



SHIRE OF
DOWERIN
TIN DOG TERRITORY

MINUTES

Audit & Risk Committee Meeting

Held in Council Chambers
13 Cottrell Street, Dowerin WA 6461
23 September 2021

ABN: 35 939 977 194

P (08) 9631 1202 E dowshire@dowerin.wa.gov.au
13 Cottrell Street, Dowerin WA 6461

 www.dowerin.wa.gov.au



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Shire of Dowerin
Audit & Risk Committee Meeting
23 September 2021



1. Official Opening

The Chair welcomed those in attendance and declared the Meeting open at 10.48am.

2. Record of Attendance / Apologies / Leave of Absence

Committee Members:

Cr DP Hudson	President & Chair
Cr BA Ward	Deputy President
Mrs TA Jones	

Staff:

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

Apologies: Cr RI Trepp

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 20 April 2021

Attachment 5.1A

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation/Resolution

Moved: Cr Ward

Seconded: Cr Hudson

0474 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 20 April 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 Interim Audit Results for the Year Ending 30 June 2021

<h1>Corporate & Community Services</h1>		 SHIRE OF DOWERIN TIN DOG TERRITORY
Date:	3 August 2021	
Location:	Not applicable	
Responsible Officer:	Cherie Delmage, Manager Corporate & Community Services	
Author:	Linley Dreghorn, Executive & Governance Officer	
Legislation:	<i>Local Government Act 1995; Local Government (Audit) Regulations 1996</i>	
Sharepoint Reference:	Organisation/Corporate Management/Reporting	
Disclosure of Interest:	Nil	
Attachments:	Attachment 7.1A - Interim Audit Report	

Purpose of Report

Executive Decision

Legislative Requirement

Summary

This Item presents the results and findings of the Interim Audit for the year ending 30 June 2021 to the Audit & Risk Committee for consideration and, if satisfactory, recommendation to Council for adoption.

Background

The Office of the Auditor General (OAG) conducted its Interim Audit for the Shire of Dowerin on Thursday 20 to Friday 21 May 2021.

The Report on the results of the Audit has been received and is included as an Attachment for the Audit & Risk Committee's information.

Comment

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

1. Segregation of Duties over Procurement;
2. Bank Reconciliation;
3. Investment of Surplus Funds;
4. Monthly Sundry Debtor Reconciliation;
5. Credit Note Authorisation Forms;
6. Cancelled Receipts;
7. Purchase Orders Dated After Invoice Dates;
8. Contract Variations;
9. Payroll Masterfile;

10. Employee Termination Payments;
11. IT Security Policy;
12. No Asset Disposal Forms; and
13. Annual Financial Report.

The rating given to the Segregation of Duties over Procurement deficiency is Significant, meaning that there is potentially a significant risk to the organisation should the finding not be addressed promptly. A Significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit report, it should be addressed promptly.

The rating given to the Annual Financial Report deficiency is Minor, meaning that the finding is not of a primary concern but still warrants action being taken.

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

The Report details the Finding against each deficiency, indicates the Implications the deficiency may have on the organisation, and makes Recommendations on how the organisation can best rectify the deficiency. Management was made aware of the identified deficiencies at the conclusion of the Audit and were afforded the opportunity to provide comment and context to the deficiency.

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

Finding	Recommendation	Management Comment
Segregation of Duties over Procurement	The Shire should review its current procurement processes by placing independent reviews to ensure appropriate segregation of duties.	The Shire of Dowerin is in the process of reviewing its procurement processes to ensure appropriate segregation of duties takes place to reduce the risk of fraud and error. The draft review is attached to verify action is underway.
Bank Reconciliation	The monthly bank reconciliation should be prepared for both Muni and Muni Max accounts in a timely manner and reviewed by an independent senior officer promptly. The review should be evidenced in writing.	The Shire of Dowerin has identified the issues and is in the process of implementing an effective control to ensure monthly reconciliations are prepared in a timely manner and reviewed appropriately.
Investment of Surplus Funds	The Shire should establish and document internal control procedures that should be followed by employees to ensure appropriate control over investments, in accordance with Regulation 19(1) of the Local Government (Financial Management) Regulations. Also, surplus funds should be invested in accordance with Investment Policy and monthly investment reconciliations should be prepared as required by the Policy.	The Shire of Dowerin will review its Untied Surplus and Investment Policies along with corresponding procedures to ensure controls are effective and suited to the organisation. The draft procedure Investment procedure is attached to verify action is underway.
Monthly Sundry Debtor Reconciliation	The monthly sundry debtor reconciliations should be reviewed by a senior officer independent of the preparer in a timely manner and any variances should be investigated and rectified without delay.	The monthly financial checklist will be reviewed by the Manager Corporate and Community Services in a timely manner and any variances investigated and rectified without delay. The monthly checklist process is under review which includes the requirement to present the

		completed monthly checklist to the CEO for confirmation of all EOM reconciliations.
Credit Note Authorisation Forms	The Shire should have a formal credit note authorisation form that should be completed by the Accounts Receivable Officer and authorised by an independent senior officer prior to processing credit notes. The Shire should also perform an independent review of credits notes issued periodically and such review should be documented and retained.	Credit Note Authorisation Forms are now in place and utilised. A corresponding procedure will be developed to include the performance of independent reviews.
Cancelled Receipts	We recommend that cancelled receipts be reviewed promptly by an officer independent of the receipting function.	Internal controls will be amended to ensure cancelled receipts are reviewed by an officer independent of the receipting function.
Purchase Orders Dated After Invoice Dates	Purchase orders should be approved for all applicable items prior to ordering.	Staff will be reminded that non-compliance of procurement processes is a breach of the Code of Conduct and CEO directive. Consequences of non-compliance will be communicated to staff.
Contract Variations	We recommend that delegation thresholds be established that specify which staff/positions can approve contract variations, based on value and/or the type of contract.	The Shire of Dowerin is in the process of reviewing its procurement policy.
Payroll Masterfile	Management should review amendments to payroll Masterfile on a periodic basis and ensure all amendments are genuine and correct.	With the implementation of Altus Payroll there is a need to amend the process to ensure payroll Masterfile is reviewed on a regular basis. The payroll system now has the capacity to provide this data as per comment below received from IT Vision. 'This Report has been a part of an enhancement request to Definitiv in regard to additional details of who made the changes.'
Employee Termination Payments	Employee termination payment calculations should be reviewed and approved by an independent senior officer prior to processing the payment and the review and approval should be evidenced in writing.	Workings are prepared by the Manager Corporate & Community Services along with the payroll officer prior to processing of the pay run. All workings are included in applicable pay-run documentation and signed off. The internal control will be amended to include the calculations to be reviewed by an independent officer.

IT Security Policy	Management should develop a formal IT Security Policy and it should be reviewed and updated regularly as changes occur.	The Shire of Dowerin has commenced the process of developing an IT Security Policy. Policies are reviewed every two years in accordance with the organisation's Risk Management Framework.
No Asset Disposal Forms	Management should introduce an Asset Disposal/Deletion form to formalise the asset disposals/deletions process, which should also be subject to appropriate authorisation.	An Asset Disposal/Deletion Form is now in place to verify and authorise the asset disposal/deletion process.
Annual Financial Report	Management should submit a copy of the Annual Financial Report to the Department within 30 days of the receipt of the Auditor's Report on the Financial Report as required by the Regulations.	The lodgment of the Annual Financial Report within 30 days of the receipt of the Auditor's Report on the Financial Report is captured in the organisation's Corporate Calendar and Risk Dashboard. Management notes the human error of submitting the unsigned copy of the Auditor's Report.

Staff will provide additional comment on the Findings and an update of actioning recommendations at the meeting.

Consultation

OAG / Auditors

Rebecca McCall, Chief Executive Officer

Cherie Delmage, Manager Corporate & Community Services

Policy Implications

Nil

Strategic Implications

Strategic Community Plan

Community Priority: Our Organisation

Objective: We are recognised as a transparent, well governed and effectively managed Local Government

Outcome: 5.3

Reference: 5.3.2

Asset Management Plan

Nil

Long Term Financial Plan

Nil

Statutory Implications

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

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	Minor (2)
Likelihood Rating	Unlikely (2)
Risk Matrix Rating	Low (4)
Key Controls (in place)	Governance Management Framework; Governance Calendar
Action (Treatment)	Document Governance Framework
Risk Rating (after treatment)	Adequate

Financial Implications

Nil

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation/Resolution

Moved: Ms TS Jones


Seconded: Cr Ward

0475 That, in accordance with the *Local Government (Audit) Regulations 1996*, the Audit and Risk Committee:

1. Receives the Auditor's Interim Audit Management Report, as presented in Attachment 7.1A, from Macri Partners Chartered Accountants for the 2020/21 financial year;
2. Notes the Management Comment and Actions taken to address the Findings contained in the Auditor's Interim Audit Management Report; and
3. Recommends to Council that it receives the Auditor's Interim Audit Management Report, as presented in Attachment 7.1A, from Macri Partners Chartered Accountants for the 2020/21 Interim Audit.

CARRIED 3/0

7.2 Risk Dashboard Quarterly Report – June & September 2021

<h1>Governance & Compliance</h1>		 SHIRE OF DOWERIN TIN DOG TERRITORY
Date:	July 2021	
Location:	Not Applicable	
Responsible Officer:	Rebecca McCall, CEO	
Author:	As Above	
Legislation:	<i>Local Government Act 1995</i>	
Sharepoint Reference:	Compliance/Risk Management/Reporting	
Disclosure of Interest:	Nil	
Attachments:	<p><u>Attachment 7.2A</u> - Risk Dashboard Quarterly Report – June 2021</p> <p><u>Attachment 7.2B</u> - Risk Dashboard Quarterly Report – September 2021</p>	

Purpose of Report



Executive Decision



Legislative Requirement

Summary

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

Background

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

Appropriate governance of risk management within the Shire provides:

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

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

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

It is essential to monitor and review the management of risks as changing circumstances may result in some risks increasing or decreasing in significance. By regularly reviewing the effectiveness and efficiency of controls and appropriateness of treatment/action options selected, it can be determined if the organisation's resources are being put to the best use possible. During the

quarterly reporting process, management are required to review any risks within their area and follow up controls and treatments/actions that are mitigating those risks.

Comment

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

The following comments against current actions are noted:

Asset Management

Action: Implement New Fuel Stock Control System

Comment: Partially completed; fuel pods will be installed into new fleet

Action: Review of Asset Management Plan

Comment: Asset Infrastructure Management engaged to review AMP

Business Disruption

Action: Development of IT Disaster Recovery Plan

Comment: Scheduled to complete by December 2021

Compliance

Action: Review of Asset Management Plan & Long Term Financial Plan

Comment: Asset Infrastructure Management engaged to review AMP

Comment: ACCWEST engaged to review LTFP

Employment Practices

Action: Review of Staff Induction process

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

Action: Develop Health & Wellbeing Plan

Comment: Complete deferred to October 2021 due to operational priorities

Engagement Practices

Action: Develop a Community & Engagement Policy & Framework

Comment: Draft policy and framework presented to Council in September 2021 for comment

Errors, Omissions & Delays

Action: Review Employee Code of Conduct

Comment: Review underway

Safety and Security Practices

Action: Develop Isolated Worker Management Procedure

Comment: Isolated workers beacons installed; development of procedure delayed

The following results of key performance indicators are noted:

Safety and Security Practices

KPI: Safety Audit Result

Tolerance: 95%

Result: 74%

Consultation

Rebecca McCall, Chief Executive Officer

Cherie Delmage, Manager Corporate & Community Services

Les Vidovich, Manager Works & Assets

Linley Dreghorn, Executive & Governance Officer

Policy Implications

Policy 2.2 - Risk Management Policy is applicable.

Strategic Implications

Strategic Community Plan

Community Priority: Our Organisation

Objective: We are recognised as a transparent, well governed and effectively managed Local Government

Outcome: 5.3

Reference: 5.3.1

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

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

Financial Implications

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

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation/Resolution

Moved: Cr Ward

Seconded: Ms TA Jones

0476

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

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

CARRIED 3/0

Please note that the Audit & Risk Committee does not have delegated authority to make decisions. All recommendations of the Audit & Risk Committee are presented to Council for ratification.

7.3 Policy Manual Review – Policy 3.11 – Purchasing Policy and Purchasing Procedure

Governance & Compliance



Date:	15 September 2021
Location:	Not Applicable
Responsible Officer:	Rebecca McCall, Chief Executive Officer
Author:	Linley Dreghorn, Executive & Governance Officer
Legislation:	<i>Local Government Act 1995</i>
Sharepoint Reference:	Organisation/Governance/Council Policies Organisation/Financial Management/Controlled Documents/ Procedures
Disclosure of Interest:	Nil
Attachments:	Attachment 7.3A – Policy 3.11 – Purchasing Policy Attachment 7.3B – Purchasing Procedure

Purpose of Report



Executive Decision



Legislative Requirement

Summary

This Item presents a review of Policy 3.11 – Purchasing Policy to the Audit & Risk Committee for consideration and, if satisfactory, recommendation to Council for adoption.

Background

The Office of the Auditor General (OAG) conducted its Interim Audit for the Shire of Dowerin on Thursday 20 to Friday 21 May 2021.

The Report identifies three areas associated with procurement which are considered deficient, being:

Finding	Recommendation	Management Comment
Segregation of Duties over Procurement	The Shire should review its current procurement processes by placing independent reviews to ensure appropriate segregation of duties.	The Shire of Dowerin is in the process of reviewing its procurement processes to ensure appropriate segregation of duties takes place to reduce the risk of fraud and error. The draft review is attached to verify action is underway.
Purchase Orders Dated After Invoice Dates	Purchase orders should be approved for all applicable items prior to ordering.	Staff will be reminded that non-compliance of procurement processes is a breach of the Code of Conduct and CEO directive. Consequences of non-

		compliance will be communicated to staff.
Contract Variations	We recommend that delegation thresholds be established that specify which staff/positions can approve contract variations, based on value and/or the type of contract.	The Shire of Dowerin is in the process of reviewing its procurement policy.

The rating given to the Segregation of Duties over Procurement deficiency is Significant, meaning that there is potentially a significant risk to the organisation should the finding not be addressed promptly. A Significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit report, it should be addressed promptly.

Comment

A comprehensive review of the Purchasing Policy has taken place to address the findings and associated recommendation.

While it is an internal, administrative process, the procedure for generating purchase orders and processing and authorising invoices for payment has also been comprehensively reviewed. During the review extensive consultation occurred to ensure that the procedure was flexible enough to cater for various 'real life' scenarios but that it contained the necessary segregation to comply with audit and legislative requirements. For the sake of transparency and accountability to both Council and the community it is also included as an Attachment. Being an administrative document and process, Council are not required to resolve on the procedure.

While the proposed policy and subsequent procedure changes will result in an additional administrative burden for staff, it is necessary to ensure that all purchases and approvals are undertaken with the appropriate level of segregation, probity and compliance with audit and legislative requirements.

Consultation

Rebecca McCall, Chief Executive Officer
Cherie Delmage, Manager Corporate and Community
Linley Dreghorn, Executive & Governance Officer
Jasmine Pietrocola, Accounts Finance Officer

Policy Implications

Policy 3.11 – Purchasing Policy and the Policy Manual will be updated accordingly, should Council resolve to adopt the policy.

Statutory Implications

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

Strategic Implications

Strategic Community Plan

Community Priority: Our Organisation

Objective: We are recognised as a transparent, well governed and effectively managed Local Government.

Outcome: 5.2 & 5.3

Reference: 5.2.1 & 5.3.2

Asset Management Plan

Nil

Long Term Financial Plan

Nil

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	Unlikely (2)
Risk Matrix Rating	Low (2)
Key Controls (in place)	Governance Management Framework
Action (Treatment)	Document Governance Framework
Risk Rating (after treatment)	Adequate

Financial Implications

Nil

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation/Resolution

Moved: Cr Ward

Seconded: Ms TA Jones

0477 That, in accordance with Regulations 16 and 17 of the *Local Government (Audit) Regulations 1996*, the Audit & Risk Committee:

1. Receives the reviewed Policy 3.11 Purchasing Policy, as presented in Attachment 7.3A, and
2. Recommends to Council that it adopts the reviewed Policy 3.11 Purchasing Policy.

CARRIED 3/0

8.	Questions from Members
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9.	Urgent Business Approved by the Person Presiding or by Decision
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10.	Date of the Next Meeting
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Dec 2021

11.	Closure
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The Chair thanked those in attendance and declared the Meeting closed at 11.28 am