



SHIRE OF
DOWERIN
TIN DOG TERRITORY

MINUTES

Audit & Risk Committee Meeting

Held in Council Chambers
13 Cottrell Street, Dowerin WA 6461
Tuesday 20 April 2021

ABN: 35 939 977 194

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13 Cottrell Street, Dowerin WA 6461

 www.dowerin.wa.gov.au



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Shire of Dowerin
Audit & Risk Committee Meeting
Tuesday 20 April 2021



1. Official Opening

The Chair welcomed those in attendance and declared the Meeting open at 10.00am.

2. Record of Attendance / Apologies / Leave of Absence

Committee Members:

Cr DP Hudson	President & Chair
Cr BA Ward	Deputy President
Cr RI Trepp	

Staff:

Ms R McCall	Chief Executive Officer
Ms C Delmage	Manager Corporate & Community Services
Ms L Dreghorn	Executive & Governance Officer
Ms V Green	Executive & Governance Officer

Apologies: Nil

Approved Leave of Absence: Nil

3. Public Question Time

Nil

4. Disclosure of Interest

Nil

5. Confirmation of Minutes of the Previous Meeting(s)

5.1 Audit & Risk Committee Meeting held on 15 March 2021

Attachment 5.1A

Voting Requirements

Simple Majority Absolute Majority

Officer's Recommendation/Resolution

Moved: Cr Ward **Seconded:** Cr Trepp

0400 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 15 March 2021, 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 Appointment of External Member

<h1>Governance & Compliance</h1>		 SHIRE OF DOWERIN TIN DOG TERRITORY
Date:	12 April: 2021	
Location:	Not applicable	
Responsible Officer:	Rebecca McCall, Chief Executive Officer	
Author:	Linley Dreghorn, Executive & Governance Officer; Vanessa Green, Executive & Governance Officer	
Legislation:	<i>Local Government Act 1995; Local Government (Audit) Regulations 1996</i>	
Sharepoint Reference:	Organisation/Governance/Committees	
Disclosure of Interest:	Nil	
Attachments:	Confidential Attachment 7.1A - Application Confidential Attachment 7.1B - Application	

Purpose of Report

Executive Decision

Legislative Requirement

Summary

This Item presents the nominations for an external member to the Audit & Risk Committee (the Committee) for consideration and, if satisfactory, recommendation to Council for endorsement.

Background

The Committee and Council previously considered this matter at its March 2021 meetings and resolved (CMRef 0379 and CMRef 0386 respectively):

“That, in accordance with the Audit and Risk Committee’s Terms of Reference, Council:

- 1. Rejects the nomination received for consideration as an external representative, as presented to the Audit and Risk Committee as Confidential Attachment 7.1A; and***
- 2. Re-advertises for expressions of interest from suitably qualified and skilled persons to be appointed as an external representative to the Shire of Dowerin Audit and Risk Committee.”***

Subsequent to Council’s resolution the Expression of Interest (EOI) was readvertised on the Shire’s website on 18 March 2021 and in the Dowerin Despatch on 26 March 2021 with applications closing Friday 9 April 2021.

As the matter has been previously presented, the item is included in its entirety below.

On Wednesday 6 January 2020 Mr Whiteaker emailed the Shire President to advise that, with regret, he had decided to resign from the Committee. The reasons provided included Mr Whiteaker’s current workload and the resultant inability to attend some meetings. Mr Whiteaker believed he was no longer able to contribute to the Committee at the level he would expect and therefore felt it was in both his and Council’s best interests that he resign.

In accordance with the Committee's Terms of Reference (ToR), a new external representative was required to be identified and appointed – see below:

“The CEO is not to be a member of the Committee and may not nominate a person to be a member of the Committee, or have a person represent the CEO as a member of the Committee. Similarly, an employee is not to be a member of the Committee.

As a minimum, the Shire's Committee will consist of 4 members, being 3 Councillors and 1 external representative. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected members.

All members will have full voting rights. In the event of a tie the Chairperson will have the casting vote.

The appointment of external members shall be based on the following criteria:

- 1. A suitably experienced professional who can demonstrate a high level of expertise and knowledge in financial management, risk management, governance and audit (internal and external);*
- 2. Have an understanding of the duties and responsibilities of the position, ideally with respect to local government financial reporting and auditing requirements;*
- 3. Have strong communication skills;*
- 4. Have relevant skills and experience in providing independent audit advice; and*
- 5. Be a person with no operating responsibilities with the Shire nor provide paid services to the Shire either directly or indirectly.*

The appointment and re-appointment of external members shall be made by Council by way of invitation and be for a period of up to 4 years. External members will not be appointed for more than three consecutive terms.

External members will be required to confirm they will operate in accordance with the Shire's Code of Conduct and will be required to follow Council's policies pertaining to the Committee operations.

Council may, by resolution, terminate the appointment of any external member prior to the expiry of their term if:

- 1. The Committee, by majority decision, determines the member is not making a positive contribution to the Committee; or*
- 2. The member is found to be in breach of the Shire's Code of Conduct or a serious contravention of the Local Government Act 1995; or*
- 3. A member's conduct, action or comments brings the Shire into disrepute.*

The Chairperson of the Committee is to be appointed by majority vote of the Committee. The Chairperson can be a Councillor or an external member.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Shire. At least 1 member of the Committee will have accounting or related financial and/or risk management experience.

Reimbursement of approved expenses may be paid to an external member in accordance with Section 5.100 of the Local Government Act 1995.

The CEO, Manager Corporate & Community Services and/or their nominee is to attend meetings to provide advice and guidance to the Committee.

The Shire shall provide secretarial and administrative support to the Committee.

A quorum will be a majority of members.

New members will receive relevant information and briefings on their appointment to assist them meet their Committee responsibilities.”

The Committee considered the matter at its January 2021 meeting where it resolved (CMRef 0343):

“That, in accordance with the Audit and Risk Committee Terms of Reference, the Audit and Risk Committee recommends to Council that it:

- 1. Notes the resignation of Mr Jason Whiteaker as the external member of the Shire of Dowerin Audit and Risk Committee;***
- 2. Conducts an advertising process calling for expressions of interest from suitably qualified and skilled persons to be appointed as an external representative to the Shire of Dowerin Audit and Risk Committee; and***

3. Provides formal acknowledgement in appreciation to Mr Jason Whiteaker for his advice and support provided during his tenure as the external member of the Shire of Dowerin Audit and Risk Committee.”

Council endorsed this recommendation at its January 2021 meeting (CMRef 0348) and Local Public Notice was provided on 20 January 2021 and published in the Dowerin Despatch on Thursday 11 February 2021. Nominations closed on Friday 26 February 2021.

To address point 3 of the resolution, written notice of acknowledgement and appreciation was provided to Mr Whiteaker on 20 January 2021.

Comment

At the close of nominations two nominations were received. As the nominations contain personal information, in accordance with Section 5.23(2)(b) of the *Local Government Act 1995*, both are provided as Confidential Attachments.

The Committee are expected to discuss the applications and may decide to go Behind Closed Doors for that to occur.

The Committee has a number of options:

1. Accept a nomination and recommend to Council that it be endorsed;
2. Reject the nominations and re-advertise again for an external representative (almost this would not be recommended); or
3. Reject the nominations and review its ToR to remove the requirement for an external representative.

The Officer's Recommendation takes into consideration the applicant's local link to the Dowerin community and previous experience with Council.

Consultation

Local Public Notice provided on 18 March 2021 with publication in the Despatch on 26 March 2021
Audit & Risk Committee Meeting and Council Meeting 15 March 2021

Local Public Notice provided on 20 January 2021 with publication in the Despatch on 11 February 2021

Rebecca McCall, Chief Executive Officer

Vanessa Green, Executive & Governance Officer

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

Section 5.10 of the *Local Government Act 1995* is applicable and states:

“5.10. Committee members, appointment of

- (1) *A committee is to have as its members –*
- (a) *persons appointed* by the local government to be members of the committee (other than those referred to in paragraph (b)); and*
 - (b) *persons who are appointed to be members of the committee under subsection (4) or (5).*

** Absolute majority required.*

- (2) *At any given time each council member is entitled to be a member of at least one committee referred to in section 5.9(2)(a) or (b) and if a council member nominates himself or herself to be a member of such a committee or committees, the local government is to include that council member in the persons appointed under subsection (1)(a) to at least one of those committees as the local government decides.*
- (3) *Section 52 of the Interpretation Act 1984 applies to appointments of committee members other than those appointed under subsection (4) or (5) but any power exercised under section 52(1) of that Act can only be exercised on the decision of an absolute majority of the council.*
- (4) *If at a meeting of the council a local government is to make an appointment to a committee that has or could have a council member as a member and the mayor or president informs the local government of his or her wish to be a member of the committee, the local government is to appoint the mayor or president to be a member of the committee.*
- (5) *If at a meeting of the council a local government is to make an appointment to a committee that has or will have an employee as a member and the CEO informs the local government of his or her wish –*
- (a) *to be a member of the committee; or*
 - (b) *that a representative of the CEO be a member of the committee,*
- the local government is to appoint the CEO or the CEO's representative, as the case may be, to be a member of the committee.”*

Regulation 4 of the *Local Government (Administration) Regulations 1996* is applicable and states:

“4. Committee members, resignation of

A committee member may resign from membership of the committee by giving the CEO or the committee's presiding member written notice of the resignation.”

Regulation 16 of the *Local Government (Audit) Regulations 1996* is applicable to the functions of an audit committee and states:

“16. Functions of audit committee

An audit committee has the following functions –

- (a) *to guide and assist the local government in carrying out –*
 - (i) *its functions under Part 6 of the Act; and*
 - (ii) *its functions relating to other audits and other matters related to financial management;*
- (b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) *to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to –*
 - (i) *report to the council the results of that review; and*
 - (ii) *give a copy of the CEO's report to the council;*
- (d) *to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under –*

- (i) regulation 17(1); and
- (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government –
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.”

Risk Implications

Risk Profiling Theme	Failure to fulfil statutory regulations or compliance requirements
Risk Category	Compliance
Risk Description	No noticeable regulatory or statutory impact
Consequence Rating	Insignificant (1)
Likelihood Rating	Rare (1)
Risk Matrix Rating	Low (1)
Key Controls (in place)	Governance Management Framework
Action (Treatment)	Document Governance Management Framework
Risk Rating (after treatment)	Adequate

Financial Implications

Expenses associated with advertising the expression of interest were minimal and allocated to advertising at GL: 2040240 OTH GOV - Advertising & Promotion.

Section 5.100(1) of the *Local Government Act 1995* prohibits a person who is a committee member but who is not a council member or an employee to be paid a fee for attending any committee meeting. However, subject to an appropriate resolution of Council, upon submission of receipts, reimbursement of reasonable expenses in accordance with Section 5.100(2) of the *Local Government Act 1995* may be provided to the external representative.

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation/Resolution

Moved: Cr Ward

Seconded: Cr Trepp

0401 That, in accordance with the Audit and Risk Committee's Terms of Reference, the Audit and Risk Committee recommends to Council that it accepts the nomination received for consideration as an external representative, as presented in Confidential Attachment 7.1A.

CARRIED 3/0

7.2 Consideration of Internal Audit Report

<h1>Governance & Compliance</h1>		 SHIRE OF DOWERIN TIN DOG TERRITORY
Date:	8 April 2021	
Location:	Not Applicable	
Responsible Officer:	Rebecca McCall, Chief Executive Officer	
Author:	Linley Dregghorn, Executive & Governance Officer; Vanessa Green, Executive & Governance Officer	
Legislation:	<i>Local Government Act 1995; Local Government (Audit) Regulations 1996</i>	
Sharepoint Reference:	Corporate Management/Reporting/2021 Internal Audit	
Disclosure of Interest:	Nil	
Attachments:	Attachment 7.2A - Internal Audit Report	

Purpose of Report

Executive Decision

Legislative Requirement

Summary

This Item presents the Internal Audit Report to the Audit & Risk Committee for consideration and, if satisfactory, recommendation to Council for adoption.

Background

Following the release of the City of Perth and Shire of Toodyay Inquiry Reports, the Administration believed there was merit in considering the findings of those reports and conducting an internal audit on the Shire of Dowerin's operations to identify any areas for improvement.

The matter was presented to the Audit & Risk Committee at its October 2020 meeting where it resolved (CMRef 0299):

“That, in accordance with Regulation 16(g) of the Local Government (Audit) Regulations 1996, the Audit and Risk Committee recommends to Council that staff undertake a desktop internal audit of the following items, with the results of the audit to be presented to the Audit and Risk Committee and Council for consideration:

- 1. Previous audit findings to ensure they have been actioned and completed;***
- 2. Disposal of the Anderson Street properties to ensure compliance;***
- 3. Procurement processes and procedures to ensure compliance; and***
- 4. Provide a status update on the Recommendations from the Financial Management Review Report conducted by Mr Ron Back in March 2016.”***

Council endorsed this recommendation at its November 2020 meeting (CMRef 0305).

The Internal Audit Report (the Report) details the methodology used in the audit, the findings from the audit and recommended actions for improvement. Management have reviewed the findings of the Report with comment provided on the issues identified.

Comment

The Recommended Actions section of the Report (refer page 32 onwards) summarises the recommended actions to address significant or high level risks identified in the Report. As detailed in that section, dates have been identified on when those actions will be completed, other than those which are ongoing.

The Report has identified that the Shire is, mostly, compliant and achieving the necessary standard of practice across a range of functions. It is also pleasing to note the vast improvements made to the Shire's governance, operational processes and procedures, implemented since the 2016 Inquiry and subsequent Probity Audit.

The Committee are requested to review the Report and provide any additional comment to Council in its Recommendation.

Consultation

Rebecca McCall, Chief Executive Officer
Cherie Delmage, Manager Corporate & Community Services
Vanessa Green, Executive & Governance Officer

Policy Implications

There are a number of policies applicable to the Report and the functions included in the Report, including:

Policy 1.6 – Councillor Induction
Policy 1.15 – Councillors Training & Continued Professional Development
Policy 2.2 – Risk Management Policy
Policy 3.3 – Disposal of Property Policy
Policy 3.4 – Financial Authorisation Policy
Policy 3.5 – Financial Management Policy
Policy 3.6 – Bank Account Policy
Policy 3.9 – Petty Cash Policy
Policy 3.10 – Corporate Credit Card Policy
Policy 3.11 – Purchasing Policy
Policy 3.15 – Regional Price Preference Policy

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

Nil

Long Term Financial Plan

Nil

Statutory Implications

Various sections of the *Local Government Act 1995* and Regulations 16 and 17 of the *Local Government (Audit) Regulations* are applicable.

Risk Implications

Risk Profiling Theme	Failure to fulfil statutory regulations or compliance requirements
Risk Category	Compliance
Risk Description	No noticeable regulatory or statutory impact
Consequence Rating	Insignificant (1)
Likelihood Rating	Rare (1)
Risk Matrix Rating	Low (1)
Key Controls (in place)	Governance Management Framework; Governance Calendar
Action (Treatment)	Document Governance Framework
Risk Rating (after treatment)	Adequate

Financial Implications

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

Voting Requirements

Simple Majority Absolute Majority

Officer's Recommendation/Resolution

Moved: Cr Trepp **Seconded:** Cr Ward

0402 That, in accordance with Regulations 16 and 17 of the *Local Government (Audit) Regulations 1996*, the Audit and Risk Committee:

1. Receives the Internal Audit Report, as presented in Attachment 7.2A, noting the recommendations requiring action; and
2. Recommends to Council that it adopts the Internal Audit Report.

CARRIED 3/0

8.	Questions from Members
	Nil
9.	Urgent Business Approved by the Person Presiding or by Decision
	Nil
10.	Date of the Next Meeting
	July 2021 at a date and time yet to be determined
11.	Closure
	The Chair thanked those in attendance and declared the Meeting closed at 10.07am.



SHIRE OF
DOWERIN
TIN DOG TERRITORY

MINUTES

Audit & Risk Committee Meeting

Held in Council Chambers
13 Cottrell Street, Dowerin WA 6461
Monday 15 March 2021



ABN: 35 939 977 194

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7.1	Appointment of External Member
7.2	Risk Dashboard Quarterly Report - March 2021
7.3	2020 Compliance Audit Return
7.4	Review of Business Continuity Plan
8.	Questions from Members
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
Monday 15 March 2021



1. Official Opening

The Chair welcomed those in attendance and declared the meeting open at 4.05pm.

2. Record of Attendance / Apologies / Leave of Absence

Committee Members:

Cr DP Hudson	President & Chair
Cr BA Ward	Deputy President
Cr RI Trepp	

Staff:

Ms R McCall	Chief Executive Officer
Ms C Delmage	Manager Corporate & Community Services
Ms V Green	Executive & Governance Officer

Apologies/Approved Leave of Absence:

Nil

Members of the Public:

Nil

3. Public Question Time

Nil

4. Disclosure of Interest

Nil

5. Confirmation of Minutes of the Previous Meeting(s)

5.1 Audit & Risk Committee Meeting held on 19 January 2021

[Attachment 5.1A](#)

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation/Resolution

Moved: Cr Trepp

Seconded: Cr Ward

0378 That, in accordance with Sections 3.18 and 5.22(2) of the *Local Government Act 1995*, the Minutes of the Audit and Risk Committee Meeting held on 19 January 2021, 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 Appointment of External Member

<h1>Governance & Compliance</h1>		 SHIRE OF DOWERIN TIN DOG TERRITORY
Date:	8 March 2021	
Location:	Not applicable	
Responsible Officer:	Rebecca McCall, Chief Executive Officer	
Author:	Vanessa Green, Executive & Governance Officer	
Legislation:	<i>Local Government Act 1995; Local Government (Audit) Regulations 1996</i>	
Sharepoint Reference:	Organisation/Governance/Committees	
Disclosure of Interest:	Nil	
Attachments:	Confidential Attachment 7.1A – Application	

Purpose of Report

Executive Decision

Legislative Requirement

Summary

This Item presents the nominations for an external member to the Audit & Risk Committee (the Committee) for consideration and, if satisfactory, recommendation to Council for endorsement.

Background

On Wednesday 6 January 2020 Mr Whiteaker emailed the Shire President to advise that, with regret, he had decided to resign from the Committee. The reasons provided included Mr Whiteaker's current workload and the resultant inability to attend some meetings. Mr Whiteaker believed he was no longer able to contribute to the Committee at the level he would expect and therefore felt it was in both his and Council's best interests that he resign.

In accordance with the Committee's Terms of Reference (ToR), a new external representative was required to be identified and appointed – see below:

"The CEO is not to be a member of the Committee and may not nominate a person to be a member of the Committee, or have a person represent the CEO as a member of the Committee. Similarly, an employee is not to be a member of the Committee.

As a minimum, the Shire's Committee will consist of 4 members, being 3 Councillors and 1 external representative. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected members.

All members will have full voting rights. In the event of a tie the Chairperson will have the casting vote.

The appointment of external members shall be based on the following criteria:

- 1. A suitably experienced professional who can demonstrate a high level of expertise and knowledge in financial management, risk management, governance and audit (internal and external);*

2. *Have an understanding of the duties and responsibilities of the position, ideally with respect to local government financial reporting and auditing requirements;*
3. *Have strong communication skills;*
4. *Have relevant skills and experience in providing independent audit advice; and*
5. *Be a person with no operating responsibilities with the Shire nor provide paid services to the Shire either directly or indirectly.*

The appointment and re-appointment of external members shall be made by Council by way of invitation and be for a period of up to 4 years. External members will not be appointed for more than three consecutive terms.

External members will be required to confirm they will operate in accordance with the Shire's Code of Conduct and will be required to follow Council's policies pertaining to the Committee operations.

Council may, by resolution, terminate the appointment of any external member prior to the expiry of their term if:

1. *The Committee, by majority decision, determines the member is not making a positive contribution to the Committee; or*
2. *The member is found to be in breach of the Shire's Code of Conduct or a serious contravention of the Local Government Act 1995; or*
3. *A member's conduct, action or comments brings the Shire into disrepute.*

The Chairperson of the Committee is to be appointed by majority vote of the Committee. The Chairperson can be a Councillor or an external member.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Shire. At least 1 member of the Committee will have accounting or related financial and/or risk management experience.

Reimbursement of approved expenses may be paid to an external member in accordance with Section 5.100 of the Local Government Act 1995.

The CEO, Manager Corporate & Community Services and/or their nominee is to attend meetings to provide advice and guidance to the Committee.

The Shire shall provide secretarial and administrative support to the Committee.

A quorum will be a majority of members.

New members will receive relevant information and briefings on their appointment to assist them meet their Committee responsibilities."

The Committee considered the matter at its January 2021 meeting where it resolved (CMRef 0343):

"That, in accordance with the Audit and Risk Committee Terms of Reference, the Audit and Risk Committee recommends to Council that it:

1. ***Notes the resignation of Mr Jason Whiteaker as the external member of the Shire of Dowerin Audit and Risk Committee;***
2. ***Conducts an advertising process calling for expressions of interest from suitably qualified and skilled persons to be appointed as an external representative to the Shire of Dowerin Audit and Risk Committee; and***
3. ***Provides formal acknowledgement in appreciation to Mr Jason Whiteaker for his advice and support provided during his tenure as the external member of the Shire of Dowerin Audit and Risk Committee."***

Council endorsed this recommendation at its January 2021 meeting (CMRef 0348) and Local Public Notice was provided on 20 January 2021 and published in the Dowerin Despatch on Thursday 11 February 2021. Nominations closed on Friday 26 February 2021.

To address point 3 of the resolution, written notice of acknowledgement and appreciation was provided to Mr Whiteaker on 20 January 2021.

Comment

At the close of nominations one application had been received. As the nomination contains personal information, in accordance with Section 5.23(2)(b) of the *Local Government Act 1995*, it is provided as a Confidential Attachment.

The Committee are expected to discuss the application and may decide to go Behind Closed Doors for that to occur.

The Committee has a number of options:

1. Accept the nomination and recommend to Council that it be endorsed;
2. Reject the nomination and re-advertise for an external representative; or
3. Reject the nomination and review its ToR to remove the requirement for an external representative.

The Officer's Recommendation is based on an assumption that the Committee may wish to revisit the advertising process in the hope of attracting some local interest.

Should the re-advertising process not result in a suitably qualified and skilled person being appointed as the Committee's external representative, the Committee could then consider reviewing its ToR.

Consultation

Local Public Notice provided on 20 January 2021 with publication in the Despatch on 11 February 2021

Rebecca McCall, Chief Executive Officer

Vanessa Green, Executive & Governance Officer

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

Section 5.10 of the *Local Government Act 1995* is applicable and states:

"5.10. Committee members, appointment of

(1) A committee is to have as its members –

(a) persons appointed* by the local government to be members of the committee (other than those referred to in paragraph (b)); and

(b) persons who are appointed to be members of the committee under subsection (4) or (5).

* Absolute majority required.

(2) At any given time each council member is entitled to be a member of at least one committee referred to in section 5.9(2)(a) or (b) and if a council member nominates himself or herself to be a member of such a committee or committees, the local government is to include that council member in the persons appointed under subsection (1)(a) to at least one of those committees as the local government decides.

- (3) *Section 52 of the Interpretation Act 1984 applies to appointments of committee members other than those appointed under subsection (4) or (5) but any power exercised under section 52(1) of that Act can only be exercised on the decision of an absolute majority of the council.*
- (4) *If at a meeting of the council a local government is to make an appointment to a committee that has or could have a council member as a member and the mayor or president informs the local government of his or her wish to be a member of the committee, the local government is to appoint the mayor or president to be a member of the committee.*
- (5) *If at a meeting of the council a local government is to make an appointment to a committee that has or will have an employee as a member and the CEO informs the local government of his or her wish –*
 - (a) *to be a member of the committee; or*
 - (b) *that a representative of the CEO be a member of the committee,**the local government is to appoint the CEO or the CEO's representative, as the case may be, to be a member of the committee."*

Regulation 4 of the *Local Government (Administration) Regulations 1996* is applicable and states:

"4. Committee members, resignation of

A committee member may resign from membership of the committee by giving the CEO or the committee's presiding member written notice of the resignation."

Regulation 16 of the *Local Government (Audit) Regulations 1996* is applicable to the functions of an audit committee and states:

"16. Functions of audit committee

An audit committee has the following functions –

- (a) *to guide and assist the local government in carrying out –*
 - (i) *its functions under Part 6 of the Act; and*
 - (ii) *its functions relating to other audits and other matters related to financial management;*
- (b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) *to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to –*
 - (i) *report to the council the results of that review; and*
 - (ii) *give a copy of the CEO's report to the council;*
- (d) *to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under –*
 - (i) *regulation 17(1); and*
 - (ii) *the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (e) *to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) *to oversee the implementation of any action that the local government –*
 - (i) *is required to take by section 7.12A(3); and*
 - (ii) *has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
 - (iii) *has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
 - (iv) *has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*

(g) to perform any other function conferred on the audit committee by these regulations or another written law.”

Risk Implications

Risk Profiling Theme	Failure to fulfil statutory regulations or compliance requirements
Risk Category	Compliance
Risk Description	No noticeable regulatory or statutory impact
Consequence Rating	Insignificant (1)
Likelihood Rating	Rare (1)
Risk Matrix Rating	Low (1)
Key Controls (in place)	Governance Management Framework
Action (Treatment)	Document Governance Management Framework
Risk Rating (after treatment)	Adequate

Financial Implications

Expenses associated with advertising the expression of interest were minimal and allocated to advertising at GL: 2040240 OTH GOV – Advertising & Promotion.

Section 5.100(1) of the *Local Government Act 1995* prohibits a person who is a committee member but who is not a council member or an employee to be paid a fee for attending any committee meeting. However, subject to an appropriate resolution of Council, upon submission of receipts, reimbursement of reasonable expenses in accordance with Section 5.100(2) of the *Local Government Act 1995* may be provided to the external representative.

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation/Resolution

Moved: Cr Ward

Seconded: Cr Trepp

0379 That, in accordance with the Audit and Risk Committee's Terms of Reference, the Audit and Risk Committee recommends to Council that it:

1. Rejects the nomination received for consideration as an external representative, as presented in Confidential Attachment 7.1A; and
2. Re-advertises for expressions of interest from suitably qualified and skilled persons to be appointed as an external representative to the Shire of Dowerin Audit and Risk Committee.

CARRIED 3/0

7.2 Risk Dashboard Quarterly Report - March 2021

Governance & Compliance



Date:	9 March 2021
Location:	Not Applicable
Responsible Officer:	Rebecca McCall, Chief Executive Officer
Author:	As above
Legislation:	<i>Local Government Act 1995</i>
Sharepoint Reference:	Compliance/Risk Management/Reporting
Disclosure of Interest:	Nil
Attachments:	Attachment 7.2A - Risk Dashboard Quarterly Report - March 2021

Purpose of Report

- Executive Decision
 Legislative Requirement

Summary

This Item presents the Risk Dashboard Quarterly Report 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.

Comment

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

The review included amending the tolerance levels for the Key Performance Indicators, as discussed at Council's February 2021 Workshop. In addition, the following comments against current actions are noted:

Asset Management

Action: Implement New Fuel Stock Control System

Comment: Partially completed; purchasing of pods to be included in 2020/21 Budget Review for consideration

Business Disruption

Action: Review of Business Continuity Plan

Comment: Review completed (Refer [Item 11.4](#))

Employment Practices

Action: Review of Staff Induction process

Comment: Completion of the Review has been deferred to June 2021 to introduce a new online induction developed in consultation with LG Professionals WA and the local government sector

Action: Annual Drivers Licenses (completed checks)

Comment: 2021 check to be undertaken in March

Supplier/Contract Management

Action: Develop Appropriate Financial Reporting Tools

Comment: This action is ongoing, with the latest update being the "go live" of the Altus Payroll System effective from February 2021

Consultation

Rebecca McCall, Chief Executive Officer

Cherie Delmage, Manager Corporate & Community Services

Les Vidovich, Manager Works & Assets

Policy Implications

Council Policy 2.2 - 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 Regulations 16 and 17 of the *Local Government (Audit) Regulations* are applicable.

Risk Implications

Risk Profiling Theme	Failure to fulfil statutory regulations or compliance requirements
Risk Category	Compliance
Risk Description	No noticeable regulatory or statutory impact
Consequence Rating	Insignificant (1)
Likelihood Rating	Rare (1)
Risk Matrix Rating	Low (1)
Key Controls (in place)	Governance Management Framework; Governance Calendar
Action (Treatment)	Document Governance Framework
Risk Rating (after treatment)	Adequate

Financial Implications

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

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation/Resolution

Moved: Cr Trepp

Seconded: Cr Ward

0380 That, in accordance with Regulations 16 and 17 of the *Local Government (Audit) Regulations 1996*, the Audit and Risk Committee:

1. **Receives the Risk Dashboard Quarterly Report - March 2021, as presented in Attachment 7.2A, on the progress of actions to identify risks and track treatments to manage risks at the Shire of Dowerin; and**
2. **Recommends to Council that it adopts the Risk Dashboard Quarterly Report - March 2021.**

CARRIED 3/0

7.3 2020 Compliance Audit Return

Governance & Compliance



Date:	8 March 2021
Location:	Not Applicable
Responsible Officer:	Rebecca McCall, Chief Executive Officer
Author:	Vanessa Green, Executive & Governance Officer
Legislation:	<i>Local Government Act 1995</i>
Sharepoint Reference:	Organisation/Governance/Committees/2021 March Audit & Risk Committee Meeting Organisation/Corporate Management/Reporting/2020 Compliance Audit Return
Disclosure of Interest:	Nil
Attachments:	Attachment 7.3A – Consultant’s Report Attachment 7.3B – 2020 Compliance Audit Return

Purpose of Report



Executive Decision



Legislative Requirement

Summary

This Item presents the 2020 Compliance Audit Return to the Audit & Risk Committee (the Committee) for consideration and, if satisfactory, recommendation to Council for adoption.

Background

Each year every local government is required to carry out a compliance audit in relation to the period 1 January to 31 December against the requirements of the CAR.

After the CAR has been reviewed by the Committee and presented to Council, a copy certified by the President and CEO along with the relevant section of the minutes and any additional information explaining or qualifying the CAR, is to be submitted to the Department of Local Government, Sport and Cultural Industries (DLGSC) by 31 March.

The CAR is one of the tools available to the Committee and Council in its governance monitoring role. The CAR also forms part of the DLGSC’s monitoring program. The 2020 CAR once again places emphasis on the need for the Committee and Council to be aware of and acknowledge instances of non-compliance or where full compliance was not achieved. In addition, the CAR requires Council to endorse details of remedial action either taken or proposed to be taken to prevent future like occurrences.

The 2020 CAR contains questions relating to:

1. Commercial Enterprises by Local Governments (5 questions);
2. Delegation of Power/Duty (13 questions);
3. Disclosure of Interest (21 questions);
4. Disposal of Property (2 questions);
5. Elections (Gift Register) (3 questions);
6. Finance (11 questions);
7. Integrated, Planning and Reporting (3 questions);

8. Local Government Employees (6 questions);
9. Optional Questions (10 questions); and
10. Tenders for Providing Goods and Services (24 questions).

The 2020 CAR was completed by on-site an external consultant during 27-28 January 2021 in accordance with the recommendation at the Committee's October 2020 Meeting (CMRef 0298) which was endorsed by Council at its November 2020 Meeting (CMRef 0304). The visit involved collection of documents, verification of compliance and, where useful and applicable, recommendations in relation to improve any systems and processes that the Shire may have in place.

The CAR for the period 1 January 2020 to 31 December 2020, and the consultant's report are included as an Attachment.

Comment

The 2020 CAR identified three areas of partial non-compliance, with Conway Highbury advising that:

'The Shire achieved a commendable and very high level of compliance. Of the 102 areas examined there were only three where the Shire was partially non-compliant:

1. *'Disclosure of Interest' question 13 - the Shire is required to publish register of gifts received by relevant persons (essentially councillors and employees) under s5.87A and 5.87B of the Act on its website, remove the entries where a person no longer ceases to be a councillor or employee and keep them in a separate register which the public can then inspect by attendance at the Shire office.*

The register on the Shire's website contained entries relating to former councillors and employees who are no longer relevant persons. The matter was easily fixed during the course of the site visit.

2. *'Optional' question 7 - section 5.96A(1) requires a variety of information to be placed on a local government's website. All of the matters required were present; some additions should be made to the Shire's local laws. For example, the Health local law is listed but cannot be downloaded; and local laws and amendments should be consolidated (ie a single document that includes all amendments as required by s 5.96A(1)(b)).*

There are also a small number of local laws listed on the Department of Local Government register of local laws that may still be in force but not yet repealed. It is noted that the Shire has very recently embarked on a review of its local laws and as such any consolidation and/or repeal of outdated local laws could be undertaken as part of that process.

3. *'Tenders' question 2 - asks 'Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?'*

The modalities (ie requirements when making purchases within set thresholds) set out the Shire's procurement policy No 3.11 for purchases below \$5,000 provide that 'any oral quote must be supported by a written file note with all details noted.'

Based on a sample of payments made it was not entirely clear if written quotes had been consistently sought and/or oral quotes recorded for purchases below \$5,000 as required by the policy before entering into a contract, and if they had been obtained where they were stored. Best practice would be to attach a copy of the record of the quote (even a photocopy of a handwritten note by the employee making the purchase would suffice) to the purchase order or invoice. Purchases in the sample that were over \$5,000 were supported by written quotes and sighted however,

That aside, in October 2020 the Shire introduced the Altus procurement package which requires for quotes to be recorded before a PO is issued. This should substantially deal with any issues that may arise.

In addition, council should consider a small amendment to this modality to the effect that no quotes need be obtained or recorded for purchases from \$0 to (say) \$500 providing the person making the purchase is satisfied that the price is fair and reasonable.

This will deal with low risk, small purchases such as the occasional box of nails, a reticulation fitting, spare tyre or the like that under the current policy quotes are required to be obtained and recorded. These purchases should be subject to a spot check from time to time to ensure

that purchases are not split by employees to get under the threshold and that prices are in fact fair and reasonable.

Interestingly, there was one question where the CAR itself appeared to be incorrect. 'Finance' question 5 asked:

*Was the auditor's report for the financial year ended 30 June 2020 received by the **local government** by 31 December 2020?*

(Emphasis added)

The 'local government' means the council or a committee/CEO if delegated authority to exercise a power or carry out a duty. In this instance note that s7.9(1) of the Act refers to receipt of the report for the 2019/20 financial year by the President, CEO and Minister not the local government. It was received by the Shire President and CEO on 17 December 2020 and the Shire therefore complied with the regulatory requirement.

Overall, the systems and processes employed by the Shire appear robust and appropriate for a local government of its size.'

These three areas, and the remedial action taken to ensure they do not occur again, are summarised in the following table:

Category	Question	Response	Comment	Remedial Action
Disclosure of Interest	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	No	The register on the website contained declarations from former Councillors and that should have been removed.	In addition to the SharePoint Register, there is a separate Register module on the Shire's website which contained declarations. This is duplication, hence the human error in not removing non-relevant declarations from the website Register. It is proposed to cease using the website Register and instead have a page on the website where the SharePoint Register is uploaded. This will remove the risk of having two registers and staff having to update the same information in both.
Optional	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes	All of the matters required were present; however some additions should be made to the Shire's local laws - for example the Health local law is listed but cannot be downloaded; and local laws and amendments should be consolidated (ie a single document that includes all amendments as required by section 5.96A(1)(b)). There are also a small number of local laws listed on the DLGSC register of local laws that may still be in force but not yet repealed.	The Health Local Law will be consolidated and included on the website. The local laws listed on the DLGSC register have been superseded due to other legislation changes, however the process to formally repeal those local laws to remove any confusion will be undertaken as part of the current local law review process.

			It is noted that the Shire has very recently embarked on a review of its local laws and as such any consolidation and/or repeal of outdated local laws could be undertaken as part of that process.	
Tenders	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes	Based on the sample viewed, the Shire complied with its purchasing policy albeit the recording of quotes for purchases below \$5,000 requires improvement. The Shire introduced software (Altus) in late 2020 to manage procurement processes, which amongst other things requires copies of quotes to be uploaded where required by policy and can only be overridden by the CEO. This will assist in ensuring future compliance. In addition, the Shire's procurement policy could be enhanced by adding a modality that deals with minor purchases from (say) 0 - \$500. In these cases, no quotes might be required providing the person making the purchase is satisfied that the price is fair and reasonable. At present quotes (verbal or written) are required for purchases from \$0 to \$5,000.	The suggested Policy review is noted and will be implemented in coming months. Processes to ensure hard copies of quotes are provided with purchase orders will also be developed by Management.

The 2020 CAR included 102 questions. Of these, 99 were able to be answered on the basis of complying with the legislative requirements resulting in a 97.06% success rate. This compares with 97% compliance over 104 questions in 2019, 94.7% compliance in 2018 over 95 questions and 98.9% over 94 questions in 2017.

The 2020 CAR demonstrates the Shire's ongoing commitment to statutory compliance and adequate response to non-compliance throughout the organisation.

Consultation

Conway Highbury Pty Ltd
Rebecca McCall, Chief Executive Officer
Cherie Delmage, Manager Corporate & Community Services
Vanessa Green, Executive & Governance Officer

Policy Implications

Policy 2.2 – 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

Nil

Long Term Financial Plan

Nil

Statutory Implications

Section 7.13(1)(i) of the *Local Government Act 1995* requires local governments to carry out a compliance audit in a manner specified by Regulations.

Regulation 14 of the *Local Government (Audit) Regulations 1996* is applicable and states:

“14. Compliance audits by local governments

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

Regulation 15 of the *Local Government (Audit) Regulations 1996* requires a certified copy of the CAR to be provided to the DLGSC by 31 March:

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

- (1) *After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with –*
 - (a) *a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*
 - (b) *any additional information explaining or qualifying the compliance audit,**is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.*
- (2) *In this regulation –*

certified *in relation to a compliance audit return means signed by –*

 - (a) *the mayor or president; and*
 - (b) *the CEO.”*

Risk Implications

Risk Profiling Theme	Failure to fulfil statutory regulations or compliance requirements
Risk Category	Compliance
Risk Description	No noticeable regulatory or statutory impact
Consequence Rating	Insignificant (1)
Likelihood Rating	Rare (1)
Risk Matrix Rating	Low (1)
Key Controls (in place)	Governance Management Framework
Action (Treatment)	Document Governance Management Framework
Risk Rating (after treatment)	Adequate

Financial Implications

The costs associated with the external consultant are accommodated within current budget allocations at GL: 20554 GOV Other – Consultants.

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation/Resolution

Moved: Cr Trepp

Seconded: Cr Ward

0381 That, in accordance with Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996*, the Audit and Risk Committee:

1. **Receives the 2020 Compliance Audit Return, as presented in Attachment 7.3B, noting the remedial action taken to address the three areas of partial non-compliance; and**
2. **Recommends to Council that it adopts the 2020 Compliance Audit Return and submits it to the Department of Local Government, Sport and Cultural Industries prior to 31 March 2021.**

CARRIED BY ABSOLUTE MAJORITY 3/0

7.4 Review of Business Continuity Plan

Governance & Compliance



Date:	9 March 2021
Location:	Not Applicable
Responsible Officer:	Rebecca McCall, Chief Executive Officer
Author:	As above
Legislation:	<i>Local Government Act 1995; Local Government (Audit) Regulations 1996</i>
Sharepoint Reference:	Organisation/Financial Management/Internal Audit Systems & Controls/Business Continuity Plan
Disclosure of Interest:	Nil
Attachments:	Attachment 7.4A – Business Continuity Plan

Purpose of Report



Executive Decision



Legislative Requirement

Summary

This Item presents the reviewed Business Continuity Plan (BCP) to the Audit & Risk Committee (the Committee) for consideration and, if satisfactory, recommendation to Council for adoption.

Background

Council adopted the BCP at its March 2020 meeting (CMRef 0164). The Shire of Dowerin BCP is aimed at ensuring the continuity of business operations, with minimal disruption, in the event of a disaster. Without such a plan the Shire may struggle to manage such as event amidst the confusion that often follows a disaster.

The BCP provides a structured approach to business continuity and disaster recovery planning. Through the provision of preventative measures and recovery procedures, the impact of any potential disaster may be significantly reduced.

The BCP was enacted on 20 March 2020 as a result of the COVID-19 pandemic. While the focus for the organisation has been in responding to the implications of the pandemic, the BCP has recently been reviewed and a copy is included as an Attachment.

Comment

The review included the following updates and amendments:

1. Update of Key Contacts, both internal and external;
2. Removal of Dowerin Home Care Office due to the staff relocation to the Administration Office;
3. Inclusion of an Incident Response Plan for responding to a pandemic. While the situation and response will change on each occasion that this Plan may need to be enacted, as it will depend on the specifics of the type of pandemic, it is useful to include it in the BCP as a guideline.

Consultation

Senior Management Team

Policy Implications

Policy 2.2 – 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

Nil

Long Term Financial Plan

Nil

Statutory Implications

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 BCP is an informing plan to these systems and procedures.

Risk Implications

Risk Profiling Theme	Failure to fulfil statutory regulations or compliance requirements
Risk Category	Compliance
Risk Description	No noticeable regulatory or statutory impact
Consequence Rating	Insignificant (1)
Likelihood Rating	Rare (1)
Risk Matrix Rating	Low (1)
Key Controls (in place)	Governance Management Framework
Action (Treatment)	Document Governance Management Framework
Risk Rating (after treatment)	Adequate

Financial Implications

The actions included in the BCP will have financial implications to Council, however these are unknown and will depend on the scenario in which the BCP is to be put into effect.

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation/Resolution

Moved: Cr Ward

Seconded: Cr Trepp

0382

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

- 1. Receives the reviewed Business Continuity Plan, as presented in Attachment 7.4A; and**
- 2. Recommends to Council that it adopts the Business Continuity Plan.**

CARRIED 3/0

8.	Questions from Members
	Nil
9.	Urgent Business Approved by the Person Presiding or by Decision
	Nil
10.	Date of the Next Meeting
	Tuesday 20 April 2021 commencing 1.00pm
11.	Closure
	There being no further business the President thanked those in attendance and declared the meeting closed at 4.33pm.



Internal Audit Report

March 2021

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INTRODUCTION

Following the release of the City of Perth and Shire of Toodyay Inquiry Reports, the Administration believed there was merit in considering the findings of those reports and conducting an internal audit on the Shire of Dowerin's operations to identify any areas for improvement.

The matter was presented to the Audit & Risk Committee at its October 2020 meeting where it resolved (CMRef 0299):

“That, in accordance with Regulation 16(g) of the Local Government (Audit) Regulations 1996, the Audit and Risk Committee recommends to Council that staff undertake a desktop internal audit of the following items, with the results of the audit to be presented to the Audit and Risk Committee and Council for consideration:

- 1. Previous audit findings to ensure they have been actioned and completed;***
- 2. Disposal of the Anderson Street properties to ensure compliance;***
- 3. Procurement processes and procedures to ensure compliance; and***
- 4. Provide a status update on the Recommendations from the Financial Management Review Report conducted by Mr Ron Back in March 2016.”***

Council endorsed this recommendation at its November 2020 meeting (CMRef 0305).

This report details the methodology used in the audit, the findings from the audit and recommended actions for improvement.

Management have reviewed the findings of this report and provided comment on the issues identified.

1.0 SUMMARY

The following table provides a summary of the risk ratings identified in this report:

	Compliance Breach	Significant Risk	Moderate Risk	Minor Risk
No. of issues identified	1	0	10	25

Ref	Issue	Risk Rating
Previous Audit Findings		
3.1	Recording of Contributed Asset	Minor Risk
3.2	Review of Long-Term Financial Plan	Moderate Risk
3.3	High Annual Leave Balances	Minor Risk
3.4	Verification of Year-End Fuel Stocks	Moderate Risk
3.5	Code of Conduct	Moderate Risk
3.6	Purchasing & Payment Procedures	Moderate Risk
3.7	Debtor Invoice & Credit Note Request Forms	Minor Risk
3.8	Review of Long-Term Financial Plan & Asset Management Plan	Moderate Risk
Disposal of Properties		
4.1	Disposal of 16 Anderson Street, Dowerin	Compliance Breach
4.2	Disposal of 18 Anderson Street, Dowerin	Minor Risk
Procurement Processes & Procedures		
5.1	Policy	Minor Risk
5.2	Training	Minor Risk
5.3	Seeking Quotes	Minor Risk
5.4	Tendering	Moderate Risk
5.5	Conflict of Interest	Minor Risk
5.6	Purchase Orders & Approvals	Minor Risk
5.7	Segregation of Duties	Minor Risk
5.8	Reviewing Invoices & Payments	Minor Risk
5.9	Comprehensive Guidance for Employees	Minor Risk
5.10	Independent Review of Additions & Alterations	Minor Risk
5.11	Review of Employee's Access	Minor Risk
5.12	Key Information	Minor Risk

5.13	Consistent Naming Conventions	Minor Risk
5.14	Documentary Evidence	Minor Risk
5.15	Formal & Periodic Internal Review	Minor Risk
5.16	Conflicts of Interest	Minor Risk
5.17	Appropriate Policies & Administrative Systems	Moderate Risk
5.18	Suitable Controls	Minor Risk
5.19	Periodic Review	Minor Risk
5.20	Assess Fraud Risks	Minor Risk
5.21	Fraud & Corruption Control Plan	Moderate Risk
5.22	Fraud Awareness Training	Moderate Risk
5.23	Conflicts of Interest	Minor Risk
5.24	Policies & Procedures	Minor Risk
5.25	Clear Internal Processes & Systems	Minor Risk
5.26	Information Analysis	Minor Risk

In relation to the Status Update from the March 2016 (Back) Report, this is either addressed at [Item 6](#) or as part of the above Issues.

2.0 METHODOLOGY

PURPOSE

The overarching objectives of this audit is to evaluate the Shire's systems of internal control over the identified four points of Council's November 2020 resolution (CMRef 0305) in order to provide assurance that:

1. The Shire is achieving its goals and objectives efficiently, effectively and in an ethical manner;
2. Financial and operating information produced is accurate, timely and complete;
3. There is compliance with relevant laws, regulations and other external requirements and with policies, protocols and other internal requirements; and
4. The Shire's assets and liabilities are competently managed and protected against loss or other negative consequences.

CONDUCT OF INTERNAL AUDIT

It is noted an internal audit process would normally be conducted in accordance with the 'International Standards for the Professional Practice of Internal Auditing' contained in the 'International Professional Practices Framework' issued by the Institute of Internal Auditors. However, as this audit is being conducted as a desktop exercise the Standards have not been referenced.

Instead, while the *Local Government Act 1995* and associated regulations are silent about internal audits, the *Local Government (Audit) Regulations 1996* should be considered as a guide for the conduct of internal audits.

The process for this audit included:

1. Discussions with relevant staff to identify existing policies and procedures in place;
2. Review of specific documents and records relating to the activities discussed in this report;
3. Detailed sample testing and review of relevant documents as applicable; and
4. Provision of a draft report to the Senior Management Team for comment and review.

KEY TO RATINGS

The Ratings in this report are based on the assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. Consideration is given to these potential adverse outcomes in the context of both quantitative impact (ie financial loss) and qualitative impact (ie inefficiency, non-compliance, poor service to the public or loss of public confidence).

Compliance Breach	-	Those findings which are in breach of the <i>Local Government Act 1995</i> or its subsidiary Regulations
Significant	-	Those findings where there is potentially a significant risk to the local government should the finding not be addressed promptly
Moderate	-	Those findings which are of sufficient concern to warrant action being taken as soon as practicable
Minor	-	Those findings that are not of primary concern but still warrant action being taken

Using their professional judgement, staff certify that sufficient and appropriate audit procedures were completed and appropriate evidence gathered to support the accuracy of the conclusions reached and contained in this report.

3.0 PREVIOUS AUDIT FINDINGS

For the purpose of this report, the findings from the 2019/20 Interim Audit Report and the 2018/19 End of Year Audit Report were reviewed.

2018/19 END OF YEAR AUDIT

Audit Item 3.1 Recording of Contributed Asset	
Audit Finding	<p>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.</p> <p>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.</p> <p>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.</p>
Audit Risk Rating	Moderate
Audit Recommendation	<p>The fixed assets register should be updated for contributed assets as soon as received, with the corresponding non-cash contribution revenue recorded.</p> <p>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.</p>
Management Comment at time of Audit	<p>The Fire Truck that was purchased/received in 2017 but 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 value on our asset register for the fire truck was \$14k but the valuer noted it appeared to be a much newer vehicle in good condition).</p> <p>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 gave it a purchase price of \$320,000 and a revaluation of \$227,000. There was no information regarding the value of the disposed fire truck.</p> <p>Management obtained information from DFES which then resulted in a change to the purchase cost (\$552,000) with a subsequent revaluation of \$399,000.</p> <p>There was a need to go back to the 2017/2018 financial year and dispose of the old fire truck at the DFES value 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 value of \$399,000 and write back all the depreciation. The treatment was crossing several 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.</p>
Officer Comment	The Management Letter identified the Finding as being "Complete".

Assessment	Complete & Adequate
Recommended Further Action	Nil
Supplementary Documents	Nil

Audit Item 3.2 Review of Long-Term Financial Plan	
Audit Finding	<p>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.</p> <p>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.</p>
Audit Risk Rating	Moderate
Audit 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 at time of Audit	<p>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.</p> <p>The review of the Asset Management and Long-Term Financial Plan will be aligned to ensure integration.</p> <p>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.</p>
Officer Comment	<p>The Management Letter identified the Finding with a completion date of "Late 2020".</p> <p>However, the review is yet to occur. The reason(s) for the delay include a lack of resources at the time, however NEWROC is working together to create standardised templates for the LTFP & other required plans.</p>
Assessment	Needing Improvement - In Progress
Recommended Further Action	<ul style="list-style-type: none"> • Awaiting development of standardised templates through NEWROC • Include review of LTFP and presentation of LTFP to Council in Governance Calendar (currently included for May annually to advertise, but no mention of review & presentation to Council) • Include as KPI for key management personnel
Supplementary Documents	Governance Calendar

Audit Item 3.3 High Annual Leave Balances	
Audit 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.
Audit Risk Rating	Moderate
Audit 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 at time of Audit	<p>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.</p> <ul style="list-style-type: none"> • One staff member is no longer employed and now been paid out all of leave entitlements; • One staff member 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. • One staff member 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 administrative support for an essential community service and there is no available relief at present. <p>There are three employees entitled to 5 weeks annual leave. Remaining employees are entitled to four weeks & under.</p> <p>Current staffing levels impact on annual leave balances. There is a total of five positions vacant across the organisation.</p>
Officer Comment	<p>The Management Letter identified the Finding with a completion date of “Ongoing Monitoring.”</p> <p>All employees mentioned in the previous Audit Finding have since left the Shire, hence the high leave balances are no longer applicable.</p>
Assessment	Ongoing
Recommended Further Action	<ul style="list-style-type: none"> • Include ongoing monitoring requirement in Governance Calendar • Consider allocation of work to other officers to enable leave to be taken by high leave individuals, regional collaboration for provision of work or utilization of external temporary employment agencies
Supplementary Documents	Nil

Audit Item 3.4 Verification of Year-End Fuel Stocks	
Audit Finding	Records of the fuel dippings made to determine fuel stocks on hand at 30 June 2019 were not retained.
Audit Risk Rating	Minor
Audit Recommendation	Formal record of fuel dippings made should be retained as support for fuel stock balances recorded in the general ledger.

Management Comment at time of Audit	<p>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.</p> <p>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.</p> <p>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.</p>
Officer Comment	<p>The Management Letter identified the Finding with a completion date of “Review after the 2020/21 Budget Deliberations.”</p> <p>A new fuel control system has been installed, however the Shire is currently waiting on the system for the two pods to be supplied. It is anticipated this will occur before the end of the current financial year</p>
Assessment	Needing Improvement - In Progress
Recommended Further Action	Finalise the purchase and implementation of the pods
Supplementary Documents	Nil

2019/20 INTERIM AUDIT

Audit Item 3.5	Code of Conduct
Audit Finding	The Shire of Dowerin’s Code of Conduct (adopted on 26 April 2017) does not state the next scheduled review date.
Audit Risk Rating	Minor
Audit Recommendation	We recommend the Code of Conduct be reviewed on a periodic basis to ensure it continues to satisfy the requirements of the Shire and its representatives.
Management Comment at time of Audit	<p>The review of the Code of Conduct was due in 2019 however as part of the Local Government Act Review process a mandatory Code is proposed to be introduced with sector consultation on the proposed Code commencing around mid-2019. Following advice from WALGA and the Department of Local Government (DLGSC), the Administration postponed the full review of its Code of Conduct until the Act Review process associated with the introduction of a mandatory Code had been completed.</p> <p>It is acknowledged that this timeframe had been exacerbated due to COVID-19 hence a desktop review of the Code of Conduct was undertaken at the end of May 2020 using WALGA’s current Model Code of Conduct as a basis. The Shire’s Code is a word for word replica of the WALGA Model, though it is noted the advice provided by the DLGSC on 26</p>

	<p>May 2020 advising that the provisions about gifts will not be included in the mandatory Code (once it is introduced) as they are dealt with in the Act, including the relevant breaches, whereas gift provisions are detailed in both the WALGA Model and the Shire’s Code.</p> <p>The Administration will conduct an interim review and present it to Council’s July 2020 meeting, however, it is still the Administration’s intention to conduct a full review of the Code of Conduct once the mandatory Code has been introduced, noting however that the DLGSC are currently unable to provide a timeframe on when that may be.</p>
Officer Comment	<p>The Management Letter identified the Finding with a completion date of “July 2020.”</p> <p>The gazettal of the Model Code of Conduct for Elected Members, Committee Members and Candidates resulted in Council adopting its Model Code at its March 2021 meeting. However, the CEO is required to now review and adopt a Code of Conduct for Employees.</p>
Assessment	Needing Improvement - In Progress
Recommended Further Action	Develop and adopt a Code of Conduct for Employees
Supplementary Documents	Model Code of Conduct for Elected Members, Committee Members and Candidates

Audit Item 3.6	Purchasing & Payment Procedures
Audit Finding	<p>2020</p> <p>During our procurement and payments testing on a sample basis, we noted the following exceptions:</p> <ul style="list-style-type: none"> • The Purchase Order Request form is still 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 instance whereby the required number of quotes to be obtained in accordance with the Shire’s purchasing policy were not obtained or noted; • One purchase order out of a sample of 21 was dated after the invoice date; • Purchase orders had not been attached to support 2 invoices out of a sample of 21; and • One creditor EFT payment batch listing out of a sample of 22 was only signed by one authority instead of the required two authorities <p>2019</p> <p>During our procurement and payments testing on a sample basis, we noted the following exceptions:</p> <ul style="list-style-type: none"> • The Purchase Order Request form is inconsistent with the Shire’s documented purchasing policy. The Purchase

	<p>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.</p> <ul style="list-style-type: none"> • 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.
Audit Risk Rating	Moderate
Audit Recommendation	<ul style="list-style-type: none"> • 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 they should be attached to invoices to support the approval of purchases. • Quotes should be obtained in accordance with the Shire's purchasing policy; and • All creditor EFT batch listings should be signed by the required two authorities as evidence of independent review and approval, and retained for accountability purpose.
Management Comment at time of Audit	<p>The Shire of Dowerin has purchased the SynergySoft ALTUS Procurement Module which will be 'live' in the new financial year. This will result in a fully managed purchasing system that is set up to follow procedures before progressing to the next stage.</p> <p>All parameters of the Shire's policies & procedures will inform the module. Training & set up has already commenced.</p>
Officer Comment	<p>The Management Letter identified the Finding with a completion date of Anticipate 'Go Live' date of 31 August 2020.</p> <p>The Altus procurement system is implemented and operational, however a review of the Purchasing Policy is required.</p>
Assessment	Needing Improvement - In Progress
Recommended Further Action	The recent external review of the 2020 Compliance Audit Return suggested Policy 3.11 – Purchasing Policy be reviewed to enable purchases of less than \$1,000 not requiring a written quote.

Supplementary Documents	Policy 3.11 – Purchasing Policy
Audit Item 3.7 Debtor Invoice & Credit Note Request Forms	
Audit Finding	<p>2020</p> <p>We identified 5 sundry debtor invoices out of a sample of 10 whereby an approved Debtors Invoice Request Form was not completed.</p> <p>In addition, we noted a Credit Note Request Form is not used to support credit notes raised.</p> <p>2019</p> <p>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.</p> <p>In addition, we noted the Shire does not use a Credit Note Request form to approve the raising of credit notes.</p>
Audit Risk Rating	Moderate
Audit Recommendation	<p>We recommend:</p> <ul style="list-style-type: none"> the Shire uses the Debtors Invoice Request Form for all sundry debtors raised with the form authorised in accordance with applicable delegations. a Credit Note Request Form be completed and independently approved for all credit notes raised.
Management Comment at time of Audit	<p>Noted. Debtor controls are still being embedded as we have had several staff changes and a lack of consistency in processes & procedures along with standardisation of forms.</p> <p>This is now being addressed & will become a priority after budget adoption.</p>
Officer Comment	<p>The Management Letter identified the Finding with a completion date of 31 August 2020.</p> <p>This item has been completed with the necessary controls imbedded into day-to-day operations.</p>
Assessment	Complete & Adequate
Recommended Further Action	Nil
Supplementary Documents	Nil

Audit Item 3.8 Review of Long-Term Financial Plan & Asset Management Plan	
Audit Finding	<p>2020</p> <p>The Shire's Long-Term Financial Plan and Asset Management Plan have not been updated since May 2018 and do not include planned and required capital renewal expenditure for the year 2028-2030.</p> <p>2019</p>

	<p>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.</p> <p>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.</p>
Audit Risk Rating	Moderate
Audit Recommendation	We recommend the Long-Term Financial Plan and Asset Management Plan be updated annually to include management's estimate of ten years of planned and required capital renewal expenditure which will enable the asset renewal funding ratio to be calculated based on the verifiable data and assumptions.
Management Comment at time of Audit	<p>The LTFP will be reviewed and updated accordingly once the Shire of Dowerin has completed it's 2020/2021 Annual Budget & 2019/2020 Annual Financial Statements. It is anticipated that once updated, an annual review will be implemented.</p> <p>The Manager Works & Assets finished working for the Shire of Dowerin on 22 May 2020 and his replacement does not start until 20 July 2020. It is expected that it will be at least a three month settling in period before the new Manager will be able to fully review the AMP.</p>
Officer Comment	<p>The Management Letter identified the Finding with a completion date of 31 October 2020.</p> <p>However, the review is yet to occur. The reason(s) for the delay include a lack of resources at the time, however NEWROC is working together to create standardised templates for the LTFP & other required plans.</p>
Assessment	Needing Improvement - In Progress
Recommended Further Action	<ul style="list-style-type: none"> • Awaiting development of 14 standardised templates through NEWROC • Include review of LTFP and presentation of LTFP to Council in Governance Calendar (currently included for May annually to advertise, but no mention of review & presentation to Council) • Include as KPI for key management personnel
Supplementary Documents	Governance Calendar

2019/20 END OF YEAR AUDIT

The 2019/20 End of Year Audit was conducted on site from Tuesday 27 October to Thursday 29 October 2020 with the final report received from the Office of the Auditor General on Thursday 17 December 2020. The exit interview with the Auditors and the Office of the Auditor General was conducted via teleconference with the President, CEO, Manager Corporate & Community Services and Executive & Governance Officer on the same day.

It is pleasing to note that no new Audit Findings were made, hence there are no further findings to report on for the purpose of this report.

4.0 DISPOSAL OF ANDERSON STREET PROPERTIES

Section 3.58 of the *Local Government Act 1995* (the Act) relates to the disposal of property and states:

“3.58. Disposing of property

- (3) *In this section –
dispose includes to sell, lease, or otherwise dispose of, whether absolutely or not;
property includes the whole or any part of the interest of a local government in property,
but does not include money.*
- (2) *Except as stated in this section, a local government can only dispose of property to –*
 - (a) *the highest bidder at public auction; or*
 - (b) *the person who at public tender called by the local government makes what is, in the opinion of the local government, the most acceptable tender, whether or not it is the highest tender.*
- (3) *A local government can dispose of property other than under subsection (2) if, before agreeing to dispose of the property –*
 - (a) *it gives local public notice of the proposed disposition –*
 - (i) *describing the property concerned; and*
 - (ii) *giving details of the proposed disposition; and*
 - (iii) *inviting submissions to be made to the local government before a date to be specified in the notice, being a date not less than 2 weeks after the notice is first given;*

and

 - (b) *it considers any submissions made to it before the date specified in the notice and, if its decision is made by the council or a committee, the decision and the reasons for it are recorded in the minutes of the meeting at which the decision was made.*
- (4) *The details of a proposed disposition that are required by subsection (3)(a)(ii) include –*
 - (a) *the names of all other parties concerned; and*
 - (b) *the consideration to be received by the local government for the disposition; and*
 - (c) *the market value of the disposition –*
 - (i) *as ascertained by a valuation carried out not more than 6 months before the proposed disposition; or*
 - (ii) *as declared by a resolution of the local government on the basis of a valuation carried out more than 6 months before the proposed disposition that the local government believes to be a true indication of the value at the time of the proposed disposition.*
- (5) *This section does not apply to –*
 - (a) *a disposition of an interest in land under the Land Administration Act 1997 section 189 or 190; or*
 - (b) *a disposition of property in the course of carrying on a trading undertaking as defined in section 3.59; or*
 - (c) *anything that the local government provides to a particular person, for a fee or otherwise, in the performance of a function that it has under any written law; or*
 - (d) *any other disposition that is excluded by regulations from the application of this section.”*

Regulations 30 & 31 of the *Local Government (Functions & General) Regulations 1996* details exemptions in the disposal of property from the requirements of Section 3.58 and states:

“30. Dispositions of property excluded from Act s. 3.58

- (1) *A disposition that is described in this regulation as an exempt disposition is excluded from the application of section 3.58 of the Act.*
- (2) *A disposition of land is an exempt disposition if –*

- (a) *the land is disposed of to an owner of adjoining land (in this paragraph called the transferee) and –*
 - (i) *its market value is less than \$5,000; and*
 - (ii) *the local government does not consider that ownership of the land would be of significant benefit to anyone other than the transferee;*

or
 - (b) *the land is disposed of to a body, whether incorporated or not –*
 - (i) *the objects of which are of a charitable, benevolent, religious, cultural, educational, recreational, sporting or other like nature; and*
 - (ii) *the members of which are not entitled or permitted to receive any pecuniary profit from the body's transactions;*

or
 - (c) *the land is disposed of to –*
 - (i) *the Crown in right of the State or the Commonwealth; or*
 - (ii) *a department, agency, or instrumentality of the Crown in right of the State or the Commonwealth; or*
 - (iii) *another local government or a regional local government;*

or
 - (d) *it is the leasing of land to an employee of the local government for use as the employee's residence; or*
 - l it is the leasing of land for a period of less than 2 years during all or any of which time the lease does not give the lessee the exclusive use of the land; or*
 - (f) *it is the leasing of land to a person registered under the Health Practitioner Regulation National Law (Western Australia) in the medical profession to be used for carrying on his or her medical practice; or*
 - (g) *it is the leasing of residential property to a person.*
 - (2a) *A disposition of property is an exempt disposition if the property is disposed of within 6 months after it has been –*
 - (a) *put out to the highest bidder at public auction, in accordance with section 3.58(2)(a) of the Act, but either no bid is made or any bid made does not reach a reserve price fixed by the local government; or*
 - (b) *the subject of a public tender process called by the local government, in accordance with section 3.58(2)(b) of the Act, but either no tender is received or any tender received is unacceptable; or*
 - (c) *the subject of Statewide public notice under section 3.59(4) of the Act, and if the business plan referred to in that notice described the property concerned and gave details of the proposed disposition including –*
 - (i) *the names of all other parties concerned; and*
 - (ii) *the consideration to be received by the local government for the disposition; and*
 - (iii) *the market value of the disposition as ascertained by a valuation carried out not more than 12 months before the proposed disposition.*
 - (2b) *Details (see section 3.58(4) of the Act) of a disposition of property under subregulation (2a) must be made available for public inspection for at least 12 months from the initial auction or tender, as the case requires.*
 - (3) *A disposition of property other than land is an exempt disposition if –*
 - (a) *its market value is less than \$20,000; or*
 - (b) *the entire consideration received by the local government for the disposition is used to purchase other property, and where the total consideration for the other property is not more, or worth more, than \$75,000.*
31. *Anti-avoidance provision for Act s. 3.58*
If a local government disposes of property by means of 2 or more dispositions in circumstances such that the desire to exclude the application of section 3.58 of the Act is a significant reason for not dealing with the matter in a single disposition, the dispositions are not exempt dispositions.

In determining whether the disposal of the Anderson Street properties was compliant, the process undertaken for each disposal was considered against the requirements of Section 3.58. Regulation 30 is not applicable to the disposal of the properties as the nature of the sale(s) does not meet the exemption requirements.

While Council has Policy 4.3 – Disposal of Property, this only relates to the disposal of property that is less than \$20,000 or where the property being disposed of is part of the purchase of other property for which the total consideration is less than \$75,000. Neither of those considerations are applicable in this instance.

Delegation 4.5 – Disposal of Property delegates authority to the CEO to dispose of property in accordance with Section 3.58, however a condition of the delegation is that the maximum value of the disposition is \$50,000 or less. In this case the property's values were higher than \$50,000 hence the delegated authority cannot be exercised. As Council did not undertake a public auction process or dispose of the properties via private treaty, Section 3.58(2)(b) applies, being:

“A local government can only dispose of property to the person who at public tender called by the local government makes what is, in the opinion of the local government, the most acceptable tender, whether or not it is the highest tender.”

It is important to note that where the Act refers to the ‘local government’ it is referring to the Council, not the CEO or the Administration. Therefore, Council are required to resolve on the disposal of property.

Valuation

In accordance with Section 3.58(4)c(ii) of the Act, a valuation of not less than 6 months old is required prior to the disposal of any property. As such, a new valuation was obtained and included as a confidential Attachment to Council's February 2020 meeting.

Advertising

Statewide public notice of the public tender for the properties was provided in the following publications on the following dates:

Farm Weekly	Thursday 16 April 2020
Despatch	Thursday 16 April 2020 & Thursday 23 April 2020
Facebook	Tuesday 21 April 2020 & Monday 4 May 2020
Website	Thursday 16 April 2020

Offers opened on Thursday 16 April 2020 and closed 12.00pm WST on Monday 4 May 2020, being a period of 18 days.

Process

Part 4, Division 2 (Regulations 11A to 24) of the *Local Government (Functions & General) Regulations 1996* stipulates the requirements for a tender process. While the tender process described in those Regulations relates only to procurement of goods/services and not to disposal of property, the requirements can be used as a guide for conducting a disposal process through public tender under Section 3.58. This includes:

- State-wide public notice (Reg 14(1)) (**Note* the previous requirements on state-wide public notice were applicable to this process as the new Regulations now in place were not gazetted at the time of the public tender process*)
- At least 14 days public notice period (Reg 15(1))
- Advertisement included details of where, when & from whom to gain further information (Reg 14(3))
- Detailed specifications developed (Reg 14(4))
- Tender process conducted to ensure all potential purchasers were advised (Reg 14(5))

Disclosure of Interests in Matters Affecting Local Government Decisions

In a Council Meeting setting, Councillors with a Financial or Proximity Interest relating to the sale of the properties would be required to declare that interest and not participate in the discussion or vote on the matter.

The purpose of disclosing interests is to show integrity, transparency and accountability around the decision-making process. Sections 5.60, 5.60A and 5.60B of the Act relate to interests and state:

“5.60. When person has an interest

For the purposes of this Subdivision, a relevant person has an interest in a matter if either –

- (a) the relevant person; or*
 - (b) a person with whom the relevant person is closely associated,*
- has –*
- (c) a direct or indirect financial interest in the matter; or*
 - (d) a proximity interest in the matter.*

5.60A. Financial interest

For the purposes of this Subdivision, a person has a financial interest in a matter if it is reasonable to expect that the matter will, if dealt with by the local government, or an employee or committee of the local government or member of the council of the local government, in a particular way, result in a financial gain, loss, benefit or detriment for the person.

5.60B. Proximity interest

- (1) For the purposes of this Subdivision, a person has a proximity interest in a matter if the matter concerns –*
 - (a) a proposed change to a planning scheme affecting land that adjoins the person’s land; or*
 - (b) a proposed change to the zoning or use of land that adjoins the person’s land; or*
 - (c) a proposed development (as defined in section 5.63(5)) of land that adjoins the person’s land.*
- (2) In this section, land (the **proposal land**) adjoins a person’s land if –*
 - (a) the proposal land, not being a thoroughfare, has a common boundary with the person’s land; or*
 - (b) the proposal land, or any part of it, is directly across a thoroughfare from, the person’s land; or*
 - (c) the proposal land is that part of a thoroughfare that has a common boundary with the person’s land.*
- (3) In this section a reference to a person’s land is a reference to any land owned by the person or in which the person has any estate or interest.”*

At the time of considering the sale of the properties, Council did not have a policy which stipulates the requirements for disclosure of interests at Workshops. Council have considered such a policy since the sale of the properties, and at its December 2020 meeting rejected the adoption of the proposed Workshop Procedures Policy against the recommendation of the Administration.

While considering the matter at its January 2020 Workshop there was no declaration of Proximity Interest, although Councillor Holberton owns property directly across the thoroughfare, being Anderson Street, from the properties. Owning property within the same street as the property proposed for sale could also have a financial impact, either as a financial gain or loss, for Councillor Holberton. However, there is not necessarily a requirement to declare both interests as the result of such a declaration (ie leaving the room and not participating in the discussion or vote on the matter) is the same for both financial and proximity interests.

With the absence of a policy stipulating the requirement to declare an interest in a matter at a Workshop there has been no breach of legislative requirements, however the matter is raised in the interest of public perception, should Council wish to recognise the importance of integrity, transparency and accountability in the whole of the decision-making process.

At its February 2020 meeting Council formally considered the valuation and reserve price for the properties and resolved (CMRef 0146):

- “That, in accordance with Sections 3.58 and 6.8(1)(b) of the Local Government Act 1995, Council:**
- 1. Notes the market value as at 3 January 2020 provided by AssetVal Pty Ltd for Lot 16 Anderson Street, Dowerin and Lot 18 Anderson Street Dowerin, as presented in confidential Attachment 15.1A;**
 - 2. Allocates funds of up to \$1,800 in the 2019/20 Budget for the advertising and settlement agent’s costs associated with the disposal of Lot 16 Anderson Street, Dowerin and Lot 18 Anderson Street Dowerin;**

- 3. Disposes of Lot 16 Anderson Street, Dowerin and Lot 18 Anderson Street, Dowerin by way of public tender;**
- 4. Sets the Reserve price for Lot 16 Anderson Street, Dowerin as Option 11 and Lot 18 Anderson Street, Dowerin as Option 11, as presented in confidential Attachment 15.1B; and**
- 5. The Chief Executive Officer be delegated authority to accept an offer for either property where a tender is submitted that meets the Reserve price on the proviso that no additional conditions are included in the Contract of Sale and/or Offer and Acceptance. Tenders submitted with conditions or under the Reserve price are to be presented to Council for consideration.”**

Prior to the discussion and vote on the matter Councillor Holberton declared a Proximity Interest in the matter and left the meeting.

Point 5 of the Officer’s Recommendation/Council Resolution is incorrect as it “delegates authority” to the CEO to accept offers for the properties which meet the requirements set by the resolution. Instead, this should have been worded that “the Chief Executive Officer be authorised to accept...”. Sections 5.42 to 5.46 of the Act stipulates the functions which a local government can and cannot delegate to the CEO to have the decision-making authority (delegate authority) in their own right. When delegating authority to the CEO, an Absolute Majority decision of Council is required. Authorising the CEO to accept offers on a one-off disposal of property is not delegated authority for an ongoing function of the local government.

Acceptance of Offers

Following the close of the public tender process, the assessment of the offers received indicated only 1 offer met the pre-determined reserve prices set by Council. Therefore, in accordance with point 5 of CMRef 0146, the CEO exercised the authorisation granted in the resolution and accepted an offer for the property.

However, the offers received for 16 Anderson Street did not meet the predetermined reserve amount set by Council. Hence the matter was presented to Council at its May 2020 meeting Behind Closed Doors in accordance with Section 5.23(2)(c) of the Act and Regulation 4A of *Local Government (Administration) Regulations 1996*.

Councillor Holberton again declared a Proximity Interest in the matter and left the meeting during the discussion and vote on the matter. Council resolved (CMRef 0203):

“That, in accordance with Section 3.58(2)(b) of the Local Government Act 1995, Council:

- 1. Notes the Chief Executive Officer’s exercised use of delegated authority in accepting the offer of \$105,000 for 18 Anderson Street, Dowerin in accordance with point 5 of CMRef 0146; and***
- 2. Delegates authority to the Shire President and Chief Executive Officer to enter into negotiations with the highest bidder for 16 Anderson Street, Dowerin to achieve a sale price closer to the Reserve set by Council.”***

As with the Recommendation/Resolution from Council’s February 2020 meeting, Council was not “delegating authority” in terms of its defined meaning in the Act to the Shire President and CEO, but rather authorising them to take certain action on a one-off occasion. Therefore, the wording of both the Recommendation and Resolution is again, incorrect. It would also mean that an Absolute Majority decision of Council was not required.

In accordance with Part 2 of CMRef 0203, the President and CEO continued negotiations with the highest bidder for 16 Anderson Street and subsequently accepted an offer for a higher amount than originally offered. Council formally considered the action undertaken at its June 2020 meeting where it resolved (CMRef 0219):

“That, in accordance with Section 3.58(2)(b) of the Local Government Act 1995, Council notes the actions of the President and Chief Executive Officer in accepting the revised offer of \$90,000 for 16 Anderson Street, Dowerin in accordance with CMRef 0203 and authorises the Chief Executive Officer to execute the Contract of Sale.”

On this occasion Councillor Holberton did not declare a Proximity Interest, nor a Financial Interest, stayed in the meeting, participated in the debate and voted on the matter. This is a compliance breach of Sections 5.60, 5.60A and 5.60B of the Act.

Recommendations:

Topic	Recommended Action
Definition of Delegated Authority	Staff should be aware of where a function of a local government is being delegated in accordance with its defined meaning in Section 5.42 of the Act as opposed to where authority is granted to undertake a specific task on a one-off occasion. Training and professional development should be undertaken to ensure this awareness exists.
Absolute Majority Decision	As with the above, where authority is granted by Council to undertake a one-off task, this is not delegated authority as defined by the Act. Where a decision by Council to delegate authority to the CEO requires an Absolute Majority decision of Council, authorising the CEO to undertake a one-off task does not. This again comes back to staff awareness and training hence the comments above are also applicable here.
Workshop Behaviours Policy	Council is recommended to consider the adoption of a policy which addresses conflicts of interest and the declarations of interest at Workshops or other meetings/activities where an interest, or the perception of an interest, may exist. Such a policy would ensure the public can be assured that the whole of the decision-making process is undertaken in a transparent and accountable manner, and with the highest level of integrity.
Declarations of Interest	The onus to make a declaration of interest in a matter lies with the Councillor. The mandated training recently introduced through the Act Review process includes Conflicts of Interest as a core module for newly elected Councillors to undertake. In the interest of continued professional development, and in accordance with Council Policy 1.15 – Councillors Training and Continuing Professional Development Policy, all Councillors would be encouraged to undertake this training to ensure they are fully aware of the Interest identification and declaration requirements.

5.0 PROCUREMENT PROCESSES & PROCEDURES

It is widely accepted that good procurement practices centred around the principles of probity, accountability and transparency are key to managing procurement risks and the delivery of good outcomes for ratepayers. When procurement processes are not followed, or local governments are seen not to be acting in the best interests of their communities, they face reputational damage and expose themselves to the risk of fraud and misconduct. It is noted that there are very real consequences when procurement activities are not managed effectively.

While legislation places minimum specific requirements on local governments, it is still important for Management to ensure strong internal controls and good governance are in place which align with best practice and continuous improvement. Meeting minimum requirements may ensure compliance however, introducing stronger controls, above the minimum standard required, assists in preventing things going wrong. This is particularly important in financial management processes where there may be an inherent risk of financial misappropriation.

In auditing the Shire's procurement processes and procedures consideration was given to the following:

1. Recommendations and Findings in the Office of the Auditor General (OAG) Reports relating to procurement, purchasing and supplier management including:
 - Local Government Procurement (October 2018-19);
 - Management of Supplier Master Files (March 2019);
 - Controls over Purchasing Cards (March 2020); and
 - Fraud Prevention in Local Government (August 2019);
2. Procurement practices stipulated in the *Local Government Act 1995* and the *Local Government (Functions & General) Regulations 1996*; and
3. Procurement practices stipulated in Council Policy 3.11 – Purchasing Policy.

The following recommendations are contained in the Local Government Procurement Report (October 2018-19).

Review Area 5.1	Policy
OAG Recommendation	<ul style="list-style-type: none"> • Local governments should regularly review policy to assess if value thresholds and quote requirements reflect current needs • Policies are clear about when and how to apply exemptions
Officer Comment	Staff to undertake reviews of policies at least once every two years to ensure currency
Assessment	Ongoing
Recommended Further Action	Include review in Governance Calendar
Supplementary Documents	Governance Calendar

Review Area 5.2	Training
OAG Recommendation	<ul style="list-style-type: none"> • Local governments should provide all staff involved in the procurement process with training in relevant policy and processes • Training emphasises personal accountability and how probity and transparency relate to procurement • Local governments should provide staff with refresher training

Officer Comment	Training staff is an ongoing matter and is included as part of the annual performance review process
Assessment	Ongoing
Recommended Further Action	Include training plan in annual performance review process
Supplementary Documents	Training Register

Review Area 5.3 Seeking Quotes	
OAG Recommendation	<ul style="list-style-type: none"> • That business requirements were determined prior to engaging suppliers • Local government staff used the right purchasing method, as required by their own policies and the Regulations • That the use of exemptions was justified and documented
Officer Comment	Use of Preferred Supplier Panel allows purchasing within requirements
Assessment	Ongoing
Recommended Further Action	Include review of purchasing thresholds as part of Policy
Supplementary Documents	Policy 3.11 – Purchasing Policy

Review Area 5.4 Tendering	
OAG Recommendation	<ul style="list-style-type: none"> • That tenders were advertised, opened, assessed and recorded in line with the Regulations • Documentation was retained to support open, fair and transparent decisions, and show that processes have been followed • That a Tenders Register was maintained in line with Regulations
Officer Comment	<p>Regular review of processes and procedures ensures compliance with legislative requirements.</p> <p>Staff are informed of legislative changes which require an amendment to processes and documentation/registers.</p>
Assessment	Needing Improvement
Recommended Further Action	Website update to Tenders Register following recent gazettal of new requirements
Supplementary Documents	Tenders Register

Review Area 5.5 Conflict of Interest	
OAG Recommendation	<ul style="list-style-type: none"> • That tender evaluation panel members provide positive assurance declarations • That declarations were retained and there was a record of how they were assessed and how any conflicts were addressed

Officer Comment	Training and awareness for staff on conflicts of interest and appropriate declarations is ongoing
Assessment	Ongoing
Recommended Further Action	Nil
Supplementary Documents	Declarations made (where necessary)

Review Area 5.6 Purchase Orders & Approvals	
OAG Recommendation	<ul style="list-style-type: none"> • That purchase orders were raised for the full expected amount of the procurement • Purchase orders were approved by staff with appropriate authority • Internal approvals were obtained before goods and services were purchased
Officer Comment	Training and awareness for staff on purchasing processes is ongoing. Altus procurement system ensures approvals by those staff members with the necessary authority to do so.
Assessment	Ongoing
Recommended Further Action	Nil
Supplementary Documents	Purchasing Procedures

Review Area 5.7 Segregation of Duties	
OAG Recommendation	Appropriate segregation of duties across the procurement process
Officer Comment	Although difficult in such a small organisation the Altus procurement system allows sufficient segregation.
Assessment	Ongoing
Recommended Further Action	Nil
Supplementary Documents	Purchasing Procedures

Review Area 5.8 Reviewing Invoices & Payments	
OAG Recommendation	<ul style="list-style-type: none"> • Any differences between invoice charges and quoted or contracted rates had been reviewed and appropriately justified • Goods and services were received and approved by staff with appropriate authority • That there were strong controls around payment of suppliers and access to bank accounts • Documentation was retained to support open, fair and transparent decisions, and show that processes have been followed
Officer Comment	Although difficult in such a small organisation the Altus procurement system and Synergy Creditors allows sufficient reviews to occur.

Assessment	Ongoing
Recommended Further Action	Nil
Supplementary Documents	Purchasing Procedures

The following recommendations are contained in the Management of Supplier Master Files Report (March 19).

Review Area 5.9	Comprehensive Guidance for Employees
OAG Recommendation	Entities should have policies and procedures that include comprehensive guidance for employees to effectively manage supplier master files
Officer Comment	This is reviewed by the Auditors annually
Assessment	Ongoing
Recommended Further Action	Nil
Supplementary Documents	Procedures and processes

Review Area 5.10	Independent Review of Additions & Alterations
OAG Recommendation	Entities should ensure that all additions or amendments to supplier master files are subject to a formal independent review to confirm validity and correctness
Officer Comment	This is reviewed by the Auditors annually
Assessment	Ongoing
Recommended Further Action	Nil
Supplementary Documents	Procedures and processes

Review Area 5.11	Review of Employee's Access
OAG Recommendation	Entities should regularly review employees' access to create or amend supplier master files to prevent any unauthorised access, and ensure adequate segregation of duties between those amending the master files and those approving payments
Officer Comment	This is reviewed by Management and the Auditors annually
Assessment	Ongoing
Recommended Further Action	Nil
Supplementary Documents	Nil

Review Area 5.12		Key Information
OAG Recommendation	Entities should ensure all key information is input at the time of creating a new supplier record	
Officer Comment	New Creditors Details Form ensures all key information is captured and entered at the time of creating a new record	
Assessment	Ongoing	
Recommended Further Action	Nil	
Supplementary Documents	New Creditor Details Form	

Review Area 5.13		Consistent Naming Conventions
OAG Recommendation	Entities should apply consistent naming conventions for supplier records, to avoid suppliers being registered under multiple names	
Officer Comment	This is sometimes difficult, particularly with Government Agencies who merge or change their names Supplier records are reviewed on a six-monthly basis	
Assessment	Ongoing	
Recommended Further Action	Nil	
Supplementary Documents	Nil	

Review Area 5.14		Documentary Evidence
OAG Recommendation	Entities should ensure that documentary evidence is retained for all additions and amendments to supplier master files and there is a record of the reason for amending the supplier record	
Officer Comment	The audit trail is documented and signed off on with the hard copy recorded	
Assessment	Ongoing	
Recommended Further Action	Nil	
Supplementary Documents	Nil	

Review Area 5.15		Formal & Periodic Internal Review
OAG Recommendation	Entities should include a requirement for a formal and periodic internal review to identify incomplete, incorrect, duplicate or redundant supplier records	
Officer Comment	As with 5.13 above, this is sometimes difficult, particularly with Government Agencies who merge or change their names Supplier records are reviewed on a six-monthly basis	
Assessment	Ongoing	
Recommended Further Action	Nil	

Supplementary Documents	Nil
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Review Area 5.16 Conflicts of Interest	
OAG Recommendation	Entities should ensure any actual, potential or perceived conflicts of interest are declared and effectively managed, and that relevant employees are not involved in the procurement from, or management of supplier records, in respect of their related suppliers
Officer Comment	These are required to be recorded in Primary and Annual Returns as well as the annual AASB124 Form, though it is difficult in a small organisation and a small town
Assessment	Ongoing
Recommended Further Action	Ensure ongoing segregation of duties and identification and declaration of conflicts
Supplementary Documents	Nil

The following recommendations are contained in the Controls over Purchasing Cards Report (March 2020).

Review Area 5.17 Appropriate Policies & Administrative Systems	
OAG Recommendation	Entities should have appropriate policies and administrative systems in place for the use of government purchasing cards
Officer Comment	Policy 3.10 – Corporate Credit Card Policy applies which was adopted in November 2015 and reviewed in March 2017 and again in May 2019. The Policy is due for review in 2021.
Assessment	Needing Improvement
Recommended Further Action	Review Policy 3.10 to ensure currency and compliance
Supplementary Documents	Policy 3.10 – Corporate Credit Card Policy

Review Area 5.18 Suitable Controls	
OAG Recommendation	Entities should ensure that they have suitable controls in place to monitor and manage the issue and use of cards and the timely approval of card transactions
Officer Comment	Credit card reconciliations are conducted each month, signed by relevant staff and presented to Council as part of the List of Accounts Paid. Policy 3.10 – Corporate Credit Card Policy also applies.
Assessment	Appropriate
Recommended Further Action	Nil
Supplementary Documents	Policy 3.10 – Corporate Credit Card Policy

Review Area 5.19 Periodic Review	
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OAG Recommendation	Entities should periodically review the use of purchasing cards within the entity to identify and act on any shortcomings, such as whether there are too many cards within the entity, or that they are not being utilised to their full advantage.
Officer Comment	Reviews undertaken and it is considered the use and number of purchasing cards is currently sufficient for the Shire of Dowerin's use
Assessment	Appropriate
Recommended Further Action	Nil
Supplementary Documents	Nil

The following recommendations are contained in the Fraud Prevention in Local Government Report (August 2019).

Review Area 5.20	Assess Fraud Risks
OAG Recommendation	Entities should assess fraud risks across their business
Officer Comment	The Risk Dashboard has been developed and is reviewed quarterly and reported to both the Audit & Risk Committee and Council. The Business Continuity Plan has been adopted and is required to be reviewed annually with presentation to both the Audit & Risk Committee and Council. The Reg 17 Report is also presented to the Audit & Risk Committee and Council annually, with completion by an external consultant at least once every three years.
Assessment	Appropriate
Recommended Further Action	Ongoing review of the Risk Dashboard and Business Continuity Plan
Supplementary Documents	Risk Dashboard and Business Continuity Plan

Review Area 5.21	Fraud & Corruption Control Plan
OAG Recommendation	Entities should develop a Fraud and Corruption Control Plan and review it at least once every 2years
Officer Comment	While the Shire does not have a specific Fraud and Corruption Control Plan, the Risk Dashboard addresses misconduct (including fraud and corruption) and is reported to the Audit & Risk Committee and Council quarterly.
Assessment	Needing Improvement
Recommended Further Action	Develop a Fraud and Corruption Control Plan
Supplementary Documents	Risk Dashboard

Review Area 5.22	Fraud Awareness Training
OAG Recommendation	Entities should develop and implement a periodic fraud awareness training program for all staff

Officer Comment	Staff undertake training when available and subject to the annual training plan developed as part of the annual performance review process and budget allocations. WALGA are currently developing an IT Plan which will assist with assessing and reducing the risk of fraud through the use of technology
Assessment	Needing Improvement
Recommended Further Action	Develop IT Fraud Plan
Supplementary Documents	Nil

Review Area 5.23 Conflicts of Interest	
OAG Recommendation	Entities should ensure that all conflicts of interest are recorded, assessed and appropriate management plans are in place
Officer Comment	This is reviewed as part of the Regulation 17 Report and the Financial Management Report both of which are presented to the Audit & Risk Committee and Council, with completion by an external consultant at least once every three years to ensure objectivity and transparency.
Assessment	Ongoing
Recommended Further Action	Regular review of potential conflicts of interest and appropriate management of any declarations
Supplementary Documents	Regulation 17 Report, Financial Management Report

Review Area 5.24 Policies & Procedures	
OAG Recommendation	Entities should have policies and procedures in place to verify the identity and integrity of employees and suppliers
Officer Comment	Policies and procedures are in place and reviewed regularly
Assessment	Appropriate
Recommended Further Action	Ongoing review and activity to ensure compliance
Supplementary Documents	Procedures

Review Area 5.25		Clear Internal Processes & Systems
OAG Recommendation	Entities should document clear internal processes and systems to report any potential fraud, that include anonymous reporting	
Officer Comment	Processes and systems are in place and reviewed regularly	
Assessment	Appropriate	
Recommended Further Action	Ongoing review and activity to ensure compliance	
Supplementary Documents	Procedures and processes	

Review Area 5.26		Information Analysis
OAG Recommendation	Entities should collect and analyse information received about potential fraud to identify any trends or emerging issues.	
Officer Comment	Contracted IT Supplier provides monthly reporting on IT activity, threats and treatment actions including regular password change requirements	
Assessment	Appropriate	
Recommended Further Action	Ongoing monitoring of IT systems and equipment	
Supplementary Documents	Nil	

6.0 STATUS UPDATE FROM MARCH 2016 (BACK) REPORT

Mr Ron Back was appointed in early 2016 to conduct a Financial Management Review as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and as a result of the Corruption & Crime Commission Investigation. The subsequent report (the Back Report) was provided to the Shire in March 2016 and identified 51 Recommendations for improvement.

At that time the Administration developed an Action Sheet to track the progress of implementing the Recommendations. The Action Sheet was last updated in July 2017. Rather than reinventing the wheel, the Action Sheet has been used as the basis for this audit as it demonstrates and records the status history of each action. A copy of the Action Sheet is included as Attachment A.

In summary, the following Recommendations remain outstanding or are ongoing:

Item No.	Priority	Topic	2016 Action	2021 Status
1.1	High	Staff training & mentoring	Staff training program developed	Ongoing
2.1	High	Upgrade server & MS Office	Develop a PAM to determine ICT requirements & replacement schedule	Completed
3.1	High	Council Policies	Review all Council Policies	Ongoing
3.3	Medium	Disbursement of funds	Develop & document procedures for all accounting practices & processes	Procedures in place
3.4	High	Cash handling	Develop procedures for cash handling	Procedures in place, currently under review
3.5	Medium	Asset Management Plans & procedures	Develop procedures as part of asset management plans	Procedures in place but not fully documented
4.1	Low	Fund accounts	Investigate merging three accounts into one for reporting in SynergySoft	Completed
4.2	Low	Direct debit	Investigate offering ratepayers direct debt as a less labour intensive process for staff & to ensure regular payments are made	Not under consideration at this point in time
7.2	High	Procedures for creditor payment system	Develop, document & implement procedures for reconciliations & end of month reporting	Procedures in place, currently under review
7.3	High	Procedures for debtors system	Develop, document & implement procedures for reconciliations & end of month reporting	Procedures in place, currently under review
7.6	High	Payroll system	Review on-cost charge process in payroll parameters	Ongoing
8.1	High	Workforce Plan	Review & update	Reviewed 2019, due in 2021
8.2	High	Asset Management Plans	Prepare AMP in accordance with IPR	AMP adopted Review required & will be actioned through NEWROC
8.3	High	Long Term Financial Plan	Develop LTFP in accordance with IPR	LTFP adopted Review required & will be actioned through NEWROC
9.4	High	Elected Member training	Elected Member training program developed	Ongoing
10.2	High	Records Management	Review & implement Records Management Plan	Ongoing

The Action Sheet also lists priorities and actions from the Probity Report completed around the same time as the Back Report. While technically not part of the Council's November 2020 resolution, for the purposes of transparency and accountability a summary of the outstanding or ongoing Recommendations is detailed below:

Item No.	Priority	Topic	2016 Action	2021 Status
2 & 4	High	Register of Financial Interests	Councillor training on making declarations of interest. Ensure trigger in corporate calendar for annual returns; forms on Councillor desks at council & committee meetings; call for declarations of interest in all agendas & verbally made at every meeting. Register commenced.	Mandatory training introduced for Councillors and required reporting on website and annual report. The onus is on the Councillor to undertake the training and make necessary declarations
6	High	Policy review	Review current policies; research policies from other similar sized local governments; Develop a list of key policies & liaise with DLGC to ensure list covers all mandatory & recommended policies. Provide draft policies to DLGC &/or WALGA for review.	Policy review is ongoing with each policy reviewed at least once every two years
8 & 9	High	Review procurement	Ensure tenders are called for any purchase over \$150,000. Maintain proper tender register. Requires training for staff in procurement & ongoing monitoring by CEO & FM. Staff training in procurement; process for capturing & recording quotes	Tender threshold is now \$250,000. Staff training to be reviewed annually as part of the performance appraisal process
10 & 11	High	Training for staff in tender process & tender register	Staff training to be scheduled; informal peer support from other Local Govt ie Northam & Wanneroo. WALGA tender review service to be utilised for complex tenders. New tender register introduced & ongoing maintenance of register	Staff training to be reviewed annually as part of performance appraisal process

RECOMMENDED ACTIONS

As identified in this Report, there are a number of duplicated topics such as:

- Conflict of interest
- Clear policies, processes and procedures
- Staff training and awareness

The following table summarises the recommended actions to address significant or high level risks identified in this report:

Finding No.	Assessment	Recommended Actions	Management Comment	Status	Expected Completion Date
3.2	Needing Improvement	<ul style="list-style-type: none"> • Complete upon receipt of standardised templates through NEWROC • Include review of LTFP and presentation of LTFP to Council in Governance Calendar • Include as KPI for key management personnel 	This matter is on hold until we receive the NEWROC templates. It is our understanding that this is due to occur soon but we do not have a specified date as yet. The other actions will follow as part of the receipt of templates.	In Progress	TBC - dependent on receipt of NEWROC Templates
3.4	Needing Improvement	Finalise the purchase and implementation of the pods	The original purchase of the fuel bowser was under budget so with the remaining balance & an additional allocation in the budget review, the two pods are able to be purchased.	In Progress	ASAP - dependent on budget review adoption
3.5	Needing Improvement	Develop and adopt a Code of Conduct for Employees	Samples of various Employee Codes have been sourced and a draft is being developed.	In Progress	30 June 2021
3.6	Needing Improvement	Review Policy 3.11 - Purchasing Policy to enable	It is anticipated the review will be presented	Not Commenced	31 May 2021

Finding No.	Assessment	Recommended Actions	Management Comment	Status	Expected Completion Date
		purchases of less than \$1,000 not requiring a written quote.	to Council's May 2021 meeting.		
3.8	Needing Improvement	<ul style="list-style-type: none"> Complete upon receipt of standardised templates through NEWROC Include review of LTFP and presentation of LTFP to Council in Governance Calendar Include as KPI for key management personnel 	This matter is on hold until we receive the NEWROC templates. It is our understanding that this is due to occur soon but we do not have a specified date as yet. The other actions will follow as part of the receipt of templates.	In Progress	TBC - dependent on receipt of NEWROC Templates
4.1	Needing Improvement	<ul style="list-style-type: none"> Staff should be aware of where a function of a local government is being delegated in accordance with its defined meaning in Section 5.42 of the Act as opposed to where authority is granted to undertake a specific task on a one-off occasion. Training and professional development should be undertaken to ensure this awareness exists. Council is recommended to consider the adoption of a policy which addresses conflicts of interest and the declarations of interest at Workshops or other meetings/activities where an interest, or the perception of an interest, may exist. Councillors undertake mandatory training in the 	<p>Council rejected the adoption of the proposed Workshop Behaviours Policy at its December 2020 Meeting.</p> <p>Staff training is ongoing and successful completion of the mandated modules is reported on the Shire's website and in the Annual Report.</p> <p>Staff training will be undertaken when course availability permits.</p>	In Progress	Ongoing

Finding No.	Assessment	Recommended Actions	Management Comment	Status	Expected Completion Date
		interest of continued professional development and in accordance with Council Policy 1.15 - Councillors Training and Continuing Professional Development Policy.			
5.4	Needing Improvement	Website update to Tenders Register	A number of tenders have recently been called. The website will be updated following the completion of the tender processes.	Not Commenced	30 June 2021
5.17	Needing Improvement	Review Policy 3.10 - Corporate Credit Card Policy to ensure currency and compliance	It is anticipated the review will be presented to Council's May 2021 meeting.	Not Commenced	31 May 2021
5.21	Needing Improvement	Develop a Fraud and Corruption Control Plan	Will need to liaise with other Councils and/or DLGSC, WALGA for templates	Not Commenced	After 2021/22 Budget adoption
5.22	Needing Improvement	Develop IT Fraud Plan	The tender for the provision of managed IT services was recently called with the appointment expected to be presented to Council's May 2021 meeting. It is anticipated the development of the IT Fraud Plan will be done in consultation with the successful tenderer.	Not Commenced	31 December 2021