are aware of their role and responsibilities, and mitigates the risk of committees acting outside their responsibility.

**Financial Implications** 

Nil

Voting Requirements

Simple Majority

#### Officer's Recommendation

That, by Simple Majority pursuant to Section 7.1A of the *Local Government Act 1995*, the Audit & Risk Committee receives the revised Terms of Reference, as presented in Attachment 7.8B, and recommends to Council that the Audit & Risk Committee Terms of Reference be adopted.

#### Resolution

Moved: Cr Ward

Seconded: Cr Hudson

0057 That, by Simple Majority pursuant to Section 7.1A of the *Local Government Act 1995*, the Audit & Risk Committee receives the revised Terms of Reference, as presented in Attachment 7.8B and as amended, and recommends to Council that the Audit & Risk Committee Terms of Reference be adopted.

CARRIED 3/0

#### Reason

The Committee suggested the name of the Committee should be the Audit & Risk Committee to accurately describe the responsibilities of the Committee. Additionally, the Committee suggested a number of amendments which would be incorporated into the document for presentation to Council.

8.	Questions from Members	
	Nil	
9.	Urgent Business Approved by the Person Presiding or by Decision	
	Nil	
10.	Date of Next Meeting	
	December 2019 on a date and at a time yet to be determined. It was noted that the timing of the meeting will be dependant on the receipt of the audited annual financials from the Office of the Auditor General.	
11.	Closure	
	There being no further business the Chair thanked those in attendance and declared the meeting closed at 12.37pm.	



Our Ref: 8298

Ms Rebecca McCall Chief Executive Officer Shire of Dowerin PO Box 111 DOWERIN WA 6461



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 Ms McCall

#### ANNUAL FINANCIAL REPORT INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2019

We have completed the interim audit for the year ending 30 June 2019. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

#### **Management Control Issues**

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the Local Government (Audit) Regulations 1996. If so, we will inform you before we finalise the report.

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.

This letter has been provided for the purposes of your Shire and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7542 if you would like to discuss these matters further.

Yours faithfully

Non

LIANG WONG ASSISTANT DIRECTOR FINANCIAL AUDIT 4 July 2019

Attach

	INDEX OF FINDINGS		RATING	
		Significant	Moderate	Minor
1.	Purchasing and Payments Procedures		~	
2.	Payroll Exceptions		$\checkmark$	
3.	Reconciliation of Investment Balances and Fixed Assets		~	
4.	Review of Month-End Reconciliation		✓	
5.	Receivables Master File		1	
6.	Invoice and Credit Note Request Forms		$\checkmark$	

### **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

- **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.

### 1. Purchasing and Payments Procedures

#### Finding

During our procurement and payments testing on a sample basis, we noted the following exceptions:

- The Purchase Order Request form is inconsistent with the Shire's documented purchasing policy. The Purchase Order Request form states that if a purchase exceeds \$5,000, details of 1 verbal or written quote is required to be noted and if a purchase exceeds \$50,000, 3 written quotes and approval from management is required whereas the policy states that for purchase orders up to \$5,000, one verbal or written quote is required and between \$5,000 and up to \$50,000, at least 3 written quotes are required.
- One purchase order out of a sample of 100 had not been authorized by an officer.
- Purchase orders had not been attached to support 3 invoices out of a sample of 100 (invoice number 2385 dated 28 June 2018, invoice number 371208 dated 13 November 2018 and invoice number 181 dated 3 February 2019).
- One creditor EFT payment batch listing out of a sample of 22 could not be located.
- One creditor EFT payment batch listing out of a sample of 22 was only signed by one authority instead of the required two authorities.
- Documents to support the petty cash recoup for October 2018 could not be provided.

### **Rating: Moderate**

#### Implication

Inconsistent or lack of documentation to support compliance with the Shire's Purchasing Policy increase the risk of unauthorized or inappropriate purchase.

#### Recommendation

- The Purchase Order Request form used should be consistent with the policy.
- Purchase orders should be raised for all transactions prior to the expenditure being incurred by the Shire and be authorized by an officer with the delegated authority.
- All creditor EFT batch listings should be signed by the required two authorities as evidence of independent review and approval, and should be retained for accountability purpose.
- Supporting documents for petty cash expenditure should be retained for accountability.

#### **Management Comment**

The entire finance/administration team has been restructured with some of the time during this restructure the team having only two existing staff members. There are now an additional three new staff members but we have been down one staff member for the majority of the time over the past month.

Taking that into consideration, all the staff are aware of the need for tighter internal controls to be put in place & consistently monitored & maintained.

The entire process of purchasing & payment is currently under review with the Purchase Order Policy due to go to Council in August & a Regional Price Reference Policy being created (also due to go to Council in August).

New processes are in the process of being set up & implemented. Purchasing processes have been provided to local providers to emphasise that no employees are to make purchases without providing a purchase order number & signing for the goods.

I am confident that as long as we can retain staff consistency, we will have the purchasing process in exceptional condition by the end of August 2019.

All relevant staff are aware of the need for two authorised officers to ensure that payments are independently reviewed & payments processed. Unfortunately, the shortage of staff requiring staff to sometimes 'hurry' jobs in a reactive manner results in oversights such as these. Again, processes are being reviewed which as with all the processes, will involve checklists to ensure that all steps are followed.

Responsible Officer: Completion Date: Management Corporate & Community Service 31 August 2019

# 2. Payroll Exceptions

# Finding

During our payroll testing, we noted the following exceptions pertaining to our audit samples:

- The payroll bank EFT report for the pay period 22 August 2018 was only signed by one authority rather than two authorities as stated in the payroll procedure.
- The termination calculation for terminated employee number 158 could not be located. In addition, long service leave was not paid out to the employee however management have confirmed this should have been paid on termination.
- Employee number 279 was incorrectly paid \$42 per hour instead of \$42.84 as stated within the CEO's approval letter for the pay period ended 6 February 2019. In addition management have confirmed the incorrect rate was used for Rostered Day Off ("RDO") recovery for this employee
- Appropriate authorised deduction forms for social wages deduction (\$5 per fortnight) for a number of employees could not be located.
- Appropriate documentation to support the amount of housing allowance paid for a number of employees could not be located.
- Employee number 252 rental deduction is not supported by a signed rental agreement. The unsigned agreement states \$194 per week rental deduction however the actual deduction for the pay period ended 3 October 2018 was \$380 for the fortnight.

# Rating: Moderate Implication

The absence of supporting documents and review of payroll reports, pay rates, termination calculations, allowances and deductions could result in invalid transactions and incorrect amounts being paid to employees.

### Recommendation

- The payroll bank EFT report should be signed off by the two independent reviewers as evidence of review and authorization.
- Termination calculations should be prepared and signed off by the independent reviewer for all terminated employees. We recommend the termination calculations for employee number 158 be reviewed to ensure they are correctly calculated and paid including leave entitlements.
- All pay rates should be supported by a signed contract or formal letter advising of the correct pay
  rate and be reviewed by another officer before processing. We recommend the pay rate of
  Employee number 279 be rectified retrospectively.
- All allowances and deductions should be supported by an approved agreement or deduction form.
- All leaves taken should be supported by an appropriately authorised leave form.

#### Management Comment

All recommendations have been taken on board which will result in new processes & procedures being created which will ensure appropriate management occurs.

It has been noted by Senior Staff that leave is not being appropriately supported by documentation & this process is now being put in place. Information regarding leave, overtime, RDOs & TOIL is currently being put together which can then be provided to staff for clarity.

As per all policies & procedures, Employee Housing is under review. The corrections to Employee 279 and the review of the termination calculation for Employee 158 have been completed and processed.

Responsible Officer:	Management Corporate & Community Service
Completion Date:	31 August 2019

### 3. Reconciliation of Investment Balances and Fixed Assets

#### Finding

During the review of controls over month-end reconciliations, we noted that formal month-end reconciliations of investments are not being prepared.

We also noted only certain classes of fixed assets additions had been reconciled to the general ledger. The fixed assets register had not been reconciled to the general ledger in totality.

# Rating: Moderate Implication

- The risk of fraud, errors and omissions is increased when reconciliations of investments are not prepared. This could also lead to misstatements in the Shire's financial reporting.
- Not reconciling the fixed asset register to the general ledger for all fixed assets on a regular basis may lead to errors and omissions in the monthly accounts prepared for the Council.

#### Recommendation

Reconciliations of investments should be performed and independently reviewed on a monthly basis.

The fixed assets register reconciliations to the general ledger should be performed for all fixed assets on a regular basis to enable effective monitoring and accurate reporting to the Council.

#### **Management Comment**

The Monthly Financial Statements include a Cash and Investment Register (Note 4) that includes restricted cash and balanced to the Cash Back Reserves (Note 7). This is presented to the Finance Committee on a monthly basis, prior to being presented to Council which we believe assists in reducing fraud. The financials are now reviewed by another Officer prior to finalisation.

Management will adopt the recommendations of the Auditors & implement both a monthly reconciliation of investment & monthly reconciliation of fixed assets with an independent review.

Responsible Officer:Manager Corporate & Community ServicesCompletion Date:31 August 2019

### 4. Review of Month-End Reconciliations

#### Finding

We noted certain month-end reconciliations prepared by the Shire's Finance Manager were reviewed by the Finance Officer, who reports to the Finance Manager. Our inquiries indicated this is due to staff shortage in the finance team.

# **Rating: Moderate**

# Implication

There is a risk the review performed by the Finance Officer is not sufficiently independent so as to provide objective consideration of the reconciliations prepared.

#### Recommendation

Reconciliations prepared by the Finance Manager should be reviewed by a more senior employee who is suitably independent to ensure an objective review is undertaken.

#### **Management Comment**

With the implementation of the new organisation structure and recent recruitment, the issue of staff shortages (excluding unforeseen absences) should be resolved. Consistent practice of separation of duties (review, independent review and authorisation) can now take place which will be aided by tighter internal controls.

Responsible Officer: Completion Date: Manager Corporate & Community Services 31 August 2019

# 5. Receivables Master File

### Finding

The Shire does not currently conduct an independent review of all changes and adjustments made to its receivables master files.

# **Rating: Moderate**

# Implication

There is an increased risk that:

- Suspicious/fraudulent or erroneous changes made to receivables master files will not be detected timely.
- Required changes to the receivables master files are not performed timely.

# Recommendation

We recommend an independent review of all changes made to receivables master files be conducted periodically. This review should involve:

- a download of all changes (new/old/modify) made to the master file
- a representative sample then be tested and traced to originating/supporting documentation to ensure validity and timeliness.

# **Management Comment**

Management will conduct a review of current procedures and implement the appropriate changes to ensure all changes are documented, verified & signed off by an independent reviewer.

It is anticipated that this exercise will form part of a monthly check of all audit trails relating to creditors; debtors & payroll.

Responsible Officer:	Manager Corporate & Community Services
<b>Completion Date:</b>	31 August 2019

# 6. Invoice and Credit Note Request Forms

# Finding

The Shire is currently using a Debtors Invoice Request form for approving invoicing of an ad-hoc nature, but is not using the form when raising invoices relating to the Shire's standard fees and charges.

In addition, we noted the Shire does not use a Credit Note Request form to approve the raising of credit notes.

# **Rating: Moderate**

#### Implication

The use of a Debtors Invoice Request form reduces the risk of error or omission when applying standard fees and charges.

The use of a Credit Note Request form mitigates the risk of invalid or fraudulent credit notes being raised.

#### Recommendation

The Shire should use the Debtors Invoice Request form for all sundry debtors raised with the form being independently reviewed.

A Credit Note Request form should be developed and implemented to record the independent review and approval of credit notes raised.

### **Management Comment**

As part of review process, Management will include the recommendation and implement.

Responsible Officer:	Manager Corporate & Community Services
Completion Date:	31 July 2019

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Recording of Contributed Asset		✓	
2. Review of Long Term Financial Plan		✓	
3. High Annual Leave Balances		✓	
4. Verification of Year-End Fuel Stocks			$\checkmark$

# **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.

# **1. RECORDING OF CONTRIBUTED ASSET**

#### Finding

In August 2017 the Shire of Dowerin received an Isuzu firetruck from the Department of Fire and Emergency Services (DFES) valued at \$552,549. This vehicle was not booked in the 2017/2018 financial year, necessitating a prior year correction to be made in the Annual Financial Report for the year ending 30 June 2019.

The disposal of the existing Hino firetruck, returned to DFES in July 2017, was not booked in the 2017/2018 financial year, necessitating a further prior year correction to be made in the Annual Financial Report for the year ending 30 June 2019.

These omissions were identified when an independent valuer was engaged to determine the fair value of the Shire's plant and equipment as at 30 June 2019.

# **Rating: Moderate**

#### Implication

Misstatement of asset values and depreciation expense, understatement of contribution revenue.

#### Recommendation

The fixed assets register should be updated for contributed assets as soon as received, with the corresponding non-cash contribution revenue recorded.

Once assets are disposed, the asset should be removed from the fixed assets register and the profit or loss on disposal recognised in the Statement of Comprehensive Income.

#### Management Comment

The new Fire Truck was purchased/received in August 2017 but was not added to the asset register. The old fire truck from 1991 was also not disposed of. This was picked up when we had our Plant & Equipment fair valued (the written-down value on our asset register for the old fire truck was \$11,364).

Fire trucks are extremely hard to value as they are not a marketable commodity and valuers are generally required to use the original value given by DFES as a guide. As there was no paperwork at the time, the valuer initially gave it a gross replacement cost of \$320,000 and a subsequent revaluation in 2018/2019 resulting in a fair value of \$220,757. There was no information regarding the value of the disposed fire truck.

Management obtained information from DFES which then resulted in a change to the gross replacement cost (\$550,000) with a subsequent revaluation in 2018/2019 with a fair value of \$399,494.

There was a need to go back to the 2017/2018 financial year and dispose of the old fire truck at the DFES value which is Nil and add the new fire truck at the new value. It was then necessary to depreciate the fire truck for the 2017/2018 year and then depreciate it again for the 2018/2019 year. Lastly, there was a need to revalue the asset at the new fair value of \$399,494 and write back all the depreciation. The treatment was crossing two financial years and there was a lot of toing and froing, this was the predominant hold up in the finalisation of our annual audit due to the complexity of treating the error.

**Responsible Officer:** Manager Corporate & Community Services **Completion Date:** Completed

# 2. REVIEW OF LONG-TERM FINANCIAL PLAN

### Finding

The Shire's Long-Term Financial Plan has not been updated since May 2018 and does not include planned capital renewal expenditure for the year 2028-2029.

As a result, the asset renewal funding ratio reported in Note 30 of the annual financial report for 2018-2019 only includes nine years of data with regard to capital renewal expenditure, rather than the required ten. Data for the tenth year has been based on the average of the preceding nine years.

# Rating: Moderate

#### Implication

Risk that Long-Term Financial Plan is outdated and risk of non-compliance with section 50(1)(c) of the Local Government (Financial Management) Regulations 1996.

#### Recommendation

We recommend the Long-Term Financial Plan be updated annually to include management's estimate of ten years of planned capital renewal expenditure.

#### Management Comment

Management is aware that the Long-Term Financial Plan is not current and requires an extensive review. During the last 12 months Management has collated much of the raw data necessary to ascertain the condition of assets to determine maintenance and renewal programs to preserve assets.

The review of the Asset Management and Long-Term Financial Plan will be aligned to ensure integration.

The reviews are scheduled for 2019/2020, however with the current staff shortages the commencement of the review is not likely to take place until late 2020. The timeframe is largely determined by the success of recruiting staff to fulfil two vacant positions within the Corporate and Services division and one vacant position within the Works and Assets division.

**Responsible Officer:** Manager Corporate & Community Services **Completion Date:** Late 2020

# 3. HIGH ANNUAL LEAVE BALANCES

### Finding

During our testing of employee entitlements, we identified three employees who have accrued in excess of eight weeks annual leave at 30 June 2019, with all three employees also have long service leave balances.

# Rating: Moderate

### Implication

Excessive accrued annual leave balances increase the risk of an adverse impact through excessive financial liabilities and may also indicate over-reliance on key individuals. This over-reliance can result in business interruption when the employee takes extended leave or is no longer employed by the Shire. Failure to take leave can also mask fraud.

#### Recommendation

The Shire should continue to manage and monitor the excessive annual leave accruals to reduce the financial liability, risk of business interruption and fraud.

#### Management Comment

High annual leave balances equate to staff members over 8 weeks which is the maximum an employee can accrue before being able to make to take leave. With regards to the three employees identified above,

- One employee is no longer employed and now been paid out all of leave entitlements;
- Another employee had 457 hours (12 weeks) as of 30 June 2019, the hours have since dropped to 391 hours (10 weeks). This will not be addressed until the completion of the 2019/2020 construction program.
- The third employee had 331 hours (8.7 weeks) as of 30 June 2019, the hours have since dropped to 318 (8.4 weeks). The employee is providing the only administrational support for an essential community service and there is no available relief at present.

There are three employees entitled to 5 weeks annual leave. Remaining employees are entitled to four weeks & under.

Current staffing levels impact on annual leave balances. There is a total of five positions vacant across the organisation.

**Responsible Officer:** Manager Corporate & Community Services **Completion Date:** Ongoing monitoring

# 4. VERIFICATION OF YEAR-END FUEL STOCKS

### Finding

Records of the fuel dippings made to determine fuel stocks on hand at 30 June 2019 were not retained.

# **Rating: Minor**

#### Implication

Without stocktake records of fuel stocks, there is increased risk of misstatement of fuel stock balances.

#### Recommendation

Formal record of fuel dippings made should be retained as support for fuel stock balances recorded in the general ledger.

#### Management Comment

Management are aware and concerned with the verification of year end fuel stocks as well as the EOM reconciliations. Currently have an extremely old system where staff place fuel in vehicles at the depot and the only recording of information is by staff writing down the date, machine number, litres of fuel taken and speedometer or hours with a signature.

Aside from the obvious poor capacity to monitor, the paperwork is kept in a letterbox and although it is kept in a plastic sleeve, it often gets wet or in bad weather, the paperwork may fly away.

Costings have been obtained to install an adequate system with an expected price of \$10k to \$20k. This costing will be presented to Council during the 2020/2021 budget deliberations. In the meantime, the Manager Works & Assets continues to monitor and endeavours to tighten controls until the Shire finds the funds to correct the matter.

**Responsible Officer:** Manager Works & Assets **Completion Date:** Review after the 2020/2021 budget deliberations

# INDEPENDENT AUDITOR'S REPORT

### To the Councillors of the Shire of Dowerin

#### Report on the Audit of the Financial Report

#### Opinion

I have audited the annual financial report of the Shire of Dowerin which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Dowerin:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

### Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

### Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.

(iii) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

#### **Other Matter**

The financial report of the Shire for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2018 in Note 30 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

#### Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Dowerin for the year ended 30 June 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

#### DON CUNNINGHAME ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT Delegate of the Auditor General for Western Australia Perth, Western Australia December 2019

#### SHIRE OF DOWERIN

#### **FINANCIAL REPORT**

#### FOR THE YEAR ENDED 30TH JUNE 2019

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#### **COMMUNITY VISION**

Dowerin will be a thriving and growing rural community which offers lifestyle choice for all generations, is progressive in environmental management and is a preferred location for business development.

Principal place of business: 13 Cottrell Street DOWERIN WA 6461

# SHIRE OF DOWERIN FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019

Local Government Act 1995 Local Government (Financial Management) Regulations 1996

#### STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Dowerin for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the Shire of Dowerin at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the Nineteenth

day of December

2019

& mccau

Ms Rebecca McCall Chief Executive Officer

#### SHIRE OF DOWERIN STATEMENT OF COMPREHENSIVE INCOME BY NATURE OR TYPE FOR THE YEAR ENDED 30TH JUNE 2019

	2019	<b>2019</b>	2018
NOTE	Actual	Budget	Actual
			(Restated)
	\$	\$	\$
21(a)	1,328,309	1,336,057	1,250,387
2(a)	2,342,886	1,535,380	1,989,394
2(a)	474,214	470,855	400,588
21(c)	160,648	160,100	155,716
2(a)	81,505	63,111	82,686
2(a)	240,134	192,550	186,949
_	4,627,696	3,758,053	4,065,720
	(1,836,650)	(1,712,602)	(1,677,591)
	(1,914,469)	(1,661,763)	(1,242,215)
	(161,697)	(193,792)	(183,335)
10(b)	(1,325,718)	(1,331,346)	(1,290,556)
2(b)	(42,054)	(44,684)	(39,026)
	(152,557)	(159,868)	(141,841)
_	(95,754)	(99,622)	(98,939)
_	(5,528,899)	(5,203,677)	(4,673,503)
	(901,203)	(1,445,624)	(607,783)
2(a)	716,810	717,862	2,280,009
10(a)	54,997	21,276	3,643
			(1,180,969)
· · _	708,489	672,235	1,102,683
-	(192,714)	(773,389)	494,900
r loss			
11	105,092	-	2,823,251
-	105,092	-	2,823,251
-	(87,622)	(773,389)	3,318,151
	21(a) 2(a) 2(a) 21(c) 2(a) 2(a) 2(a) 2(b) 2(b) 2(a) 10(a) 10(a) 10(a)	NOTE         Actual           \$           21(a)         1,328,309           2(a)         2,342,886           2(a)         2,342,886           2(a)         2,342,886           2(a)         2,342,886           2(a)         2,342,886           2(a)         2,342,886           2(a)         474,214           21(c)         160,648           2(a)         240,134           4,627,696         (1,914,469)           (161,697)         (161,697)           10(b)         (1,325,718)           2(b)         (42,054)           (152,557)         (95,754)           (5,528,899)         (901,203)           2(a)         716,810           10(a)         54,997           10(a)         54,997           10(a)         (63,318)           708,489         (192,714)           nt         105,092	NOTE         Actual         Budget           \$         \$           21(a)         1,328,309         1,336,057           2(a)         2,342,886         1,535,380           2(a)         2,342,886         1,535,380           2(a)         474,214         470,855           21(c)         160,648         160,100           2(a)         81,505         63,111           2(a)         240,134         192,550           3,758,053         (1,914,469)         (1,661,763)           (161,697)         (193,792)         (10(b)         (1,325,718)         (1,331,346)           2(b)         (42,054)         (44,684)         (152,557)         (159,868)           (95,754)         (99,622)         (5,528,899)         (5,203,677)           (901,203)         (1,445,624)         (1,445,624)           2(a)         716,810         717,862           10(a)         54,997         21,276           10(a)         (192,714) <t< td=""></t<>

For restatement of prior year's amount, please refer to Note 27.

# SHIRE OF DOWERIN STATEMENT OF COMPREHENSIVE INCOME BY PROGRAM

BY PROGRAM				
FOR THE YEAR ENDED 30TH JUNE 2019		2019	2019	2018
	NOTE	Actual	Budget	Actual
				(Restated)
		\$	\$	\$
Revenue	2(a)			
Governance		27,446	5,730	18,956
General purpose funding		2,901,909	2,068,319	2,739,187
Law, order, public safety		23,872	14,234	17,059
Health		248,080	237,241	288,408
Education and welfare		106,702	135,160	117,934
Housing		146,374	181,870	150,603
Community amenities		263,819	262,387	259,768
Recreation and culture		45,202	48,421	44,851
Transport		657,183	654,294	303,037
Economic services		143,681	137,652	116,163
Other property and services	-	63,428	12,745	9,754
		4,627,696	3,758,053	4,065,720
	-			
Expenses	2(b)	<i>.</i>	<i>(</i> )	<i>/</i>
Governance		(537,782)	(503,348)	(511,340)
General purpose funding		(217,693)	(146,063)	(155,647)
Law, order, public safety		(125,025)	(54,449)	(110,972)
Health		(397,555)	(334,824)	(335,893)
Education and welfare		(124,640)	(174,454)	(153,660)
Housing		(266,044)	(233,614)	(242,678)
Community amenities		(328,417)	(302,336)	(283,476)
Recreation and culture		(899,414)	(816,313)	(804,648)
Transport		(2,039,102)	(2,257,582)	(1,584,586)
Economic services		(270,376)	(323,265)	(378,489)
Other property and services	-	(280,797)	(12,745)	(73,088)
		(5,486,845)	(5,158,993)	(4,634,477)
Finance Costs	2(b)			
	2(b)	(7.412)	(4,008)	
Housing		(7,413)	(4,998)	- (12 E07)
Recreation and culture		(10,906) (23,735)	(15,619)	(13,597)
Economic services	-	(42,054)	(24,067)	(25,429)
	-	(901,203)	(44,684) (1,445,624)	(39,026)
		(901,203)	(1,445,624)	(607,783)
Non-operating grants, subsidies & contributions	2(a)	716,810	717,862	2,280,009
Profit on disposal of assets	10(a)	54,997	21,276	3,643
(Loss) on disposal of assets	10(a)	(63,318)	(66,903)	(1,180,969)
		708,489	672,235	1,102,683
Net result for the period	-	(192,714)	(773,389)	494,900
Other comprehensive income				
Items that will not be reclassified subsequently to profit as loss				
Items that will not be reclassified subsequently to profit or loss Changes in asset revaluation surplus	11	105,092		2 823 251
Changes in asset revaluation surplus	11	100,092	-	2,823,251
Total other comprehensive income for the period	-	105,092	-	2,823,251
Total comprehensive income for the period	-	(87,622)	(773,389)	3,318,151

For restatement of prior year's amount, please refer to Note 27.

		2019	2018	
	NOTE	Actual	Actual	
			(Restated)	
		\$	\$	
CURRENT ASSETS				
Cash and cash equivalents	3	856,021	1,916,923	
Trade receivables	5	250,740	217,722	
Other financial assets	7	2,258,221	2,042,307	
Inventories	6	11,163	16,603	
TOTAL CURRENT ASSETS	—	3,376,145	4,193,555	
NON-CURRENT ASSETS				
Trade receivables	5	34,282	31,161	
Other financial assets at amortised cost	7(b)	52,551	59,151	
Property, plant and equipment	8	20,509,649	20,108,573	
Infrastructure	9	26,220,101	25,530,075	
TOTAL NON-CURRENT ASSETS		46,816,583	45,728,960	
TOTAL ASSETS	—	50,192,728	49,922,515	
CURRENT LIABILITIES				
Trade and other payables	12	369,481	385,211	
Borrowings	13(a)	145,042	121,879	
Employee related provisions	14	217,391	151,636	
TOTAL CURRENT LIABILITIES		731,914	658,726	
NON-CURRENT LIABILITIES				
Borrowings	13(a)	1,273,192	943,090	
Employee related provisions	14	24,110	69,565	
TOTAL NON-CURRENT LIABILITIES		1,297,302	1,012,655	
TOTAL LIABILITIES	-	2,029,216	1,671,381	
NET ASSETS	=	48,163,512	48,251,134	
EQUITY				
Retained surplus		31,284,923	31,565,743	
Reserves - cash backed	4	2,245,469	2,157,363	
Revaluation surplus	11	14,633,120	14,528,028	
TOTAL EQUITY	_	48,163,512	48,251,134	

For restatement of prior year's amount, please refer to Note 27.

### SHIRE OF DOWERIN STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2019

			RESERVES		
		RETAINED	CASH	REVALUATION	TOTAL
	NOTE	SURPLUS	BACKED	SURPLUS	EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2017		31,440,810	1,787,396	11,704,777	44,932,983
Comprehensive income					
Restated net result for the period	27	494,900	-	-	494,900
Other comprehensive income	11	-	-	2,823,251	2,823,251
Total comprehensive income	_	494,900	-	2,823,251	3,318,151
Transfers from/(to) reserves		(369,967)	369,967	-	-
Restated balance as at 30 June 2018	-	31,565,743	2,157,363	14,528,028	48,251,134
Comprehensive income					
Net result for the period		(192,714)	-	-	(192,714)
Other comprehensive income	11	-	-	105,092	105,092
Total comprehensive income	-	(192,714)	-	105,092	(87,622)
Transfers from/(to) reserves		(88,106)	88,106	-	-
Balance as at 30 June 2019	-	31,284,923	2,245,469	14,633,120	48,163,512

#### SHIRE OF DOWERIN STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2019

		2019	2019	2018
	NOTE	Actual	Budget	Actual
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,311,637	1,386,057	1,239,554
Operating grants, subsidies and contributions		2,344,801	1,601,317	1,989,394
Fees and charges		474,214	459,918	645,231
Service charges		160,648	160,100	155,716
Interest received		81,505	63,111	82,685
Goods and services tax received		383,871	200,000	373,527
Other revenue		240,135	192,550	186,977
		4,996,811	4,063,053	4,673,084
Payments				
Employee costs		(1,806,984)	(1,762,602)	(1,668,567)
Materials and contracts		(1,954,306)	(1,812,132)	(1,572,351)
Utility charges		(161,697)	(193,792)	(183,335)
Interest expenses		(40,084)	(123,938)	(39,455)
Insurance paid		(152,557)	(159,868)	(141,841)
Goods and services tax paid		(405,254)	(200,000)	(295,665)
Other expenditure		(95,754)	(99,622)	(98,938)
		(4,616,636)	(4,351,954)	(4,000,152)
Net cash provided by (used in)				
operating activities	15	380,175	(288,901)	672,932
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of				
property, plant & equipment		(1,546,690)	(1,358,716)	(1,161,269)
Payments for construction of infrastructure		(1,360,436)	(1,380,333)	(656,451)
Payments for term Deposits		(227,697)		(2,017,772)
Non-operating grants,		(,,		(-//
subsidies and contributions		716,810	717,862	1,727,460
Proceeds from self supporting loans		24,534	24,534	23,754
Proceeds from sale of property, plant & equipment		587,077	283,000	18,727
Net cash provided by (used in)		,		
investment activities		(1,806,402)	(1,713,653)	(2,065,551)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(126,735)	(126,735)	(117,508)
Proceeds from new borrowings		480,000	480,000	-
Net cash provided by (used In)				
financing activities		353,265	353,265	(117,508)
Net increase (decrease) in cash held		(1,072,963)	(1,649,289)	(1,510,127)
Cash at beginning of year		1,916,923	3,934,691	3,427,050
Reclassification of trust funds to restricted cash	24	12,061	-	-
Cash and cash equivalents				
at the end of the year	15	856,021	2,285,402	1,916,923

#### SHIRE OF DOWERIN RATE SETTING STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual	2019 Budget	2018 Actual
				(Restated)
		\$	\$	\$
OPERATING ACTIVITIES Net current assets at start of financial year - surplus/(deficit)	22 (b)	1,529,026	1,492,612	1,339,633
		1,529,026	1,492,612	1,339,633
Revenue from operating activities (excluding rates)				
Governance		31,149	5,730	18,956
General purpose funding		1,606,547	758,336	1,513,871
Law, order, public safety		23,872	14,234	17,059
Health		248,080	237,241	290,317
Education and welfare		106,702	135,160	117,934
Housing		161,005	181,870	150,603
Community amenities		263,819	262,387	259,768
Recreation and culture		45,202	48,421	44,851
Transport		693,846	672,953	304,771
Economic services		143,681	137,652	116,163
Other property and services		63,428	15,362	9,754
	_	3,387,331	2,469,346	2,844,047
Expenditure from operating activities				
Governance		(545,285)	(503,348)	(511,340)
General purpose funding		(217,693)	(146,063)	(155,647)
Law, order, public safety		(125,025)	(54,449)	(122,335)
Health		(397,555)	(334,824)	(335,893)
Education and welfare		(124,640)	(174,454)	(153,660)
Housing		(319,876)	(296,845)	(242,678)
Community amenities		(328,417)	(302,336)	(283,476)
Recreation and culture		(910,319)	(831,932)	(818,245)
Transport		(2,048,500)	(2,263,582)	(1,585,541)
Economic services		(294,110)	(347,332)	(1,572,569)
Other property and services		(280,796)	(15,415)	(73,087)
	_	(5,592,216)	(5,270,580)	(5,854,471)
Non-cash amounts excluded from operating activities	22(a)	1,281,726	1,378,082	2,509,755
Amount attributable to operating activities	_	605,867	69,460	838,964
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		716,810	717,862	2,280,009
Proceeds from disposal of assets	10(a)	587,077	283,000	18,727
Proceeds from self supporting loans	13(b)	24,534	24,534	23,754
Purchase of property, plant and equipment	8(a)	(1,546,690)	(1,358,716)	(1,713,818)
Purchase and construction of infrastructure	9(a)	(1,360,436)	(1,380,333)	(656,451)
Amount attributable to investing activities	_	(1,578,705)	(1,713,653)	(47,779)
FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(126,735)	(126,735)	(117,508)
Proceeds from borrowings	13(c)	480,000	480,000	-
Transfers to reserves (restricted assets)	4	(470,689)	(314,092)	(412,438)
Transfers from reserves (restricted assets)	4	382,583	299,520	42,471
Amount attributable to financing activities	—	265,159	338,693	(487,475)
Surplus/(deficit) before imposition of general rates	_	(707,679)	(1,305,500)	303,710
Total amount raised from general rates	21	1,295,362	1,309,983	1,225,316
Surplus/(deficit) after imposition of general rates	22(b)	587,683	4,483	1,529,026

For restatement of prior year's amount, please refer to Note 27.

### **1. BASIS OF PREPARATION**

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The Local Government (Financial Management) Regulations 1996 take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of AASB 1051 Land Under Roads paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

#### THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the Shire controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 24 to these financial statements.

### 2. REVENUE AND EXPENSES

(a) Revenue

#### **Grant Revenue**

Grants, subsidies and contributions are included as both operating and non-operating revenues in the Statement of Comprehensive Income:

	2019	2019	2018
	Actual	Budget	Actual
			(Restated)
	\$	\$	\$
Operating grants, subsidies and contributions			
General purpose funding	1,458,660	663,898	1,399,479
Law, order, public safety	13,395	8,829	11,815
Health	232,201	220,901	277,596
Recreation and culture	-	6,000	-
Transport	638,630	635,112	284,435
Economic services	-	640	16,069
	2,342,886	1,535,380	1,989,394
Non-operating grants, subsidies and contributions			
Law, order, public safety	-	-	817,882
Recreation and culture	-	-	10,727
Transport	716,810	717,862	851,400
Economic services	-	-	600,000
	716,810	717,862	2,280,009
Total grants, subsidies and contributions	3,059,696	2,253,242	4,269,403

#### SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions Grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over Grants, donations and other contributions (Continued) a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

### 2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Significant revenue			
WANDRAA - Flood Damage	515,124	562,343	212,223
Other revenue			
Reimbursements and recoveries	195,395	176,812	169,841
Other	44,739	15,738	17,108
	240,134	192,550	186,949
Fees and Charges			
Governance	66	30	-
General purpose funding	6,438	2,018	2,464
Law, order, public safety	6,477	5,405	5,244
Health	14,826	16,230	10,744
Education and welfare	1,620	1,836	1,440
Housing	144,054	180,830	150,415
Community amenities	102,208	100,974	102,764
Recreation and culture	28,078	28,421	30,820
Transport	517	632	415
Economic services	132,111	129,838	93,869
Other property and services	37,819	4,641	2,413
	474,214	470,855	400,588

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

	Interest earnings			
	Loans receivable - clubs/institutions	1,008	1,008	1,478
	Reserve accounts interest	51,184	43,151	24,540
	Rates instalment and penalty interest (refer Note 21(d))	10,796	12,626	13,084
	Other interest earnings	18,517	6,326	43,584
		81,505	63,111	82,686
		2019	2019	2018
(b)	Expenses	Actual	Budget	Actual
		\$	\$	\$
	Significant expense			
	Loss on asset disposals - Infrastructure relating to the historical railway written off during the year end 30 June 2018.		-	1,168,651
	WANDRAA - Flood Damage	515,124	562,343	212,223
		515,124	562,343	1,380,874
	Auditors remuneration			
	- Audit of the Annual Financial Report	27,000	25,500	19,913
		27,000	25,500	19,913
	Interest expenses (finance costs)			
	Borrowings (refer Note 13(b))	42,054	44,684	39,026
		42,054	44,684	39,026

3. CASH AND CASH EQUIVALENTS	NOTE	<b>201</b> 9	2018
-		\$	\$
Cash and cash equivalents		856,021	1,916,923
Term Deposits classified as Financial assets at amortised cost	7	2,245,469	2,017,772
		3,101,490	3,934,695
Comprises:			
- Unrestricted cash and cash equivalents		833,960	1,186,006
- Restricted cash and cash equivalents		2,267,530	2,748,689
		3,101,490	3,934,695
The following restrictions have been imposed by			
regulations or other externally imposed requirements:			
Reserve accounts			
Reserves - Sewerage	4	1,256,174	1,161,589
Reserves - Plant Replacement	4	59,958	369,807
Reserves - Long Service Leave	4	56,632	54,217
Reserves - Land & Building	4	449,364	148,579
Reserves - Swimming Pool	4	186	32,895
Reserves - Recreation	4	193,926	185,023
Reserves - CHP Units	4	48,934	46,847
Reserves - Economic	4	55,752	54,183
Reserves - Bowling Green	4	85,312	72,293
Reserves - Tennis Court	4	39,231	31,930
		2,245,469	2,157,363
Other restricted cash and cash equivalents			
Bonds and deposits held	24	12,061	-
Unspent grants/contributions	20	10,000	311,326
Unspent loans	13(d)	-	280,000
Total restricted cash and cash equivalents		2,267,530	2,748,689

### SIGNIFICANT ACCOUNTING POLICIES

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

### Cash and cash equivalents (Continued)

and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

		2019	2019	2019	2019	2019	2019	2019	2019	2018	2018	2018	2018
		Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual
		Opening	Transfer	Transfer	Closing	Opening	Transfer	Transfer	Closing	Opening	Transfer	Transfer	Closing
4. RESE	RVES - CASH BACKED	Balance	to	(from)	Balance	Balance	to	(from)	Balance	Balance	to	(from)	Balance
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a)	Reserves - Sewerage	1,161,589	94,585	-	1,256,174	1,161,589	130,779	-	1,292,368	1,043,357	118,232	-	1,161,589
(b)	Reserves - Plant Replacement	369,807	39,839	(349,688)	59,958	369,807	1,874	(266,625)	105,056	142,872	226,935	-	369,807
(c)	Reserves - Long Service Leave	54,217	2,415	-	56,632	54,217	1,109	-	55,326	53,493	724	-	54,217
(d)	Reserves - Land & Building	148,579	300,785	-	449,364	148,579	156,032	-	304,611	146,594	1,985	-	148,579
(e)	Reserves - Swimming Pool	32,895	186	(32,895)	186	32,895	-	(32,895)	-	32,456	439	-	32,895
(f)	Reserves - Recreation	185,023	8,903	-	193,926	185,023	3,782	-	188,805	180,866	4,157	-	185,023
(g)	Reserves - CHP Units	46,847	2,087	-	48,934	46,847	958	-	47,805	46,221	626	-	46,847
(h)	Reserves - Economic	54,183	1,569	-	55,752	54,183	1,108	-	55,291	12,021	42,162	-	54,183
(i)	Reserves - Bowling Green	72,293	13,019	-	85,312	72,293	11,678	-	83,971	61,461	10,832	-	72,293
(j)	Reserves - Tennis Court	31,930	7,301	-	39,231	31,930	6,772	-	38,702	25,584	6,346	-	31,930
(k)	Reserves -Bus	-	-	-	-	-	-	-	-	40,787	-	(40,787)	-
(I)	Reserves - All Hours Gym	-	-	-	-	-	-	-	-	1,684	-	(1,684)	-
		2,157,363	470,689	(382,583)	2,245,469	2,157,363	314,092	(299,520)	2,171,935	1,787,396	412,438	(42,471)	2,157,363

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

In accordance with Council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

	Name of Reserve	Anticipated date of use	Purpose of the reserve
(a)	Reserves - Sewerage	Ongoing	To provide for the replacement and development of sewerage and stormwater infrastructure throughout the Shire.
(b)	Reserves - Plant Replacement	Ongoing	To ensure the cost of additional new plant and refurbishment or replacement can be met as per the Plant Replacement Program
(c)	Reserves - Long Service Leave	Ongoing	To cash back the cost of Long Service, Annual and Sick Leave where the leave cannot be absorbed within the annual budget.
(d)	Reserves - Land & Building	Ongoing	Council will maintain a reserve to assist with funding the development and purchase of land and building assets.
(e)	Reserves - Swimming Pool	Ongoing	The Swimming Pool reserve is to be transferred to the Recreation Facilities Reserve
(f)	Reserves - Recreation	Ongoing	To fund future maintenance, upgrades and developments of recreation facilities, including the swimming pool.
(g)	Reserves - CHP Units	Ongoing	To enable participation in community housing projects such as independent living units for seniors
(h)	Reserves - Economic	Ongoing	To maintain a reserve to fund economic development initiatives
(i)	Reserves - Bowling Green	Ongoing	For replacement of the Bowling Green.
(j)	Reserves - Tennis Court	Ongoing	For the replacement of the Tennis Courts

### **5. TRADE RECEIVABLES**

	\$	\$
Current		
Rates receivable	75,356	58,684
Sundry receivables	115,839	66,384
GST receivable	30,243	8,860
Sewerage Rates Outstanding	11,173	24,793
Allowance for impairment of receivables	(2,915)	-
Rubbish Rates Outstanding	7,076	11,986
Emergency Services Levy	11,914	9,841
Other current receivables	2,054	37,174
	250,740	217,722
Non-current		
Pensioner's rates and ESL deferred	34,282	31,161
	34,282	31,161

#### SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

#### Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 23.

### **Classification and subsequent measurement**

2019

2018

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

## 6. INVENTORIES

6. INVENTORIES	2019	2018
	\$	\$
Current		
Stock on hand	11,163	16,603
	11,163	16,603
The following movements in inventories occurred during the year:		
Carrying amount at 1 July	16,603	6,635
Inventories expensed during the year	(122,145)	(105,506)
Additions to inventory	116,705	115,474
Carrying amount at 30 June	11,163	16,603

### SIGNIFICANT ACCOUNTING POLICIES

#### General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

7. OTHER FINANCIAL ASSETS	2019	2018
	\$	\$
(a) Current assets		
Other financial assets at amortised cost	2,258,221	2,017,772
Other loans and receivables	-	24,535
	2,258,221	2,042,307
Other financial assets at amortised cost		
- Financial assets at amortised cost - term deposits	2,245,469	2,017,772
- Financial assets at amortised cost - self supporting loans	12,752	-
	2,258,221	2,017,772
Financial assets previously classified as loans and receivables		
- Loans receivable - clubs/institutions	-	24,535
	-	24,535
		,
(b) Non-current assets		
Financial asset at fair value through profit and loss	52,551	46,400
Other loans and receivables	-	12,751
	52,551	59,151
Financial asset at fair value through profit and loss -	52 554	46,400
investment in Local Government House	52,551	46,400
	52,551	46,400
Financial assets previously classified as loans and receivables		
- Loans receivable - clubs/institutions		12,751
	-	12,751

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 13(b) as self supporting loans.

### SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The Shire classifies financial assets at amortised cost if both of the following criteria are met:

 the asset is held within a business model whose objective is to collect the contractual cashflows, and

- the contractual terms give rise to cash flows that are solely payments of principal and interest.

#### Financial assets at fair value through profit and loss

The Shire classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either

amortised cost or fair value through other comprehensive income.

equity investments which the Shire has not elected to recognise

fair value gains and losses through other comprehensive income.

#### Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 23.

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets Available-for-sale financial assets were non-derivative financial assets that were either not suitable to be classified as other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

#### Previous accounting policy: Loans and receivables

Non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and are solely payments of principal and interest were classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method.

#### 8. PROPERTY, PLANT AND EQUIPMENT

#### (a) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non- specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Tools and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	963,000	-	963,000	15,088,058	15,088,058	16,051,058	109,258	1,207,887	19,593	17,387,796
Additions	11,049	-	11,049	1,035,291	1,035,291	1,046,340	31,400	620,408	-	1,698,148
(Disposals)	-	-	-	(1,168,651)	(1,168,651)	(1,168,651)	-	(27,405)	-	(1,196,056)
Revaluation increments / (decrements) transferred to revaluation surplus	320,951	300,000	620,951	2,202,300	2,202,300	2,823,251	-	-	-	2,823,251
Works in Progress	-	-	-	15,670	15,670	15,670	-	-	-	15,670
Depreciation (expense)	-	-	-	(435,899)	(435,899)	(435,899)	(14,154)	(168,697)	(1,486)	(620,236)
Carrying amount at 30 June 2018	1,295,000	300,000	1,595,000	16,736,769	16,736,769	18,331,769	126,504	1,632,193	18,107	20,108,573
Comprises:										
Gross carrying amount at 30 June 2018	1,295,000	300,000	1,595,000	16,744,687	16,744,687	18,339,687	148,119	1,998,635	36,841	20,523,282
Accumulated depreciation at 30 June 2018	-	-	-	(7,918)	(7,918)	(7,918)	(21,615)	(366,442)	(18,734)	(414,709)
Carrying amount at 30 June 2018	1,295,000	300,000	1,595,000	16,736,769	16,736,769	18,331,769	126,504	1,632,193	18,107	20,108,573
Additions		-	-	654,866	654,866	654,866	-	891,824		1,546,690
(Disposals)	(170,000)	-	(170,000)	(210,988)	(210,988)	(380,988)	(7,502)	(206,908)	-	(595,398)
Revaluation increments / (decrements) transferred to revaluation surplus	-	-	-	-	-	-	-	105,092	-	105,092
Depreciation (expense)	-	_	-	(468,322)	(468,322)	(468,322)	(16,333)	(169,167)	(1,486)	(655,308)
Carrying amount at 30 June 2019	1,125,000	300,000	1,425,000		16,712,325	18,137,325	102,669	2,253,034	16,621	20,509,649
Comprises:										
Gross carrying amount at 30 June 2019	1,125,000	300,000	1,425,000	17,184,894	17,184,894	18,609,894	140,082	2,729,127	36,841	21,515,944
Accumulated depreciation at 30 June 2019	-	-	-	(472,569)	(472,569)	(472,569)	(37,413)	(476,093)	(20,220)	(1,006,295)
Carrying amount at 30 June 2019	1,125,000	300,000	1,425,000	16,712,325	16,712,325	18,137,325	102,669	2,253,034	16,621	20,509,649

#### **SHIRE OF DOWERIN**

### NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

# FOR THE YEAR ENDED 30TH JUNE 2019 8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar items (Net revaluation method)	Independent Valuation	2018	Price per hectare/market borrowing rate
	3	Market approach using recent observable market data for similar properties with adjustments to reflect the exisiting use or zoning of the land	Independent Valuation	2018	Price per hectare/market borrowing rate
Land - vested in and under the control of Council	3	Market approach using recent observable market data for similar items (Net revaluation method)	Independent Valuation	2018	Price per hectare/market borrowing rate
Buildings - non-specialised	2	Market approach using recent observable market data for similar items (Net revaluation method)	Independent Valuation	2018	Improvements to buildings using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
	3	Improvements to land valued using cost approach using depreciated replacement cost (Gross Valuation Method)	Independent Valuation	2018	Improvements to buildings using construction costs and current condition, residual values and remaining useful life assessments inputs.
Furniture and equipment	3	Cost approach using depreciated replacement cost (Net revaluation method)	Management Valuation	2016	Construction/Purchase costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3) inputs.
Plant and equipment	2	Market approach using recent observable market data for similar items	Independent Valuation	2019	Fair Values that are based on inputs other than quoted prices included within Level 1 that are directly or indirectly obervable for the asset.
	3	Cost approach using depreciated replacement cost (Net revaluation method)	Independent Valuation	2019	Fair Values that are derived from data unobservable in the market
Tools & equipment	3	Cost approach using depreciated replacement cost (Net revaluation method)	Independent and Management Valuation	2016	Construction/Purchase costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3) inputs.

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

There were no transfers between level 2 and 3 during the current and previous period.

#### 9. INFRASTRUCTURE

#### (a) Movements in Carrying Amounts

Movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Parks & Ovals	Infrastructure - Drainage	Infrastructure - Sewerage	Other Infrastructure	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	20,692,217	524,099	1,351,642	1,105,786	1,113,375	756,826	25,543,945
Additions	651,175	-	-	-	-	5,275	656,450
Depreciation (expense)	(426,860)	(20,964)	(78,395)	(22,116)	(55,669)	(66,316)	(670,320)
Carrying amount at 30 June 2018	20,916,532	503,135	1,273,247	1,083,670	1,057,706	695,785	25,530,075
Comprises:							
Gross carrying amount at 30 June 2018	21,343,392	524,099	1,351,642	1,105,786	1,113,375	762,101	26,200,395
Accumulated depreciation at 30 June 2018	(426,860)	(20,964)	(78,395)	(22,116)	(55,669)	(66,316)	(670,320)
Carrying amount at 30 June 2018	20,916,532	503,135	1,273,247	1,083,670	1,057,706	695,785	25,530,075
Additions	1,357,408	3,028	-	-	-	-	1,360,436
Depreciation (expense)	(426,950)	(20,964)	(78,395)	(22,116)	(55,669)	(66,316)	(670,410)
Carrying amount at 30 June 2019	21,846,990	485,199	1,194,852	1,061,554	1,002,037	629,469	26,220,101
Comprises:							
Gross carrying amount at 30 June 2019	22,700,800	527,127	1,351,642	1,105,786	1,113,375	762,101	27,560,831
Accumulated depreciation at 30 June 2019	(853,810)	(41,928)	(156,790)	(44,232)	(111,338)	(132,632)	(1,340,730)
Carrying amount at 30 June 2019	21,846,990	485,199	1,194,852	1,061,554	1,002,037	629,469	26,220,101

9. INFRASTRUCTURE (Continued)

#### (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Independent Valuation	2017	Construction costs and current condition, residual values and remaining useful life assessments inputs.
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Independent Valuation	2017	Construction costs and current condition, residual values and remaining useful life assessments inputs.
Infrastructure - Parks & Ovals	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Independent Valuation	2017	Construction costs and current condition, residual values and remaining useful life assessments inputs.
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Independent Valuation	2017	Construction costs and current condition, residual values and remaining useful life assessments inputs.
Infrastructure - Sewerage	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Independent Valuation	2017	Construction costs and current condition, residual values and remaining useful life assessments inputs.
Other Infrastructure	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Independent Valuation	2017	Construction costs and current condition, residual values and remaining useful life assessments inputs.

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

#### 9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

#### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

Each class of fixed assets within either plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

# Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

#### Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

#### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Land under control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii),* the Shire was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

#### Land under roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in *Australian Accounting Standard AASB 1051 Land Under Roads* and the fact *Local Government (Financial Management) Regulation 16(a)(i) prohibits* local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire.

### **SHIRE OF DOWERIN**

### NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2019 10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

#### (a) Disposals of Assets

	2019	2019			2019	2019			2018	2018		
	Actual	Actual	2019	2019	Budget	Budget	2019	2019	Actual	Actual	2018	2018
	Net Book	Sale	Actual	Actual	Net Book	Sale	Budget	Budget	Net Book	Sale	Actual	Actual
	Value	Proceeds	Profit	Loss	Value	Proceeds	Profit	Loss	Value	Proceeds	Profit	Loss
												(Restated)
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land - freehold land	170,000	170,000	-	-	-	-	-	-	-	-	-	-
Buildings - non-specialised	210,988	179,200	14,631	(46,419)	208,233	150,000	-	(58,233)	1,168,651	-	-	(1,168,651)
Furniture and equipment	7,502	-	-	(7,502)	-	-	-	-	-	-	-	-
Plant and equipment	206,908	237,877	40,366	(9,398)	120,394	133,000	21,276	(8,670)	27,402	18,727	3,643	(12,318)
	595,398	587,077	54,997	(63,318)	328,627	283,000	21,276	(66,903)	1,196,053	18,727	3,643	(1,180,969)

The detail of the following assets were disposed of during the year.

		2019	2019		
		Actual	Actual	2019	2019
		Net Book	Sale	Actual	Actual
Land		Value	Proceeds	Profit	Loss
Housing		\$	\$	\$	\$
13 Maisey Street, Dowerin		35,000	35,000	-	-
12 Cottrell Street, Dowerin		30,000	30,000	-	-
36 Stacy Street, Dowerin		30,000	30,000	-	-
42 Stacy Street, Dowerin		75,000	75,000	-	-
	Land - Total	170,000	170,000	-	-
Buildings					
Housing					
13 Maisey Street, Dowerin		68,673	25,000	-	(43,673)
12 Cottrell Street, Dowerin		52,365	55,000	2,635	-
36 Stacy Street, Dowerin		62,204	74,200	11,996	-
42 Stacy Street, Dowerin		27,746	25,000	-	(2,746)
	Buildings - Total	210,988	179,200	14,631	(46,419)
Plant and Equipment					
Governance					
Ford Everest DO		44,483	48,187	3,703	-
Transport					
Ford Territory OD		12,164	5,105	-	(7,059)
Grader D007		101,341	137,000	35,659	-
Ford Courier D07		1,105	1,200	95	-
Ford Ranger D02		12,000	12,909	909	-
Ford Ranger D02		34,387	33,476	-	(911)
Trailer 6x4		782	-	-	(782)
Trailer Mower		646	-	-	(646)
	Plant and Equipment - Total	206,908	237,877	40,366	(9,398)
Furniture and Equipment					
Governance					
NRMO Furniture		2,550	-	-	(2,550)
Storeroom Shelving		1,907	-	-	(1,907)
Fire VHF Radio		3,045	-	-	(3,045)
	Furniture and Equipment - Total	7,502	-	-	(7,502)
		595,398	587,077	54,997	(63,318)
		555,550	507,077	5.,557	(00)010)

### 10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Depreciation	2019 Actual	2019 Budget	2018 Actual
			(Restated)
	\$	\$	\$
Buildings - non-specialised	468,322	433,044	435,899
Furniture and equipment	16,333	10,815	14,154
Plant and equipment	169,167	225,561	168,697
Tools and equipment	1,486	1,542	1,486
Infrastructure - Roads	426,950	414,990	426,860
Infrastructure - Footpaths	20,964	20,940	20,964
Infrastructure - Parks & Ovals	78,395	78,290	78,395
Infrastructure - Drainage	22,116	22,090	22,116
Infrastructure - Sewerage	55,669	57,824	55,669
Other Infrastructure	66,316	66,250	66,316
	1,325,718	1,331,346	1,290,556

#### SIGNIFICANT ACCOUNTING POLICIES

#### Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

#### Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

ß	Asset Class	Useful life
B	Buildings	15 to 61 years
F	urniture and equipment	4 to 40 years
Т	ools	10 to 20 years
P	lant and equipment	10 to 27 years
F	loads and streets	
	Formation	not depreciated
	Pavement	17 years
	Bridges	50 years
	Kerbing	25 years
F	ootpaths	25 years
C	Other Infrastructure	8 - 40 years
P	arks & Ovals Infrastructure	17 years
C	Prainage Infrastructure	50 years
V	Vastewater infrastructure	20 years

#### **Depreciation (Continued)**

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways: (a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or (b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

### **11. REVALUATION SURPLUS**

	2019	2019	Total	2019	2018	2018	Total	2018
	Opening	Revaluation	Movement on	Closing	Opening	Revaluation	Movement on	Closing
	Balance	Increment	Revaluation	Balance	Balance	Increment	Revaluation	Balance
	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	871,768	-	-	871,768	550,817	320,951	320,951	871,768
Revaluation surplus - Land - vested in and under the control of Council	300,000	-	-	300,000	-	300,000	300,000	300,000
Revaluation surplus - Buildings - non-specialised	9,061,374	-	-	9,061,374	6,859,074	2,202,300	2,202,300	9,061,374
Revaluation surplus - Plant and equipment	76,610	105,092	105,092	181,702	76,610	-	-	76,610
Revaluation surplus - Other property, plant and equipment [Tools and Equipment]	16,271	-	-	16,271	16,271	-	-	16,271
Revaluation surplus - Infrastructure - Roads	1,394,293	-	-	1,394,293	1,394,293	-	-	1,394,292.5
Revaluation surplus - Other infrastructure [Footpaths]	302,397	-	-	302,397	302,397	-	-	302,397
Revaluation surplus - Other infrastructure [Parks & Ovals]	33,549	-	-	33,549	33,549	-	-	33,549
Revaluation surplus - Other infrastructure [Drainage]	1,078,803	-	-	1,078,803	1,078,803	-	-	1,078,803
Revaluation surplus - Other infrastructure [Sewerage]	853,801	-	-	853,801	853,801	-	-	853,801
Revaluation surplus - Other infrastructure [Infrastructure Other]	539,162	-	-	539,162	539,162	-	-	539,162
	14,528,028	105,092	105,092	14,633,120	11,704,777	2,823,251	2,823,251	14,528,028

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

### **12. TRADE AND OTHER PAYABLES**

2. TRADE AND OTHER PAYABLES	2019	2018
	\$	\$
Current		
Sundry creditors	182,965	62,085
Rates paid in advance	71,664	79,254
Accrued salaries and wages	13,993	4,629
Other payables	14,619	192,890
Creditors Licensing	1,602	1,342
Creditors Payroll	40,939	38,518
Grants paid in Advance	23,175	-
Accrued Loan Interest	8,463	6,493
Bonds & Deposits Held	12,061	-
	369,481	385,211

### SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect

### Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

#### 13. INFORMATION ON BORROWINGS

(a) Borrowings	2019	2018
	\$	\$
Current	145,042	121,879
Non-current	1,273,192	943,090
	1,418,234	1,064,969

#### (b) Repayments - Borrowings

Particulars Housing	Loan Number	Institution	Interest Rate	Actual Principal 1 July 2018 \$	30 June 2019 Actual New Loans \$	30 June 2019 Actual Principal repayments \$	30 June 2019 Actual Interest repayments \$	30 June 2019 Actual Principal outstanding \$	Budget Principal 1 July 2018 \$	30 June 2019 Budget New Loans	30 June 2019 Budget Principal repayments \$	30 June 2019 Budget Interest repayments \$	30 June 2019 Budget Principal outstanding \$	Actual Principal 1 July 2017 \$	30 June 2018 Actual New Loans \$	30 June 2018 Actual Principal repayments \$	30 June 2018 Actual Interest repayments \$	30 June 2018 Actual Principal outstanding \$
Government Regional Office Housing (GROH)	100	WATC	3.57%	-	280,000	4,856	7,413	275,144	-	280,000	4,856	4,998	275,144	-	-	-	-	-
Recreation and culture																		
Community Club	97	WATC	4.09%	286,063	-	67,233	10,847	218,830	286,063	-	67,233	11,019	218,830	350,628	-	64,565	13,596	286,063
Swimming Pool	101	WATC	1.80%	-	200,000	-	59	200,000	-	200,000	-	4,600	200,000	-	-	-	-	-
Economic services																		
Short Term Accommodation	99	WATC	3.14%	741,804	-	30,112	22,831	711,692	741,804	-	30,112	23,058	711,692	770,993	-	29,189	23,746	741,804
				1,027,867	480,000	102,201	41,150	1,405,666	1,027,867	480,000	102,201	43,676	1,405,666	1,121,621	-	93,754	37,342	1,027,867
Self Supporting Loans Economic services Dowerin Events	98	WATC	3.25%	37,102	-	21,551	904 904	12,568 12,568	37,102	-	24,534 24,534		12,568 12,568	60,856		25,754	1,684 1,684	37,102 37,102
				1,064,969	480,000	126,735	42,054	1,418,234	1,064,969	480,000	126,735	44,684	1,418,234	1,182,477	-	117,508	39,026	1,064,969

Self supporting loans are financed by payments from third parties. These are shown in Note 7 as other financial assets at amortised cost.

All other loan repayments were financed by general purpose revenue.

## SHIRE OF DOWERIN NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

#### FOR THE YEAR ENDED 30TH JUNE 2019

#### 13. INFORMATION ON BORROWINGS (Continued)

#### (c) New Borrowings - 2018/19

					Amount B	orrowed	Amount	(Used)	Total	Actual
		Loan	Term	Interest	2019	2019	2019	2019	Interest &	Balance
	Institution	Туре	Years	Rate	Actual	Budget	Actual	Budget	Charges	Unspent
Particulars/Purpose				%	\$	\$	\$	\$	\$	\$
Swimming Pool Refurbishment	WATC	Debenture	10	1.80%	200,000	200,000	200,000	200,000	59	-
					200,000	200,000	200,000	200,000	59	-

#### (d) Unspent Borrowings

		Unspent	Borrowed	Expended	Unspent
	Date	Balance	During	During	Balance
	Borrowed	1 July 2018	Year	Year	30 June 2019
Particulars		\$	\$	\$	\$
Government Regional Office Housing (GROH)	27 Jun 18	280,000	-	(280,000)	-
		280,000	-	(280,000)	-

		 2019	2018
(e) Undrawn Bor	rowing Facilities	 \$	\$
Credit Stand	oy Arrangements		
Bank overdra	ft limit	60,000	60,000
Bank overdra	ft at balance date	-	-
Credit card lir	nit	16,000	6,000
Credit card ba	alance at balance date	 (6,191)	(336)
Total amount	of credit unused	69,809	65,664
Loan facilities	5		
Loan facilities	- current	145,042	121,879
Loan facilities	- non-current	1,273,192	943,090
Total facilitie	s in use at balance date	 1,418,234	1,064,969
Unused loan	facilities at balance date	-	280,000

#### SIGNIFICANT ACCOUNTING POLICIES

#### Financial liabilities

Financial liabilities are recognised at fair value when the Shire becomes a party to the contractual provisions to the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Risk

Information regarding exposure to risk can be found at Note 23.

#### **14. EMPLOYEE RELATED PROVISIONS**

Employee Related Provisions	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2018			
Current provisions	103,266	48,370	151,636
Non-current provisions	-	69,565	69,565
	103,266	117,935	221,201
Additional provision	127,548	(7,744)	119,804
Amounts used	(96,227)	(3,277)	(99,504)
Balance at 30 June 2019	134,587	106,914	241,501
Comprises			
Current	134,587	82,804	217,391
Non-current	-	24,110	24,110
	134,587	106,914	241,501
	2019	2018	
Amounts are expected to be settled on the following basis:	\$	\$	
Less than 12 months after the reporting date	217,391	151,636	
More than 12 months from reporting date	13,787	67,835	
Expected reimbursements from other WA local governments	10,323	1,730	
	241,501	221,201	

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

#### SIGNIFICANT ACCOUNTING POLICIES

**Employee benefits** 

Short-term employee benefits

Provision is made for the Shire's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Shire's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

#### Other long-term employee benefits

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at Other long-term employee benefits (Continued) rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

#### Provisions

Provisions are recognised when the Shire has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

### **15. NOTES TO THE STATEMENT OF CASH FLOWS**

### **Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2019 Actual	2019 Budget	2018 Actual
			(Restated)
	\$	\$	\$
Cash and cash equivalents	856,021	2,285,402	1,916,923
Reconciliation of Net Cash Provided By			
Operating Activities to Net Result			
Net result	(192,714)	(773,389)	494,900
Non-cash flows in Net result:			
Depreciation	1,325,718	1,331,346	1,290,556
(Profit)/loss on sale of asset	8,321	45,627	1,177,326
Movement in Equity in local government house	(6,151)	-	28
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(36,139)	104,631	311,671
(Increase)/decrease in other assets		-	(9,967)
(Increase)/decrease in inventories	5,440	-	(322,111)
Increase/(decrease) in payables	(27,792)	(229,254)	10,538
Increase/(decrease) in provisions	20,302	(50,000)	-
Grants contributions for			
the development of assets	(716,810)	(717,862)	(2,280,009)
Net cash from operating activities	380,175	(288,901)	672,932

### **16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	2019	2018
		(Restated)
	\$	\$
Governance	-	91,053
General purpose funding	285,022	1,472,175
Law, order, public safety	744,191	977,240
Health	-	37,912
Education and welfare	153,059	580,238
Housing	4,333,406	4,559,475
Community amenities	2,663,285	2,604,357
Recreation and culture	12,078,925	11,513,263
Transport	25,436,974	23,282,934
Economic services	2,721,951	2,230,149
Other property and services	863,255	1,726,659
Unallocated	912,660	847,060
	50,192,728	49,922,515

### **17. CONTINGENT LIABILITIES**

The Shire of Dowerin has identified the following sites, in relation to land owned, vested or leased that is known to be, or suspected of being contaminated. As at the date of this report the value and timing of remediation has not been ascertained.

Lot 98 Cottrell Street, Dowerin - Shire Depot - hydrocarbon

### **18. CAPITAL AND LEASING COMMITMENTS**

### (a) Capital Commitments

Modular WA - residential home construction

### (b) Operating Lease Commitments

The Shire did not have any operating lease commitments at the reporting date.

### SIGNIFICANT ACCOUNTING POLICIES

### Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Shire, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

### 2019 2018 \$ \$ - 280,000 - 280,000

### Leases (Continued)

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

### **19. RELATED PARTY TRANSACTIONS**

### **Elected Members Remuneration**

	2019	2019	2018
The following fees, expenses and allowances were	Actual	Budget	Actual
paid to council members and/or the President.	\$	\$	\$
Meeting Fees	22,265	25,000	24,905
President's allowance	3,180	3,180	1,560
Deputy President's allowance	800	800	390
Members Communications	900	2,000	-
	27,145	30,980	26,855

### Key Management Personnel (KMP) Compensation Disclosure

	2019	2018
The total remuneration of KMP of the	Actual	Actual
Shire for year is as follows:	\$	\$
Short-term employee benefits	442,703	366,111
Post-employment benefits	43,546	34,635
Other long-term benefits	5,939	11,675
Termination benefits	22,902	47,962
	515,090	460,383

### Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

### Post-employment benefits

These amounts are the current-year's estimated cost of providing for the Shire's superannuation contributions made during the year.

### Other long-term benefits

These amounts represent annual leave and long service benefits accruing during the year.

### Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

### **19. RELATED PARTY TRANSACTIONS (Continued)**

### **Transactions with related parties**

Transactions between related parties and the Shire are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

	2019	2018
The following transactions occurred with related parties:	Actual	Actual
	\$	\$
Sale of goods and services	(85,000)	-
Purchase of goods and services	249,478	152,781
Short term employee benefits -other related parties	40,666	-
Post employment benefits - other related parties	3,462	-
Amounts outstanding from related parties:		
Trade and other receivables	24,684	-

### The Shire's main related parties are as follows:

### i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

### ii. Other Related Parties

The associate person of KMP was employed by the Shire under normal employement terms and conditions.

### ii. Entities subject to significant influence by the Shire

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

#### **20. CONDITIONS OVER GRANTS/CONTRIBUTIONS**

Grant/Contribution	Opening Balance <sup>(1)</sup> 1/07/17	Received <sup>(2)</sup> 2017/18	Expended <sup>(3)</sup> 2017/18	Closing Balance <sup>(1)</sup> 30/06/18	Received <sup>(2)</sup> 2018/19	Expended <sup>(3)</sup> 2018/19	Closing Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
Governance							
Museum	-	10,727	(10,727)	-	-	-	-
Law, order, public safety							
DFES Grant - Fesa Bush Fire Shed	-	265,333	(265,333)	-	-	-	-
Health							
Department of Health (HACC)	58,247	277,596	(299,617)	36,226	232,201	(268,427)	-
Transport							
Roads to Recovery	-	505,798	(230,698)	275,100	293,979	(569,079)	-
Wandrra Raod/Flood Mitigation	-	212,223	(212,223)	-	515,124	(515,124)	-
Regional Road Group	-	345,602	(345,602)	-	422,831	(422,831)	-
Economic services							
Short Term Accommodation	200,000	600,000	(800,000)	-	-	-	-
Arts and Culture	-	-	-	-	10,000	-	10,000
Total	258,247	2,217,279	(2,164,200)	311,326	1,474,135	(1,775,461)	10,000

#### Notes:

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

**21. RATING INFORMATION** 

#### (a) Rates

u) hutes												
			2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2017/18
		Number	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual
RATE TYPE	Rate in	of	Rateable	Rate	Interim	Back	Total	Rate	Interim	Back	Total	Total
Differential general rate / general rate	\$	Properties	Value	Revenue	Rates	Rates	Revenue	Revenue	Rate	Rate	Revenue	Revenue
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross rental valuations												
Residential	9.6915	134	1,325,547	128,465	1,212	-	129,677	128,465	-		128,465	122,153
Commercial/Industrial	9.6915	15	256,474	24,856	-	-	24,856	24,856	-		24,856	23,673
Town Rural	9.6915	11	127,602	12,367	-	-	12,367	12,367	-		12,367	11,778
Unimproved valuations												
Rural - Farmland	0.8306	227	122,034,500	1,013,619	(457)	-	1,013,162	1,015,965	-		1,015,965	951,632
Sub-Total		387	123,744,123	1,179,307	755	-	1,180,062	1,181,653	-		1,181,653	1,109,236
	Minimum											
Minimum payment	\$											
Gross rental valuations												
Residential	741	48	260,468	35,568	-	-	35,568	35,582	-		35,582	33,888
Commercial/Industrial	741	18	66,871	13,338	-	-	13,338	13,343	-		13,343	12,708
Town Rural	741	16	41,551	11,856	-	-	11,856	11,861	-		11,861	11,296
Other Towns	216	19	7,659	4,104	-	-	4,104	4,110	-		4,110	3,914
Unimproved valuations												
Rural - Farmland	741	65	3,675,800	48,165	-	-	48,165	57,596	-		57,596	48,714
Commercial/Industrial	741	4	400	2,964	-	-	2,964	2,965	-		2,965	2,824
Town Rural	741	3	64,000	2,223	-	-	2,223	2,224	-		2,224	2,118
Mining Tenement	216	3	5,867	648	-	(3,566)	(2,918)	649	-		649	618
Sub-Total		176	4,122,616	118,866	-	(3,566)	115,300	128,330	-	-	128,330	116,080
		563	127,866,739	1,298,173	755	(3,566)	1,295,362	1,309,983			1,309,983	1,225,316
Total amount raised from general rate			127,000,733	1,230,173	, , , , , , , , , , , , , , , , , , , ,	(3,300)	1,295,362	1,303,303	-		1,309,983	1,225,316
Ex-gratia rates							32,947				26,074	25,071
Totals						-	1,328,309					
IUtais							1,526,509				1,336,057	1,250,387

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon

receipt of the rates.

### SHIRE OF DOWERIN NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019 21. RATING INFORMATION (Continued)

#### (b) Specified Area Rate

The Shire did not levy a specified area rate during the current reporting period.

#### (c) Service Charges

			2018/19	2018/19	2018/19		2018/19	2018/19	2018/19	
		2018/19	Actual	Actual	Actual		Budget	Budget	Budget	2017/18
	Amount	Actual	Charges	Charges	Reserve	2018/19	Charges	Charges	Reserve	Total
	of	Revenue	Applied	Set Aside	Applied to	Budget	Applied	Set Aside	Applied to	Actual
Service Charges	Charge	Raised	to Costs	to Reserve	Costs	Revenue	to Costs	to Reserve	Costs	Revenue
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sewerage Rates	7.2924	150,198	144,836	15,812	-	149,650	149,650	-	-	145,471
Sewerage Fixtures	239.7/\$109.14	10,450	-	-	-	10,450	10,450	-	-	10,245
		160,648	144,836	15,812	-	160,100	160,100	-	-	155,716

Nature of the Service Charge	Objects of the Charge	Reasons for the Charge	Area/Properties Charge Imposed
Sewerage Rates	To reimburse the running costs of the sewerage scher	Health and sanitisation service for council for the	Properties with access to the Sewerage scheme
Sewerage Nates	To reinburse the running costs of the sewerage scheme	benefit of rate payers	roperties with access to the sewerage scheme
Sewerage Fixtures	Installation and maintenance costs	Health and sanitisation service for council for the benef	Properties with access to the Sewerage scheme

#### (d) Discounts, Incentives, Concessions, & Write-offs

No discounts, incentives, concessions or write-offs were offered by the Shire during the current reporting period.

### 21. RATING INFORMATION (Continued)

### (d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Plan Plan I	
		\$	%	%
Option One				
Payment in Full	10 Oct 2018	-	-	-
Option Two				
1st Instalment	10 Oct 2018	4.00	5.50%	11.00%
2nd Instalment	11 Feb 2019	4.00	5.50%	11.00%
Option Three				
1st Instalment	10 Oct 2018	4.00	5.50%	11.00%
2nd Instalment	10 Dec 2018	4.00	5.50%	11.00%
3rd Instalment	11 Feb 2019	4.00	5.50%	11.00%
4th instalment	11 Apr 2019	4.00	5.50%	11.00%

	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Interest on unpaid rates	10,796	11,669	13,084
Instalment plan fees	4,838	957	-
Charges on instalment plan	-	-	964
	15,634	12,626	14,048

#### 22. RATE SETTING STATEMENT INFORMATION

			2018/19	
		2018/19	Budget	2018/19
		(30 June 2019	(30 June 2019	(1 July 2018
		Carried	Carried	Brought
	Note	Forward)	Forward)	Forward)
				(Restated)
		\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded				
from amounts attributable to operating activities within the Rate Setting				
Statement in accordance with Financial Management Regulation 32.				
Adjustments to operating activities				
Less: Profit on asset disposals	10(a)	(54,997)	(21,276)	(3,643)
Movement in pensioner deferred rates (non-current)		(3,122)	-	(2,893)
Movement in employee benefit provisions (non-current)		(45,455)	1,109	44,014
Movement in employee leave reserve		2,415	-	724
Movement in equity in local government house		(6,151)	-	28
Add: Loss on disposal of assets	10(a)	63,318	66,903	1,180,969
Add: Depreciation on assets	10(b)	1,325,718	1,331,346	1,290,556
Non cash amounts excluded from operating activities		1,281,726	1,378,082	2,509,755
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded				
from the net current assets used in the Rate Setting Statement				
in accordance with Financial Management Regulation 32 to				
agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserves - restricted cash	3	(2,245,469)	(2,171,935)	(2,157,363)
Less: - Financial assets at amortised cost - self supporting loans	7(a)	(12,752)	-	(24,535)
Less: Liabilities supported by a reserve		56,631	55,326	54,216
Add: Borrowings	13(a)	145,042	-	121,879
Total adjustments to net current assets		(2,056,548)	(2,116,609)	(2,005,803)
Net current assets used in the Rate Setting Statement				
Total current assets		3,376,145	2,417,994	4,193,555
Less: Total current liabilities		(731,914)	(296,902)	(658,726)
Less: Total adjustments to net current assets		(2,056,548)	(2,116,609)	(2,005,803)
Net current assets used in the Rate Setting Statement		587,683	4,483	1,529,026

#### SHIRE OF DOWERIN NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019 23. FINANCIAL RISK MANAGEMENT

This note explains the Shire's exposure to financial risks and how these risks could affect the Shire's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Cash and cash equivalents, financial assets at amortised costs, long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and debt	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availablity of commited credit lines and borrowing facilities

The Shire does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy

#### (a) Interest rate risk

#### **Cash and cash equivalents**

The Shire's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Shire to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
2019					
Cash and cash equivalents	0.75%	856,021	-	856,021	-
Financial assets at amortised cost - term deposits	2.09%	2,245,469	2,245,469	-	-
2018					
Cash and cash equivalents	0.75%	1,916,923	-	1,916,923	-
Financial assets at amortised cost	2.60%	2,017,772	2,017,772	-	-

2019

2018

#### Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in

#### interest rates

	\$	\$	
Impact of a 1% movement in interest rates on profit and loss and equity*	8,560	19,169	
* Holding all other variables constant			

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 13(b).

#### 23. FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Credit risk

#### Trade Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The Shire is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The Shire applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable and related charges. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	1 to 3 years past due	More than 3 years past due	Total
30 June 2019 Rates receivable and related charges Expected credit loss		-	-	-
Gross carrying amount Loss allowance	63,093 -	21,294	55,414 -	139,801 -
01 July 2018 Rates receivable and related charges Expected credit loss	_	-	-	_
Gross carrying amount Loss allowance	74,797	18,629	43,039	136,465

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	More than 30	More than 60	More than 90	
Current	days past due	days past due	days past due	Total
-	-	-	39.78%	2.52%
85,682	22,723	106	7,329	115,839
-	-	-	2,915	2,915
-	-	-	-	-
60,508	-	268	5,608	66,384
-	-	-	-	-
	85,682	Current days past due	Currentdays past duedays past due85,68222,723106111	Current         days past due         days past due         days past due           -         -         -         39.78%           85,682         22,723         106         7,329           -         -         -         2,915           -         -         -         -           60,508         -         268         5,608

### 23. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

### **Payables and borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 13(e).

The contractual undiscounted cash flows of the Shire's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2010	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
<u>2019</u>	\$	\$	\$	\$	\$
Payables	369,481	-	-	369,481	369,481
Borrowings	185,967	631,223	965,772	1,782,962	1,418,234
	555,448	631,223	965,772	2,152,443	1,787,715
<u>2018</u>					
Payables	385,211	-	-	385,211	385,211
Borrowings	156,965	460,210	717,801	1,334,976	1,064,969
	542,176	460,210	717,801	1,720,187	1,450,180

### 24. TRUST FUNDS

There are no funds held at the balance date which are required to be held in the trust fund.

In previous years, bonds and deposits were held as trust monies. From this year, all bonds and deposits not required by legislation to be held in trust are included in Restricted cash. Refer to Note 3.

	1 July 2018	Amounts Received	Amounts Paid	Reclassification to Restricted cash 30 June 2019	30 June 2019
	\$	\$	\$	\$	\$
Housing Bonds	3,306	1,112	(1,160)	3,258	-
Key Deposits	610	-	-	610	-
Tidy Towns	2,818	-	-	2,818	-
Hacc Vehicle	493	-	-	493	-
HACC Fundraising	2,510	-	-	2,510	-
Centenery Park	1,792	-	-	1,792	-
Nomination Deposits	320	-	-	320	-
Yellow Ribon	247	-	-	247	-
Interest on Trust Funds	12	1	-	13	-
	12,108	1,113	(1,160)	12,061	-

### 25. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the current year, the Shire adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became mandatory and which were applicable to its operations.

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

#### **AASB 9 Financial instruments**

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in accumulated surplus/(deficit). There were no material differences as a result of adoption of AASB9.

### (a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Shire's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Shire's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

#### SHIRE OF DOWERIN NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019

#### 25. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The classification and measurement requirements of AASB 9 did not have a significant impact on the Shire. The following are the changes in the classification of the Shire's financial assets: - Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

In summary, upon the adoption of AASB 9, the Shire had the following required (or elected) reclassifications as at 1 July 2018:

	AASB 139 value	AASB 9 category amortised cost	Fair value through OCI	Fair value through P/L
AASB 139 category Loans and receivables	\$	\$	\$	\$
Trade receivables	217,722	217,722		
Loans and advances	37,286	37,286		
	255,008	255,008		

#### (b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, there was no material impact on the impairment of the Shire's rates receivable and sundry receivables as at 1 July 2018.

#### SHIRE OF DOWERIN NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019 26. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

#### (a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

The Shire is in the process of assessing the impact of the new standard.

#### (b) Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has appplied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

The Shire is in the process of assessing the impact of the new standard.

#### SHIRE OF DOWERIN NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019

#### 26. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Continued)

#### (c) Income For Not-For-Profit Entities

The Shire will adopt AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the Shire. When the taxable event occurs the financial liability will be extinguished and the Shire will recognise income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the Shire to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

The Shire is in the process of assessing the impact of the new standard.

#### **27. PRIOR YEAR CORRECTIONS**

In accordance with AASB108, balances relating to the 2018 comparative year have been amended due to the correction of a prior year error. This error has been adjusted and shown below and, in accordance with the requirements of AASB101.

During the 2018 financial year the Shire of Dowerin did not record a replacement firetruck provided by the Department of Fire and Emergency Services with a value of \$552,549. The non-cash contribution income arising from the contribution of the asset was also not recognised, in accordance with the Shire's revenue recognition policy. In addition, the disposal of the firetruck replaced was not recorded. The written-down value of this vehicle at the date of being returned to the Department of Fire and Emergency Services was \$11,363.74.

As a result the plant and equipment and revenue balances in the 2018 financial statements were misstated. The following demonstrates all statements and notes affected by the prior year correction:

		Increase/	30 June 2018
	30 June 2018	(Decrease)	(Restated)
	\$	\$	\$
Statement of Financial Position as at 30 June 2018			
Property, plant and equipment	19,617,493	491,080	20,108,573
Equity - retained surplus	31,074,663	491,080	31,565,743
Statement of Changes in Equity for the year ended 30 June 2018			
Net result for the period	3,817	491,083	494,900
Retained surplus	31,074,660	491,083	31,565,743
Statement of Comprehensive Income for the year ended 30 June 2018 By Nature or Type Expenses - depreciation on non-current assets Non-operating grants, subsidies and contributions Loss on asset disposal Net result for the period Total comprehensive income for the period	(1,240,453) 1,727,460 (1,169,606) 3,817 2,827,068	(50,103) 552,549 (11,363) 491,083 491,083	(1,290,556) 2,280,009 (1,180,969) 494,900 3,318,151
By program			
Expenses - law, order, public safety	(60,869)	(50,103)	(110,972)
Non-operating grants, subsidies and contributions	1,727,460	552,549	2,280,009
Loss on asset disposal	(1,169,606)	(11,363)	(1,180,969)
Net result fo the period	3,817	491,083	494,900
Total comprehensive income for the period	2,827,068	491,083	3,318,151

#### SHIRE OF DOWERIN NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019

#### 27. PRIOR YEAR CORRECTIONS (Continued)

		Increase/	30 June 2018
	30 June 2018	(Decrease)	(Restated)
	\$	\$	\$
Rate Setting Statement			
Expenditure from operating activities - law, order, public safety	(60,869)	(61,466)	(122,335)
Non-operating grants, subsidies and contributions	1,727,460	552,549	2,280,009
Purchase of property, plant and equipment	(1,161,269)	(552,549)	(1,713,818)
Note 2(a) Revenue			
Non-operating grants, subsidies and contributions			
Law, order, public safety	265,333	552,549	817,882
Note 8(a) Movements in Carrying Amounts			
Plant and equipment			
Additions	67,859	552,549	620,408
Disposals	(16,039)	(11,366)	(27,405)
Accumulated depreciation	(118,594)	(50,103)	(168,697)
Carrying amount as at 30 June 2018	1,141,113	491,080	1,632,193
Note 10(a) Disposal of Assets			
Actual loss	(955)	(11,363)	(12,318)
Note 10(b) Depreciation			
Plant and equipment	118,594	50,103	168,697
Note 15 Notes to the Statement of Cash Flows			
Net result	3,817	491,083	494,900
Depreciation	1,240,453	50,103	1,290,556
(Profit)/loss on sale of asset	1,165,963	11,363	1,177,326
Grants contributions for the development of assets	(1,727,460)	(552,549)	(2,280,009)
Note 16 Total Assets Classified by Function and Activit	.v		
Law, order, public safety	486,160	491,080	977,240
Note 22 Pate Catting Statement Information			
Note 22 Rate Setting Statement Information (a) Non-cash amounts excluded from operating activit	ioc		
Loss on disposal of assets		44.202	1 100 000
Depreciation on assets	1,169,606	11,363	1,180,969
	1,240,453	50,103	1,290,556

Refer to Note 30 for details of ratios affected by the prior year correction.

#### SHIRE OF DOWERIN NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019

#### a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

#### b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational cycle. In the case of liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Shire's intentions to release for sale.

#### c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

#### d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

#### e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

#### f) Superannuation

The Shire contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Shire contributes are defined contribution plans.

#### g) Fair value of assets and liabilities

Fair value is the price that the Shire would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

#### h) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

#### Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

#### Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

#### Valuation techniques

The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches:

#### Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities

#### Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

#### Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

#### i) Impairment of assets

In accordance with Australian Accounting Standards the Shire's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model ,such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

#### SHIRE OF DOWERIN NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019 29. ACTIVITIES/PROGRAMS

Shire operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
GOVERNANCE	
To provide a decision making process for the efficient allocation of scarce resources.	Includes the activities of members of Council and the administrative support available to the Council for the provision of governance to the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING	
To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	
To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and othe aspects of public safety including emergency services.
HEALTH	
To provide an operational framework for environmental and community health.	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
EDUCATION AND WELFARE	
To provide services to disadvantaged persons, the elderly, children and youth.	Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.
HOUSING	
To provide housing to staff.	Staff housing, provision of general rental accomodation when buildings not required by staff.
COMMUNITY AMENITIES	
To provide services required by the community.	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town plannning schemes, cemetery and public conveniences.
RECREATION AND CULTURE	
To establish and effectively manage infrastructure and resources which help the social well being of the community.	Maintenance of public halls, civic centres and various sporting facilities. Provision and maintenance o parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.
TRANSPORT	
To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, streets, foothpaths, depots, cycleways and parking facilities.
ECONOMIC SERVICES	
To help promote the Shire and its economic wellbeing.	Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building control.
OTHER PROPERTY AND SERVICES	

To monitor and control Council's overhead operating accounts.

Private works operation, plant repair and operation costs, housing and engineering operation costs.

#### SHIRE OF DOWERIN NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2019

2019 **30. FINANCIAL RATIOS** 2018 2017 Actual Actual Actual 2.03 Current ratio 2.16 2.85 Asset consumption ratio 0.95 0.98 0.98 Asset renewal funding ratio 0.94 0.84 1.35 Asset sustainability ratio 1.43 0.51 0.96 Debt service cover ratio 2.72 (2.91) 14.72 Operating surplus ratio (0.40)(0.87)0.43 Own source revenue coverage ratio 0.41 0.35 0.56 The above ratios are calculated as follows: Current ratio current assets minus restricted assets current liabilities minus liabilities associated with restricted assets depreciated replacement costs of depreciable assets Asset consumption ratio current replacement cost of depreciable assets Asset renewal funding ratio NPV of planned capital renewal over 10 years NPV of required capital expenditure over 10 years capital renewal and replacement expenditure Asset sustainability ratio depreciation Debt service cover ratio annual operating surplus before interest and depreciation principal and interest Operating surplus ratio operating revenue minus operating expenses own source operating revenue Own source revenue coverage ratio own source operating revenue

operating expense

#### **Restatement of ratios for prior year corrections**

The following ratios reported in the 2018 financial statements have been amended for the effect of the prior year correction summarised in Note 27:

	Previously		2018
	Reported	Adjustment	Restated
Current ratio	2.39	0.46	2.85
Asset consumption ratio	0.55	0.43	0.98
Asset sustainability ratio	0.57	(0.06)	0.51
Debt service cover ratio	(2.84)	(0.07)	(2.91)
Operating surplus ratio	(0.84)	(0.03)	(0.87)
Own source revenue coverage ratio	0.36	(0.01)	0.35

CEO's Review of the Effectiveness of Risk Management, Legislative Compliance and Internal Controls



December 2019

## BACKGROUND

Regulation 17 of the Local Government (Audit) Regulations 1996 states:

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

In accordance with Regulation 17(3), the Audit & Risk Committee is required to review a report prepared by the CEO, and then report to the Council the results of the Committee's review, at the same time, attaching a copy of the CEO's report.

Operation Guideline Number 09 (issued by the Department of Local Government, Sport & Cultural Industries) lists issues that should be considered for inclusion in the CEO's Review of Risk Management, Internal Control and Legislative Compliance.

The primary goal of Regulation 17 is to establish the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, legislative compliance and internal controls.

## **RISK MANAGEMENT**

#### 1. Does the Local Government have an effective Risk Management System?

#### Comment

The Shire of Dowerin is working towards developing an effective risk management system with several strategies put in place to assist the Shire of Dowerin in managing risks. The overarching Risk Management Framework includes a Risk Profiling Report that identifies key controls and actions (treatments).

Due to changes in key personnel the Risk Dashboard and Profile Report was only reviewed twice since the reported review in November 2017.

The Risk Management Policy and Framework is to be reviewed for appropriateness and effectiveness at least every two years.

The last review of the Risk Management Policy and Framework was presented to the Audit and Risk Committee in October 2019 and adopted by Council in November 2019.

	agement Policy Recommendation/Resolu	ution
Moved:	Cr Holberton	Seconded: Cr Ward
0079	-	ith Regulations 16 and 17 of the <i>Local Government (Audit)</i> uncil adopts the reviewed Risk Management Policy, as nt 11.1A.
		CARRIED 5/0

#### Risk Management Framework

Moved:	Cr	Chatfield		Seconded:	С	Cr Ward
0800		at, in accordance wi gulations 1996, Coun		ions 16 and	17	7 of the Local Government (Audit
	<ol> <li>Adopts the Risk Management Framework, as presented in Attachment 11.24</li> </ol>				presented in Attachment 11.2A and	
	2.	occur over a perio	d of time, estones to	with the p be reviewed	prog	Risk Management Framework wil ogress of implementation and the and reported quarterly to the Audi
						CARRIED 5/0

Key actions implemented since December 2017 are referenced throughout this report. The following key actions are not referenced:

Code of Conduct The Code of Conduct was last reviewed in April 2017. The next review was due in April 2019. WALGA recommended the review be deferred until the Local Government Act Amendment Bill is finalised to consider implications and implementation of the new requirements. It is envisaged the review will take place no later than April 2020. External Review - CEO's Review of Risk Management, Internal Control and Legislative Compliance The CEO engaged an external local government consultant to undertake the initial review of the Shire's systems and controls. The review was undertaken in September 2019 and presented to the Audit and Risk Committee in October 2019. Attachment A Officer's Recommendation/Resolution Moved: Mr Whiteaker Seconded: Cr Ward That, by Simple Majority in accordance with Regulations 16 and 17 of the Local 0055 Government (Audit) Regulations 1996, the Audit & Risk Committee: receives the Audit Regulation 17 Review report from Mr Gary Martin, as presented in Attachment 7.6A; 2. notes the Audit Regulation 17 Review report from Mr Gary Martin is a supporting document to the CEO's Review of Risk Management, Internal Control and Legislative Compliance and Risk Management Governance Framework which is anticipated to be presented to the Audit & Risk Committee in December 2019; and 3. recommends to Council that it receives the Audit Regulation 17 Review report from Mr Gary Martin. CARRIED 3/0

Integrated Planning Framework	
Document	Adopted by Council
Asset Management Plan	May 2018
Long-Term Financial Plan	May 2018
Corporate Business Plan	26 February 2019
Workforce Plan	28 May 2019

#### Corporate Business Plan

With the implementation of the IPR Suite of Plans, monitoring is undertaken through the IPR Framework Process Plan outlining Dowerin's Baseline Report to include theme, objective, outcome, strategy and key actions. The Corporate Business Plan Quarterly Monitoring Review – November 2019 was received by Council in November 2019.

Moved: Cr Ward

Seconded: Cr Sewell

0078 That, in accordance with Section 5.56(1) of the *Local Government Act 1995*, Council receives the Corporate Business Plan - Quarterly Monitoring Review - November 2019, as presented in Attachment 10.5A.

CARRIED 5/0

#### Organisation Structure Review

A comprehensive review of the organisation structure commenced in November 2018. The purpose of the review was to put in place a workable structure that ensures the organisation can meet operational, legislative, regulatory and strategic requirements in addition to delivering services to the community.

COUNCIL DECISION – 13.1.4 MOVED: RI TREPP

SECONDED: BN WALSH

CARRIED: 8/0

THAT COUNCIL, BY ABSOLUTE MAJORITY, PURSUANT TO SECTION 5.2 OF THE LOCAL GOVERNMENT ACT 1995, RESOLVES TO ACCEPT THE SHIRE OF DOWERIN'S ORGANISATION STRUCTURE, MARCH 2019.

Monthly Financial Statements are presented to Council each month.

The Shire of Dowerin participates in the LGIS Regional Risk Coordinator Program. The program assists the Shire to achieve a safer workplace, reduced liability exposure, cost savings on claims, protect assets, improve productivity and enhance industry knowledge.

A desktop review of the Risk Dashboard and Profile Report was conducted by the CEO in December 2019. <u>Attachment B</u>.

## 2. Are material operating risks to the Local Government being appropriately considered?

## Comment

The Shire of Dowerin maintains the adopted "Three Lines of Defence" model for the management of risk. This model ensures responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. Operating within the approved risk appetite and framework, Council, management and the community will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate and Operational Plans.

The major risk themes recognised for assessment include:

- Misconduct;
- External Theft & Fraud;
- Business Disruption;
- Damage to Physical Assets;
- Errors, Omissions & Delays;
- Failure of IT &/or Communications Systems and Infrastructure;
- Failure to fulfil Statutory, Regulatory or Compliance Requirements;
- Providing Inaccurate Advice/Information;
- Inadequate Change Management;
- Inadequate Organisation and Community Emergency Management;
- Inadequate Document Management Processes;
- Inadequate Employee and Visitor Safety & Security;
- Inadequate Engagement of Community/Stakeholders/Elected Members;
- Inadequate Procurement, Disposal or Tender Practices;
- Inadequate Asset Management;
- Inadequate Stock Management;
- Inadequate Supplier/Contract Management;
- Ineffective People Management; and
- Not Meeting Community Expectations.

The risk themes are assessed using the Risk Dashboard and Profile Report to identify the risk context, potential causes, key controls, actions (treatments), risk rating, consequences and indicators. Reviews of the Risk Dashboard and Profile Report were inadequate throughout 2018. However upon the review of the Risk Management Framework the reviews are to be carried out quarterly and presented to the Audit and Risk Committee. Quarterly reviews are scheduled in the Governance Calendar for January, April, July and October.

3. Does the Local Government have a current and effective Business Continuity Plan (including Disaster Recovery) which is tested from time to time?

#### Comment

A draft Business Continuity Plan is in place. However, the document is yet to be tested for appropriateness and effectives before finalising the Plan and presenting to the Audit and Risk Committee. The Shire's Risk Dashboard and Profile Report for business disruption is identified as inadequate. This risk area will be a priority with the aim to finalise the Plan by April 2020.

- 4. How effective are the internal processes for determining and managing material operating risks in accordance with the Local Government's identified tolerance for risk, particularly in the following areas?
- a. Potential non-compliance with legislation, regulations and standards and the local governments' policies;
- b. Important accounting judgements or estimates that prove to be wrong;
- c. Litigation and claims;
- d. Misconduct, fraud and theft; and
- e. Significant business risks recognising responsibility for general or specific risk areas, for example, environment risk, occupational health and safety and how they are managed by the local government.

#### Comment

The Shire of Dowerin's Risk Management Framework, Risk Management Policy and relevant Procedures clearly identify the risks associated with the internal processes identified above.

Council Policy 2.2 - Risk Management outlines the definition of risk, risk management objectives, roles and responsibilities, risk assessment and acceptance criteria, monitoring and review.

Council's risk themes outlined in the Risk Management Framework document in detail all such risks and the Shire is currently developing processes and structures to mitigate and or minimise potential adverse effects, both financial and other.

Council's insurer provides Professional Indemnity cover which assists the Shire to minimise financial exposure.

The organisation's Governance Calendar assists management and staff to quickly identify due dates for all statutory, legislation and compliance requirements.

The Shire of Dowerin's Code of Conduct outlines guidelines for an acceptable standard of professional conduct. The Code of Conduct observes statutory requirements of the *Local Government Act 1995* (Section 5.103 – Codes of Conduct) and *Local Government (Administration) Regulations 1996* (Regulation 34B and 34C). Activities, behaviour and statutory compliance obligations may be scrutinised in accordance with prescribed rules of conduct as described in the *Local Government Act 1995* and *Local Government (Rules of Conduct) Regulations 2007.* 

Council's Occupational Safety and Health (OSH) Management Plan 2018 assists the Shire in providing a safe workplace. The Plan follows the layout of the Australian New Zealand Standard AS/NZ4801, the current industry best practice for safety management. The Plan outlines the OSH policy and objectives.

5. Are regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, provided to ensure that identified risks are monitored and new risks identified, mitigated and reported?

#### Comment

The Risk Management Framework outlines the requirement to monitor and review the management of risks, the effectiveness and efficiency of controls and the appropriateness of action (treatment) options. Reviews are to be conducted quarterly utilising the Risk Dashboard and Profile Reporting Tool and presented to the Audit and Risk Committee.

Due to key personnel changes, the Risk Dashboard and Profile Report was not monitored during 2018. Upon the commencement of the incoming CEO in late August 2018, the profile was appraised to gain an understanding of the maturity of the profiling tool and a desktop review was undertaken in December 2018. The quarterly Risk Dashboard and Profile Report was presented to the Audit and Risk Committee in October 2019.

Risk Dashboard and Profile Quarterly Report

The Risk Dashboard and Profile quarterly report was presented to the Audit and Risk Committee in October 2019. The Committee discussed the Dashboard and its implications in detail with the main points of discussion to include asset management practices, business and community disruption, failure to fulfil compliance requirements, errors omissions and delays, IT and communication systems and infrastructure, misconduct and supplier/contract management.

There is a preference to adopt a pragmatic approach towards managing risk and ensuring the Risk Dashboard and Profile (Risk Register) is a workable document for the organisation. The CEO and Management aims for continuous improvement with the goal to achieve best practice. It is acknowledged that due to restricted resources it will take time to implement identified actions and desired outcomes.

Moved:	Cr Ward	Seconded: Cr Hudson
0053		rity in accordance with Regulations 16 and 17 of the <i>Loca.</i> Regulations 1996, the Audit & Risk Committee:
	•	rterly Risk Dashboard Quarterly Report - October 2019, as ended in Attachment 7.4A:
		ess of staff actions to identify risks, track treatments and In identified outcomes; and
	3. Recommends to ( Report - October	ouncil that it receives the quarterly Risk Dashboard Quarterly 2019.
		CARRIED 3/0

The Compliance Audit Returns for 2018 and 2019 were completed and lodged.

Compliance Audit Return		
The CEO engaged a local government consultant to conduct an independent review of		
the 2018 Compliance Audit Return. The notes to the review was received at the Ordinary		
Meeting of Council in March 2018. There were five items of non-compliance in the total		
95% items included in the Compliance Audit Return 2018, an achievement rate of 94.7%.		
Return Year Lodged to DLGSC Smart Hub		
2018	28 March 2019	
2017	28 February 2018	

1	Local Governm	ent, Sport and Cultural Inc ub	lustries		
	home my lg	future			
Dowerin Shire ► cars					
Dowerin Shire Documents			expire after 30 minutes of inactivity. Please needs to be submitted to your audit commit	save regularly to avoid data loss. tee and then council for adoption by <b>31 March</b> .	Dowerin
		Return Year 🛆	Return Type	Status	Manage
		2018	Compliance Audit Return	Completed on 28/03/2019	
		2017	Compliance Audit Return	Completed on 28/02/2018	

All engineering work sites are risk assessed and documented by staff and contractors utilising risk assessment tools Take 5 and Safe Work Method Statement (SWMS). Risk assessment tools are reviewed and monitored throughout the identified works and signed off upon completion. <u>Attachment C</u> provides an example of a SWMS. Incident Reports are completed, signed and tabled at Toolbox meetings to determine if the action taken was appropriate and what can be put in place to prevent a recurrence.

6. Are the Local Government's processes to manage insurable risks adequate? How adequate is insurance cover, and if applicable, the level of selfinsurance?

## Comment

The Shire of Dowerin has comprehensive insurance cover through Council's insurance broker, LGIS. The insurance policy is reviewed annually, including the provision of external and/or in-house valuations based on replacement values and adjusted accordingly.

Council's Land and Buildings and Infrastructure portfolios were inspected and valued in June 2018 utilising external consultants. The inspection and valuation of Council's Plant and Equipment assets was carried out in June 2019, also by an external consultant. The reports determined the fair value and insurance value of the specified assets.

The Shire of Dowerin consults with LGIS to discuss matters on an ongoing basis and professional consultation is readily available. Through LGIS, resources and procedures are provided to assist processing the management of insurable risks.

7. Has the effectiveness of the Local Government's internal control system been reviewed with management and the internal and external auditors?

#### Comment

The Shire of Dowerin's internal control systems are reviewed and tested at regular intervals by the Management Team and annually by Council's External Auditors who conduct an interim and final audit.

Management has identified that in-house document procedures need updating, strengthening and recording. Documentation and centralising of procedures will be a key focus of Management during 2020.

The Audit recommendation for the year ending 30 June 2018 audit findings provided recommendations that Management have considered and actioned.

The Shire of Dowerin engaged the services of an external local government consultant to undertake the Compliance Audit Return.

The Shire of Dowerin's Audit and Risk Committee includes an external member, Mr Jason Whiteaker from the Shire of Northam.

An external review of the Financial Management System took place in September 2019.

#### Financial Management Review

The CEO is responsible for implementing policies, procedures and controls which are designed to ensure the effective and efficient management of the Shire's resources. In accordance with Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* the CEO is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures. At least once in every three financial years the CEO is to report the results of those reviews to Council.

The last FM Review was conducted in 2016. The CEO engaged a local government consultant to undertake the 2019 FM Review. The Audit and Risk Committee received the 2019 FM Review in October 2019. The prioritised action list detailing progress and achieved milestones will be reported to the Audit and Risk Committee as a standing item.

#### Resolution

Moved: Mr Whiteaker

Seconded: Cr Ward

0054 That, by Simply Majority in accordance with Regulation 5(2) of the Local Government (Financial Management) Regulations 1996, the Audit & Risk Committee receives the 2019 Financial Management Review, as presented in Attachment 7.5A, noting that a prioritised action list detailing progress and achieved milestones will be reported to future Audit & Risk Committee meetings, and recommends to Council that it endorses the 2019 Financial Management Review.

CARRIED 3/0

A strong focus on internal control will continue. The findings and recommendations of the external review will be included in the priority action list to ensure outlines objectives are achieved. Attachment D.

8. Does management have controls in place for unusual types of transactions and/or potential transactions that might carry more than an acceptable degree of risk?

#### Comment

Council's Delegation Register clearly identifies power of delegation, delegated duty, delegation to, sub-delegation, functions and conditions. The Delegations Register was reviewed in June 2019.

#### **Delegation Register**

In accordance with Section 5.46(2) of the *Local Government Act 1995* the Delegation Register was reviewed in June 2019 and May 2018.

Officer's Recommendation/Council Resolution - 11.3

Moved: Cr Walsh

Seconded: Cr Ward

That Council, by Absolute Majority pursuant to Sections 5.42, 5.44 and 5.46 of the Local Government Act 1995, adopts the Delegations Register, as reviewed and presented in Attachment 11.3A.

CARRIED 8/0

A review is scheduled for February 2020 to consider the Local Government Amendment Bill to ensure delegations meet new requirements.

Council Policy 4.4 – Finance Authorising Policy outlines that all finance transactions are to be authorised by the noted authorised person prior to the transaction being undertaken.

Council Policy 4.7 – General Financial Transaction Policy outlines that Council's accounting records will be maintained on a full accrual basis using up to date methods or electronic data processing.

Council Policy 4.11 - Purchasing Policy outlines the objectives to ensure all purchasing activities are compliant.

Segregation of processing duties and delegation of transaction checks and reviews and final authorisations are in place, but at times are difficult to put into practice due to the size of the organisation.

There is an emphasis to document and centralise effective procedures.

9. How effective and robust is the Local Government's procurement framework, with a focus on the probity and transparency of policies, procedures and processes? Are these procedures and processes being applied?

Comment

The Shire of Dowerin is committed to delivering best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance. The purchasing policy ensures that;

- best practice policies and procedures are followed in relation to internal purchasing for the Shire of Dowerin;
- compliance with the *Local Government Act 1995* and the *Local Government Act (Function and General)* Regulations 1996;
- compliance with the *State Records Act 2000* and associated record management practices and procedures of the Shire of Dowerin;
- purchasing processes are followed that ensure value for money for the Shire of Dowerin by delivering the most advantageous outcome possible;
- openness, transparency, fairness and equity through the purchasing process to all potential suppliers; and
- efficient and consistent purchasing processes are implemented and maintained across the organisation.

The Shire of Dowerin also utilised the services of WALGA's Preferred Suppliers Panel in conjunction with the WALGA eQuotes system thus negating the requirement to call tenders notwithstanding the transaction value.

Council Policy 4.11 – Purchasing Policy was last reviewed in June 2018 and outlines the objectives to ensure all purchasing activities are compliant.

Council Policy 4.15 - Regional Price Preference Policy is designed to stimulate activity and growth within the Shire of Dowerin and the surrounding region by maximising the use of competitive local businesses in the supply of good and/or services purchased or contracted on behalf of the Shire of Dowerin.

The findings identified during the interim audit for the year ended 30 June 2019 included the following:

- purchasing and payment procedures;
- payroll exceptions;
- reconciliation of investment balances and fixed assets;
- review of month-end reconciliation;
- receivable master file; and
- invoice and credit note request forms.

The recruitment of an experienced local government practitioner to fulfil the position of Manager Corporate and Community Services in early June 2019 has assisted with addressing the issues raised by the Auditor.

There is a lack of comprehensive, documented checklists and procedures. There is currently a key focus to develop adequate processes that are centralised.

# 10. Should the need arise, does the Audit and Risk Committee meet periodically with key management, internal and external auditors and compliance staff to understand and discuss any changes in the Local Government control environment?

#### Comment

The Audit and Risk Committee consists of 3 Elected Members and 1 External Member. The role and responsibilities of the Committee include:

#### External Audits

- 1. Provide guidance and assistance to Council as to the carrying out of the functions of the Shire in relation to external audits.
- 2. Provide an opportunity for the Committee to meet with the external auditors to discuss any matters that the Committee or the external auditors believe should be discussed.
- 3. Meet with the auditor annually to receive the audit report and make a recommendation to Council with respect to that report.
- 4. Examine the reports of the auditor after receiving a report from the CEO on the matters to:
  - a. Determine if any matters raised require action to be taken by the Shire; and
  - b. Ensure that appropriate action is taken in respect of those matters.
- 5. Consider and recommend adoption of the Annual Report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the Annual Report is signed.
- 6. Address issues brought to the attention of the Committee, including responding to requests from Council for advice that is within the parameters of the Committee's Terms of Reference.

#### Internal Audits

- 1. Provide guidance and assistance to Council as to the carrying out of the functions of the local government in relation to internal audits.
- 2. Review and recommend the annual internal audit plan for endorsement by the Council and all major changes to the plan. Monitor that the internal auditor's annual plan is linked with and covers the material business strategic risks and themes.
- 3. Monitor processes and practices to ensure that the independence of the internal audit function is maintained.
- 4. Annually review the performance of internal audits including the level of satisfaction with the internal audit function.
- 5. Review all internal audit reports and provide advice to Council on significant issues (i.e. high and extreme) identified in audit reports and the action to be taken on issues raised, including identification and dissemination of good practice.
- 6. Monitor management's implementation of internal audit recommendations.
- 7. Receive the findings of special internal audit assignments undertaken at the request of Council or CEO.
- 8. Review the annual Compliance Audit Return and report to Council the results of that review in accordance with Section 7.13(1)(i) of the *Local Government Act 1995*.
- 9. Consider the CEO's Biennial Reviews of the appropriateness and effectiveness of the Shire's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the Committee, and report to Council the results of those reviews in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996*.
- 10. Oversee the process of developing and implementing the Shire's fraud control arrangements to assist Council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities.
- 11. Consider the financial management systems and procedures in accordance with Regulation 5(2) of the *Local Government (Financial Management) Regulations 1996* within the statutory timeframes.

#### Risk Management

- 1. Ensure that management has in place a current and comprehensive enterprise Risk Management Framework and associated procedures for effective identification and management of Shire's business and financial risks.
- 2. Determine whether a sound and effective approach has been followed in managing the Shire's major risks including those associated with individual projects, program implementation, and activities.
- 3. Ensure the Shire identifies, reviews and regularly updates the strategic and operational risk profiles.
- 4. Understand and endorse the Shire's risk appetite.
- 5. Oversee the periodic review of the Risk Management Framework.

#### Business Continuity

- 1. Ensure a sound and effective approach has been followed in establishing the Shire's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.
- 2. Oversee the periodic review of the Business Continuity Framework.

#### Financial Reporting

- 1. Review significant accounting and reporting issues, recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- 2. Review with management and the external auditors the results of the audit, including any difficulties encountered.
- 3. Review the Annual Financial Statements forming part of the Shire's Annual Report and consider whether it is complete, consistent with information known to Committee members, and reflects appropriate accounting principles.
- 4. Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.

5. Recommend the adoption of the Annual Financial Statements forming part of the Annual Report to Council.

#### Internal Control

- 1. Ensure management's approach to maintaining an effective Internal Control Framework is sound and effective.
- 2. Ensure management has in place relevant policies and procedures, including CEO's Instructions or their equivalent, and that these are periodically reviewed and updated.
- 3. Ensure appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with.
- 4. Ensure appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- 5. Review how management identifies any required changes to the design or implementation of key internal controls.

#### Fraud and Corruption Prevention

- 1. Oversee the process of developing and implementing the Shire's fraud control arrangements to assist Council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities.
- 2. Receive and consider information and advice presented by the CEO on the strategies and controls to manage fraud and corruption risks at the Shire.
- 3. Provide oversight over the Shire's exposure and issues raised in relation to fraud and corruption.

#### Legislative Compliance

1. Oversee the effectiveness of the systems for monitoring compliance with relevant laws, regulations and associated government policies.

#### Other Responsibilities

- 1. Monitor the progress of the implementation of external audit recommendations made by the auditor, which have been accepted by the Shire.
- 2. Receive recommendations arising from reviews of local government systems and procedures.
- 3. At least once every two years review and assess the adequacy of the Committee's Terms of Reference, request Council approval for proposed changes, and ensure appropriate disclosure as required by legislation or regulation.

The Audit and Risk Committee have met on 6 occasions since the last Regulation 17 review:

2018	2019
18 December 2018	19 December 2019
28 June 2018	22 October 2019
18 February 2018	18 March 2019

The Audit and Risk Committee have participated in the exit meeting with Council's Auditor conducted upon the conclusion of the audited report via teleconference.

2018	2019
18 December 2018	19 December 2019

The Risk Dashboard and Profile Report was presented to the Audit and Risk Committee in October 2019.

External Audit Review

Council's Auditor's carried out the interim and end of year external audits. Following proclamation of the *Local Government (Auditing) Act 2017*, the Auditor General became responsible for the annual financial report audit of Western Australian Local Governments. The annual financial statement audit of the Shire of Dowerin was completed by the Auditor General for the first time for the year ended 30 June 2019. 2017-2018 Finanical Year

Receipt of the Interim Management Report for the Year Ended 30 June 2018 was received by the Audit Committee in June 2018. Receipt of the Auditor's Report and Management Letter Report was recommended to be adopted by the Audit Committee in December 2018. Audit findings requiring action included adjusting journals, master file changes, year-end accounting, related party declarations, supplier payments, provision for employee entitlements, fuel stocks, works costings, self-supporting loan debtors and workforce plan.

**COMMITTEE RECOMMENDATION – ITEM 8.2** 

Moved: Cr BA Ward Seconded: Cr AJ Metcalf

Carried: 4/0

THAT THE AUDIT COMMITTEE;

- 1. RECOMMEND THE ADOPTION OF THE 2017-2018 ANNUAL REPORT, AND RECEIPT OF THE AUDITOR'S REPORT AND MANAGEMENT REPORT FROM AMD CHARTERED ACCOUNTANTS FOR THE 2017-2018 FINANCIAL YEAR TO COUNCIL; AND
- 2. RECOMMEND TO COUNCIL THAT IT HOLD ITS ANNUAL GENERAL MEETING OF ELECTORS ON TUESDAY 5 FEBRUARY 2019 AT 6.00PM AT THE DOWERIN COMMUNITY CLUB.

2018-2019 Financial Year

Receipt of the Interim Management Report for the Year Ended 30 June 2019 was received by Council in July 2019. Receipt of the Auditor's Report and Management Letter Report will be presented to the Audit and Risk Committee on 19 December 2019. The audit findings included recording of contributed assets, review of LTFP, high annual leave balances and verifcation of year-end fuel stocks.

11. Have fraud and misconduct risks been identified, analysed and evaluated? Has an appropriate treatment plan been implemented, communicated and monitored? Is there regular reporting and ongoing management of fraud and misconduct risks?

#### Comment

Risk profiles have been prepared for both 'Misconduct' and 'External Theft and Fraud' as part of the Shire's Risk Management Framework. Both are identified as being a 'moderate' risk and, although controls are adequate, further actions will need to be identified for implementation in 2020. Such actions will necessitate the review of existing processes, documenting and centralising of procedures.

Actions are included as a standing item on the Senior Management Meeting agenda to monitor status. These profiles are monitored and reviewed by Management quarterly. Actions include:

- Review and document controls and systems;
- Centralise checklists, controls and procedures; and
- Review purchasing policy and procurement process;

There have not been any reported cases of fraud since the CEO's appointment in August 2018.

## INTERNAL CONTROLS

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

Aspects of an effective control framework will include:

- Delegation of authority;
- Documents policies and procedures;
- Trained and qualified employees;
- System controls;
- Effective policy and process review;
- Regular internal audits;
- Documentation of risk identification and assessment; and
- Regular liaison with auditor and legal advisors.

#### Comment

Delegation of Authority

Council has an effective delegation process. The Shire's Delegation Register was reviewed in May 2018 and June 2019. Delegations will continue to be reviewed on an annual basis in accordance with the requirements of Section 5.46(2) of the *Local Government Act 1995*.

Council Motion - Delegation Register In accordance with Section 5.46(2) of the *Local Government Act 1995* the Delegation Register was reviewed in May 2018 and June 2019.

Officer's Recommendation/Council Resolution - 11.3

Moved: Cr Walsh

Seconded: Cr Ward

That Council, by Absolute Majority pursuant to Sections 5.42, 5.44 and 5.46 of the Local Government Act 1995, adopts the Delegations Register, as reviewed and presented in Attachment 11.3A.

CARRIED 8/0

All employees in positions with delegated authority are required to complete a Primary Return and an Annual Return for each year thereafter that they remain in the position.

#### Documented Policies and Procedures

Council is establishing a new Policy Manual which is reviewed on a regular basis. The new Policy Manual is sectioned and numbered for easy reference.

Along with establishing the new Policy Manual, Council is reviewing the 2007 Policy Manual. The 2007 Manual is more procedural rather than outlining the principals to guide decisions and achieve rational outcomes. Council has reviewed a good portion of the 2007 Manual resulting in the decision to rescind policies and replace with adopted policies that set the guidelines of Council.

The development of a Corporate Procedure Manual will commence in 2020.

The current policies reviewed or implemented during 2019 are listed below which assists the Shire to assess the risk, internal controls and the relevant legislation to keep policies up to date for both Council and Staff.

Policy	Month/Year
Policy 2.1 - Related Parties Disclosures	January 2019
Policy 2.2 – Risk Management Policy	November 2019
Policy 2.4 – Information Management	February 2019
Policy 3.4 - Employee Health and Wellbeing	August 2019
Policy 3.5 - Grievances, Investigations & Resolution	August 2019
Policy 3.6 - Disciplinary	August 2019
Policy 3.7 - Discrimination, Bullying & Harassment Policy	August 2019
Policy 3.8 – Equal Employment Opportunity	August 2019
Policy 3.12 - Senior Employees & Acting CEO	March 2019
Policy 3.17 - Prescription Safety Glasses	January 2019
Policy 4.6 – Bank Account	January 2019
Policy 4.9 – Petty Cash	February 2019
Policy 4.10 – Corporate Credit Card	May 2019
Policy 4.14 – Mixed Use Properties	April 2019
Policy 4.15 – Regional Price Preference Policy	November 2019
Policy 5.4 - Road Engineering & Subdivision	May 2019
Policy 5.5 - Traffic Management of Dowerin Roads & Reserves	October 2019
Policy 5.8 - Replacement of Plant and Vehicles	November 2019
Policy 6.1 – Dowerin Home & Community Care - Volunteer	October 2019
Policy 6.2 - Pop Up Shop Country Collective	March 2019

#### Trained and Qualified Employees

The ongoing development of position descriptions for each employee position will assist in ensuring that staff members are appropriately qualified for the position to which they are appointed. Annual performance reviews are conducted to include identifying training and professional development requirements. Identified training needs are costed and included in the annual budget. A staff training register is updated on a regular basis.

Prior to offering employment to potential employees the following actions take place:

- Driver's License Check;
- National Police Clearance;
- Medical;
- Reference Checks; and
- Qualifications Checks.

Staff Driver License checks were conducted in November 2019.

Shire of Dowerin Workforce Plan was reviewed and adopted by Council in May 2019. The Workforce Plan will be monitored and evaluated annually and with emphasis analyses on staff retention, attraction protocols and succession planning.

#### Effective Policy and Process Review

Council requires its Policies to be reviewed once every two years. Once a policy is adopted it is inserted into the Shire's Policy Manual. However, a review appropriate to the subject is applied to each individual policy if required. Procedures, as they are compiled will be added to the planned Corporate Procedures Manual, will also be required to include a specific review timeframe.

#### Regular Internal Audits

The Local Government Act 1995 requires that a Compliance Audit Return (CAR) be completed on an annual basis. The Shire of Dowerin engages the services of an external auditor to conduct an independent review of the CAR. The Return must be presented to the Audit and Risk Committee and to Council prior to submission to the Department of Local Government.

Compliance Audit Ret	urn			
The CEO engaged a lo	ocal governme	nt consultant to	conduct an independent	review of
the Shire's CAR for 20	18. The notes	to the review wa	as received at the Ordinary	y Meeting
of Council in March 20	)18.			
Return Year			Lodged to DLGSCI Smar	t Hub
2018			28 March 2019	
2017			28 February 2018	
Local Government, Sport and Cultural Industries Smart Hub				
home my l	g future			
Dowerin Shire → cars				
Dowerin Shire	Please note that sessions will expire after 30 minutes of inactivity. Please save regularly to avoid data loss. Dowerin			
Documents	The Compliance Audit Return needs to be submitted to your audit committee and then council for adoption by <b>31 March</b> .			
	Return Year 🛆	Return Type	Status	Manage
	2018	Compliance Audit Return	Completed on 28/03/2019	
	2017	Compliance Audit Return	Completed on 28/02/2018	

Documentation of Risk Identification and Assessment

In May 2017, Council adopted a Risk Management Policy, which is supported by a Risk Management Procedure. Several risk profiles have also been prepared which are tools for identifying, assessing and reviewing risks to which the Shire may be exposed. Collectively, these documents form the Shire's Risk Management Framework.

The last review of the Risk Management Policy and Framework was presented to the Audit and Risk Committee in October 2019 and adopted by Council in November 2019.

Officer's Recommendation/Resolution		
Moved:	Cr Holberton	Seconded: Cr Ward
0079	That, in accordance with Regulations 16 and 17 of the Local Government (Audit Regulations 1996, Council adopts the reviewed Risk Management Policy, a presented in Attachment 11.1A.	

## Risk Management Framework

Moved:	Cr Chatfield	Seconded: Cr Ward	
0800	That, in accordance with Regulations 16 and 17 of the Local Government (Audit Regulations 1996, Council:		
	1. Adopts the Risk Man	agement Framework, as presented in Attachment 11.2A and;	
	occur over a perio	s that implementation of the Risk Management Framework will period of time, with the progress of implementation and the of milestones to be reviewed and reported quarterly to the Audit ittee and Council.	
		CARRIED 5/0	

## Regular Liaison with Auditor and Legal Advisers

Auditors attend Audit and Risk Committee meetings once per calendar year, either face-to-face or via teleconference. The Administration is in frequent communication with both auditors and legal advisers on a wide range of issues. Meeting dates conducted with the Auditors include:

2018	2019
18 December 2018	19 December 2019

The following are examples of controls that are typically reviewed:

## 1. Separation of Roles and Functions, Processing and Authorisation

## Comment

Appropriate separation of roles and functions for processing and authorisation include:

- Debtors and Creditors;
- Payroll;
- Receipting;
- Rates;
- Banking;
- Electronic payments and transfers;
- Health;
- Planning; and
- Building.

## 2. Control of Approval of Documents, Letters and Financial Records

#### Comment

The Shire of Dowerin's Recordkeeping Plan (RKP2008069) was approved in 2014. A review of the Recordkeeping Plan is required by June 2021. The objectives of the Shire of Dowerin RKP are to ensure:

- Compliance with Section 28 of the *State Records Act 2000*;
- Recordkeeping within the Shire of Dowerin is moved towards compliance with the State Records Commission Standards and Records Management Standard AS ISO 15489;
- Processes are in place to facilitate the complete and accurate record of business transaction and decisions;
- Recorded information can be retrieved quickly and accurately when required; and
- Protection and preservation of the Shire of Dowerin's records.

Council Policy 2.4 – Information Management objectives are to:

- To ensure that the Shire of Dowerin meets the statutory requirements of the *State Records Act 2000;*
- To ensure uniformity and consistency for the creation and maintenance of records withing the management systems within the Shire of Dowerin;

• Define the roles and responsibilities of those Officers who manage and preform record keeping processes for, or on the behalf of, the Shire of Dowerin.

The Shire of Dowerin maintains a digital information management system, utilising Sharepoint, part of Office 365, which is designed to accommodate all statutory and industry requirements for superior recordkeeping.

All financial transactions are traceable and recorded through Council's application software suite, SynergySoft. Monthly statutory financial reports are provided to Council.

## 3. Comparison on Internal Data with Other or External Sources of Information

## Comment

The Shire of Dowerin does not have a formal policy or procedure in place in this regard, and in practicality there are many areas of the Shire's operations where external sources of information for the purposes of comparison are not available. However, appropriate action is taken whenever the opportunity or requirement for such comparisons exist. For instance, grant acquittals are subject to scrutiny by the Shire's external auditors, road data must be provided to Main Roads WA on an annual basis, and maintenance of the Shire's property register necessitates the comparison of property records held by the Shire with external sources such as Landgate and the WA Electoral Commission.

No major issues of concern have been identified to date in respect to the Shire's internal data is an indication that current practices are adequate at this point of time.

#### 4. Limit of Direct Physical Access to Assets and Records

## Comment

Access to assets is controlled via a key system. Officers are issued with keys which are not allowed access to areas unrelated to their duties.

An external provider is engaged to manage the data files and IT system. A service level agreement is in place to manage this arrangement. A monthly managed service report is provided to the Shire of Dowerin focusing on the following areas:

- Security;
- Data Protection;
- Monitoring; and
- Support.

The November 2019 report provided a MSA Score Rating of:

MSA Score Rating



Electronic files/data are backed-up daily to an internal and external hard drive. Back-up of electronic files is adequate. The organisation is investigating the implementation of a wireless link to accommodate back up replication.

Restrictions have been placed on the level of access each staff member can have, generally only to allow them to perform their specific functions. For example, some staff only have the ability to view records and have no ability to enter any data/information into the system.

Management will be looking into the creation of an Information, Technology and Communications (ITC) reserve fund. The development of an ITC Site Plan and procedure will be completed by December 2020. Reviews of data backup across the organisation occurs on a regular basis.

5. Control of Computer Applications and Information Systems Standards

Comment Refer to Point 4.

6. Limit Access to Make Changes to Data Files and Systems

Comment Refer to Point 4.

7. Regular Maintenance and Review of Financial Control Accounts and Trial Balances

Comment

Financial Control Accounts, including Trial Balances for all funds are reviewed and balanced on a monthly basis.

8. Comparison and Analysis of Financial Results with Budgeted Amounts

Comment

Each month an assessment of the budget variances is undertaken and reported to Council in accordance with Regulation 34 of the *Local Government (Financial Management) Regulations 1996.* 

9. The Arithmetical Accuracy and Content of Records

Comment

Records are monitored through the Budget Review process and payment sign-off procedures, as well as the List of Accounts Paid is presented to Council for approval at each Ordinary Meeting.

10. Review, Review and Approval of Financial Payments and Reconciliations

Comment

Undertaken, as required, by the Manager Corporate and Community Services.

11. Comparison of the Result of Physical Cash and Inventory Counts with Accounting Records

Comment

Council Policy 4.9 - Petty Cash outlines the objectives should petty cash be used.

Council Policy 5.1 – Fuel Stock Control provides guidelines and managing the amount of fuel stock within the Shire.

A record of physical cash holdings is maintained daily. Petty cash and fuel stocks are reconciled on a monthly basis.

The current system to reconcile fuel stock is inadequate. There is a need to invest approximately \$20,000 to establish an adequate system to record inventory. This matter will be included in the 2020/21 Budget deliberations.

## LEGISALATIVE COMPLIANCE

The Audit and Risk Committee should:

1. Monitor compliance with legislations and regulations

#### Comment

The Audit and Risk Committee review the annual Compliance Audit Return and audited Financial Statements and makes recommendations on both to Council. In addition, the Committee is responsible for considering and making recommendations to Council in relation to the Chief Executive Officer's Review of Risk Management, Internal Control and Legislative Compliance. The Committee also reviews the quarterly Risk Dashboard and Profile report.

2. Review the Annual Compliance Audit Return and reporting to Council of the results of that review

#### Comment

The annual Compliance Audit Return is presented to the Audit and Risk Committee for review and recommendation to Council within the required timeframe.

3. Review how management is monitoring the effectiveness of its compliance and make recommendations for change as necessary

#### Comment

The Audit and Risk Committee can make recommendations to Council with respect to any issues it believes require attention.

4. Review whether the local government has procedures to receive, retain and treat complaints, including confidential and anonymous employee complaints

#### Comment

Council has adequate policies and procedures that deal with such matters, which are reviewed on a regular basis.

External complaints are processed using one of the following methods:

- Snap, Send, Solve application notifications are registered, reviewed monthly and presented to Council each month; and
- Complaints Register.

Council Policy 3.5 - Grievances, Investigations and Resolution provides guidelines on how to manage confidential and employee complaints.

5. Obtain assurance that adverse trends are identified and review management's plans to deal with them

Comment

In accordance to the Shire's Risk Management Framework, the Audit and Risk Committee is to be provided with a Risk Report at each Committee meeting.

This did not occur during 2018, however the report requirements will be fully implemented commencing in 2019.

6. Review management disclosures in financial reports of the effect of significant compliance issues

Comment

The Audit and Risk Committee reviews the annual Audit and Management Reports provided by the Shire's external Auditor.

7. Review whether the internal and/or external auditors have regard to compliance and ethics risk in development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the Audit and Risk Committee

Comment

The Shire of Dowerin does not have an internal auditor at this point in time. The external audit function has recently been assigned through legislation to the Auditor General. The full implications of this are yet to be determined.

8. Consider the internal auditor's role in assessing compliance and ethics risks in their plan

Comment

Not relevant at this point in time.

9. Monitor the Local Government's Compliance Frameworks dealing with relevant external legislation and regulatory requirements

Comment

The Shire of Dowerin's Risk Management Framework was developed in November 2016 and reviewed in October 2019. The Governance Calendar highlights an annual review.

The Compliance Audit Return was externally reviewed in September 2019. The Audit and Risk Committee reviews and makes recommendations to Council with respect to the annual Compliance Audit Return.

10. Compliance with legislative and regulatory requirements imposed on Audit Committee members, including not using their position to gain an advantage for themselves or another or to cause detriment to the Local Government and disclosing of interests

Comment

Audit Regulation changes are bought to the attention of the Audit and Risk Committee as they arise. Audit and Risk Committee members are aware of their obligations in this regard. The Shire of Dowerin's Code of Conduct outlines guidelines for an acceptable standard of professional conduct. The Code of Conduct observes statutory requirements of the *Local Government Act* 1995 (S 5.103 - Codes of Conduct) and *Local Government (Administration) Regulations* 1996 (Regs 34B and 34C). Activities, behaviour and statutory compliance obligations may be scrutinised in accordance with prescribed rules of conduct as described in the *Local Government Act* 1995 and *Local Government (Rules of Conduct) Regulations* 2007. The Code of Conduct clearly states the guidelines for conflict, disclosure of interest and personal benefit.

Rebecca McCall Chief Executive Officer

12 December 2019

9/17/2019

## Audit Regulation 17 Review for the Shire of Dowerin 2019

Gary Martin LOCAL GOVERNMENT CONSULTANT

## AUDIT REGULATION 17 REVIEW FOR THE SHIRE OF DOWERIN

## September 2019

## 1. BACKGROUND

This review is conducted on behalf of the CEO and for the purpose of reporting to the Shire's Audit Committee as required by Audit Regulation 17.

The review complements a review conducted for the purposes of the Local Government (Financial Management) Regulation 5 (2)( c).

The Shire is a small Wheatbelt local government of a similar size and nature to many other wheatbelt local governments. However, the Shire was the subject of a CCC investigation in 2016, which resulted in the, then, CEO being charged with fraud and imprisoned for three years.

The financial loss of nearly \$600,000 was considerable, but the Shire also suffered serious reputational damage. The independent forensic financial audit and a Financial Management review together with the Compliance Audit Review in 2016 reported the sheer scale of mismanagement that had existed for several years, with the intangible loss of management control outweighing the financial loss.

The adverse effects of that period are still being felt today and this is likely to continue for some time to come as the previous hidden management failures come to light.

The FMR review reported on the significant improvements in the management of the Shire, and the ongoing improvements underway but that progress had been slowed by the changeover of the CEO position with two permanent CEO's and two Acting CEO periods since 2016. It was also noted that previous employees had not been properly supervised and largely left to their own devices, which contributed to a lack of internal control.

Significantly, the FMR review has found that the CEO has made considerable positive changes, including the recent recruitment of four new Office staff and that there is a new positive culture developing, with a focus on introducing new procedures and internal controls.

This process is not an audit, but a review of the Shire's risk management function in respect of the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, legislative compliance and internal controls. Similarly, it is not the purpose of this review to critique existing risks or to identify additional risks.

## 2. STATUTORY ENVIRONMENT

Audit Regulation 17. CEO to review certain systems and procedures

(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to — (a) risk management; and (b) internal control; and (c) legislative compliance.

(2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

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

The Audit Committee is required to review the report and report to the Council on the report and the results of the review. The primary objective is to establish the appropriateness and effectiveness of the Shire's systems and procedures in relation to Risk Management, Legislative Compliance and internal controls.

It is noteworthy that there are no mandatory or minimum requirements for conducting a Reg.17 review, and it is important to note that it is not an audit.

This review considers all three components:

- Risk Management
- Internal Control
- Legislative Compliance

As mentioned above, this review was conducted in conjunction with the FMR reg.5 review, which included significant elements of internal control and legislative compliance and the two reviews are complementary.

## 3. RISK MANAGEMENT OVERVIEW

The CCC investigation in 2016 highlighted the requirement for local governments to have in place strong governance systems including policy, delegations, procedures and internal controls. A noteworthy contributing factor to the environment in which the previous CEO had operated was a failure of the external audit system, the Council's oversight and governance role and the lack of a Shire Audit Committee – the body charged with the prime responsibility for the oversight of the Shire's financial management and governance.

Therefore, although the misconduct by the CEO was the prime cause, the other key checks and balances also failed and allowed his misconduct to continue, with significant short- and medium-term detriment to the Shire.

The Shire has established an active Audit Committee and it is noteworthy its membership includes an external person who has a strong local government management background.

A similar Reg.17 review was conducted in 2017 and includes reference to the poor state of affairs that had existed previously. The Shire has made significant positive improvements since that time despite the changeover of CEO's, and these are continuing. It is evident that the previous CEO introduced a robust Risk Management process, however the focus on risk management has been delayed by the changeover of CEO in 2018 and the prioritisation of all the various management tasks.

The Shire's Policy manual includes a Risk Management Policy, which is the high-level Council risk management tool. The policy details the focus of risk mitigation and the objectives, as well as the roles and responsibilities and is recorded as being adopted 23 May 2017.

The Shire also has in place a comprehensive Risk Management Framework which was reviewed in August 2019 and not yet considered by the Audit Committee or Council. This framework is not specifically mentioned in the Policy, but the policy is mentioned in the framework.

The framework includes reference to a Risk Management Procedures manual, Shire Risk Profiles and reference to risk reporting.

The policy does not include specific provision for the regular internal review and status reporting of the risk environment at the management and Council level and that is considered essential but is included in the Framework, with:

- Risk Profiles to be reviewed and updated at least six monthly or where change occurs
- Six monthly risk reporting for the CEO and Management team
- Annual Compliance Audit

The CEO conducted a comprehensive risk management review in 2018, which forms a firm base for the conduct of this review. That review included risk management systems, whether the operating risks were being appropriately considered, internal processes and other key review components.

The Shire has a Risk Management Governance Framework which includes a policy, procedure and risk profiling tool. The risk profiling tool includes 15 risk themes. For each theme (area of business) the risk context and key controls are identified along with actions to mitigate risk. The risk profiling tool enables the Shire of Dowerin's Risk Management Team to monitor risks and report on a quarterly basis.

The CEO reported to the Audit Committee in March 2019 that with the loss of key personnel during 2018, quarterly monitoring and reporting of the risk profiling tool did not take place. Also, that upon the commencement of the incoming CEO in late August 2018, there was need to concentrate on operational priorities. Although quarterly monitoring or reporting did not occur, there has been an emphasis on reviewing identified policies and procedures to ensure the necessary controls are in place.

The CEO has acknowledged the previous delay in further implementing the Risk Management process and is actively pursuing that objective. This includes using the Risk Profiling Tool and:

- Management to monitor and update quarterly.
- Quarterly reporting presented to the Audit Committee and the OCM.
- Quarterly actions to be included in Senior Management Action lists and these scrutinised weekly at Senior Staff meetings.

To guarantee the reporting requirements outlined in the Risk Management Governance Framework is undertaken, the Governance Calendar specifies that the Risk Management Team is to monitor the risk profiling tool in February, May, August and November of each calendar year and reporting to the Audit Committee every six months (May and December). The proposed guarterly reporting is recommended.

It had also been reported to the Audit Committee that a Business Continuity Plan was being drafted. That Plan has since been completed and is indicative of the progress being made.

It is entirely relevant for this review that there has been a significant change in key Office positions in recent months. Although this recruitment process resulted in a temporary setback due to vacancies, there are encouraging signs of a significant positive outcome with a change in culture and proactive process improvement to support the CEO's endeavours.

The CEO's commitment to developing a strong Risk Management environment is demonstrated by the 2019 Risk Profiles and Dashboard Register. This register is a comprehensive risk management tool which identifies and details a wide variety of functions and threats. The extent of this tool prevents a

realistic outline and analysis of its substance and utility within this document but it complements the policy, Risk Management Framework and other associated processes.

In fact, the scope of the risk management environment creates an additional risk in testing the ability of the CEO and officers to properly manage the additional compliance demand.

Although currently committed to catching up on a backload of tasks as well as current day to day operational tasks, including key statutory matters such as the annual budget and annual financial report, there is significant focus and activity to introduce new procedures or improve existing. This is a work in progress but provides the Council with significant confidence in achieving a high level of internal control and risk management.

- The other components of the CEO 2018 Risk Review are relevant and in accord with this and the FMR review but with the recommendation of far greater focus on the development of internal controls/procedures as CEO Directives to provide greater management control.
- It is recommended that Risk management should be included on the agenda for all Senior Staff meetings (as intended by the CEO) and a status report presented to the Audit Committee on a regular basis (say quarterly). The CEO review noted that regular reporting to the Audit Committee had not occurred during 2018. The status reporting is a key accountability and monitoring tool and ensures that the Shire's risk management is under regular scrutiny.
- This review finds that the Shire has a well-defined risk management environment that is being refined and improved as time permits. Status reporting will ensure that work continues.

The Council has a critical role to play in being aware of the factors (funding, time, resources, support) influencing the complete achievement of compliance, internal control and risk management and a commitment to resource the CEO to achieve these objectives.

## 4. INTERNAL CONTROL

This component of the Reg.17 review has been complemented by the separate FMR 5 review and it is not intended to duplicate that work in this report.

The FMR review found that the Shire has a greatly improved management environment with policy and procedures, and the systems necessary to carry out the compliance, governance and accounting requirements imposed on a local government such as the Shire, but that its internal control was weakened by the lack of specific written internal controls imposed by the CEO as directives.

It was evident that there were various procedures in place, including details of specific accounting functions associated with the data entry processes necessary to operate the Synergy accounting system, but these lacked specific details to provide control over the task. These controls should include requirements such as the responsible officer(s), how, when, what and a checking/authorisation regime.

These tasks, such as reconciliations, with some form of officer identification and checking, are being carried out now, but as a normal practice rather than as a result of a documented control requiring the task to be undertaken.

The formal imposition of directives by the CEO is the final step in the statutory framework and adds a higher degree of management control. The development of an internal control framework based on

legislation, policy, delegation, procedure and control, in a common format and location will provide a more complete strong internal control environment.

It was evident during the FMR review that the new staff were being proactive and examples of new procedures (in a common format) were being prepared as the need was identified and as time permitted. The adoption of an internal control mindset that imposes the responsibility and control requirements is necessary to give the CEO far greater management control.

The FMR further recognised the requirement for the CEO to develop appropriate function checklists (e.g. Payroll, EOM reconciliations etc) that are signed off by the preparing officer and a senior checking officer. The development of a Master function checklist that is provided to the CEO monthly will provide a ready reference regarding the status of the various functions.

Although the conduct of these reviews is timely, there is also an element of being premature. It was abundantly clear that the CEO has a strong focus on process improvement including compliance and risk management and the backlog of major plans etc has improved significantly in a relatively short space of time. It was also apparent that the recently appointed employees are also showing a positive approach to process improvement with evidence of new procedures etc occurring during the review.

It is anticipated that these positive improvements will continue as time permits and within the constraints of day to day operational requirements.

# 5. LEGISLATIVE COMPLIANCE

This aspect of the review also formed a significant part of the FMR review.

The Shire and CEO demonstrate a strong focus on statutory compliance and achieving best practice. As noted previously, the achievement of this objective has been affected by the sheer scale of legacy problems from the pre 2016 era and the requirement to introduce basic compliance requirements identified in the 2016 Forensic Audit and FMR reviews. The changeover of CEO's and other office staff has further affected progress.

It is noted that the Shire is now in a position of being appropriately staffed and a far more positive environment exists.

The pre 2016 compliance environment was almost non-existent with the Compliance Audit Return for the 2015 year noting numerous examples of non-compliance and incorrect reporting in previous Returns by the, then, CEO.

The Council has since engaged an external Consultant (the author of this report) to conduct the Compliance Audit. That experience and knowledge, including three periods as the Acting CEO, has greatly assisted in the conduct of both the FMR and this review.

The independent CAR audit for 2017 found one issue of non-compliance out of ninety-four items, and the 2018 audit, five issues out of ninety-four items. These results were similar with other audits conducted by the author and indicate the high level of focus on compliance by both recent CEO's. The results are particularly relevant in regard to the environment that had existed, and the sheer volume of legacy management issues that were required to be addressed, and quickly.

It is noteworthy that the statutory CAR content has been reduced from some 400 items to less than 100. The earlier, more comprehensive, CAR forms provided a far more comprehensive annual check on the

level of compliance and this underlines the requirement for the CEO to develop internal controls and checklists.

An example found during the FMR was the failure to maintain the Cemetery register since 2017. The Cemetery compliance requirements had once been included in the more comprehensive CAR but is no longer part of the recent CAR's. However, the compliance requirement remains and underlines the requirement for CEO imposed internal controls and checklists.

It is relevant that the FMR found that the other statutory registers were being maintained.

It is important to note that the actual compliance framework and the CAR process is a detached, retrospective examination of minute, multifaceted, and ambiguous statutory detail specified by the *Local Government Act 1995* and associated regulations. Significantly, the CAR and the overall compliance regime excludes the actual working environment and pressures of the day-by-day operational circumstances, and other Council and community priorities that exist in the pragmatic management of the wide range of functions and issues experienced in a local government such as the Shire.

There is a fine balance required between meeting compliance obligations, undertaking the various day by day operational tasks, and meeting the service expectations of the Council and community. The Council has a responsibility to be aware of these factors and the requirement to balance resources, funding and time to meet the various demands on the CEO and staff. The reporting of status is an important element in the overall governance overview responsibility of the Council.

The overall compliance requirement to observe "all written law" places an onerous responsibility on the CEO of a small local government.

• The Council can take comfort that the CEO, and staff, have a strong focus on compliance (as evidenced by initiatives such as the Compliance Calendar), and have, and are in, a continual improvement mode.

It is also reinforced that, although timely, this review is premature in as much as the current improvements and initiatives made, underway or proposed, will significantly enhance the entire management environment.

Gary Martin

Local Government Consultant

17 September 2019

# Shire of Dowerin Risk Dashboard Report - December 2019

		Risk	Control			Risk	Control	Failure to fulfil Compliance Requirement	te	Risk	Control
Asset Management Practices		Moderate	Adequate	Business & Community Disruption		Moderate	Adequate	(Statutory and Regulatory)	<u>.</u>	Moderate	Adequate
Failure or reduction in service of infrastructure asser These include fleet, buildings, roads and playgrour procurement to disposal.				Failure to adequately prepare and respond to events that cause disruption to the local community and / Failure to correctly identify, interpret, assess, respond and communic			or proposed regula	atory and			
Actions	Due Date	Respo	nsibility	Actions	Due Date	Respo	nsibility	Actions	Due Date	Respo	nsibility
Revaluation of Road Assets	Dec-19	M	VA	#REF!	#REF!	#R	EF!	Document Governance Framework	Jun-20	CEO	/EGO
Update RAMM with Revaluation Data	Mar-20	M	VA	Annual LEM Exercise Undertaken	Apr-20	Cl	EO	Contiunue Implementation of Training Program for Councillors and Staff	Ongoing	SMT	/EGO
Link Building Maintenance Schedule to AMP	Dec-20	MWA /	MCCS	Finalise Draft Business Continuity Plan	Apr-20	Cl	EO	Review Councillor Induction Manual	Completed	E	GO
Review Asset Management Plan	Dec-20	SI	ЛТ	Business Continuity Plan Drill to be Undertaken Annually	Jul-20	CEO /	MCCS				
Develop Inspection Schedule for Asset Classes	Feb-20	MWA	/ TWC	Fire Breaks Inspected and Enforced Annually	Completed	МС	CS				
Review LTFP and Link to AMP	Feb-21	MCCS / M	WA / CEO	Fire Fighting Equipment Maintained and Serviced	Jan-20	M	WA				
				Wardens (Internal) - Training of New Wardens	Jun-20	SI	MT				
				Admin Generator Maintained and Serviced	Jan-20	M	VA				
				Develop Facility Risk Management Plan	Dec-21	CEO /	MCCS				
		Risk	Control			Risk	Control			Risk	Control
Document Management Processes		Moderate	Adequate	Employment Practices		Moderate	Adequate	Engagement Practices		Moderate	Adequate
Failure to adequately capture, store, archive, retrie Actions	ve, provide or di Due Date		ntation. Insibility	Failure to effectively manage and lead human resolvolunteers). Actions	urces (full-time, p	part-time, casuals,		Failure to maintain effective working relationships w Stakeholders, Key Private Sector Companies, Gove includes activities where communication, feedback best interests to do so. Actions	ernment Agencie	es and / or Elected s required and wh	Members. Thi
Investigate Upgrades Required to Archive Room	Jun-20	МС	CS	Develop a Health and Wellbeing Program	Dec-19	SI	ИТ	Review and Document Complaints Handling	Jun-20	CEO /	MCCS
to Improve Compliance With SRO Document Information Management Framework	Jun-20	CS	RO	Implement Strategies Identified in the Workforce Plan	Ongoing	SI	ΜΤ	Process Develop a Community Engagement Policy Framework	Jun-20	SMT	/ CDO
Information Management Staff Training	Ongoing	МС	CS	Document Human Resource Management Framework	Jun-20	SI	ΜΤ	Conduct Community Satisfaction Survey	Jun-20	CEO	/ CDO
Review Record Keeping Plan	Jun-21	МС	CS	Training Needs Analysis and Training Register	Mar-20	CEO /	CSRO	Develop Process For Customer Response Requests	Jun-20	МС	CCS
				Review Staff Induction Process	Mar-20	МС	CS	Develop Complaint Register	Jun-20	МС	CCS
				Conduct Annual Performance Reviews	Apr-20	SI	ΜΤ				
	1				1	1			1	1	

Environment Management		Risk Contro Moderate Adequat	Errors, Omissions & Delays	Risk     Control       Errors, Omissions & Delays     Low     Adequate   External Theft & Fraud (Including Cyber)		<u>ד</u>	Risk Low	Control Adequate	
nadequate prevention, identification, enforcemer	t and managemer	nt of environmental issues.	Errors, omissions or delays in operational activities due process including incomplete, inadequate or in internal staff.			Loss of funds, assets, data or unauthorised access parties, through any means (including electronic).	s, (whether attempt	ed or successful	) by external
Actions	Due Date	Responsibility	Actions	Due Date	Responsibility	Actions	Due Date	Respor	nsibility
Review Waste Water Management Program	Dec-20	MWA	Review Code of Conduct	Jun-20	CEO / EGO	Review Access Controls to Include Key Register	Dec-19	SA	MT
Develop Waste Management Plan	Jun-21	MWA	Overall Control Ratings:	Ongoing	CEO / MCCS	Photographic Record of Assets	Jun-20	MWA	/ TWC
Complete Audit of Sewerage System	Completed	MWA	Centralise Checklists, Controls and Procedures	Dec-20	CEO / MCCS	Implement Quarterly Schedule For Changing Passwords	Ongoing	МС	ccs
Address Compliance of Waste Management	Ongoing	MWA	Review Customer Service Request Process to include Snap Send Solve	Mar-20	MCCS	Review Security and Storage of Records	Dec-21	МС	CCS
Address Compliance of Waste Water Re-Use	Jun-21	MWA				Document Financial Management System	Ongoing	МС	ccs

	ATTACHME	NT B							
Requirement	S	Risk	Control						
		Moderate	Adequate						
t, assess, respond and communicate laws and regulations as a framework. This includes, new or proposed regulatory and ne failure to maintain updated internal & public domain legal									
	Due Date	Responsibility							
	Jun-20	CEO / EGO							
ing Program for	Ongoing	SMT / EGO							
al	Completed	EGO							

# Shire of Dowerin Risk Dashboard Report - December 2019

				_							
		Risk	Control		4	Risk	Control			Risk	Control
Management of Facilities / Venues / Ev	<u>ents</u>	Low	Adequate	IT or Communication Systems and Infrastructure Moderate Adequate		<u>Misconduct</u>		Low	Adequate		
Failure to effectively manage the day to day opera	tions of facilities,	venues and / or o	events.	Disruption, financial loss or damage to reputation fro Instability, degradation of performance, or other failu causing the inability to continue business activities a may not result in IT Disaster Recovery Plans being i	re of IT or comn nd provide servi	nunication system	or infrastructure	Intentional activities intended to circumvent the Cod which circumvent endorsed policies, procedures or			ss of authority,
Actions	Due Date	Respo	nsibility	Actions	Due Date	Respor	nsibility	Actions	Due Date	Respo	nsibility
Develop Event Mangement Framework	Mar-20	C	DO	Develop IT Disaster Recovery Plan	Dec-20	МС	CS	Review and Document Organsations Controls & Sytems	Dec-20	CEO /	MCCS
Develop Recreational Reserves Management System	Dec-20	MCCS	S / MWA	Review IT Management Service Level Agreement	Mar-20	МС	CS	Centralise Checklists, Controls and Procedures	Dec-20	CEO /	MCCS
Create Inspection and Maintenance Schedules for Event Equipment	Mar-20	C	DO	Document IT Infrastructure Replacement Program	Jul-20	МС	CS	Review Fuel Stick Control and Process	Mar-20	MCCS	S / MWA
Undertake Community Facilities Review	Jun-20	CEO	/ CDO	Install Advanced Email Protection	Jun-20	МС	CS	Present Regulation 17 Review to Audit & Risk Committee	Dec-19	CEO /	MCCS
Public Buildings Inspected for Compliance	Dec-20	М	WA	Develop Secure Password Policy	Jun-20	МС	CS	Review Purchasing Policy & Procurement Process	Mar-20	МС	CCS
				Develop Acceptable Internet Use Policy	Jun-20	МС	CS	Review Socla Media Policy	Feb-20	E	GO
								Review Code of Conduct	Jun-20	CEO	/EGO
								Condcut Drivers License Checks	Dec-20	MCCS	S / MWA
Project / Change Management		Risk Low	Control Adequate	Safety and Security Practices		Risk Low	Control Adequate	Supplier / Contract Management		Risk Moderate	Control Adequate
Inadequate analysis, design, delivery and / or stat additional expenses, time delays or scope change		ange initiatives, r	esulting in	Non-compliance with the Occupation Safety & Healt It is also the inability to ensure the physical security Other considerations are negligence or carelessness	requirements of			Inadequate management of external Suppliers, Con core operations. This includes issues that arise from contract management & monitoring processes.			
Actions	Due Date	Respo	nsibility	Actions	Due Date	Respor	nsibility	Actions	Due Date	Respo	nsibility
Develop Project Management Methodlogy and Framework	Dec-20	МС	ccs	Review Hazard Register	Jun-20	MWA	/ TWC	Review Purchasing Policy	Dec-19	CEO /	MCCS
Develop Communition and Engagement Framework	Jun-20	CEO	/ CDO	Complete Staff Training Register	Feb-20	SI	ЛΤ	Develop Standardised Contracts	Ongoing	МС	ccs
				Conduct Monthly Workplace Inspections	Jan-20	MWA	/ TWC	Document Financial Controls	Ongoing	МС	CCS
				Finalise Safe Work Method Statements (SWMS) Library	Dec-20	MWA	/ TWC	Develop Appropriate Financial Reporting Tools	Ongoing	CEO /	MCCS
				Assess Shire Building and Facility Safety and Security	Dec-20	MWA	/ TWC	Develop Centralised Contract Management System	Ongoing	Si	MT
				Develop Isolated Worker Management Protocol	Jun-20	MWA	/ TWC				
				Re-Establish OSH Committee	Jan-20	MWA	/ TWC				
	1	İ		Develop Emergency in Facilitiies Management							
				Plan	Jun-21	CE	EO				

# Asset Management Practices

Asset Management Practices			Dec-19	
Risk Context				
Failure or reduction in service of infrastructure assets, plant, e	•••••		<i>.</i>	
These include fleet, buildings, roads and playgrounds and all c	other assets during their lifecycl	le from procurement	to disposal.	
Areas included in the scope are;				
Inadequate design (not fit for purpose)				
Ineffective usage (down time)				
Outputs not meeting expectations				
Inadequate maintenance activities.				
Inadequate financial management and planning (capital renew	val plan).			
t does not include issues with the inappropriate use of the Pla	nt, Equipment or Machinery. F	Refer Misconduct.		
Potential causes include;				
Skill level & behaviour of operators	Unavailability of parts			
Lack of trained staff	Lack of formal or appro	priate scheduling (m	aintenance /	
Outdated equipment	Unexpected breakdown	S		
Insufficient budget to maintain or replace assets				
Key Controls	Туре	Last Reviewed	Rating	
Roads Maintenance Program	Preventative	Jun-19	Adequate	
Road Asset Management Program (RAMM)	Preventative	Jun-19	Adequate	
Fleet and Plant Maintenance Program	Preventative	Jun-19	Adequate	
Building Maintenance Program	Preventative	Jun-19	Adequate	
Recreation Facilities Maintenance Program	Preventative		Not Rated	
Asset Management Plan	Preventative	Jun-18	Inadequate	
Plant Replacement Program	Preventative	Jun-19	Adequate	
Sewerage Maintenance Program	Preventative	Oct-19	Adequate	
Stock Control Systems (Fuel)	Preventative	Jun-19	Inadequate	
	Overall	Control Ratings:	Adequate	
Actions (Treatments)		Due Date	Responsibility	
Revaluation of Road Assets		Dec-19	MWA	
Update RAMM with Revaluation Data		Mar-20	MWA	
Link Building Maintenance Schedule to AMP		Dec-20	MWA / MCCS	
Review Asset Management Plan		Dec-20	SMT	
Develop Inspection Schedule for Asset Classes		Feb-20	MWA / TWC	
Review LTFP and Link to AMP		Feb-21	MCCS / MWA / CEO	
		May-20	MWA / CEO	
Review Fuel Stock Control System	Risk Rat	May-20	MWA	
Review Fuel Stock Control System	Risk Rat	May-20 ings	MWA Rating	
Review Fuel Stock Control System Consequence Category	Risk Rat	May-20	MWA	
Review Fuel Stock Control System Consequence Category		May-20 ings Consequence:	MWA Rating Moderate (3)	
Review Fuel Stock Control System Consequence Category Financial	Ove	May-20 ings Consequence: Likelihood: erall Risk Ratings:	MWA Rating Moderate (3) Possible (3) Moderate	
Review Fuel Stock Control System Consequence Category Financial Indicators	Оνе	May-20 ings Consequence: Likelihood: erall Risk Ratings:	MWA Rating Moderate (3) Possible (3)	
Review Fuel Stock Control System Consequence Category Financial Indicators Asset Renewal Funding Ratio	Ove Type Lagging	May-20 ings Consequence: Likelihood: erall Risk Ratings: Between	MWA Rating Moderate (3) Possible (3) Moderate Target	
Review Fuel Stock Control System Consequence Category Financial Indicators Asset Renewal Funding Ratio Asset Consumption Ratio	Ove Type Lagging Lagging	May-20 ings Consequence: Likelihood: erall Risk Ratings: Between Between	MWA Rating Moderate (3) Possible (3) Moderate Target 95% and 105%	
Review Fuel Stock Control System Consequence Category Financial Indicators Asset Renewal Funding Ratio Asset Consumption Ratio	Ove Type Lagging Lagging Lagging	May-20 ings Consequence: Likelihood: erall Risk Ratings: Between Between Between	MWA Rating Moderate (3) Possible (3) Moderate Target 95% and 105% 60% and 75%	
Review Fuel Stock Control System Consequence Category Financial Indicators Asset Renewal Funding Ratio Asset Consumption Ratio Asset Sustainability Ratio	Ove Type Lagging Lagging	May-20 ings Consequence: Likelihood: brall Risk Ratings: Between Between Between No Tar	MWA Rating Moderate (3) Possible (3) Moderate Target 95% and 105% 60% and 75% 90% and 110%	
Review Fuel Stock Control System Consequence Category Financial Indicators Asset Renewal Funding Ratio Asset Consumption Ratio Asset Sustainability Ratio Loss of Time Due to Resource Factors	Ove Cove C	May-20 ings Consequence: Likelihood: brall Risk Ratings: Between Between Between No Tar	MWA Rating Moderate (3) Possible (3) Moderate Target 95% and 105% 60% and 75% 90% and 110% get Identified	
Review Fuel Stock Control System Consequence Category Financial Indicators Asset Renewal Funding Ratio Asset Consumption Ratio Asset Sustainability Ratio Loss of Time Due to Resource Factors Accidents and / or Damage to Property Comments	Ove Cove C	May-20 ings Consequence: Likelihood: brall Risk Ratings: Between Between Between No Tar	MWA Rating Moderate (3) Possible (3) Moderate Target 95% and 105% 60% and 75% 90% and 110% get Identified	
Review Fuel Stock Control System Consequence Category Financial Indicators Asset Renewal Funding Ratio Asset Consumption Ratio Asset Sustainability Ratio Loss of Time Due to Resource Factors Accidents and / or Damage to Property	Ove Type Lagging Lagging Lagging Lagging Lagging	May-20 ings Consequence: Likelihood: erall Risk Ratings: Between Between Between No Tarr No Tarr	MWA Rating Moderate (3) Possible (3) Moderate Target 95% and 105% 60% and 75% 90% and 110% get Identified	

# **Business & Community Disruption**

### **Risk Context**

Failure to adequately prepare and respond to events that cause disruption to the local community and / or normal business activities. This could be a natural disaster, weather event, or an act carried out by an external party (e.g. sabotage / terrorism).

This includes;

-Lack of (or inadequate) emergency response / business continuity plans.

-Lack of training for specific individuals or availability of appropriate emergency response.

-Failure in command and control functions as a result of incorrect initial assessment or untimely awareness of incident.

-Inadequacies in environmental awareness and monitoring of fuel loads, curing rates etc

This does not include disruptions due to IT Systems or infrastructure related failures - refer "Failure of IT & communication systems and infrastructure".

Cyclone, storm, fire, earthquake	Extended utility outage	e		
Terrorism / sabotage / criminal behaviour	Economic Factors			
Epidemic / Pandemic	Loss of key staff			
Loss of suppliers	Loss of key infrastructure			
Key Controls	Туре	Last Reviewed	Rating	
Local Emergency Management Arrangements (LEMA)	Preventative	Oct-19	Adequate	
Business Continuity Plan	Preventative	In Draft	Adequate	
Bushfire Risk Management Framework	Preventative	Jun-19	Effective	
Facility Risk Management Plan - to be developed	Preventative		Not Rated	
	Overa	Ill Control Ratings:	Adequate	
Actions		Due Date	Responsibility	
Actions Annual LEM Exercise Undertaken		Due Date           Apr-20	Responsibility CEO	
Annual LEM Exercise Undertaken				
		Apr-20	CEO	
Annual LEM Exercise Undertaken Finalise Draft Business Continuity Plan		Apr-20 Apr-20	CEO CEO	
Annual LEM Exercise Undertaken Finalise Draft Business Continuity Plan Business Continuity Plan Drill to be Undertaken Annually		Apr-20 Apr-20 Jul-20	CEO CEO CEO / MCCS	
Annual LEM Exercise Undertaken Finalise Draft Business Continuity Plan Business Continuity Plan Drill to be Undertaken Annually Develop Disaster Recovery Plan		Apr-20 Apr-20 Jul-20 Dec-21	CEO CEO CEO / MCCS MCCS	
Annual LEM Exercise Undertaken Finalise Draft Business Continuity Plan Business Continuity Plan Drill to be Undertaken Annually Develop Disaster Recovery Plan Fire Breaks Inspected and Enforced Annually Fire Fighting Equipment Maintained and Serviced		Apr-20 Apr-20 Jul-20 Dec-21 Completed	CEO CEO CEO / MCCS MCCS MCCS	
Annual LEM Exercise Undertaken Finalise Draft Business Continuity Plan Business Continuity Plan Drill to be Undertaken Annually Develop Disaster Recovery Plan Fire Breaks Inspected and Enforced Annually		Apr-20 Apr-20 Jul-20 Dec-21 Completed Jan-20	CEO CEO CEO / MCCS MCCS MCCS MWA	

Consequence Category	Risk Ra	Risk Ratings		
		Consequence:	Moderate (3)	
Service Interruption / Reputation		Likelihood:	Possible (3)	
	Ove	erall Risk Ratings:	Moderate	
Indicators	Туре	Target		
Missed LEMC Committee Meetings	Leading	Nil me	etings missed	
Number of Firebreak Infringements Issued	Lagging	Less th	an 5 per annum	
LEM Annual Excerise Undertaken	Leading	1 per annum		
BCP Annual Excerise Undertaken	Leading	1	per annum	
<u>Comments</u>				
Reviewed by CEO - December 2019 Frameworks - the overarching structure to include adopted po	plicies, documented controls, pl	ans and strategies		



# Failure to fulfil Compliance Requirements and Regulatory)

Ongoing

Adequate

# **Risk Context**

Governance Calendar

Failure to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This includes, new or proposed regulatory and legislative changes, in addition to the failure to maintain updated internal & public domain legal documentation.

It includes (amongst others) the Local Government Act, Planning & Development Act, Health Act, Building Act, Dog Act, Cat Act, Freedom of Information Act and all other legislative based obligations for Local Government.

It does not include Occupational Safety & Health Act (refer "Inadequate safety and security practices") or any Employment Practices based legislation (refer "Ineffective Employment practices).

Potential causes include;							
Lack of training, awareness and knowledge	Lack of Legal Expertis	Lack of Legal Expertise					
Staff / Councillor Turnover	No Compliance Officer or person responsible for Compliance oversight and enforcement						
Inadequate record keeping/ failure of corporate electronic systems	Breakdowns in the ter	Breakdowns in the tender or procurement process					
Ineffective policies & processes	Ineffective monitoring	Ineffective monitoring of changes to legislation					
Key Controls	Туре	Last Reviewed	Rating				
Governance Management Framework	Preventative	Ongoing	Adequate				
Information Manangement System	Preventative	Unknown	Adequate				
Human Resource Management Framework	Preventative	Mar-19	Adequate				
Adviced Monitoring (WALGA Subscriptions, Gazettes)	Preventative	May-19	Adequate				

Preventative

	Trevenitative	Ongoing	Auequale	
Council & Staff Inductions	Preventative	Nov-19	Adequate	
	Overall	Control Ratings:	Adequate	
Actions		Due Date	Responsibility	
Document Governance Framework		Jun-20	CEO / EGO	
Contiunue Implementation of Training Program for Councillors	and Staff	Ongoing	SMT / EGO	
Review Councillor Induction Manual	Completed	EGO		
Review Human Resource Management System	Ongoing	CEO / MCCS		
Review Information Management System	Dec-20	MCCS		
Consequence Category	Risk Rat	Risk Ratings Ratin		
		Consequence:	Moderate (3)	
Compliance / Reputation / Financial		Likelihood:	Possible (3)	
	Ove	Moderate		
Indicators	Туре	Target		
Financial and Performance Audit Qualifications	Lagging	Qua	alified Audit	
Compliance Audit Return	Lagging	Completed As Per Statutory Requirements		
Finanical Management System Review (every 3 years)	Lagging		r Statutory Requirements	
CEO Regulation 17 Review	Lagging	Completed As Pe	r Statutory Requirements	
Comments				
Reviewd by CEO - December 2019				
Frameworks - the overarching structure to include adopted poli	cies, documented controls	, plans and strategie	es	

Risk Context				
Failure to adequately capture, store, archive, retrieve, provide	or dispose of documentation	on.		
This includes: -Contact lists. -Procedural documents, personnel files, complaints. -Applications, proposals or documents. -Contracts. -Forms or requests.				
Potential causes include;				
Incompatible systems	Outdated record keep	ing practices		
Inadequate access and / or security levels	Lack of system/applic	ation knowledge		
Inadequate Storage facilities (including climate control)	High workloads and ti	me pressures		
High Staff turnover	Standard Operating P	olicies not followed		
Key Controls	Туре	Last Reviewed	Rating	
Information Management Framework	Preventative		Adequate	
Governance Management Framework	Preventative		Adequate	
Recordkeeping Plan	Preventative	Mar-19	Adequate	
	Overa	all Control Ratings:	Adequate	
Actions		Due Date	Responsibility	
Investigate Upgrades Required to Archive Room to Improve C	Compliance With SRO	Jun-20	MCCS	
Document Information Management Framework		Jun-20	CSRO	
Information Management Staff Training		Ongoing	MCCS	
Review Record Keeping Plan		Jun-21	MCCS	
Consequence Category	Risk R	atings	Rating	
		Consequence:	Moderate (3)	
Compliance / Reputation		Likelihood:	Possible (3)	
	0	Overall Risk Ratings:		
Indicators	Туре	Ta	arget	
Information Management Framework	Leading		nd Implemented	
	Looding	Investigate	ed and Costed	
Archive Room Compliance	Leading	Leading Recorded & Destroyed (as ap		
Archives	Leading	Recorded & Destr	oyed (as appropriate)	
	¥	Recorded & Destr		
Archives Record Keeping Plan Completed	Leading	Recorded & Destr	oyed (as appropriate)	
Archives	Leading	Recorded & Destr	oyed (as appropriate)	

Dec-19

Document Management Processes

# **Employment Practices**

### Risk Context

Failure to effectively manage and lead human resources (full-time, part-time, casuals, temporary and volunteers).

This includes:

-Not having appropriately qualified or experienced people in the right roles.

-Insufficient staff numbers to achieve objectives.

-Breaching employee regulations.

-Discrimination, harassment & bullying in the workplace.

-Poor employee wellbeing (causing stress).

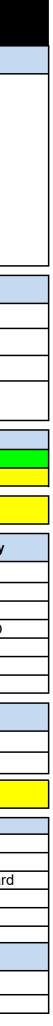
-Key person dependencies without effective succession planning in place.

-Industrial activity.

Potential causes include;						
Leadership failures	Ineffective performance management programs or procedures					
Key / single-person dependencies	Limited staff availability - labour market conditions					
Poor internal communications / relationships	Inadequate induction practices					

Ineffective Human Resources policies, procedures and practices Inconsistent application of policies

Key Controls	Туре	Last Reviewed	Rating	
Workforce Plan	Preventative	May-19	Effective	
Human Resource Management Framework	Preventative	May-19	Adequate	
	Over	all Control Ratings:	Adequate	
Actions		Due Date	Responsibility	
Develop a Health and Wellbeing Program		Dec-19	SMT	
Implement Strategies Identified in the Workforce Plan		Ongoing	SMT	
Document Human Resource Management Framework		Jun-20	SMT	
Training Needs Analysis and Training Register		Mar-20	CEO / CSRO	
Review Staff Induction Process		Mar-20	MCCS	
Conduct Drivers License Checks		Completed	MCCS	
Conduct Annual Performance Reviews		Apr-20	SMT	
Consequence Category	Risk Rat	ings	Rating	
		Consequence:		
Compliance / Health / Reputational / Financial		Likelihood:	Possible (3)	
	Over	Overall Risk Ratings:		
Indicators	Туре		Target	
Training Program (% Completed)	Leading	90%	Per Annum	
Absenteeism (% of Personal and Unpaid Leave)	Lagging	Target	Not Idenitified	
Employee Turnover (% Turnover Rate)	Lagging	Equal to or Be	low Industry Standard	
Performance Reviews (% Completed)	Leading	100%	6 Per Annum	
Workers Compensation Claims	Lagging	Target	Not Idenitified	
Comments				
Reviewed by CEO - December 2019				
Frameworks - the overarching structure to include adopted po	licies, documented controls	, plans and strategie	es.	
	licies, documented controls	, plans and strategie	25.	



# **Engagement Practices**

# Dec-19

# Risk Context

Failure to maintain effective working relationships with the Community (including local Media), Stakeholders, Key Private Sector Companies, Government Agencies and / or Elected Members. This includes activities where communication, feedback or consultation is required and where it is in the best interests to do so.

For example;

-Following up on any access & inclusion issues -Infrastructure Projects -Local planning initiatives -Strategic planning initiatives

This does not include instances whereby Community expectations have not been met for standard service provisions such as Community Events, Library Services and / or Bus/Transport services.

### Potential causes include;

Relationship breakdowns with community groups	Short lead times	Short lead times		
Leadership inattention to current issues	Miscommunication / po	Miscommunication / poor communication		
Inadequate documentation or procedures	Inadequate Regional of	Inadequate Regional or District Committee attendance.		
Budget / funding issues	Inadequate involveme	Inadequate involvement with, or support of community groups		
Key Controls	Туре	Type Last Reviewed Rating		
Community & Engagement Framework	Preventative		Not Rated	
Complaint Handling Process	Preventative	Unknown	Adequate	
Community Satisfaction Survey	Detective		Not Rated	
Customer Service Charter	Preventative	Sep-19	Adequate	

Overall Control Ratings:		Adequate	
Actions	Due Date	Responsibility	
Review and Document Complaints Handling Process	Jun-20	CEO / MCCS	
Develop a Community Engagement Policy Framework	Jun-20	SMT / CDO	
Conduct Community Satisfaction Survey	Jun-20	CEO / CDO	
Develop Process For Customer Response Requests	Jun-20	MCCS	
Develop Complaint Register	Jun-20	MCCS	

Consequence Category	Risk Rat	ings	Rating
	Consequence: Likelihood:		Minor (2)
Reputation			Likely (4)
	Over	all Risk Ratings:	Moderate
Indicators	Туре	Target	
Number of Complaints From The Community Not Responded To		Target	Not Indentiifed
Community Satisfaction Survey - Overall Scorecard Result		65%	Satisfaction
Meeting Requirements of Customer Service Charter		Target	Not Indentiifed
<u>Comments</u>			
Reviewed by CEO- November 2019			
Frameworks - the overarching structure to include adopted policies	s, documented controls,	plans and strategies	δ.

# **Environment Management**

# Dec-19

# Risk Context

Inadequate prevention, identification, enforcement and management of environmental issues.

The scope includes;

-Lack of adequate planning and management of coastal erosion issues.
-Failure to identify and effectively manage contaminated sites (including groundwater usage).
-Waste facilities (landfill / transfer stations).
-Weed & mosquito / Vector control.
-Ineffective management of water sources (reclaimed, potable)

-Illegal dumping.

-Illegal clearing / land use.

### Potential causes include;

Inadequate management of landfill sites	Inadequate reporting / oversight frameworks
Lack of understanding / knowledge	Community apathy
Inadequate local laws / planning schemes	Differing land tenure (land occupancy or ownership conditions)
Prolific extractive industry (sand, limestone, etc.)	Competing land use (growing population vs conservation)

Key Controls	Туре	Last Reviewed	Rating
Road Engineering Policy	Preventative		Adequate
Sewerage Management Plan	Preventative	Oct-18	Not Rated
Waste Water Management Progam	Preventative		Adequate
Contaminated Sites Register	Preventative	Nov-19	Adequate
Waste Management Plan	Preventative	Dec-20	Not Rated
Overall Control Ratings:		Adequate	

Actions	Due Date	Responsibility
Review Waste Water Management Program	Dec-20	MWA
Develop Waste Management Plan	Jun-21	MWA
Complete Audit of Sewerage System	Completed	MWA
Address Compliance of Waste Management	Ongoing	MWA
Address Compliance of Waste Water Re-Use	Jun-21	MWA

Consequence Category	Risk Ratings	Rating
	Consequence:	Moderate (3)
Environment / Reputation / Financial	Likelihood:	Possible (3)
	Overall Risk Ratings:	Moderate

Indicators	Туре	Target
Compliant Waste Return	Lagging	100%
Satisactory Water Sampling For Water Re-Use	Lagging	100%
<u>Comments</u>		
Reviewed by CEO - November 2019		

# Errors, Omissions & Delays

### **Risk Context**

Errors, omissions or delays in operational activities as a result of unintentional errors or failure to follow due process including incom inadequate or inaccuracies in advisory activities to customers or internal staff.

Examples include;

Incorrect planning, development, building, community safety and Emergency Management advice
 Incorrect health or environmental advice
 Inconsistent messages or responses from Customer Service Staff

-Any advice that is not consistent with legislative requirements or local laws.

-Human error

-Inaccurate recording, maintenance, testing or reconciliation of data.

-Inaccurate data being used for management decision-making and reporting.

-Delays in service to customers

This excludes process failures caused by inadequate / incomplete procedural documentation - refer "Inadequate Document Manager Processes".

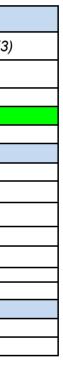
Potential causes include;			
Human error	Incorrect information		
Inadequate formal procedures or training	Miscommunication		
Lack of trained staff	Work pressure / stress		
Unrealistic expectations from community, council or management	Health issues		
Poor use of check sheets / FAQ's	Lack of understanding		
Key Controls	Туре	Date	Rating
Checklists and Documented Procedures	Preventative	Nov-19	Inadequate
Complaints Register	Preventative	Nov-19	Adequate
Complaints Process	Recovery	Nov-19	Adequate
Councillor Information Bulletin	Preventative	Nov-19	Adequate
Customer Service Charter	Preventative	Nov-19	Adequate
Delegations & Register	Preventative	Nov-19	Adequate
Electronic Records - Sharepoint	Recovery	Nov-19	Adequate
External Communications (website, news articles)	Preventative	Nov-19	Adequate
External Consultants (ie. legal)	Preventative	Nov-19	Adequate
Customer Service Request Procedure	Preventative	Nov-19	Adequate
File Note/Documentation	Preventative	Nov-19	Adequate
Internal Communications (staff newsletter, regular meetings)	Preventative	Nov-19	Adequate
Performance Reviews	Preventative	Nov-19	Adequate
Qualified Building, Health & Planning Officers	Preventative	Nov-19	Adequate
Segregation of Duties (financial control)	Preventative	Nov-19	Adequate
Staff Inductions	Preventative	Nov-19	Adequate
Staff Training (formal & on-the-job)	Preventative	Nov-19	Effective
Council Motions Register	Preventative	Nov-19	Adequate
Workforce Plan	Preventative	Nov-19	Adequate
	-		
	Overal	I Control Ratings:	Adequate
Actions		Due Date	Responsibility
Review Code of Conduct		Jun-20	CEO / EGO
Review and Document Organisations Controls and Systems		Ongoing	CEO / MCCS
Centralise Checklists, Controls and Procedures		Dec-20	CEO / MCCS
Review Customer Service Request Process to include Snap Send S	Solve	Mar-20	MCCS

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# i**ty**S S S

Consequence Category	Risk Ratings	Rating
	Conseque	nce: Moderate (3)
Reputation / Compliance	Likeliho	bod: Likely (4)
	Overall Risk Rati	ings: Low
Indicators	Туре	Target
Legal Claims	Lagging	0
Number of Complaints Regarding Errors, Omissions or Delays	Lagging	0
Referral to SAT/Ombudsman/Public Sector Commission	Lagging	0
Number of Complaints to Local Government Standards Panel	Lagging	0
External Audit Qualification	Lagging	95%
Staff Training Target Met	Leading	90%
Comments		
Reviewed by CEO - November 2019		

Frameworks - the overarching structure to include adopted policies, documented controls, plans and strategies.



# External Theft & Fraud (Including Cyber)

External Theft & Fraud (including Cyb	erj		Dec-19
Risk Context			
Loss of funds, assets, data or unauthorised access, (whether atten electronic).	npted or successful) by exte	rnal parties, through an	y means (including
For the purposes of;			
Fraud: benefit or gain by deceit			
Malicious Damage: hacking, deleting, breaking or reducing the inte	egrity or performance of sys	stems	
Theft: stealing of data, assets or information			
Potential causes include;			
nadequate security of equipment / supplies / cash	Inadequate provision	for patrons belongings	
Robbery	Lack of Supervision		
Scam Invoices	Collusion with internal	staff	
Cyber crime			
Key Controls	Туре	Last Reviewed	Rating
Building Security Access Controls (Keys and Keypad Access)	Preventative	Unknown	Adequate
Equipment Storage and Access Controls	Preventative	Unknown	Adequate
T Security Framework (Passwords and Security Protocols)	Preventative	Sep-19	Adequate
nformation Management System	Preventative	Unknown	Adequate
Financial Management System	Preventative	Sep-19	Adequate
	Overa	II Control Ratings:	Adequate
Actions		Due Date	Responsibility
Review Access Controls to Include Key Register		Dec-19	SMT
Photographic Record of Assets		Jun-20	MWA / TWC
mplement Quarterly Schedule For Changing Passwords		Ongoing	MCCS
Review Security and Storage of Records Document Financial Management System		Dec-21	MCCS
		Ongoing	MCCS
Consequence Category	Risk R	atings	Rating
		Consequence:	Minor (2)
-inancial / Property		Likelihood:	Possible (3)
	0	verall Risk Ratings:	Low
ndicators	Туре	Ta	arget
Number of Cyber Breaches	Lagging		0
Number of Incidents of Theft or Fraud	Leading		0
Passwords Changed Quarterly	Leading	Leading 100% Changed	
Tracking of Building and Facility Access	Leading	No Targ	et Identified
		1	
<u>Comments</u>			
Comments Reviewed by CEO - November 2019			

# Management of Facilities / Venues / Events

# Risk Context

Failure to effectively manage the day to day operations of facilities, venues and / or events.

This includes;

-Inadequate procedures in place to manage quality or availability.

-Poor crowd control

-Ineffective signage

-Booking issues

-Stressful interactions with hirers / users (financial issues or not adhering to rules of use of facility) -Inadequate oversight or provision of peripheral services (e.g., cleaning / maintenance)

		1		
Compliance of Events and Facilities	s and Facilities Leading 9			
Customer Satisfaction Survey - Events & Facilities	Lagging		Satisfaction	
Number of Injuries / Incidents at Facilities	Leading		0	
Number of Injuries / Incidents at Events	Leading		0	
Indicators	Туре	Т	arget	
	Ove	erall Risk Ratings:	Low	
Reputation		Likelihood:	Unlikely (2	
		Consequence:	Minor (2)	
Consequence Category	Risk Ra	0	Rating	
Public Buildings Inspected for Compliance		Dec-20	MWA	
Undertake Community Facilities Review		Jun-20	CEO / CDO	
Create Inspection and Maintenance Schedules for Event Equip	oment	Mar-20	CDO	
Develop Recreational Reserves Management System		Dec-20	MCCS / MV	
Develop Event Mangement Framework		Mar-20	CDO	
Actions		Due Date	Responsibi	
	Overal	l Control Ratings:	Adequate	
	Preventative			
Statutory Public Building Compliance Program	Jun-20	Not Rated		
Asset Management Plan	Preventative	May-19	Adequate	
Reserves Management System	Preventative	May-19	Not Rate	
Facility / Venue Booking System	Preventative	May-19 May-19	Adequate	
Building Maintenance Program	Preventative	May-19 May-19	Adequate	
Key Controls Event Management Framework	Type Preventative	Last Reviewed May-19	Rating Not Rated	
cleaning / maintenance)	Poor service from contractors (such as catering or clean			
Inadequate oversight or provision of peripheral services (e.g		•		
Falsifying hiring agreements (alcohol on site / lower deposit)	Failed safety / chemica		<u></u>	
Bond payments poorly managed	Difficulty accessing facilities / venues.			
Double bookings Illegal / excessive alcohol consumption	Traffic congestion or ve Insufficient time betwee	0,		
	I Fallic condestion of ve	nicies niocking entry (	nr eyit	



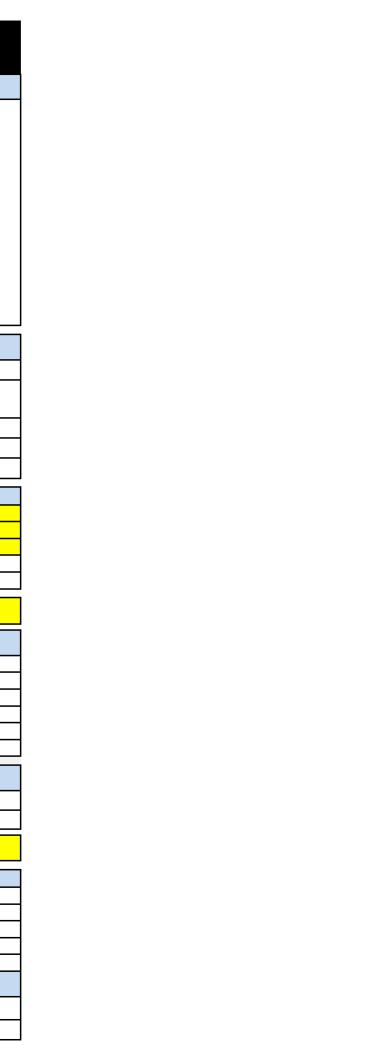
# IT or Communication Systems and Infrastructure

### Risk Context

Disruption, financial loss or damage to reputation from a failure of information technology systems. Instability, degradation of performance, or other failure of IT or communication system or infrastructure causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked.

Examples include failures or disruptions caused by: -Hardware or software -Networks -Failures of IT Vendors This also includes where poor governance results in the breakdown of IT maintenance such as; -Configuration management -Performance monitoring This does not include new system implementations - refer "Inadequate Project / Change Management".

Potential causes include;					
Weather impacts	Non-renewal of licences				
Power outage on site or at service provider	Inadequate IT incident, problem management & Disaster Recovery Processes				
Out-dated, inefficient or unsupported hardware or software	Lack of process and trainin	Lack of process and training			
Software vulnerability	Equipment purchases without input from IT department				
Incompatibility between operating systems	Vulnerability to user error				
Key Controls	Туре	Last Reviewed	Rating		
IT Infrastructure Replacement Program	Preventative		Adequate		
IT Management Service Level Agreement	Detective	Early 2018	Adequate		
IT Managed Service Agreement Monthly Report	Detective	Monthly	Adequate		
IT Disaster Recovery Plan		Not Rated			
	I Control Ratings:	Adequate			
Actions	Due Date				
Develop IT Disaster Recovery Plan	Dec-20	MCCS			
Review IT Management Service Level Agreement		Mar-20	MCCS		
Document IT Infrastructure Replacement Program		Dec-20	MCCS		
Install Advanced Email Protection		Jul-20	MCCS		
Develop Secure Password Policy		Jun-20	MCCS		
Develop Acceptable Internet Use Policy		Jun-20	MCCS		
October October	Diak Datin		Datina		
Consequence Category	Risk Ratin	-	Rating		
		Consequence:	Major (4)		
Service Disruption / Financial		Likelihood:	Likely (4)		
	Ove	erall Risk Ratings:	Moderate		
Indicators	Туре	1	Target		
Number of Cyber Breaches	Lagging		0		
IT Replacement Program	Leading On Target				
Number of System Downtime	Lagging No Target Identified				
Management of System Access Leading Documented					
<u>Comments</u>					
Reviewed by CEO - November 2019					
Frameworks - the overarching structure to include adopted poli	icies, documented controls, pla	ns and strategies.			



# Misconduct

### **Risk Context**

Intentional activities intended to circumvent the Code of Conduct or activities in excess of authority, which circumvent endorsed policies, procedures or delegated authority.

This would include instances of:

-Relevant authorisations not obtained.

-Distributing confidential information.

-Accessing systems and / or applications without correct authority to do so.

-Misrepresenting data in reports.

-Theft by an employee

-Inappropriate use of plant, equipment or machinery

-Inappropriate use of social media.

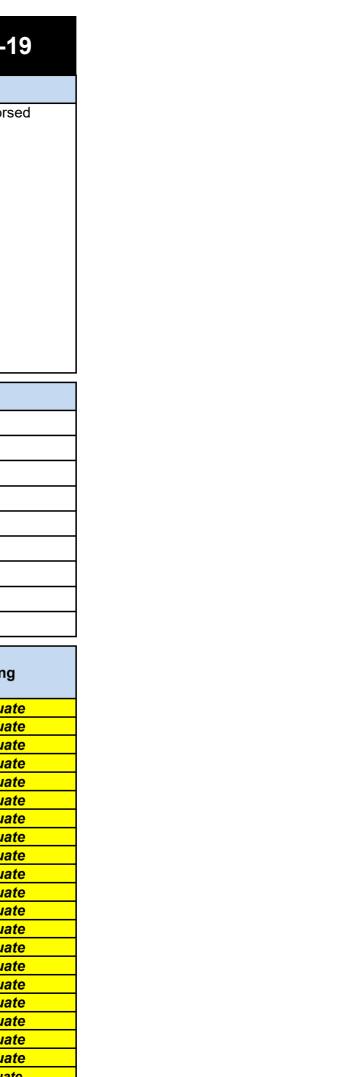
-Inappropriate behaviour at work.

-Purposeful sabotage

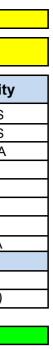
This does not include instances where it was <u>not</u> an intentional breach - refer Errors, Omissions or Delays.

Potential causes include;	Potential causes include:					
Inadequate training of code of conduct \ induction	Greed, gambling or sense of entitlement					
Changing of job roles and functions/authorities	Collusion between internal & external parties					
Delegated authority process inadequately implemented	Password sharing					
Lack of internal checks	Low level of Supervisor or Management oversight					
Covering up poor work performance	Believe they'll get away with it					
Poor enforcement of policies and procedures	Undue influence from Manager / Councillor					
Information leaked to Tenderers during the Tender process	Poor work culture					
Insubordination	By-passing established administrative procedures					
Disgruntled employees	Sharing of confidential information					

Key Controls	Туре	Last Reviewed	Rating
Delegations Register	Preventative	Jun-19	Adequate
Staff Recrutiment Process (includes Police Clearance)	Preventative	Feb-19	Adequate
Staff Inductions	Preventative	Feb-19	Adequate
External Audits	Preventative	Dec-19	Adequate
Annual Drivers Licence Checks	Preventative	Nov-19	Adequate
Social Media Policy	Preventative	Dec-17	Adequate
Segregation of Duties (Financial)	Preventative	Ongoing	Adequate
General Financial Transactions Policy	Preventative	Jun-18	Adequate
Delegation Control - Synergy	Preventative	Ongoing	Adequate
Financial Interests Returns Declarations	Preventative	Ongoing	Adequate
Primary and Annual Returns Process	Preventative	Ongoing	Adequate
Procurement Delegation Control - Synergy	Preventative	Ongoing	Adequate
Cash Handling Policy and Procedures	Preventative	Feb-19	Adequate
Corporate Credit Card Policy	Preventative	May-19	Adequate
Delegated Authority for Procurement	Preventative	Nov-19	Adequate
Elected Member Training Plan	Preventative	Ongoing	Adequate
Audit & Risk Committee	Preventative	Nov-19	Adequate
IT Security Access Register (Profiles & Passwords)	Preventative	Monthly	Adequate
Purchasing Policy & Procurement Process	Preventative	Jun-18	Adequate
Tender Procurement Process	Preventative	Unknown	Adequate
Financial Management Systems Review	Preventative	Sep-19	Adequate
Regulation 17 Review	Preventative	Dec-19	Adequate



Code of Conduct	Preventative	Apr-17	Adequate		
	Overall (	Control Ratings:	Adequate		
Actions		Due Date	Responsibility		
Review and Document Organisations Controls and Systems		Dec-20	CEO / MCCS		
Centralise Checklists, Controls and Procedures		Dec-20	CEO / MCCS		
Review Fuel Stock Control and Process	Mar-20	MCCS / MWA			
Present Regulation 17 Review to Audit & Risk Committee	Dec-19	CEO			
Review Purchasing Policy & Procurement Process	Mar-20	MCCS			
Review Social Media Policy - Adopted December 2017	Feb-20	EGO			
Review Code of Conduct		Jun-20	CEO / EGO		
Conduct Drivers Licence Check		Dec-20	MCCS/MWA		
Consequence Category		Risk Ratings	Rating		
		Major (4)			
Reputation / Finance		Likelihood:	Possible (3)		
	Over	all Risk Ratings:	Low		
Indicators	Туре		Target		
Audit Notifications	Lagging		0		
Disregarding or Manipulating Procurement Process	Leading		0		
Breaches of Code of Conduct	Lagging 0				
Internal & External Complaints	Lagging		0		
Adherance to Internal Controls	Leading 0				
<u>Comments</u>	· • • •	•			
Reviewed by CEO - November 2019					
Frameworks - the overarching structure to include adopted polici	ies, documented controls,	plans and strategie	es.		



### Risk Context

Inadequate analysis, design, delivery and / or status reporting of change initiatives, resulting in additional expenses, time delays or scope changes.

This includes:

-Inadequate change management framework to manage and monitor change activities.

-Inadequate understanding of the impact of project change on the business.

-Failures in the transition of projects into standard operations.

-Failure to implement new systems

-Inadequate handover process

This does not include new plant & equipment purchases. Refer "Inadequate Asset Sustainability Practices"

Excessive growth (too	many projects)		
Inadequate monitoring	and review		
Geographic or transpo	rt difficulties sourcing	equipment / materials	
Lack of project method	lology knowledge and	reporting requiremen	
,	<u> </u>		
Type	Last Reviewed	Rating	
Preventative		Not Rated	
Preventative		Not Rated	
Detective	Oct-19	Adequate	
Finanical Management Framework Preventative			
Overa	Il Control Ratings:	Adequate	
	Due Date	Responsibility	
Develop Project Management Methodlogy and Framework Dec-2			
	Jun-20	CEO / CDO	
Risk Ra	ntings	Rating	
	Consequence:	Moderate (3)	
	Likelihood:	Possible (3)	
Ov	erall Risk Ratings:	Low	
Type		Target	
Leading		90%	
adiaioa documentad control	a plana and atratagia		
	Inadequate monitoring Geographic or transpo Lack of project method Project risks not mana Preventative Preventative Detective Preventative Overat Overat Risk Ra Ov Cov	Preventative         Preventative         Detective       Oct-19         Preventative       Mar-17         Overall Control Ratings:         Overall Control Ratings:         Detective       Due Date         Dec-20         Jun-20         Risk Ratings         Consequence:         Likelihood:         Overall Risk Ratings:	

Frameworks - the overarching structure to include adopted policies, documented controls, plans and strategies.



### **Risk Context**

Non-compliance with the Occupation Safety & Health Act, associated regulations and standards. It is also the inability to ensure the physical security requirements of staff, contractors and visitors. Other considerations are negligence or carelessness.

Lack of appropriate PPE / equipment	Inadequate signage, b	Inadequate signage, barriers or other exclusion techniques			
Inadequate first aid supplies or trained first aiders	Poor storage and use	· · · ·			
Inadequate security protection measures in place for buildings, depots and other places of work	e testing, sampling or	other health-relate			
Inadequate or unsafe modifications to plant & equipment	requirements Lack of mandate and o	commitment from sen	ior management		
Inadequate policy, frameworks, systems and structure to	Inadequate organisatio				
prevent the injury of visitors, staff, contractors and/or tenants.	(evacuation diagrams,	• •	290110111 i o qui o i i o		
Inadequate supervision, training or mentoring of staff	Slow or inadequate res	sponse to notifications	s from public		
Key Controls	Туре	Last Reviewed	Rating		
Building Security Access Controls (Keys & Keypad Access)	Preventative	Sep-19	Adequate		
OSH Management Framework	Preventative	May-17	Adequate		
Human Resource Manangement Framework	Preventative		Adequate		
Governance Management Framework	Preventative		Adequate		
Facility Risk Management Plan	Preventative		Not Rated		
	Overal	I Control Ratings:	Adequate		
Actions	Due Date	Responsibilit			
Review Hazard Register	Jun-20	MWA / TWC			
Complete Staff Training Register		Feb-20	SMT		
Conduct Monthly Workplace Inspections		Jan-20	MWA / TWC		
Finalise Safe Work Method Statements (SWMS) Library		Dec-20	MWA / TWC MWA / TWC MWA / TWC MWA / TWC		
Assess Shire Building and Facility Safety and Security		Dec-20			
Develop Isolated Worker Management Protocol		Jun-20			
Re-Establish OSH Committee		Jan-20			
Develop Emergency in Facilitiies Management Plan		Jun-21	CEO		
Conduct Annual BCP and LEMC Drills		Jun-20	CEO		
Review Contractor Inductions and Register		Jun-20	MWA / TWC		
Consequence Category	Risk Ra		Rating		
		Consequence:	Moderate (3)		
Health		Likelihood:	Possible (3)		
	Ov	Low			
Indicators		erall Risk Ratings:			
Reporting of Safety Breaches	Leading		arget 100%		
Failed Safety Inspections	Leading		Not Identified		
	¥	¥			
ost Time Injuries Per Quarter	Lagging Target Not Identified				
Lost Time Injuries Per Quarter	L padina				
Near Misses Per Quarter	Leading	· · ·			
Lost Time Injuries Per Quarter Near Misses Per Quarter Workers Compensation Claims Per Quarter Safety Audit Result % (Every Three Years)	Leading Leading Leading	Target N	Not Identified		



Reviewed by CEO - December 2019

Frameworks - the overarching structure to include adopted policies, documented controls, plans and strategies.

# Supplier / Contract Management

### Risk Context

Inadequate management of external Suppliers, Contractors, IT Vendors or Consultants engaged for core operations. This includes issues that arise from the ongoing supply of services or failures in contract management & monitoring processes.

This also includes:

• Concentration issues (contracts awarded to one supplier)

Vendor sustainability

Potential causes include;				
Insufficient funding	Inadequate contract m	anagement practices		
Complexity and quantity of work	Ineffective monitoring of	of deliverables		
Suppliers not willing to provide quotes	Limited availability of s	uppliers		
Inadequate tendering process	Lack of planning and c	larity of requirements		
Contracts not renewed on time	Historical contracts ren	naining		
Key Controls	Туре	Last Reviewed	Rating	
Annual Budget	Preventative	Jul-19	Adequate	
Financal Management Framework	Preventative	Mar-17	Adequate	
	Preventative			
	Quara	I Control Potingo	Adamuata	
	Overal	I Control Ratings:	Adequate	
Actions		Due Date	Responsibility	
Review Purchasing Policy		Dec-19	MCCS	
Develop Standardised Contracts		Ongoing	CEO / MCCS	
Document Financial Controls		Ongoing	MCCS	
Develop Appropriate Financial Reporting Tools		Ongoing	MCCS	
Develop Centralised Contract Management System		Ongoing	CEO / MCCS	
Consequence Category	Risk Ra	•	Rating	
		Consequence:	Moderate (3)	
Service Interruption / Financial		Likelihood:	Possible (3)	
	Ov	erall Risk Ratings:	Moderate	
Indicators	Туре	Ta	arget	
Contracts Reviewed And Maintained	Leading		90%	
Number of Expired Contracts Not Yet Renewed	Lagging	Į į	90%	
<u>Comments</u>				
Reviewed by CEO -December 2019				

Frameworks - the overarching structure to include adopted policies, documented controls, plans and strategies.



# SHIRE OF DOWERIN

# SAFE WORK METHOD STATEMENT

Job Description:	Traffic Controller				Site:			Dowerin Shii	re – Various Sites	
Equipment Used:	Traffic management items, communication equipment, PPE				High Risk? Confined Space Ent Permit completed?	try	Yes 📃 N/A Yes 📃 N/A N/A should	_	hen not consider	ed high risk
Training or Tickets Required:	Tickets			Associated Documentation Required:			Start checked and gement Plan	completed prior t	o operation,	
Personal Protective Equipm				nent (PPE) requi	red to	complet	e the job			
Gloves	Face mask	Eye protection	Welding mask	Face Shie	eld Helmet		propriate potwear	Hearing protection	Hi Visibility & Protective	Hydration & Sun Measures
$\boxtimes$		$\square$					$\boxtimes$	$\boxtimes$	clothing	$\square$
<b>Tools &amp; Equipment:</b> All vehicles to have fire extinguisher, first aid kit and two- radio and reverse camera (if required).							ner vehicles and pend isolated where		Depot. Vehicles	



	SAFE WORK METHOD STATEMENT – TRAFFIC CONTROLLER						
Job Step	Hazard	Initial Risk Rating	Controls	Residual Risk Rating	Person Responsible		
Conduct a risk assessment. Induct staff if necessary.	Workers entering/exiting vehicles. - Muscle sprain (limbs or torso) - Broken bones	M6	'3 point' technique, back out while exiting, check for uneven ground Record Risk Assessment	L4	Operator		
	<ul> <li>Uneven or slippery Ground</li> <li>Muscle sprain (limbs or torso)</li> <li>Broken bones</li> <li>Cuts and abrasion</li> </ul>		Inspect work area for appropriate foot placement and vehicle access. Don't walk where can't see firm surface e.g. long grass Don't drive onto soft or slippery ground				
	Fatigue- Muscle sprain (limbs or torso) - Broken bones - Cuts and abrasion - Impaired judgement		Traffic Controllers shall be relieved after two hours work and may be rested or placed on other duties for a period of at least 15 minutes before being returned to traffic control duties.				
Establish traffic control using an approved Traffic Control Plan, Update traffic control in accordance with TCP and	Moving Traffic or Plant - Death or serious injury - Struck by vehicle	M6	Record TCPs as per attached SWP Implement approved or modified TCP If necessary, implement VMP	L4	Operator		

SHIRE OF DOWERIN -SWMS TRAFFIC CONTROLLER REVIEW FEBRUARY 2020

progress of project		Use only trained traffic controllers, with
		appropriate RMS TC qualifications.
	Inappropriate Manual Handling - Muscle sprain (limbs or torso)	Use vehicle with flashing lights Set up signs from outside and work inwards Ensure sufficient sight distance between works and traffic Undertake training in proper manual handling techniques i.e. • task rotation, muscle stretching exercises,
	Equipment Malfunction or misuse - Muscle sprain (limbs or torso) - Cuts and abrasions	<ul> <li>use mechanical aides</li> <li>Undertake pre-use checks, all operations and maintenance in accordance with manufacturer's recommendations and other safety procedures</li> </ul>

	Excessive Exposure to UV - Sunburn - Skin cancer  Pedestrian Traffic - Muscle sprain (limbs or torso) - Broken bones - Cuts and abrasions		<ul> <li>Wear wide brimmed hats or brim attachment, long sleeved shirt and long trousers</li> <li>Sunscreen</li> <li>Work in shade if possible</li> <li>Plan work when UV index is lowest</li> <li>Take regular breaks in shade</li> <li>Use appropriate signage</li> <li>Isolate workers and public from plant/vehicles via</li> </ul>		
Remove traffic controls at completion of project	Moving Traffic or Plant - Death or serious injury - Struck by vehicle	M6	<ul> <li>barriers and/or staff</li> <li>Use only trained traffic controllers, with appropriate RMS TC qualifications.</li> <li>Use vehicle with flashing lights</li> <li>Close down and remove signs from inside working out</li> <li>Ensure sufficient sight distance between works and traffic Supervisors and competent workers</li> </ul>	L4	Operator

SHIRE OF DOWERIN -SWMS TRAFFIC CONTROLLER REVIEW FEBRUARY 2020

Safe Work Method Statement Sign Off (This SWMS was developed in consultation with Shire employees and has been read, understood and is to be should<br/>be initialled by all employees undertaking the works every six months).SWMS Prepared By:Signature:Date:SWMS Approved By:Signature:Date:Graeme Harwood12/07/201812/07/2018SWMS Approved By:Signature:Date:

This Safe Work Method Statement must be reviewed on a regular basis to ensure its validity

SWMS Viewed By:

	Consequence	Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	A	MODERATE (5)	HIGH (10)	HIGH (15)	EXTREME (20)	EXTREME (25)
Likely	В	LOW (4)	MODERATE (8)	HIGH (12)	HIGH (16)	EXTREME (20)
Possible	С	LOW (3)	MODERATE (6)	MODERATE (9)	HIGH (12)	HIGH (15)
Unlikely	D	LOW (2)	LOW (4)	MODERATE (6)	MODERATE (8)	HIGH (10)
Rare	E	LOW (1)	LOW (2)	LOW (3)	LOW (4)	MODERATE (5)

For each task step, assess the likelihood (L) and the maximum reasonable consequence (C) alongside the task step, then plot and record the risk level next to each step. List any control measures implemented, and then determine the residual risk using the same process and taking the implemented control measures into account.

Management representative approval is required where the initial risk is determined as greater than **MODERATE**, or residual risk is determined as greater than **LOW** after controls have been implemented.

# Important Note: Should the task change, or any new hazards be identified on site, a hazard report form and/or risk assessment must be completed.

9/17/2019

# Financial Management Review for the Shire of Dowerin 2019

Gary Martin LOCAL GOVERNMENT CONSULTANT

### FINANCIAL MANAGEMENT REVIEW FOR THE SHIRE OF DOWERIN (FMR 5 (2)(C) SEPTEMBER 2019

# 1. BACKGROUND

The Shire of Dowerin is a local government situated in the wheatbelt region and is of a similar size and nature of many other wheatbelt Shires. The Shire is recovering from an extended period of poor management culminating in a CCC investigation in late 2015, the resignation of its CEO, Mr Alcock, followed by his conviction for significant fraud, which had occurred over several previous years.

This period is marred by the criminal conduct of the, then, CEO, a lack of governance oversight by the Council including the lack of an Audit Committee, and a breakdown of the external audit system. The internal management systems and oversight were all but non-existent during this period.

The Shire engaged independent consultants to conduct a forensic audit which exposed the extent of the financial loss and the methods used by the CEO. The same consultants conducted an FMR in 2006 which also recorded the poor state of the governance and financial management of the Shire.

It was recognised at that time that the cost to the Shire, apart from the reputational and financial loss was the intangible and hidden cost of poor management and the lack of proper administrative and governance control. The adverse legacy impacts of that extended period are still being felt today and is likely to continue for some time to come as hidden issues are exposed.

It is also relevant that in the three year since that time the Shire has been managed by two permanent CEO's (2016/2018 and 2018/2019) and two interim periods under an Acting CEO, resulting in a loss of corporate knowledge and impetus, and greatly influencing the establishment of a stable management environment. Reference to the 2006 FMR shows the extent of the positive improvements that have been made since, but not completed due to the change in CEO's and other employees, and the overarching need to manage the Shire's normal day to day operations and projects.

It is evident that prior to the resignation of Mr Alcock, there was a significant lack of internal control, compliance, financial management and oversight of employees. The employees carrying out the various financial and governance tasks were largely left to their own devices with a lack of direction or management oversight. The legacy of that situation is still being overcome, despite the efforts of both CEO's that followed.

The long period of poor historical management under ex CEO Alcock has resulted in a significant requirement to review and implement new improved management procedures and deal with a backlog of issues that had been "buried" and still slowly coming to light, but requiring immediate diversion of attention and activity from existing priority works and daily tasks to rectify historical problems.

Those employees have now left the Shire's employ, and significantly for the future, four key Office positions have recently been filled – but all these new employees have less than four months service and still becoming fully effective. However, there are already positive signs that there is a proactive approach to improvement and best practice and provides the CEO with the resources required to achieve the organisational cultural changes necessary to achieve a constant high standard management environment.

Therefore, this review is timely, in that it provides the CEO with a snapshot of the status of the financial management of the Shire and the way forward.

It is also significant and relevant that the CEO and staff are committed to implementing improved procedures and these are happening on an almost daily basis. Some issues noted during the review had already been addressed, or in the process of being addressed.

# 2. FINANCIAL MANAGEMENT REVIEW OBJECTIVE

The objective is to review the financial management system and report to the CEO on the appropriateness and effectiveness of the control environment in the Shire, as required by Financial Management Regulation 5(2)(c).

Significantly, it is not an audit, but a review, and with the objective to assist the CEO in her ongoing management and process improvement of the Shire's financial management practices, procedures and controls.

The timing of the review is particularly relevant due to the recent engagement of four new employees who provide the Shire with a significant positive opportunity to proactively commence a new era of financial management, and a fresh approach to the internal practices that existed.

# 3. SCOPE

The review entailed an examination of the various financial systems and procedures of the Shire including but not limited to:

- Bank Reconciliations and Petty Cash
- Trust Funds
- Receipts and Receivables
- Rates
- Fees and Charges
- Purchases, Payments and Payables (Including Purchase Orders)
- Salaries and Wages
- Credit Card Procedures
- Fixed Assets (Including Acquisition and Disposal of Property)
- Cost and Administration Overhead Allocations
- Minutes and Meetings
- Budget
- Financial Reports
- Registers (Including Annual and Primary Returns)
- Delegations
- Audit Committee
- Insurance
- Storage of Documents/Record Keeping
- Integrated Planning

The review did not entail an examination of compliance with all provisions of the Act or all regulations (apart from the Financial Management Regulations), and which did not impact on the keys functions examined above but emphasis was placed on internal controls and management oversight of the various functions considered.

Emphasis was also placed on the matters raised in the recent external interim and annual audits.

The conduct of the review was assisted by the personal knowledge and experience of the Shire resulting from the authors role during two periods as the Acting CEO since late 2015 and involvement in the Compliance Audit Returns (CAR).

### 4. KEY REVIEW FINDINGS

- The systems and processes associated with the Shire's financial management function are generally
  efficient and effective and suitable for a Shire such as Dowerin. The various activities required to meet its
  obligations are taking place and are subject to continuous improvement. The CEO and the recently
  appointed employees are focussed on process improvement and best practice.
- The key finding is a lack of documented internal controls. The "controls" in place are generally a result of
  existing practice and not a precise and purpose driven direction from the CEO that specifies what control
  measures are required. For example, most reconciliations are subject to a preparing Officer (name or a
  signature) and a checking Officer (name or signature) but without any formal written direction specifying
  what is required and how.

An analysis of the previous audit issues found that most items required a system improvement (which were generally completed), or a matter of inconsistent actions by the relevant Officer(s) and a weakness in the checking regime. In almost, if not all examples, there was a lack of an effective written internal control imposed by the CEO.

The identification and improvement in management processes since 2016 has required significant time and effort to develop and implement but this has taken place in an unsuitable environment that has not provided the clear air to achieve all that is required. Ideally, a period of some weeks dedicated to process improvement development and implementation is required, but this is unachievable and unrealistic. Therefore the "completion" of reviewing and implementing a robust governance/internal control/compliance/risk regime will be on-going for the immediate future.

There has been significant improvement across the various management functions, and this is continuing on an almost daily basis. It is relevant that these changes are taking place in conjunction with the induction and settling in of at least four new employees, who all have their own normal duties and backlog to deal with.

It is also relevant that many of the recent new processes and procedures put in place have not yet had time to settle in or be tested in any meaningful way.

The CEO recognises these shortfalls and identifies the status of her endeavours as "immature". As the independent reviewer, these factors were quickly identified and it is evident that a pragmatic assessment and approach is required which recognises the systems and processes are in place, and the positive changes being made, but the overall implementation and achieving a smooth running, effective and best practise management environment is less than optimal despite all the effort and goodwill that exists. It is estimated that the operating compliance environment is running at, say, 80 to 90% - and far better than a couple of years ago, and with that legacy being the main contributing factor to the less than optimum situation currently.

This situation is expected to improve rapidly as the four new employees settle into their roles, learn the protocols in place and the improvements continue to be developed and implemented.

The Council has a significant role and responsibility to play in recognising the situation that exists, the pitfalls and the efforts being made to achieve a strong best practice environment. While a 100% strong management environment is the expectation, it is unrealistic in the current circumstances, and considering the recent history of the Shire management. Funding, human resources, time and competing demands, particularly the community and normal day to day operations all compete with the effort required to achieve the high standard management regime expected and required.

The 2016 Financial Management Review conducted by Mr R. Back details the extent of the poor standard and lack of controls at that time (and for several years previous). The legacy of that period of inadequate management control is still adversely impacting on the Shire today and it is anticipated this will continue for some time to come as hidden issues come to light – requiring attention and taking the focus off the present priorities.

An analysis of recent management audit issues (2018 and 2019) demonstrates that many required a system change to address the deficiency or are the result of incomplete or inconsistent application of existing controls. Most system changes identified have been made or are in the process of being changed. All the identified weaknesses require an internal control response to address the deficiency. However, all the systems and procedures improvement do not overcome human error, inconsistencies and inability to perform a task due to other work commitments or other factors beyond control.

Management control over the myriad of financial and administrative functions that are required to be performed by a range of employees as part of their normal duties requires well defined Position Descriptions, delegations, policies and procedures so that there is a well-documented path to follow. It appears that the Position Description(s) in place may require review and changes made to match the actual tasks being undertaken, and that there was a need to match PD tasks with procedures. That is a work in progress.

Regardless of those protocols, inconsistencies and error will still occur. The recommended key management control providing oversight of these functions is the introduction of comprehensive controls and Checklists for each task that detail the various steps that need to be observed to achieve the task correctly and specify the controls required including signature of the officer preparing the item and the signature of the checking officer.

The checklist approach should not only provide the employee with a step by step procedure to follow, but also provision for the employee to record when completed and further provision for a senior officer to check and sign off on the task. The CEO has put in place some checklists, but these are more of a process list of how to do a task rather than including the control or direction.

A high-level oversight can be achieved by the various function checklists (e.g. Payroll, Finance EOM, Debtors, Creditors, Rating) being listed on a "Master" checklist that is prepared and certified by senior managers and submitted to the CEO on a monthly or regular basis. This master checklist should provide the CEO with a high degree of comfort that all the required tasks have been properly completed – or identify weaknesses. This approach could greatly assist the conduct of internal audits and be valuable for external audits and be included in reporting to the Audit Committee.

A simple example of a function that had been overlooked is the maintenance of the Cemetery records. Previously maintained by an ex-employee and with some endeavour to include the information in the newly introduced SharePoint system, the recording of burials in the register and other administrative tasks including Cemetery plans had not been undertaken since 2017. This failure had not been identified by any internal or external audit (the function is no longer included on the annual Compliance Audit Return) and potentially go unnoticed for some considerable period. There is no trigger to expose this weakness until such time as potentially a family seeks burial information, with all the emotive problems that would entail.

If the Cemetery function was listed on a checklist presented to the CEO without indication of being maintained properly it allows early intervention.

The CEO is responsible for the internal management and compliance of all the Shire's various functions – it is suggested that the only effective method of awareness of the status of internal controls is via a regular checklist

signifying the status of each function. That task approach provides the CEO with a regular record of the status of compliance with her directions and will complement the existing higher-level compliance calendar.

It is recommended that the range of internal control measures such as policies and procedures be consolidated and collated into a common Internal Control framework, format and location and included in a relevant Checklist. For example, the purchasing function involves the LGA, regulations, policy, delegations and procedures and these should be arranged in a logical sequence to allow employees to easily access and understand the hierarchy and requirements of each activity ....and subject to a Checklist.

LGA s5.41 imposes responsibilities on the CEO to manage the Shire and FMR reg. 5 provides that the CEO's financial management duties entail ensuring that there are efficient systems and procedures established to manage the Shire's functions as required by statute. The establishment of these systems and procedures is the next step in the hierarchy of the Act, regulations, standards and Council policy and should be approached from that background by putting in place uniform format internal control measures (refer above) and which are clearly identified as "CEO Directives" or some such nomenclature and which reinforces the authority under which they are made.

The current review has found that the numerous internal controls that are in place are scattered throughout the organisation, in a variety of locations and formats and generally lacking any form of version control or cohesion. It is little wonder that employees struggle to meet strict legislative requirements and internal controls when the information is spread throughout and lacks any uniformity or linkage. This situation is symbolic of the environment in which the CEO and employees are struggling to deal with their workload while also trying to implement the new systems and procedures required, but without commonality, cohesion or uniformity.

The establishment of a consolidated "CEO Directive" manual, in some appropriate format, would greatly assist the CEO in controlling the compliance regime (including identifying what exists and what needs to exist) and improve operational compliance by ready reference to a central internal control source. It is entirely relevant that this Shire is not alone in this situation and that most shires are in a similar situation. It would be very rare indeed for an Auditor to ask for the CEO's Internal Control manual be produced and to receive it. The information may exist, but it is scattered and that creates a myriad of control issues.

The last statutory internal controls were included in the Accounting Directions 1985. From 1994 onwards the legislation has simply made the CEO responsible for putting in place the internal controls – without any guidance as to what controls are required. This has resulted in an ad hoc approach to documented internal controls and a breakdown in compliance. A simple example from the 1985 AD's was the requirement for a "Contract Register", which recorded contract details, approved variations, progress payments and provided a ready reference to the control and reconciliation of that contract. Invariably now, individual contracts are dealt with in a variety of different manners and formats without any reference to a single Register. Control over contracts is diminished significantly.

The establishment of a "CEO Directive" manual will also give the requirements to be followed far greater "clout" by underlining the fact that they are a directive from the CEO. Currently it appears that existing controls are treated more as a guide rather that a directive.

### 5. Previous Audit Issues

Part of the review consisted of an analysis of the recent interim and annual audit issues and the status of these matters. Broadly, the items raised in the audits can be classified as requiring a system change or the inconsistent application of existing requirements (or both).

All the items should be the subject of a specific CEO internal control directive and form part of an internal checklist environment that enables a regular overview of the status of compliance.

System change

Inconsistent

Inconsistent

Inconsistent

Inconsistent

Inconsistent

# 2018 Interim Audit Report Issues

- Masterfile Accuracy and validity
- Credit Cards
- Monthly Reconciliations
- Purchasing
- Interim Rating
- Payroll
- Sundry Debtors
- Staff-Resignations/Termination

### 2018 Audit Report Issues

- Adjusting Journals
   System Change
- Masterfile Changes
- Year End accounting
- Related Party Declarations
- Supplier Payments
- Employee Entitlements
- Fuel Stocks
- Works Costing
- Self-Supporting Loan Debtors
- Workforce Plan

### 2019 Interim Audit Issues

- Purchasing and Payments
- Payroll Exceptions
- Reconciliation of Investment
- Month end reconciliations
- Receivables Master File
- Invoice and Credit Note Request Forms
- System Change/Inconsistent System Change/Inconsistent System Change System Change System Change
- All these items were documented with the detail of the finding, implication and recommendation and included a management response comment on the finding and actions to be taken. These reports were then considered by the Shire's Audit Committee.

System Change

These items are significant in that they have been recognized by external audit and a proposed action outlined. However, there is a need for these items to be included in a "Register" of audit issues that allows for the status of the implementation to be monitored by the CEO (system change, new procedure etc) and progress reported to the Audit Committee. The register should then be a permanent agenda item for the regular Senior Staff meetings.

For example, the 2018 finding concerning Fuel Stocks is still a work in progress and this requires monitoring.

# 6. CEO Statutory Responsibility for Internal Controls

FMR Reg 5. Provides that the CEO's duties as to financial management includes efficient systems and procedures are to be established by the CEO of a local government for the proper collection of all money owing to the local government; and for the safe custody and security of all money collected or held by the local government; and for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and to ensure proper accounting for municipal or trust, revenue received or receivable; and expenses paid or payable; and assets and liabilities; and to ensure proper authorisation for the incurring of liabilities and the making of payments; and for the maintenance of payroll, stock control and costing records; and o assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

FMR Reg 11. Provides the requirement to <u>develop procedures</u> for the authorisation of, and the payment of, accounts to ensure that there is effective security for, and properly authorised use of cheques, credit cards, computer encryption devices and passwords, purchasing cards and any other devices or methods by which goods, services, money or other benefits may be obtained; and (b) petty cash systems to develop procedures for the approval of accounts to ensure that before payment of an account a determination is made that the relevant debt was incurred by a person who was properly authorised to do so.

A payment may only be made from the municipal fund or the trust fund if the local government has delegated to the CEO the exercise of its power to make payments from those funds — by the CEO. If the local government has delegated to the CEO the exercise of its power to make payments from the municipal fund or the trust fund, a list of accounts paid by the CEO is to be prepared each month showing for each account paid since the last such list was prepared.

These statutory obligations are the responsibility of the CEO and the final layer of the legislative framework (LGA, regulations, policy, delegations etc) and this underlines the requirement that these obligations are given due weight and recognition as being formal directives from the CEO.

The key recommendation of this review is the rewriting of the various existing procedures into a dedicated CEO Internal Control Directive Manual that interrelates to the hierarchy of the Act, regulations, Council policy and delegations. Ideally the procedures/controls should be in a common format, organized into functions and collated into a suitable format (SharePoint or hardcopy) that allows ready access for staff.

# 7. Review Items

The extent of the functions and items reviewed precludes comment on all and it is relevant that in general, the Shire's systems and procedures are suitable and working. The review has identified the need for far greater specific procedures and internal controls to improve the management and accountability. The review also found that there has been a significant improvement since 2016 and a focus on continual improvement with examples of recent policy and procedural development occurring – this was evident with new procedures etc. being produced during the review.

Some of these new policies and procedures require fine tuning and with far greater emphasis on the CEO's statutory responsibilities under FMR 5 and which clearly records that authority.

The following information relates to matters requiring consideration.

Function/Tasks	Comment	
Position Description	Newly appointed employee with additional skills and taking on additional tasks	
Customer service &	requires a review of her Position Description to reflect these. The Position	
Records Officer	Description is a key component of the function internal controls and these need	
	to dovetail between imposing the duty and how it is to be carried out.	
Customer Service Charter	A recently introduced management initiative.	
New Supplier Approval	The existing New Supplier policy dated October 2017 has been recently reviewed	
Procedure	and is proposed to be replaced by a rewritten New Supplier Procedure in	
	September 2019. Another example of the proactive improvements underway.	
Key Accounting	The CEO has established a Table of Individuals Performing Key Accounting	
Responsibilities	Functions. This is a component of a CEO Internal Control Directive Manual.	
Gym Facility	The control over the Gym membership and access requires review and internal	
Oym r domly	control documentation to effectively control membership and access.	
Incoming mail handling	Lacks written procedure and control	
Senior Management	Agenda could be amended to include specific consideration of the status of key	
•	plans, compliance calendar, internal controls and risks and provide proof of	
Meetings	review and actions being taken. The key issues need to be under constant	
	<b>o i</b>	
	management review to avoid slippage. For example, a new OAG requirement for	
Creditors Procedures	a Fraud and Corruption Plan.	
Creditors Procedures	Uniform documented procedures updated 16/8/2019 for EFT, Invoices and	
	cheque processing demonstrate the ongoing process improvement underway but	
	the procedures lack specific internal control details.	
Records Management	A further example of the work underway. The Shire's Record Keeping Plan is	
Procedure Revision 1	subject to an extension under the State Records Act and that is a work in	
(Undated)	progress. The review of the existing plan will need to take into account the	
	implementation of the SharePoint information management system.	
SharePoint	The Shire is implementing the SharePoint system for managing its records and	
	information. SharePoint is a robust and efficient system but quite complex and	
	requires careful establishment and training to ensure it is properly utilized.	
	Currently the Shire is still in the process of refining its records within SharePoint	
	and in the situation of some records are electronic and others still in hard copy	
	format. The utility of the system may be compromised if not introduced in a	
	careful manner and all users competent in utilizing the system.	
Synergy	The Shire operates the Synergy accounting system that is common for a number	
	of similar size local governments.	
Other Information	The Shire operates on the Office Suite of programs and has specialized systems	
Technology	for management of the Gym and the Short Stay Accommodation facility. No	
	issues were noted.	
Computer Password	The Shire commenced the implementation of a review of its Computer Password	
Control	controls in late August 2019. An example of the proactive management actions	
	underway.	
Delegation Register	The Delegation Register records the Council's delegations to the CEO, and	
	includes reference to sub-delegations by the CEO to employees. These sub-	
	delegations are provided in written notice to each relevant employee, but the	
	actual sub delegation is not recorded in the Register of Delegations.	
Council Policy Manual	Hard copy records as at 11 February 2019 but indications that there are policies	
eestion i oney mariaa	also recorded in SharePoint or under development. Attention is required to	
	ensure that all policies are recorded in a consolidated version (either hardcopy or	
	electronically with appropriate version control and employee awareness).	

General Financial	This is a comprehensive financial control policy that includes detail better suited
Transaction Policy	for inclusion in the CEO's Internal Control Directives. Policy is a Council
	responsibility, procedures and internal control is the CEO's. This is a good
	example of the efforts and controls being implemented but requiring refinement
	between Council policy and the CEO's FMR responsibilities.
Fuel Stock Policy	Another example of a Council policy better suited as a CEO procedure/internal
	control. Fuel stock control was raised in a previous audit and this is still in the
Dank Assount Daliay	process of being implemented.
Bank Account Policy	This policy also includes elements of the CEO's procedure/internal control responsibilities. The policy details the designated authorized positions for the
	Shire bank account activities. Refer Finance Authorisation Policy.
Finance Authorisation	This policy also includes elements of the CEO's procedure/internal control
Policy	responsibilities. For example, "authorize by signing the relevant forms".
Purchasing Versus	Purchasing policy sets out the authorized officer limits. For example, the CEO
Authorisation to Pay	unlimited, Managers \$50,000 however these limits relate to Purchasing. The
,	authorization to pay accounts (including single payments as well as batches) is a
	totally different requirement and partially covered by the Bank Account policy and
	the Financial Authorisation policy. However, these do not specify any limits and
	lists four Officers. Refer below.
Delegation - Payments	The delegation register includes a delegation to the CEO to make payments and
	power to sub-delegate to two officers (therefore the CEO and two others). Refer
Charanaint Authorized	above and below.
Sharepoint – Authorised Signatories and Credit	A printout under "Financial Management" lists various Authorised Bank signatories with five apparent authorized signatories (Brigg K; Delmage; Fitchat;
Card Register	McCall and Hudson) – all with authorization of "Unlimited".
Authorisation to Pay	The authority to make payments from Shire bank accounts is a specific
	responsibility under the LGA that is delegated to the CEO. The CEO has sub-
	delegated this responsibility, but the exercise of this authority requires specific
	CEO internal controls, partially covered by the policies above. The inclusion of
	the Shire President in the authorized persons for bank transactions appears to go
	against the separation of responsibilities between elected and employees but
	may be necessary due to availability or another reasonable requirement. It is
	recommended that issue be discussed with the Shire Auditors.
Authorisation to Pay	Apart from clarification of the actual persons authorized to operate on the Shire
	bank accounts and the necessary controls, there is a requirement to review and
	put in place appropriate procedures and internal controls to manage the cycle from the purchasing policy and procedure to purchase goods or services to
	specifically cover the issue of local purchase orders, the handling of invoices,
	checking goods received/services rendered and computations correct being
	strictly controlled before moving on to the final step of AUTHORITY TO PAY by
	the properly authorized officers (delegation/bank authority/procedures). The
	internal control is based on the certification of all the other requirements being
	checked before the authority to pay is exercised. Each invoice requires specific
	authorizations and each payment or batch requires specific authorization that
	complies with the directive/control imposed by the CEO.
Purchasing Policy	Special attention is required to ensure that the Shire Purchasing policy is strictly
Compliance	enforced. The CEO procedures and internal controls must give this requirement
	strong focus and that breaches of purchasing policy (e.g. insufficient quotes or
	LPO's issued after good received etc) are identified and reported. Purchasing is
	a high-risk area and subject to external audit scrutiny and reporting. Internal controls at the purchasing, invoice processing and authority to pay stages should
	greatly reduce occurrences of improper purchasing that breach CEO Directives.
	$_{\rm I}$ grouty routed becauterious of improper parenasing that breach OLO Directives.

Creditors Approval Stamp	It was noted that creditor invoice payments "certification" was subject to a variety
	of stamps and signing protocols including the use of a "Received" stamp. It is considered that is inappropriate and requires a specific CEO Directive purpose
	designed approval stamp providing for requirements such as LPO, Goods
	Received/Services Rendered, Computations checked, GL Codes etc. Provision
	for the actual Authorisation to Pay could be included or a separate Stamp.
	A review of Creditor batches found inconsistent and incomplete
	signatures/approvals/authorizations. Strong control over Creditor payments is
	dependent upon a consistent checking/approval process and requires a strong
	CEO directive.
Task Preparation and	Examples of several financial tasks show a variety of accountability processes.
Review - Wages	The Timesheet includes provision for the signature of the employee but could be
	strengthened by internal control and requirement for a form of certification that
	the hours are true and correct, with a similar certification by the relevant
	manager. The timesheet forms the basis for the payment of wages and
	appropriate certification provides comfort to the Payroll Officer to process the
	timesheet.
Task Transaction Listings	A review of various transaction listings found a range of different signing
Controls	protocols. Examples were found of a Stamp providing for "Prepared By" and
	"Reviewed By" with signatures and date.
	Other examples of a reconciliation had a typed provision for the prepared by and
	reviewed by requirement, but no date.
	It is recommended that the CEO Directive for these tasks detail what the signing
	requirements are (the Stamp is possibly the best option) with emphasis on
Inconsistency	providing strong accountability by requiring signatures (not names). The review noted that many tasks such as the requirement to identify the officer
Inconsistency	preparing a document and the reviewer were inconsistently completed. Many
	only had one name or one signature and indicate a breakdown in the process.
	The reasons for the non-completion probably relate to human factors such as
	unavailability, workload and timing but leads towards a breakdown in process
	and control. Identification of who prepared and who checked/approved is a key
	accountability. A CEO Directive to require this to occur will result in better control
	and a culture of best practice and accuracy.
Bank Reconciliations	It is recommended that the bank reconciliation include reference to any balancing
	issue that requires attention including any time factor such as unpresented
	cheques.
Organizational Structure	It was noted that the new structure was put in place in March 2019. This
	underlines the significant change in the Office since that time with four new
	employees and other internal changes of role and responsibilities. That is a
	positive response to the historical culture that existed and a new work
	environment that is already demonstrating a willingness to make improvement
	changes. These changes were actively taking place during the on-site phase of
	this review with examples of changes already made or being made in response
	to queries raised.
Payroll Procedure	The development of a Payroll Procedure is an example of a work in progress and
Revision 1	a new initiative and not yet adopted. The procedure needs to be developed to
	include the specific internal control requirements of the CEO so that there is a
Compliance Colordar	strong element of being a Directive and not just a procedure.
Compliance Calendar	The CEO has implemented a comprehensive Compliance Calendar. It is
	recommended that this be included as a permanent item on the agenda of the
	Senior Staff meetings to allow review.

Cemetery Register	The review found that the key statutory registers were maintained. However, it was found that the Cemetery Register had not been maintained since 2017. This failure is an example of the inconsistency and lack of historical control and the changeover of Office staff. It underlines the key recommendation for the need for task procedures and internal control checklists.
Rating	The rating and valuation function were historically poorly managed and inadequately controlled. The engagement of specialized expertise has turned this around and a further example of the positive management controls being implemented by the CEO.
Rate Payment Arrangement Procedure	This new procedure was introduced in May 2019 and an example of the proactive improvements underway.
Rates Modelling and Billing 2019/2020	A spreadsheet extensively details rating program details and advisory comments of a procedural nature that provides a base for the development of an effective internal control directive.
Asset Valuation Road and Other Infrastructure Revaluation and Asset Condition Report, RAMMs etc	Plant and Equipment valued by an external resource for 2018/2019. Being undertaken for 2019/2020.
General Journals and Subsidiary Journals	The journals are maintained and subject to a prepared and checked by process but without any specific internal control including the authorization to make journal entries and along with the various End of Month reconciliations subject to inconsistent signatures.
Quasi Internal Control Manual	A pink two ringed binder exists and contains a variety of advisory notes and instructions including some 29 pages of bank reconciliation instructions (mainly Synergy) but are not dedicated internal controls. It is apparent that there is a variety of policy and procedures in existence but lacking the essential element of the CEO internal control direction.
Checklist of Monthly Reconciliations	A computer printout provides details of Responsible Officers by initials, tasks and monthly status. This checklist could be reviewed and developed into a more effective checklist.
Integrated Planning Framework	The Shire has adopted all the relevant major Plans.
Business Continuity Plan May 2019	Another example of the progress made by the CEO in improving the Shire's management.

The above comments are intended to provide examples of issues requiring attention, as well as the positive changes being undertaken. It is reiterated that this review is not an audit, and there are other matters of a similar nature but the comments outline the environment and the suggested changes to improve the management environment and based on developing formal CEO Directives that detail internal controls, and a checklist approach for reporting status of compliance.

In summary, the existing systems and procedures are adequate and working, but require tightening to improve control.

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17 September 2019