



## NOTICE OF MEETING

Dear Councillors

I respectfully advise that the ORDINARY COUNCIL MEETING will be held in Council Chambers, York Town Hall, York on Tuesday, 19 December 2023, commencing at 5.00pm.

MEETING LATE AGENDA ATTACHED

*Chris Linnell*

CHRIS LINNELL  
CHIEF EXECUTIVE OFFICER  
Date: 13 December 2023

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## **Order Of Business**

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**12 BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING****SY168-12/23 MINUTES AND RECOMMENDATIONS OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 12 DECEMBER 2023**

<b>File Number:</b>	<b>4.0474</b>
<b>Author:</b>	<b>Vanessa Green, Council &amp; Executive Support Officer</b>
<b>Authoriser:</b>	<b>Chris Linnell, Chief Executive Officer</b>
<b>Previously before Council:</b>	<b>Not Applicable</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Appendices:</b>	<b>1. Unconfirmed Minutes - 12 December 2023 <a href="#">↓</a></b>

**NATURE OF COUNCIL'S ROLE IN THE MATTER**

Legislative

**PURPOSE OF REPORT**

This report presents the Unconfirmed Minutes of the Audit and Risk Committee (the Committee) Ordinary Meeting held on Tuesday 12 December 2023 to Council for consideration.

**BACKGROUND**

At its Ordinary Meeting held on Tuesday 12 December 2023, the Committee was presented with information relating to the:

1. Road Risk Register
2. Risk Management Framework and Policy
3. Audit Regulation 17 Review and Financial Management Regulation 5 Review
4. Policy Review – Policy F2 – Procurement

The Unconfirmed Minutes of the Committee's Meeting are presented in Appendix 1.

**COMMENTS AND DETAILS**

Further details and the implications of the reports are identified within the Committee's Minutes hence are not duplicated here. However, for ease of reference the Committee's recommendations were:

**TABLE 1.**

<b>ITEM</b>	<b>RECOMMENDATION</b>
Road Risk Register	<p>That, with regard to the Road Risk Register, the Audit and Risk Committee recommends that Council:</p> <ol style="list-style-type: none"><li>1. Resolves to receive the Road Risk Register, as presented in Appendix 1.</li><li>2. Endorses utilising the Transport Asset Management Plans as the method to manage road related risks into the future with reporting conducted through the new Risk Register.</li></ol>

Risk Management Framework and Policy	<p>That, with regard to the Risk Management Framework and Policy, the Audit and Risk Committee recommends that Council:</p> <ol style="list-style-type: none"> <li>1. Lays the matter on the table to enable further review of the Risk Management Framework and Policy G19 – Risk Assessment &amp; Management, for presentation to the Audit and Risk Committee at a Special Meeting to be held in February 2024 (the exact date is yet to be determined).</li> </ol>
Audit Regulation 17 Review and Financial Management Regulation 5 Review	<p>That, with regard to the Audit Regulation 17 Review and Financial Management Regulation 5 Review, the Audit and Risk Committee recommends that Council:</p> <ol style="list-style-type: none"> <li>1. Receives the Audit Regulation 17 Review and Financial Management Regulation 5 Review undertaken by Armada Auditing in accordance with Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i> and Regulation 5(2)(c) of the <i>Local Government (Financial Management) Regulations 1996</i>, as presented in Appendix 1.</li> <li>2. Notes that these improvements be undertaken in-house and in combination with independent consultant support where in-house expertise is not available in-line with current budget allocations.</li> </ol>
Policy Review – Policy F2 – Procurement	<p>That, with regard to the Policy Review - Policy F2 - Procurement, the Audit and Risk Committee recommends that Council:</p> <ol style="list-style-type: none"> <li>1. Resolves to adopt the review of Policy P2 – Procurement, as presented in Appendix 2.</li> <li>2. Authorises the Chief Executive Officer to make any minor formatting and typographical changes to the policy prior to publication.</li> </ol>

## OPTIONS

Council has the following options:

**Option 1:** Council could choose to accept the Committee's recommendations.

**Option 2:** Council could choose to reject the Committee's recommendations.

**Option 3:** Council could choose to resolve differently to the Committee's recommendations.

Option 1 is the recommended option.

## IMPLICATIONS TO CONSIDER

### Consultative

Audit and Risk Committee Meeting Ordinary Meeting 12 December 2023

Executive Leadership Team

### Strategic

#### Strategic Community Plan 2020-2030

Goal 5: Strong Leadership and Governance

To have effective and responsive leadership and governance, where a sense of collective purpose and shared direction combine to work together.

Goal 4: Built for Lifestyle and Resilience



To have a built environment which supports community, economy, and the environment, respects the past, and creates a resilient future.

### Policy Related

G19 Risk Assessment and Management

G25 Compliance

### Financial

The financial impact of the items considered by the Committee is detailed within the meeting minutes and the individual appendices to each report.

### Legal and Statutory

Section 7.1A of the *Local Government Act 1995* is applicable and states:

#### ***“7.1A. Audit committee***

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) The members of the audit committee of a local government are to be appointed\* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

*\* Absolute majority required.*

- (3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- (4) An employee is not to be a member of an audit committee.”*

Regulation 16 and 17 of the *Local Government (Audit) Regulations 1996* are applicable to the functions of an audit committee and state:

#### ***“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.*

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

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
  - (a) *risk management; and*
  - (b) *internal control; and*
  - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.”*

**Risk Related**

The Committee plays a key role in overseeing the local government's responsibilities in relation to financial reporting, internal controls, risk management and legislative compliance. This report mitigates the risk of non-compliance.

**Workforce**

The scope of this report is managed within current operational capacity.

**VOTING REQUIREMENTS**

**Absolute Majority: No**

**RECOMMENDATION**

**That, with regard to the Minutes and Recommendations of the Audit and Risk Committee Meeting held on 12 December 2023, Council:**

- 1. Receives the Unconfirmed Minutes of the Audit and Risk Committee (the Committee) Meeting held on 12 December 2023, as presented in Appendix 1, and adopts the following recommendations of the Committee:**
  - a. Resolves to receive the Road Risk Register.**
  - b. Endorses utilising the Transport Asset Management Plans as the method to manage road related risks into the future with reporting conducted through the new Risk Register.**
  - c. Lays the matter on the table to enable further review of the Risk Management Framework and Policy G19 – Risk Assessment & Management, for presentation to the Audit and Risk Committee at a Special Meeting to be held in February 2024 (the exact date is yet to be determined).**
  - d. Receives the Audit Regulation 17 Review and Financial Management Regulation 5 Review undertaken by Armada Auditing in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996* and Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.**
  - e. Notes that these improvements be undertaken in-house and in combination with independent consultant support where in-house expertise is not available in-line with current budget allocations.**
  - f. Resolves to adopt the review of Policy P2 – Procurement.**
  - g. Authorises the Chief Executive Officer to make any minor formatting and typographical changes to the policy prior to publication.**



# **UNCONFIRMED MINUTES**

## **Audit and Risk Committee Meeting Tuesday, 12 December 2023**

**Date: Tuesday, 12 December 2023**

**Time: 4:00pm**

**Location: Council Chambers, York Town Hall, York**

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**MINUTES OF SHIRE OF YORK  
AUDIT AND RISK COMMITTEE MEETING  
HELD AT THE COUNCIL CHAMBERS, YORK TOWN HALL, YORK  
ON TUESDAY, 12 DECEMBER 2023 AT 4:00PM**

**1 OPENING**

**1.1 Declaration of Opening**

*Following the local government ordinary elections, the Committee is to elect a new Chair. The Chief Executive Officer is to preside at the meeting until the office of Chair is filled.*

*The Chief Executive Officer declared the meeting open at 4.01pm.*

**1.2 Acknowledgement / Disclaimer**

The Chief Executive Officer advised the following:

*"The York Shire Council acknowledges the Ballardong people of the Noongar Nation who are the Traditional Owners of this country and recognise their continuing connection to land, water, sky and culture. We pay our respects to all these people and their Elders past, present and emerging.*

*This meeting is being recorded on a digital audio and visual device to assist with minute taking purposes. The public is reminded that in accordance with Section 6.16 of the Shire of York Local Government (Council Meetings) Local Law 2016 that nobody shall use any visual or vocal recording device or instrument to record the proceedings of Council without the written permission of the presiding member.*

*I wish to draw attention to the Disclaimer Notice contained within the agenda document and advise members of the public that any decisions made at the meeting today, can be revoked, pursuant to the Local Government Act 1995.*

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**1.3 Attendance via Electronic Means**

*Nil*

**1.4 Standing Orders**

*Nil*

**1.5 Announcement of Visitors**

*Nil*

**1.6 Declarations of Interest that Might Cause a Conflict**

*Nil*

**1.7 Declaration of Financial Interests**

*Nil*

**1.8 Disclosure of Interests that May Affect Impartiality**

## Audit and Risk Committee Meeting Minutes

12 December 2023

*Nil*

**2 ATTENDANCE****2.1 Members**

*Cr Kevin Trent; Cr Denis Warnick; Cr Peter Wright; Ms Shona Zulsdorf*

**2.2 Staff**

*Chris Linnell, Chief Executive Officer; Alina Behan, Executive Manager Corporate & Community Services; Lindon Mellor, Executive Manager Infrastructure & Development Services; Vanessa Green, Council & Executive Support Officer*

**2.3 Apologies**

*Mr Justin Lee*

**2.4 Leave of Absence Previously Approved**

*Nil*

**2.5 Number of People in the Gallery at Commencement of Meeting**

*There were zero (0) people in the Gallery at the commencement of the meeting.*

**3 ELECTION OF CHAIR**

*The Chief Executive Officer called for nominations for the position of Chair (Presiding Member) of the Committee for the ensuing two (2) years.*

*The following nomination was received:*

*Cr Kevin Trent nominated by Cr Kevin Trent*

*There being no further nominations, Cr Kevin Trent was declared Chair of the Shire of York Audit & Risk Committee.*

*Cr Kevin Trent took the chair at 4.05pm.*

**4 ELECTION OF DEPUTY CHAIR**

*The Chair called for nominations for the position of Deputy Chair of the Committee for the ensuing two (2) years.*

*The following nomination was received:*

*Cr Denis Warnick nominated by Cr Denis Warnick*

*There being no further nominations, Cr Denis Warnick was declared Deputy Chair of the Shire of York Audit & Risk Committee.*

*The Deputy Chair assumed their chair at 4.05pm.*

**5 QUESTIONS FROM PREVIOUS MEETINGS**

*Nil*

**6 PUBLIC QUESTION TIME**

Public Question Time is conducted in accordance with the Act and Regulations. In addition to this the Shire's *Local Government (Council Meetings) Local Law 2016* states –

**6.7 Other procedures for question time for the public**

- (1) A member of the public who wishes to ask a question during question time must identify themselves and register with a Council Officer immediately prior to the meeting.
- (2) A question may be taken on notice by the Council for later response.
- (3) When a question is taken on notice the CEO is to ensure that—
  - (a) a response is given to the member of the public in writing; and
  - (b) a summary of the response is included in the agenda of the next meeting of the Council.
- (4) Where a question relating to a matter in which a relevant person has an interest is directed to the relevant person, the relevant person is to—
  - (a) declare that he or she has an interest in the matter; and
  - (b) allow another person to respond to the question.
- (5) Each member of the public with a question is entitled to ask up to 2 questions before other members of the public will be invited to ask their questions.
- (6) Where a member of the public provides written questions then the Presiding Member may elect for the questions to be responded to as normal business correspondence.
- (7) The Presiding Member may decide that a public question shall not be responded to where—
  - (a) the same or similar question was asked at a previous meeting, a response was provided and the member of the public is directed to the minutes of the meeting at which the response was provided;
  - (b) the member of the public uses public question time to make a statement, provided that the Presiding Member has taken all reasonable steps to assist the member of the public to phrase the statement as a question; or
  - (c) the member of the public asks a question that is offensive or defamatory in nature, provided that the Presiding Member has taken all reasonable steps to assist the member of the public to phrase the question in a manner that is not offensive or defamatory.
- (8) A member of the public shall have 2 minutes to submit a question.
- (9) The Council, by resolution, may agree to extend public question time.
- (10) Where any questions remain unasked at the end of public question time they may be submitted to the CEO who will reply in writing and include the questions and answers in the agenda for the next ordinary Council meeting.
- (11) Where an answer to a question is given at a meeting, a summary of the question and the answer is to be included in the minutes.

*Public Question Time commenced at 4.05pm.*

**6.1 Written Questions – Current Agenda**

*Nil*

**6.2 Public Question Time**

*As there were no questions asked, Public Question Time concluded at 4.06pm.*

**7 APPLICATIONS FOR LEAVE OF ABSENCE**

*Nil*



**8 PRESENTATIONS**

*Nil*

**9 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

**COMMITTEE RECOMMENDATION**

**Moved:** Ms Shona Zulsdorf

**Seconded:** Cr Denis Warnick

**That the minutes of the Audit and Risk Committee Meeting held on 12 September 2023 be confirmed as a correct record of proceedings.**

**In Favour:** Crs Kevin Trent, Denis Warnick, Peter Wright and Shona Zulsdorf

**Against:** Nil

***CARRIED 4/0***

**10 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION**

*Nil*

## 11 OFFICER'S REPORTS

### 11.1 ROAD RISK REGISTER

File Number:	4.0466
Author:	Lindon Mellor, Executive Manager Infrastructure & Development Services
Authoriser:	Chris Linnell, Chief Executive Officer
Previously before Council:	23 March 2021 (060321) 22 June 2021 (030621) 28 September 2021 (040921) 23 March 2022 (020322) 13 September 2022 (100922) 23 March 2023 (060623)
Disclosure of Interest:	Nil
Appendices:	1. Road Risk Register - December 2023 <a href="#">↓</a>

### NATURE OF COUNCIL'S ROLE IN THE MATTER

Executive

### PURPOSE OF REPORT

This report provides a review of the Road Risk Register (the Register) as it stands to be presented to Council through the Audit and Risk Committee (the Committee).

### BACKGROUND

A key element in the Talis Report - 'Review of Delivery Against Road Design and Construction Guideline Standards, 2016' previously presented to Council, referenced road risk management in its Summary of Findings, as below:

#### ***"4. Assessment of Risks to Road Users***

*The failures to implement appropriate road management practices, particularly given the shortfall in required funding, has the potential to pose risks to road users associated with the failure to use detailed design when necessary, appropriate construction methods and a risk based maintenance strategy to make best use of the available funds. The risks to road users relate to the potential for increased crashes and increased vehicle operating costs associated with lower levels of service from the road system."*

Taking on board the Talis comments and previous commitments, Officers developed the Register to assist in tracking road safety risks.

At its March 2021 meeting Council first considered the Register and resolved in part (060321):

#### ***"That Council:***

- 1. Resolve to adopt the "Road Risk Register", with the understanding that it is a living document that will be updated on an as needs basis.***
- 2. Endorse the use of the Road Risk Register as a method of informing the budget process of the importance of road safety projects.***

**3. *Requests the CEO to present the first formal Road Risk Register to the Audit and Risk Committee in June 2021 and then every six months, commencing with the September 2021 Audit and Risk Committee meeting.***

In accordance with this resolution, the Road Risk Register is presented to the Committee for consideration.

**COMMENTS AND DETAILS**

As outlined in the March 2023 Road Risk Register report, a detailed condition assessment has been undertaken of the road and drainage asset classes. This included video capture of the entire road network and visual inspections of associated assets. This data has been used to develop the Shire's Transport Asset Management Plans including Roads, Paths, Drainage and Bridges, which were received by Council at its June 2023 Ordinary Meeting (Resolution 060623). These Asset Management Plans identify risks, priority, levels of service and associated costs for management of roads and associated assets. The Asset Management Plans provide the Shire with a comprehensive overview of the road network, identifying risks and required actions.

As a result of having formalised Asset Management Plans, the future tracking and reporting of these risks will be completed through the annual review of each Asset Management Plan. This requirement for review has been captured under the Shires new Risk Register on Government Frameworks. To avoid duplication, it is recommended all future tracking and reporting on Road Risks be completed through the Asset Management Plans, rather than through the Road Risk Register. This change in approach was discussed in the March 2023 report when the Asset Management Plans were under development.

To provide the Audit and Risk Committee with a status update of previous risk priorities, the Administration have completed a review of the Road Risk Register. Given that the Asset Management Plans have identified several new risks and take a different format to address these risks, this review of the Road Risk Register only includes noting of where the previous risks identified have been resolved. Any new risks identified will be included within the Asset Management Plans going forward. As noted, reporting of the Asset Management Plans will be completed under the new risk framework.

The current Road Risk Register is presented in Appendix 1.

**OPTIONS**

The Committee has the following options:

- Option 1:** The Committee could recommend to Council that it receives the review of the Road Risk Register and accepts that all future tracking of risks will be completed through the Roads Asset Management Plan.
- Option 2:** The Committee could recommend to Council that it not receive the review of the Road Risk Register.
- Option 3:** The Committee could recommend to Council that it not receive the review of the Register and request the Chief Executive Officer to include additional information (which is to be identified).

Option 1 is the recommended option.

**IMPLICATIONS TO CONSIDER**

**Consultative**

Whilst no formal consultation process has been undertaken in relation to the review of the Register, the feedback and complaints received by the Shire relating to roads were previously included in the Register. Information from the Transport Asset Management plans has not been included to save any double up of information.

## Audit and Risk Committee Meeting Minutes

12 December 2023

**Strategic**Strategic Community Plan 2020-2030

Goal 4: Built for Lifestyle and Resilience

To have a built environment which supports community, economy, and the environment, respects the past, and creates a resilient future.

**Policy Related**

G19 Risk Assessment and Management

While a Road Risk Register is not specifically mentioned in the Policy, the Policy principals apply.

**Financial**

The Transport Asset Management Plans identify future financial implications of managing identified risks. The timely management of road risks will reduce the Shire's exposure to civil action regarding road conditions. It will also assist in the forward planning of works to ensure the most efficient use of Shire resources.

**Legal and Statutory***Civil Liabilities Act 2002***Risk Related**

The review of the register looks to assist in identifying the current status of risks. As noted within the body of the report, these risks will be continued to be monitored through the Transport Asset Management Plans.

**Workforce**

The scope of this report is managed within current operational capacity.

**VOTING REQUIREMENTS****Absolute Majority: No****COMMITTEE RECOMMENDATION****Moved: Ms Shona Zulsdorf****Seconded: Cr Denis Warnick**

**That, with regard to the Road Risk Register, the Audit and Risk Committee recommends that Council:**

- 1. Resolves to receive the Road Risk Register, as presented in Appendix 1.**
- 2. Endorses utilising the Transport Asset Management Plans as the method to manage road related risks into the future with reporting conducted through the new Risk Register.**

**In Favour: Crs Kevin Trent, Denis Warnick, Peter Wright and Shona Zulsdorf**

**Against: Nil**

**CARRIED 4/0**

Asset and Risk Committee Meeting Minutes

12 December 2023

Shire of York Road Risk Register							
Damage Parameters: 1 Damage to Road 2 Geometric/design 3 Overgrown vegetation 4 Drainage 5 Signage				Timing Parameters: 1 Within 6 months 2 From 6-12 months 3 From 12-24 months 4 From 24-36 months			
Type of Damage	Road Name	ROAD number	SLK From	SLK to	Damage Description	Proposed Remediation	Level
4	Allen Road	4330040	5	5.5	Wind-row needs to be pulled across road	Resolved during winter grading	1
4	Allen Road	4330040	4.08	4.08	Culverts need cleaned up LHS ONLY	Clean up culverts	1
4	Allen Road	4330040	3.34	3.36	LHS Drainage needs cleared out to allow for flow of water	Clear out Drain on LHS	1
4	Allen Road	4330040	2.08	2.13	LHS Drainage needs cleared out to allow for flow of water	Clear out Drain on LHS	1
4	Allen Road	4330040	1.85	1.88	LHS Drainage needs cleared out to allow for flow of water	Clear out Drain on LHS	1
4	Ashworth Road	4330051	5.95	6.08	RHS of Road Entire road needs to be lifted	Lift entire road running course so that drain can be inserted Resheeting has been completed	3
4	Ashworth Road	4330051	5.6	5.95	RHS Needs Drain	Grade a drain into RHS shoulder	3
3	Ashworth Road	4330051	2.72	5.6	Requires seal	Road to have design and Sealed This is noted as request, rather than a requirement. Level of service will be confirmed within Asset Management Plan.	4
3	Ashworth Road	4330051	1.23	2.24	Requires seal	Road to have design and Sealed This is noted as request, rather than a requirement. Level of service will be confirmed within Asset Management Plan.	3
4	Boging Road	4330026	2.35	2.35	Drainage scouring due to storm event	Reform drains. To be addressed November 2022	1
4	Boging Road	4330026	0.84	0.84	Storm damage to culvert crossing	Major repairs and upgrade of drainage required (multiple years). Requires redesign. Structural Engineering Assessment Undertaken.	3
4	Boyercurty Road	4330015	4.15	5.25	LHS Drian needs material brought back across road	Remove material to middle of road	1
1	Carter Road	4330108	0.54	0.54	RHS drainage needs to be cleared out to allow for flow of water.	Clear vegetation	4
4	Crawford Court	4330164	0.14	0.14	Drainage scouring due to storm event	Reform and clear out drains Completed. On-going management if further events occur.	1
4	Cut Hill Road	4330020	0.25	0.46	Drainage LHS	Requires cleaning / Possible Rock protection	3
4	Cut Hill Road	4330020	0.29	0.29	Crossover Full	Requires cleaning	3
4	Cut Hill Road	4330020	0.46	0.46	Culvert RHS	Requires extension	1
4	Cut Hill Road	4330020	0.57	0.57	Culvert Both sides	Requires Extension/ Headwall added	1
4	Cut Hill Road	4330020	1.6	1.75	Shoulder scour	Requires cleaning / Possible Rock protection	2
1	Cubbine Road	4330038	0.2	1.6	Widening and Reseal (currently 3.6m wide). Shoulder erosion at SLK 1.53. Lip on edge of seal.	Reseal and widen, upgrade drainage. Tree clearance required. Shoulder works have been undertaken by internal crews Nov 2021.	4
1	Cubbine Road	4330038	2.28	2.68	Widening and Reseal (currently 3.6m wide). Lip on edge of seal.	Reseal and widen, upgrade drainage. Tree clearance required. Shoulder works have been undertaken by internal crews Nov 2021.	4
1	Doodenanning Road	4330008	12	12.75	Sealed jumpup	Nothing needed	4
1	Doodenanning Road	4330008	7.35	10.05	Sealed-Old	Reseal in 5 years	4
1	Doodenanning Road	4330008	4.7	7.35	Sealed	Nothing needed	4
1	Doodenanning Road	4330008	3.9	4.7	Sealed-Old	Reseal in 5 years	4
1	Doodenanning Road	4330008	1.77	3.9	Sealed	Nothing needed	4
1	Doodenanning Road	4330008	0	1.77	Sealed	Nothing needed	4
3	Knotts Road	4330028	0	1.668	Drainage not constructed to satisfaction	Construct drainage to standard. Drainage works completed March 2023. Adjustment to design required due to fibre optic cables.	1
3	Knotts Road	4330028	0	1.668	Shoulders need to be uniform both sides	Construct shoulders. Drainage works completed March 2023. Adjustment to design required due to fibre optic cables.	2

Shire of York Road Risk Register							
<b>Damage Parameters:</b> 1 Damage to Road 2 Geometric/design 3 Overgrown vegetation 4 Drainage 5 Signage				<b>Timing Parameters:</b> 1 Within 6 months 2 From 6-12 months 3 From 12-24 months 4 From 24-36 months			
Type of Damage	Road Name	ROAD number	SLK From	SLK to	Damage Description	Proposed Remediation	Level
					<del>Water in the stopping zone</del>	<del>Need to review to ensure that water is either drained away/the stopping zone needs to be built up to ensure capability of raining--</del> Drainage works completed March 2023. Adjustment to design required due to fibre optic cables.	2
	<del>3 Knotts Road</del>	<del>4330028</del>	<del>0</del>	<del>0.2</del>			
1	Knotts Road	4330028	3.65	4.65	Shoulders need to be uniform-both sides	Construct and seal Shoulders ( Death on Road)	2
					Significant damage to river crossing as a result of storm event.	Major repairs and upgrade of drainage required (multiple years). Concept designs presented to March 2023 OCM. Designs completed and tender for Construction currently being advertised.	4
4	Mackie Siding	4330022	0.48	0.48			
					Widening and Reseal.	Widen road by including shoulders and reseal entire road (Multiple years). Resealing completed to part of this section in March 2023	3
1	Mannavale Road	4330002	6.35	12.6			
	<del>3 Mannavale Road</del>	<del>4330002</del>	<del>5.92</del>	<del>5.92</del>	<del>Reduced sight lines due to vegetation-</del>	<del>Tree pruning-- Completed.</del>	<del>2</del>
0	Marwick Road	4330069	0	0	N/A	N/A	0
4	Mokine Road	4330010	0	0.85	Drain needs to be cleared	clear drain on RHS Only	4
						Dip in road has been temporarily addressed by Shire roads team. Section of road to be cement stabilised to be scheduled by team.	
1	Mokine Road	4330010	11.09	11.16	Pavement failure.		1
4	Moore Road	4330063	0	2.5	Drainage needs cleared out	Requires cleaning	4
4	Moore Road	4330063	1.95	1.95	Culvert needs cleaning/Extension	Clean/ Extend	3
4	Moore Road	4330063	1.74	1.74	Culvert needs cleaning/Extension	Clean/ Extend	3
0	Penny road	4330219	0	0	N/A	N/A	0
4	Qualen West Road	4330019	10.69	10.69	Drainage scouring due to storm event.	Reform drain and shoulder.	2
4	Quellington Road	4330006	1.64	1.81	LHS Drain needs to clear the vegetation	Requires Cleaning	3
4	Quellington Road	4330006	1.88	2.21	LHS Drain needs to clear the vegetation	Requires Cleaning	3
4	Quellington Road	4330006	3.6	3.65	LHS Drain needs to clear the vegetation	Requires Cleaning	3
4	Quellington Road	4330006	4.3	4.3	Culvert needs cleaning/Extension	Requires Cleaning	2
1	Quellington Road	4330006	10.04	11.09	Seal needs replacement shoulder buildup	Road widening needs to go ahead. <del>Detailed Design currently underway.</del>	2
1	Quellington Road	4330006	11.15	14.58	Seal needs replacement shoulder buildup	Road widening needs to go ahead. <del>Detailed Design currently underway.</del>	2
1	Quellington Road	4330006	14.73	16.66	Seal needs replacement shoulder buildup	Road widening needs to go ahead. <del>Detailed Design currently underway.</del>	2
1	Quellington Road	4330006	16.85	17.6	Shoulders need to be uniform-both sides	Road widening needs to go ahead. <del>Detailed Design currently underway.</del>	2
3	Quellington Road	4330006	17.6	19.34	Tree trimming require on RHS	Trim trees	2
4	Spencers Brook York Road	4330004	18.62	18.62	Drainage scouring due to storm event.	Clear out drain on LHS.	2
2	Talbot Road	4330003	4.4	4.4	Geometric Issue LHS	Requires Redesign Road Safety Inspection report underway, which will inform approach to address.	4
2	Talbot Road	4330003	4.53	4.53	Flat Road surface/ Slick surface	Requires Redesign Road Safety Inspection report underway, which will inform approach to address.	1
2	Talbot Road	4330003	4.71	4.77	Incorrect Superelevation/transition LHS	Requires Redesign Road Safety Inspection report underway, which will inform approach to address.	1
4	Talbot Road	4330003	4.8	4.8	No Crossover LHS	Install Crossover	3
4	Talbot Road	4330003	4.92	4.92	No drainage LHS	Requires cleaning	3
2	Talbot Road	4330003	5.1	5.1	Incorrect Camber RHS	Reform to correct camber Road Safety Inspection report underway, which will inform approach to address.	1
2	Talbot Road	4330003	5.1	5.1	Shoulder Narrow	Increase Shoulder Road Safety Inspection report underway, which will inform approach to address.	1
2	Talbot Road	4330003	5.1	5.1	Embankment Steep	Increase embankment Road Safety Inspection report underway, which will inform approach to address.	1

Shire of York Road Risk Register							
Damage Parameters: 1 Damage to Road 2 Geometric/design 3 Overgrown vegetation 4 Drainage 5 Signage				Timing Parameters: 1 Within 6 months 2 From 6-12 months 3 From 12-24 months 4 From 24-36 months			
Type of Damage	Road Name	ROAD number	SLK From	SLK to	Damage Description	Proposed Remediation	Level
2	Talbot Road	4330003	9.77	10.12	Narrowing of Road on Bend and Crest	Increase seal width to 7.2 metres. Awaiting Road Safety Inspection to fall into overall road design for a consistent approach.	1
2	Talbot Road	4330003	10.12	10.16	Narrowing of Culvert	Increase Culvert width Awaiting Road Safety Inspection to fall into overall road design for a consistent approach.	1
2	Talbot Road	4330003	10.16	11.52	Narrowing of Road	Increase seal width to 7.2 metres Awaiting Road Safety Inspection to fall into overall road design for a consistent approach.	3
3	Talbot-west road	4330012	30.85	30.95	Inter-Section-Redesign-	Redesign intersection-To today's standards All works completed except new audio line marking which is waiting on Mainroads WA.	1
4	Trigg Road	4330201	0	0.22	Insufficient drainage causing damage to road.	Design drainage system, reconstruct road where required.	4
4	Wallaby Road	4330030	0.2	0.2	Culverts needs to be cleaned out.	Clear out Drain.	1
4	Wambyn Road	4330014	3.18	3.22	LHS Drain needs to clear the vegetation	Clear vegetation	2
1	Wambyn Road	4330014	5.33	5.6	Rocks jutting through road. Resheeting completed.	Resheet road to higher level, or redesign.	3
1	Waterfall road	4330050	0	8	Resheet required	Resheet Road- Works to be complete March 2022-	2
3	Wilberforce Road	4330049	0	5-84	River crossing still submerged as a result of August 2022 storm event-	Structural assessment has been undertaken by independent engineer once water levels subside to inform works-	3
3	York-Tammin Road	4330001	33.2	33.5	Both sides vegetation clearing	Clear vegetation A portion of the works have completed during should grading.	4
1	York-Tammin Road	4330001	32.15	33.2	Both sides Edge line - Seal	Extend shoulders and seal- Shoulder and sealing works completed in March 2023.	3
1	York-Tammin Road	4330001	31.15	31.5	Both shoulders require rework and seal extension	Extend shoulders and seal- Shoulder works completed in March 2023.	3
1	York-Tammin Road	4330001	31.1	31.3	Floodway needs work. Has small potholes throughout the area,	Rework pavement and reseal- Sealing works completed in March 2023.	4
1	York-Tammin Road	4330001	29.3	29.6	Stripping of sealed section	Sealing works completed in March 2023.	4

**11.2 RISK MANAGEMENT FRAMEWORK AND POLICY**

<b>File Number:</b>	<b>4.4274</b>
<b>Author:</b>	<b>Alina Behan, Executive Manager Corporate &amp; Community Services</b>
<b>Authoriser:</b>	<b>Chris Linnell, Chief Executive Officer</b>
<b>Previously before Council:</b>	<b>Nil</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Appendices:</b>	<b>1. Policy G19 - Risk Assessment &amp; Management <a href="#">↓</a></b> <b>2. Risk Management Framework <a href="#">↓</a></b>

**NATURE OF COUNCIL'S ROLE IN THE MATTER**

Legislative

**PURPOSE OF REPORT**

This report presents a review of Policy G19 - Risk Assessment & Management and the new Risk Management Framework including the revised Shire of York Strategic Risks for the Audit & Risk Committee's consideration and recommendation to Council.

**BACKGROUND**

Both Officers and members of the Audit and Risk Committee had identified the inadequacy of the current Risk Register, Risk Controls and Strategic Risks reported quarterly to Council, and the misalignment of documentation to the new AS/NZS ISO 31000:2018. At the same time the Shire of York was implementing the new Government Frameworks Integrated Planning and Reporting Tool.

It was agreed this was an opportune time to re-examine the Shire's Strategic Risks and develop a Risk Management Framework to set out the Shire's approach to the identification, assessment, reporting and monitoring of risks. Providing a clearer outline of the Shire's Strategic Risks and defined procedures will ensure:

1. Stronger corporate governance
2. Compliance with relevant legislation, regulations and internal policies
3. That Integrated planning and reporting requirements are met
4. That uncertainty and its effects on the Shire's objectives are understood

This will improve the monitoring and reporting of risks by Officers and provide both the Audit and Risk Committee and Council with greater oversight of the Shire's risk environment.

**COMMENTS AND DETAILS****Policy G19 – Risk Assessment & Management (the Policy)**

The Policy has been updated to align with the new AS/NZS ISO 31000:2018 and remove reference to outdated workflows. The amended Policy is presented in Appendix 1.

**Risk Management Framework**

The new Risk Management Framework has been developed to supplement the Policy and provide a systematic guide to the application of risk management for all Officers. A copy of the Risk Management Framework is presented in Appendix 2. The Framework provides guidance on:



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1. Risk Appetite
2. Roles and Responsibilities
3. The Monitoring and Reporting Process
4. Risk Control and Assessment

and presents the Shire's new Strategic Risks.

Previously the Shire monitored and reported quarterly on the following Strategic Risks:

1. Asset Sustainability Practices
2. Business and Community Disruption
3. Failure to Fulfil Compliance Requirements
4. Document Management Processes
5. Employment Practices
6. Environment Management
7. Errors, Omissions and Delays
8. External Theft and Fraud (including Cyber)
9. Management of Facilities/Venues/Events
10. IT or Communications Infrastructure
11. Misconduct
12. Project/Change Management
13. Safety and Security Practices
14. Supplier/Contract Management

It was noted this list represented not only Strategic Risks but also controls and needed further distillation to identify the key strategic risks facing the Shire of York. Officers now present the eight (8) new Strategic Risks as outlined in the Risk Management Framework:

1. Injury or Death
2. Failure/Loss of Infrastructure
3. Theft/Fraud/Misconduct
4. Climate Change/Environmental Damage
5. Failure to Deliver Key Projects
6. Loss of Financial Viability
7. Reputational Damage
8. Failure of Legislative Compliance

Once accepted as the key Strategic Risks by Council, Officers propose to commence reporting on the effectiveness of controls, any positive or negative movement in these controls, and identifying emerging risks.

It is also recommended all future tracking and reporting on Road Risks be completed through the Asset Management Plans, rather than through the current Road Risk Register. This change in approach was discussed in the March 2023 report when the Asset Management Plans were under development. A separate report is presented in this Agenda to the Audit and Risk Committee on this matter.

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**OPTIONS**

The Audit and Risk Committee has the following options:

- Option 1:** The Audit and Risk Committee could choose to recommend to Council that it adopts Policy G19 – Risk Management and receives the Risk Management Framework.
- Option 2:** The Audit and Risk Committee could choose to Council that it adopts Policy G19 – Risk Management and receives the Risk Management Framework with amendments.
- Option 3:** The Audit and Risk Committee could choose to recommend to Council that it does not adopt Policy G19 – Risk Management nor receive the Risk Management Framework.

Option 1 is the recommended option.

**IMPLICATIONS TO CONSIDER****Consultative**

LGIS

Audit and Risk Committee

Executive Leadership Team

**Strategic**

Strategic Community Plan 2020-2030

Goal 5: Strong Leadership and Governance

To have effective and responsive leadership and governance, where a sense of collective purpose and shared direction combine to work together.

**Policy Related**

G19 Risk Assessment and Management

**Financial**

Nil

**Legal and Statutory**

Regulation 16 of the *Local Government (Audit) Regulations 1996* stipulates 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;*

## Audit and Risk Committee Meeting Minutes

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- (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."*

Regulation 17 of the *Local Government (Audit) Regulations 1996* is applicable to the consideration and management of risk and states:

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

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
  - (a) *risk management; and*
  - (b) *internal control; and*
  - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review."*

**Risk Related**

The amended Policy and Risk Management Framework seek to improve the understanding and oversight of all risk within the Shire of York.

**Workforce**

The Policy amendments and Risk Management Framework have been prepared within current workflows. There is an ongoing requirement for all staff to contribute to the monitoring and mitigation of identified risks.

**VOTING REQUIREMENTS**

**Absolute Majority: No**

**OFFICER'S RECOMMENDATION**

That, with regard to the Risk Management Framework and Policy, the Audit and Risk Committee recommends that Council:

1. Adopts Policy G19 – Risk Assessment & Management, as presented in Appendix 1
2. Receives the Risk Management Framework, as presented in Appendix 2.
3. Authorises the Chief Executive Officer to make any minor formatting and typographical changes to the documents prior to publication.

**COMMITTEE RECOMMENDATION**

**Moved:** Ms Shona Zulsdorf

**Seconded:** Cr Peter Wright

That, with regard to the Risk Management Framework and Policy, the Audit and Risk Committee recommends that Council:

1. Lays the matter on the table to enable further review of the Risk Management Framework and Policy G19 – Risk Assessment & Management, for presentation to the Audit and Risk Committee at a Special Meeting to be held in February 2024 (the exact date is yet to be determined).

**In Favour:** Crs Kevin Trent, Denis Warnick, Peter Wright and Shona Zulsdorf

**Against:** Nil

***CARRIED 4/0***

**REASON:** It was identified that further investigation and review of the documentation was required.

## GOVERNANCE POLICIES

### Risk Assessment & Management



Policy Number:	G19
Relevant Delegation:	Not Applicable
Adoption Details:	28 January 2016
Last Review Details:	<del>25 November 2019</del> 03 December 2023

#### POLICY OBJECTIVE:

To develop and maintain an organisational culture which shows confidence in the use of risk assessment and management tools ~~into~~:

- Optimise the achievement of our vision, experiences, strategies, goals and objectives.
- Provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- Enhance risk versus return within our risk appetite.
- Embed appropriate and effective controls to mitigate risk.
- Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhance organisational resilience.
- Identify and provide for the continuity of critical operations
  - ~~the effective and efficient delivery of agreed levels of service.~~
  - ~~maintaining financial sustainability.~~
  - ~~ensuring a high level of probity in the conduct of Shire of York business.~~
  - ~~developing and maintaining an effective and positive relationship between Council and the community.~~
  - ~~exploring future pressures and long-term trends which may affect or shape future strategic direction.~~

To undertake risk management in a way that enables the Council in partnership with the community, to make bold decisions for the community's future with a high level of confidence that key risks have been taken into account and where relevant, are being, or have been, mitigated.

To ensure that appropriate risk assessment and management provisions are in place in order to satisfy statutory requirements.

#### POLICY SCOPE:

This policy applies to all aspects of Shire of York business.

#### POLICY STATEMENT:

#### INTRODUCTION

The Shire of York is committed to organisation-wide risk management principles, systems and processes that ensure consistent, efficient and effective management of risk in all planning, decision-making and operational processes.

Inherent in every decision made by the Councillors, or by the Shire organisation is achieving a balance between delivering on strategic direction and vision and desired levels of service and recognising, managing and offsetting risks (if any) that might accompany the desired action. In many cases the actions and processes are simple and straightforward and provided processes are robust and those that administer them are aware of potential complexities and issues, risks are minimal and easy to manage. Other issues are more complex, or the environment in which services operate are subject to rapid change and emerging trends.

A structured approach to risk management assessment, the use of the risk assessments in decision-making and consequent risk mitigation is in common usage in a range of areas, with a growing and expected use in local government activity. The challenge is to make use of risk management methodologies at a level that engenders confidence as decisions are made but does not stifle new ideas and the setting of a community's vision. Provided the level of risk is known, the Council and community can be clear about the level of risk they are prepared to work with, effectively the 'risk appetite'.

This policy sets out the requirements to develop and maintain a risk assessment framework and process, to apply this framework to key aspects of Council business and to monitor and report on identified risks in a timely manner.

## PRINCIPLES

- (a) a corporate culture which encourages, is aware, vigilant and confident in identifying risk within a wider culture of encouraging continuous improvement, corporate and individual responsibility, and innovation, is essential to good governance.
- (b) risk assessment methodologies must be used as a tool to assist rather than supplant decision-making. Ultimate decisions about 'risk-appetite' are made at all times by Councillors.
- (c) Risk assessment methodologies must be 'fit for purpose' and at a scale that the Shire of York can manage at a reasonable time and resource cost.
- (d) Risk assessment should help drive levels of reporting to Councillors on key projects and programmes.
- (e) A positive relationship with the community with clear communication of vision and risk, alongside consultation where relevant, is central to assisting the Council to identify its risk appetite and make decisions balancing the two considerations.

## PROVISIONS

### 1. RISK ASSESSMENT FRAMEWORK

- 1.1 The Shire will develop and maintain a Risk Assessment Framework. The Framework will be reviewed by each incoming Council (four yearly) in conjunction with the Integrated Planning and Reporting (IPR) process.
- 1.2 The Framework will address the following matters:

- the high level organisational capacity for risk assessment and whether the Council is aiming to achieve Basic or Advanced Standard risk assessment performance in the immediate and medium term.
- the structure for analysing risk to current Council delivery and systems (i.e. the breakdown of Council activity into categories which will undergo risk assessment).
- the structure for analysing and reporting on risks which may affect vision, capacity to deliver, or overall of key strategic decisions (strategic risk) (Key input into the Corporate Business Plan process).

~~• the high level risk assessment methodology to be used, taking into account whether the Risk Assessment Improvement Plan is seeking to achieve Basic, Intermediate or Advanced risk assessment performance.~~

- the organisational responsibilities for oversight of risk assessment and reporting ~~and the Risk Assessment Improvement Plan, through the IPR system.~~

- the risk trigger for reporting capital and operational project activity to Council and the frequency of reporting.

- a clear statement of the Council's 'risk appetite'

1.3 The Framework will be received ~~and approved by~~ the Audit and Risk Committee and a recommendation prepared for Council.

## **2. Risk Assessment Improvement Plan**

~~2.1 The Shire will develop and maintain a Risk Management Improvement Plan (RMIP) which will address the following matters:~~

- ~~• a base line scan of risk assessment capability and capacity. This should include consideration of employee capability and support system capability.~~
- ~~• a programme addressing improvements needed to achieve required performance including timelines and resource needs.~~
- ~~• targeted and practical training programmes to raise staff understanding of risk assessment thinking and systems. This will include provision for awareness training around probity issues.~~

~~2.2 The Plan will be received and approved by the Audit Committee. Note: approval of the Plan will not imply approval of required resource and funding in any strategic planning and budgeting processes.~~

~~2.3 This Plan will be reported to Council as part of the Integrated Planning and Reporting processes and the development of long term and annual budgets, identifying resource needs. Final approval of relevant budgets will be cross-referenced back into the Plan once finalised.~~

## **3.2. General Risk Assessment**

~~3.1 A programme for undertaking a risk assessment of the agreed categories set out in the Framework will be approved by the Audit Committee annually. At a minimum, a full risk assessment of all activities and processes will be undertaken every four years and will provide input into the IPR process.~~

3.2.1 The outcomes of any regular risk assessments ~~along with the proposed programme for improvement~~ will be reported to the Audit and Risk Committee.

~~3.3.2~~ A Risk Register will be maintained for agreed strategic risks with relevant controls. Reporting will be conducted quarterly on all risks all activities and projects identified as having a medium risk or higher. Any changes in strategic risk status (positive or negative), or emergence of newly identified risks, will be entered on the risk register reported to the Audit and Risk Committee with the agreed follow-up requirements.

~~3.4.3.3~~ Any issues relating to risk management identified through audit processes or the Local Government (Audit) Regulations 1996 Regulation 17 review process will be entered on the Risk Register and updated in the Risk Assessment Improvement Strategy included in the quarterly reporting process.

#### **4.3. Risk Assessment: Significant Projects and Programmes**

4.1 All projects and programmes which are of strategic significance to the Council and community and/ or involve significant capital and operating expenditure are required to undertake a risk assessment.

~~4.2~~ The identification of strategically significant projects and programmes and expenditure thresholds will be made by the Council.

#### **5.4. Links to Corporate Business Plan, the Long Term Financial Strategy and Annual Budgeting Processes.**

5.1 Identified risks which may have an impact on the capacity to deliver on the community strategic vision or Council's implementation intentions will be reported as an input into the corporate business planning process.

5.2 Categories identified in the Framework Risk Register as having a medium or higher risk assessment and requiring new funding to address the risk identified will be explicitly reported on and considered in corporate business planning process and statutory budgeting processes.

5.3 Projects and programmes assessed under Section 4 must include explicit reference to risk mitigation strategies and associated costs as input into corporate business planning process and statutory budgeting processes. This may be expressed as a contingency component, provided that there are explicit links to risk.

#### **6.5. Monitoring and Reporting**

~~6.1~~ A review of the Council's risk assessment and management systems will be undertaken as part of the Section Regulation 17 requirements under the Local Government Act (Audit) Regulations.

~~6.1.2~~ The Audit and Risk Committee will be provided with a quarterly Risk Register report.

~~6.2~~ The Audit Committee shall be provided with the following reports on an annual basis:

- ~~• Implementation of the Risk Assessment Improvement Plan.~~
- ~~• Implementation of required system and other improvements arising out of any risk assessment process for the Framework categories.~~

#### **7.6. Communication**

~~7.1~~ A brief report on the implementation of the Risk Management Improvement Plan will be published annually on the Council website along with the upcoming improvement programme for the following year. Audit and Risk Committee reports will be made publically available via the Shire's website.



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**PENALTIES:**

Not applicable.

**KEY TERMS/DEFINITIONS:**

**Risk** means “the effect of uncertainty on objectives.” AS/NZS ISO 31000:200<sup>189</sup>. A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative, or a deviation from the expected. An objective may be financial, related to health and safety, or defined in other terms.

**Risk Assessment** means the process of applying risk management methodologies to assess the level of risk in a particular or general circumstance, activity or operation, or decision.

**Risk Management** means: the application of coordinated activities to direct and control an organisation with regard to risk.

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Responsible Officer: Chief Executive Officer

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Contact Officer: Executive Manager Corporate & Community Services

Relevant Legislation: Local Government Act 1995

Local Government (Audit) Regulations 1996

Review History:

Date Review Adopted:	Resolution Number
Adopted – 28 January 2016	
Reviewed – 24 October 2016	
Reviewed – 25 November 2019	291119
<u>Reviewed – 22 December 2023</u>	
Former Policy No:	G4.6



## Risk Management Framework

- Risk Management Policy
- Risk Management Procedures



December 2023

Version 1.0

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## Introduction

The Policy and Procedures form the Risk Management Framework for the Shire of York ("the Shire"). It sets out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks. All components of this document are based on Australia/New Zealand Standard ISO 31000:2018 Risk Management.

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

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

This Framework aims to balance a documented, structured and systematic process with the current size and complexity of the Shire along with existing time, resource and work pressure.

## Risk Management Summary

### Purpose

The Shire of York ("the Shire") G19 Risk Assessment & Management Policy (the Policy) documents the commitment and objectives regarding managing uncertainty that may impact the Shire's strategies, goals or objectives.

### Policy Statement

It is the Shire's Policy to move towards best practice (aligned with AS/NZS ISO 31000:2018 Risk Management), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public.

Risk Management will form part of the Strategic, Operational, Project and Line Management responsibilities and where possible, be incorporated within the Shire's Integrated Planning Framework.

The Shire's Executive Leadership Team will communicate the Risk Management Policy, Objectives and Procedures, as well as direct and monitor implementation, practice and performance.

Every Elected Member, employee, volunteer and contractor within the Shire is recognised as having a role in risk management.

Consultants may be retained at times to advise and assist in the risk management process or management of specific risks or categories of risk.

### Definitions (from AS/NZS ISO 31000:2018)

**Risk:** Effect of uncertainty on objectives.

Note 1: An effect is a deviation from the expected – positive or negative or both.

Note 2: Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product or process).

**Risk Management:** Coordinated activities to direct and control an organisation with regard to risk.

### Risk Management Objectives

- Optimise the achievement of our vision, experiences, strategies, goals and objectives.
- Provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- Enhance risk versus return within our risk appetite.
- Embed appropriate and effective controls to mitigate risk.
- Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhance organisational resilience.
- Identify and provide for the continuity of critical operations.

### Risk Appetite Overview

The Shire has defined its risk appetite and has complimented this through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. Both the appetite statement and criteria are included within the Risk Management Procedures listed in this document and are subject to ongoing review in conjunction with the Policy.

All organisational risks to be reported at a corporate level are to be assessed according to the Shire's Risk Assessment and Acceptance Criteria to allow consistency and informed decision making.

For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisation's appetite and are to be noted within the individual risk assessment and approved by a member of the Executive Leadership Team.

### Roles, Responsibilities & Accountabilities

Council's role is to -

- Review and approve the Shire's Risk Management Policy and Risk Assessment & Acceptance Criteria.
- Review External Auditors reports on financial statements annually.
- Establish and maintain an Audit and Risk Committee in terms of the Local Government Act 1995.

The Chief Executive Officer (CEO) is responsible for the allocation of roles, responsibilities and accountabilities. These are documented in the Risk Management Procedures following.

### Monitor & Review

The Shire will implement and integrate a monitor and review process to report on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends.

# Risk Management Procedures

## Governance

Appropriate governance of risk management within the Shire of York (the "Shire") provides:

- Transparency of decision making.
- Clear identification of the roles and responsibilities of risk management functions.
- An effective Governance Structure to support the Risk Management Framework.

## Framework Review

The Risk Management Framework is to be reviewed for appropriateness and effectiveness biennially.

## Operating Model

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

## First Line of Defence

All **operational** areas of the Shire are considered '**1<sup>st</sup> Line**'. They are responsible for ensuring that risks within their scope of operations are identified, assessed, managed, monitored and reported. Ultimately, they bear ownership and responsibility for losses or opportunities from the realisation of risk. Associated responsibilities include:

- Establishing and implementing appropriate processes and controls for the management of risk (in line with these procedures).
- Undertaking adequate analysis (data capture) to support the decision-making process of risk.
- Prepare risk acceptance proposals where necessary, based on level of residual risk.
- Retain primary accountability for the ongoing management of their risk and control environment.

## Second Line of Defence

The Shire's Risk Framework Owner – Executive Manager Corporate and Community Services acts as the primary '**2<sup>nd</sup> Line**'. This position owns and manages the Framework for risk management, drafts and implements governance procedures and provides the necessary tools and training to support the 1st line process. The Executive Leadership Team supplements the second line of defence.

Maintaining oversight on the application of the Framework provides a transparent view and level of assurance to the 1<sup>st</sup> & 3<sup>rd</sup> lines on the risk and control environment. Support can be provided by additional oversight functions completed by other 1<sup>st</sup> Line Teams (where applicable). Additional responsibilities include:

- Providing independent oversight of risk matters as required.
- Monitoring and reporting on emerging risks.
- Co-ordinating the Shire's risk reporting for the CEO & Executive Leadership Team and the Audit and Risk Committee.

## Third Line of Defence

Internal Audits and External Audits are the '**3<sup>rd</sup> Line**' of defence, providing assurance to the Council, Audit Committee and Shire Management on the effectiveness of business operations and oversight frameworks (1<sup>st</sup> & 2<sup>nd</sup> Line).

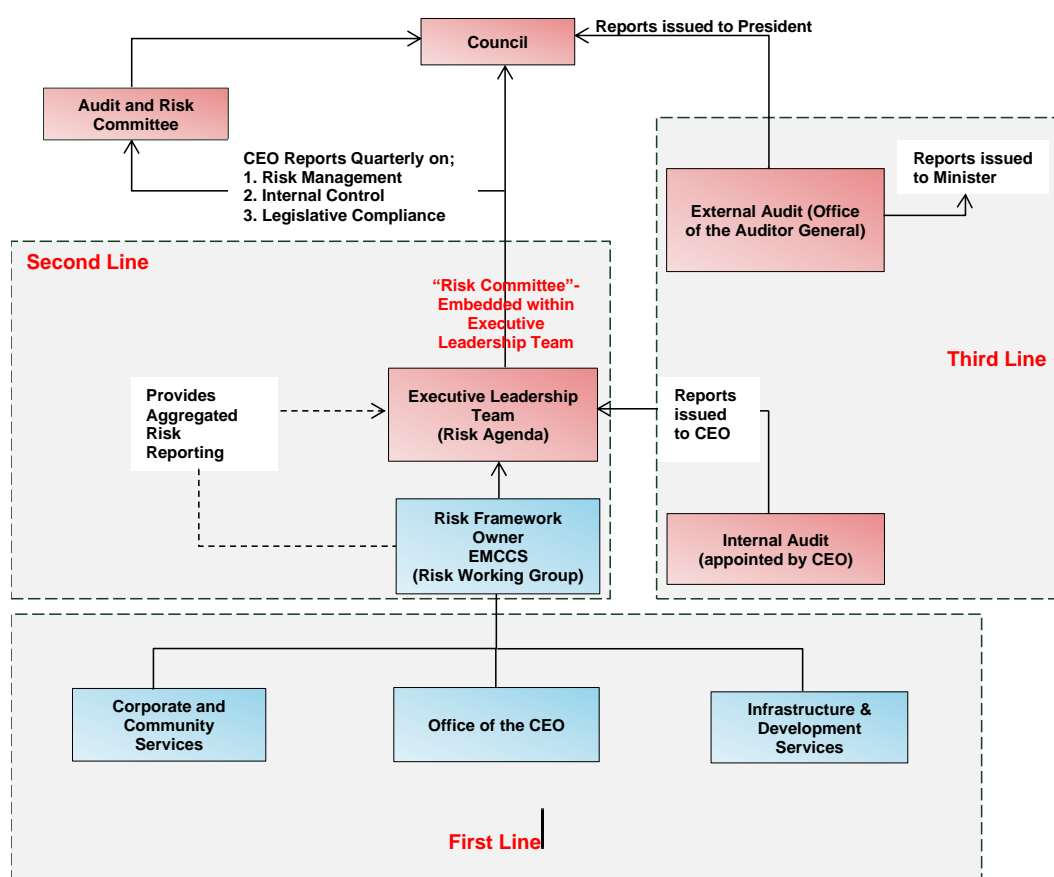
**Internal Audit** Appointed by the CEO to report on the adequacy and effectiveness of internal control processes and procedures. The scope of which would be determined by the CEO.



External Audit Received by Council on the recommendation of the Audit & Risk Committee reporting independently to the President and CEO on the annual financial statements only.

### Governance Structure

The following diagram depicts the current operating structure for risk management within the Shire.



## Roles & Responsibilities

### Council

- Review and approve Policy G19 Risk Assessment, the Risk Appetite and Risk Assessment & Acceptance Criteria.
- Receive reports from External Auditors on financial statements annually.
- Establish and maintain an Audit & Risk Committee in accordance with the *Local Government Act 1995*.

### Audit and Risk Committee

- Support Council in providing effective corporate governance.
- Oversight of all matters that relate to the conduct of External Audits.
- Independent, objective and autonomous in deliberations.

### CEO / Executive Leadership Team

- Undertake internal Audits as required under *Local Government (Audit) Regulations 1996*.
- Liaise with Council in relation to risk acceptance requirements.
- Approve and review the appropriateness and effectiveness of the Risk Management Framework.
- Drive consistent embedding of a risk management culture.
- Analyse and discuss emerging risks, issues and trends.
- Document decisions and actions arising from risk matters.
- Own and manage the Risk Profiles at Shire Level.

### Risk Framework Owner

- Oversee and facilitate the Risk Management Framework.
- Champion risk management within operational areas.
- Support reporting requirements for risk matters.
- Monitor KPI's for risk.

### Managers / Teams

- Drive risk management culture within work areas.
- Own, manage and report on specific risk issues as required.
- Assist in the Risk & Control Management process as required.
- Highlight any emerging risks or issues accordingly.
- Incorporate 'Risk Management' into Team Meetings, by incorporating the following agenda items:
  - New or emerging risks.
  - Review existing risks.
  - Control adequacy.
  - Outstanding issues and actions.

## Risk Appetite

Risk appetite relates to the amount and type of risk the Shire is willing to take in order to achieve its strategic objectives. When discussing risk appetite, tolerance levels will be defined as low, medium or high.

The Shire's overall risk appetite is "risk averse". The Shire is focussed on continuous improvement and delivering innovation where opportunities enhance service delivery. The Shire will consider taking calculated risks but will ensure that risks are properly identified, evaluated and managed to ensure that risk exposure is within acceptable limits. The Shire's risk appetite will be higher when it can be demonstrated that the benefits created through innovative concepts outweigh the associated risks.

### People

The Shire has a low appetite for workplace injury to employees and contractors, acknowledging that the nature and diversity of work undertaken may result in minor injuries. Work safe practices are subject to ongoing review and there is no tolerance for employees not following safe work practices. The Shire's safety management practices are designed to proactively identify and control workplace hazards, there is a low appetite for non-effective use of this process.

There is also a low appetite for reasonably foreseeable incidents that may impact public safety.

### Service Interruption

The Shire has a low appetite for service disruptions exceeding one business day relating to public health and safety. There is a low appetite for ongoing business disruption to other core services that provide direct customer contact that exceed one business day. This includes disruptions caused by the unavailability of the Shire's information technology systems and key corporate systems.

### Reputational

The Shire has a low appetite for theft, fraud and misconduct by employees, Elected Members or external parties for which the Shire is vicariously liable.

The Shire has a low appetite for actions or activities that have a sustained adverse impact on the Shire's reputation, where those risks are avoidable through the application of good governance and practices.

### Compliance

The Shire is subject to a number of statutory and regulatory obligations and there is a low appetite for deliberate unlawful actions by employees or Elected Members.

The Shire is reliant on a combination of policies and procedures to maintain compliance. There is a low appetite for minor and unintentional breaches, or activities that may result in non-compliance by the Shire's employees or elected Members.

### Property

The Shire is subject to a number of statutory and regulatory obligations with regard to property and there is a low appetite for deliberate actions by employees which result in non-compliance.

There is a low appetite for incidents or actions that will affect Shire or publicly owned heritage property. There is medium appetite for actions which may restrict access to low use property assets.

### Financial

The Shire has a low appetite for any actions that are known, or could be reasonably known, that unacceptably threaten the long term financial sustainability of the Shire. Materiality will be a guiding principle and assessing the financial risk appetite for any activity.

### Environmental

The Shire operates within a diverse and complex natural environment. The Shire has a low appetite for unauthorised activities that are known, or ought to be known, to result in degradation of the natural environment.

The natural environment within the Shire of York presents a significant bushfire risk. The Shire has a low appetite for inadequate practices relating to the management of this risk that are within the Shire's control.

The Shire has a low appetite for ineffective contaminated site management.

### Project Delivery

The Shire has a low appetite for variations for significant or high risk projects that exceed 10% of cost or time but has a medium appetite for variations for other projects.

The following table summarises the Shire's approach to risk appetite:

**Table 1: Risk Appetite Summary**

Risk Appetite Range	Low Appetite	Moderate Appetite	High Appetite
<b>Approach to Risk</b>	Accept as little risk as possible and take a cautious approach	Balanced and informed approach to risk taking	A more aggressive approach for increased benefit or to achieve a key Strategic Outcome
<b>Risk Category</b>			
Financial	Activities that impact financial liquidity	Activities with a low value	Activities with a low value that are likely to provide economic or revenue growth opportunities
Work, Health & Safety	Office based staff undertaking high risk activities subject to proper controls being in place	'Outside' staff undertaking manual labour/plant	Outside staff undertaking labour and plant activity subject to proper controls being in place
Reputation	Activities that impact a large part of the community	Activities that impact a small number of the community and are for the greater good	Activities that impact one group with overall benefits that far outweigh the inconvenience
Operation	Activities that result in ongoing disruption to core services	Activities that result in a disruption to a small number of services	Time limited service disruption that will enable improved service delivery to the community
Environmental	Inadequate Environmental Management hazard risk mitigation	Activities that may result in minor environmental impacts	Activities that have environmental approvals from both state and federal agencies and will enable improved services/amenity to the wider community
Compliance	Minor unintentional breaches of legislation	Moderate unintentional breaches of policy or procedures	Significant unintentional breaches of process that occur in an emergency situation
Project Delivery	Activities that result in 10% or lower cost or time variations	Small, low profile changes	Innovation, ongoing community benefit shared across other partners

## Risk & Control Management

All work areas of the Shire are required to assess and manage the Risk Profiles on an ongoing basis.

Each supervisor, in conjunction with the Executive Manager Corporate and Community Services and the Risk Working Group is accountable for ensuring that Risk Profiles are:

- Reflective of the material risk landscape of the Shire.
- Reviewed on a quarterly basis, or sooner if there has been a material restructure or change in the risk and control environment.
- Maintained in the standard format.

## Risk & Control Assessment

To ensure alignment with AS/NZ ISO 31000:2018 Risk Management, the following approach is to be adopted from a Risk & Control Assessment perspective.

### Establishing the Context

The first step in the risk management process is to understand the context within which the risks are to be assessed and what is being assessed, this forms two elements.

### Organisational Context

The Shire's Risk Management Procedures provide the basic information and guidance regarding the organisational context to conduct a risk assessment; this includes Risk Assessment and Acceptance Criteria (Appendix A) and any other tolerance tables as developed. In addition, existing Risk Themes are to be utilised (Appendix C) where possible to assist in the categorisation of related risks.

Any changes or additions to the Risk Themes must be approved by the CEO.

All risk assessments are to utilise these documents to allow consistent and comparable risk information to be developed and considered within planning and decision making processes.

### Specific Risk Assessment Context

To direct the identification of risks, the specific risk assessment context is to be determined prior to and used within the risk assessment process.

For risk assessment purposes the Shire has been divided into three levels of risk assessment context:

#### 1. Strategic Context

This constitutes the Shire's external environment and high-level direction. Inputs to establishing the strategic risk assessment environment may include;

- Organisation's Vision
- Stakeholder Analysis
- Environment Scan / SWOT Analysis
- Existing Strategies / Objectives / Goals

#### 2. Operational Context

The Shire's day to day activities, functions, infrastructure and services. Prior to identifying operational risks, the operational area should identify its Key Activities i.e. what is trying to be achieved. Note: these may already be documented in business plans, budgets etc.

#### 3. Project Context

Project Risk has two main components:

- **Direct** refers to the risks that may arise as a result of project activity (i.e. impacting on current or future process, resources or IT systems) which may prevent the Shire from meeting its objectives
- **Indirect** refers to the risks which threaten the delivery of project outcomes.

In addition to understanding what is to be assessed, it is also important to understand who are the key stakeholders or areas of expertise that may need to be included within the risk assessment.

#### Risk Identification

Using the specific risk assessment context as the foundation, and in conjunction with relevant stakeholders, answer the following questions, capture and review the information within each Risk Profile.

- What can go wrong? / What are areas of uncertainty? (Risk Description)
- How could this risk eventuate? (Potential Causes)
- What are the current measurable activities that mitigate this risk from eventuating? (Controls)
- What are the potential consequential outcomes of the risk eventuating? (Consequences)

#### Risk Analysis

To analyse the risks, the Shire's Risk Assessment and Acceptance Criteria (Appendix A) is applied:

- Based on the documented controls, analyse the risk in terms of Existing Control Ratings
- Determine relevant consequence categories and rate how bad it could be if the risk eventuated with existing controls in place (Consequence)
- Determine how likely it is that the risk will eventuate to the determined level of consequence with existing controls in place (Likelihood)
- By combining the measures of consequence and likelihood, determine the risk rating (Level of Risk)

#### Risk Evaluation

The Shire is to verify the risk analysis and make a risk acceptance decision based on:

- Controls Assurance (i.e. are the existing controls in use, effective, documented, up to date and relevant)
- Existing Control Rating
- Level of Risk
- Risk Acceptance Criteria (Appendix A)
- Risk versus Reward / Opportunity

The risk acceptance decision needs to be documented and acceptable risks are then subject to the monitor and review process. Note: Individual Risks or Issues may need to be escalated due to urgency, level of risk or systemic nature.

#### Risk Treatment

For unacceptable risks, determine treatment options that may improve existing controls and/or reduce consequence / likelihood to an acceptable level.

Risk treatments may involve actions such as avoid, share, transfer or reduce the risk with the treatment selection and implementation to be based on:

- Cost versus benefit
- Ease of implementation
- Alignment to organisational values / objectives

Once a treatment has been fully implemented, the relevant Executive Manager or CEO is to review the risk information and acceptance decision with the treatment now noted as a control and those risks that are acceptable then become subject to the monitor and review process (Refer to Risk Acceptance section).

### Monitoring & Review

The Shire is to review all Risk Profiles at least on a quarterly basis or if triggered by one of the following:

- Changes to context,
- A treatment is implemented,
- An incident occurs or due to audit/regulator findings.

The Risk Framework Owner (RFO) is to monitor the status of risk treatment implementation and report on, if required.

The CEO and Executive Leadership Team will monitor significant risks and treatment implementation as part of their normal agenda item on a quarterly basis with specific attention given to risks that meet any of the following criteria:

- Risks with a Level of Risk of High or Extreme
- Risks with Inadequate Existing Control Rating
- Risks with Consequence Rating of Extreme
- Risks with Likelihood Rating of Almost Certain

The design and focus of the Risk Summary report will be determined from time to time on the direction of the CEO and Executive Leadership Team. They will also monitor the effectiveness of the Risk Management Framework ensuring it is practical and appropriate to the Shire.

### Communication & Consultation

Throughout the risk management process, stakeholders will be identified, and where relevant, be involved in or informed of outputs from the risk management process. Council, through the Audit and Risk Committee will be provided with quarterly update reports.

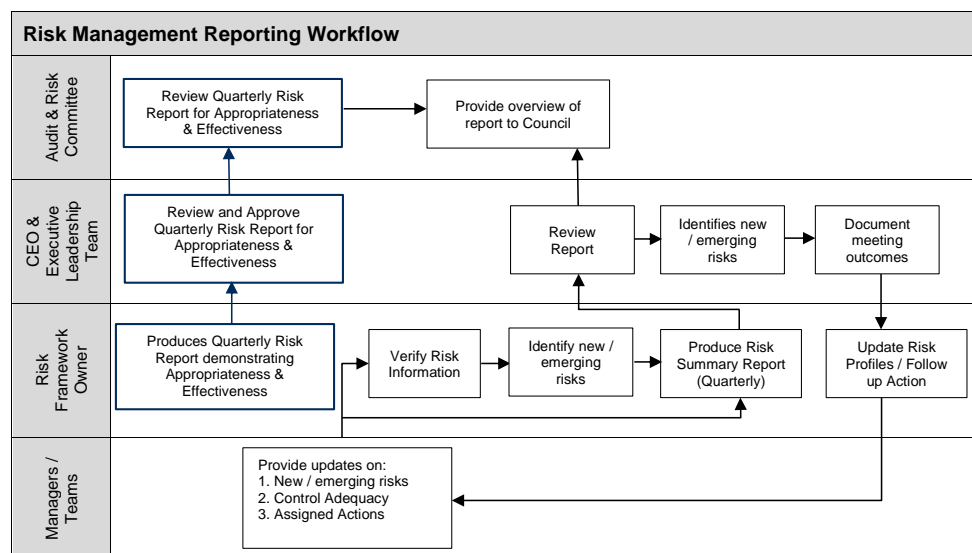
Risk management awareness and training will be provided to staff as part of their WHS Program.

Risk management will be included within the employee induction process to ensure new employees are introduced to the Shire's risk management culture.

## Reporting Requirements

### Coverage & Frequency

The following diagram provides a high level view of the ongoing reporting process for Risk Management.



Each work area is responsible for ensuring:

- They continually provide updates in relation to new and emerging risks, control effectiveness and indicator performance to the RFO.
- Work through assigned actions and provide relevant updates to the RFO.
- Risks / Issues reported to the CEO and Executive Leadership Team are reflective of the current risk and control environment.

The RFO is responsible for:

- Ensuring Shire Risk Profiles are formally reviewed and updated via Government Frameworks, at least on a quarterly basis or when there has been a material restructure, change in risk ownership or change in the external environment.
- Producing a quarterly Risk Report for Audit & Risk Committee review which contains an overview Risk Summary for the Shire.
- Annual Compliance Audit Return completion and lodgement.



## Indicators

Indicators are required to be used for monitoring and validating risks and controls. The following describes the process for the creation and reporting of Indicators:

### Identification

The following represent the minimum standards when identifying appropriate Indicator risks and controls:

- The risk description and causal factors are fully understood
- The Indicator is fully relevant to the risk or control
- Predictive Indicators are adopted wherever possible
- Indicators provide adequate coverage over monitoring risks and controls

### Data Quality and Integrity

In all cases an assessment of the data quality and integrity must be completed to ensure that the Indicator data is relevant to the risk or Control.

Where possible the source of the data (data owner) should be independent to the risk owner. Overlapping Indicators can be used to provide a level of assurance on data integrity.

If the data or source changes during the life of the Indicator, the data is required to be revalidated to ensure reporting of the Indicator against a consistent baseline.

### Benchmarks

Benchmarks are set based on the Shire's Risk Appetite. They may be set and agreed over three levels:

- Green – Effective, within appetite
- Amber – Adequate, the Indicator must be closely monitored, and relevant actions set and implemented to bring the measure back within the green tolerance.
- Red – Inadequate, outside risk appetite; the Indicator must be escalated to the CEO & Senior Management Team where appropriate management actions are to be set and implemented to bring the measure back within appetite.

### Monitor & Review

All active Indicators are updated as per their stated frequency of the data source.

When monitoring and reviewing Indicators, the overall trend should be considered over a longer timeframe than individual data movements. The trend of the Indicators is specifically used as an input to the risk and control assessment.

## Risk Acceptance

Day-to-day operational management decisions are generally managed under the delegated authority framework of the Shire.

Risk Acceptance *outside* of the appetite framework is a management decision to accept, within authority levels, material risks which will remain outside appetite framework (refer Appendix A – Risk Assessment & Acceptance Criteria) for an extended period of time (generally 3 months or longer).

The following process is designed to provide a framework for those *outside* appetite framework identified risks.

The 'Risk Acceptance' must be authorised in Government Frameworks or in writing by the relevant Executive Manager or CEO and cover:

- A description of the risk.
- An assessment of the risk (e.g. Impact consequence, materiality, likelihood, working assumptions etc)
- Details of any mitigating action plans or treatment options in place
- An estimate of the expected remediation date.

Reasonable action should be taken to mitigate the risk. A lack of budget to remediate a material risk outside of appetite is not sufficient justification in itself to accept a risk.

Accepted risks must be continually reviewed through standard operating reporting structure (i.e. Executive Leadership Team).

## Appendix A – Risk Assessment and Acceptance Criteria

SHIRE OF YORK - MEASURES OF RISK CONSEQUENCE									
Rating	People	Service Interruption	Reputational (Social/Community)	Compliance	Property	Natural Environment	Financial Impact	Project - Time	Project - Cost
<b>Insignificant (1)</b>	Near miss/minor injuries	No material service interruption - less than 1 hour	Unsubstantiated, localised low impact on community / stakeholder trust, low profile or no media item	No noticeable regulatory or statutory impact	Inconsequential damage	Contained, reversible impact managed by on site response	Less than \$5,000	Exceeds deadline by 5% of project timeline	Exceeds project budget by 10%
<b>Minor (2)</b>	First Aid Treatment	Short term, temporary interruption - backlog cleared < 1 day	Substantiated, localised impact on community / stakeholder trust or low media item	Some temporary non-compliances	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	\$5,001 - \$25,000	Exceeds deadline by 10% of project timeline	Exceeds project budget by 15%
<b>Moderate (3)</b>	Medical type injuries / Lost time injury < 30 days	Medium term, temporary interruption - backlog cleared by additional resources < 1 week	Substantiated, public embarrassment, moderate impact on community / stakeholder trust or moderate media profile	Short term non-compliance but with significant regulatory requirements imposed	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	\$25,001 - \$100,000	Exceeds deadline by 15% of project timeline	Exceeds project budget by 20%
<b>Major (4)</b>	Lost time injury > 30 days Temporary disability	Prolonged interruption of services - additional resources: - performance affected < 1 month	Substantiated, public embarrassment, widespread, high impact on community / stakeholder trust or high media profile, 3rd party actions	Non-compliance results in termination of services or imposed penalties to Shire/Officers	Significant damage requiring internal and external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	\$100,001 - \$500,000	Exceeds deadline by 20% of project timeline	Exceeds project budget by 25%
<b>Extreme (5)</b>	Fatality / permanent disability	Indeterminate prolonged interruption of services - non-performance > 1 month	Substantiated, public embarrassment, widespread loss of community / stakeholder trust or high, widespread multiple media profile, 3rd party actions	Non-compliance results in litigation, criminal charges or significant damage or penalties	Extensive damage requiring long period of restitution. Complete loss of plant, equipment & building.	Uncontained, irreversible impact	More than \$500,000	Exceeds deadline by 25% of project timeline	Exceeds project budget by 30%

SHIRE OF YORK - MEASURES OF RISK LIKELIHOOD			
Rating	Definition	Frequency	Chance of Occurring
<b>Almost Certain (5)</b>	The event is expected to occur in most circumstances	More than once per year	> 90% chance of occurring
<b>Likely (4)</b>	The event will probably occur in most circumstances	At least once per year	60 - 90% chance of occurring
<b>Possible (3)</b>	The event could occur at some time	At least once in 5 years	40 - 60% chance of occurring
<b>Unlikely (2)</b>	The event should occur at some time	At least once in 10 years	10 - 40% chance of occurring
<b>Rare (1)</b>	The event may only occur in exceptional circumstances	Less than once in 15 years	< 10% chance of occurring

SHIRE OF YORK - RISK MATRIX						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
<b>Almost Certain</b>	<b>5</b>	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
<b>Likely</b>	<b>4</b>	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
<b>Possible</b>	<b>3</b>	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
<b>Unlikely</b>	<b>2</b>	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
<b>Rare</b>	<b>1</b>	Low (1)	Low (2)	Low (3)	Low (4)	Moderate

**RISK ACCEPTANCE**

Risk Rank	Description	Criteria	Responsibility
<b>LOW (1-4)</b>	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
<b>MEDIUM (5-9)</b>	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
<b>HIGH (10-16)</b>	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Senior Management Team
<b>EXTREME (20-25)</b>	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

**EXISTING CONTROLS RATINGS**

Rating	Foreseeable	Description
<b>Effective</b>	There is little scope for improvement.	Processes (Controls) operating as intended and / or aligned to Policies & Procedures; are subject to ongoing maintenance and monitoring and are being continuously reviewed and tested.
<b>Adequate</b>	There is some scope for improvement.	Whilst some inadequacies have been identified; Processes (Controls) are in place, are being addressed / complied with and are subject to periodic review and testing.
<b>Inadequate</b>	A need for corrective and / or improvement actions exist.	Processes (Controls) not operating as intended, do not exist, or are not being addressed / complied with, or have not been reviewed or tested for some time.

## Appendix B – Risk Profile Template

Risk Theme		Date	
<u>(What could go right / wrong?)</u> Definition of Theme			
<u>Potential causes (What could cause it to go right / wrong?)</u> List of potential causes			
Controls (What we have in place to prevent it going wrong)	Type	Date	Rating
List of Controls	Detective		
	Preventative		
	Recovery		
Overall Control Ratings:			
Current Issues / Actions / Treatments		Due Date	Responsibility
List current issues / actions / treatments			
Consequence Category	Risk Ratings		Rating
	Consequence:		
	Likelihood:		
Overall Risk Ratings:			
Indicators (These would 'indicate' to us that something has gone right / wrong)	Type	Benchmark / Tolerance	
List of Indicators	Leading		
	Lagging		
<u>Comments</u> Rationale for all above ratings			

## Appendix C – Strategic Risk Definitions

### 1. Injury or Death

A failure to take reasonable care in any Shire process, project or actions which results in the Injury or death of any person.

### 2. Failure/Loss of Infrastructure

- Failure or reduction in service of infrastructure assets, plant, equipment or machinery. These include fleet, buildings, roads, playgrounds, boat ramps and all other assets and their associated lifecycle from procurement to maintenance and ultimate disposal. Areas included in the scope are;
  - Inadequate design (not fit for purpose)
  - Ineffective usage (down time)
  - Outputs not meeting expectations
  - Inadequate maintenance activities.
  - Inadequate financial management and planning.

### 3. Theft/Fraud/Misconduct

- Loss of funds, assets, data or unauthorised access, (whether attempts or successful) by external parties, through any means (including electronic), for the purposes of;
  - Fraud – benefit or gain by deceit
  - Malicious Damage – hacking, deleting, breaking or reducing the integrity or performance of systems
  - Theft – stealing of data, assets or information (no deceit)
- Intentional activities in excess of authority granted to an employee, which circumvent endorsed policies, procedures or delegated authority. This would include instances of:
  - Relevant authorisations not obtained.
  - Distributing confidential information.
  - Accessing systems and / or applications without correct authority to do so.
  - Misrepresenting data in reports.
  - Theft by an employee
  - Collusion between Internal & External parties

### 4. Climate Change/Environmental Damage

- Inadequate prevention, identification, enforcement and management of environmental issues.

The scope includes:

- Lack of adequate planning and management of coastal erosion issues.
- Failure to identify and effectively manage contaminated sites (including groundwater usage).
- Waste facilities (landfill / transfer stations).
- Weed control.
- Ineffective management of water sources (reclaimed, potable)
- Illegal dumping / Illegal clearing / Illegal land use.

### 5. Failure to Deliver Key Projects

- Inadequate analysis, design, delivery and / or status reporting of change initiatives, resulting in additional expenses, time requirements or scope changes. This includes:
  - Inadequate Change Management Framework to manage and monitor change activities.
  - Inadequate understanding of the impact of project change on the business.
  - Failures in the transition of projects into standard operations.
  - Failure to implement new systems
  - Failures of IT Project Vendors/Contractors
  - Insufficient oversight

**6. Loss of Financial Viability**

Failure to adequately plan for the long term future of the Shire.

Failure to ensure adequate oversight of financial systems, policies and processes by Elected Members, and Shire employees which result in a loss of service.

**7. Reputational Damage**

Failure to adequately consult with or communicate to members of the community or other stakeholders resulting in negative opinion.

Failure to prevent any action, policy or process of the Shire resulting in a reduction in trust and a drop in the positive public perception of the Shire.

**8. Failure of Legislative Compliance**

Failures to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This could result in fines, penalties, litigation or increase scrutiny from regulators or agencies. This includes, new or proposed regulatory and legislative changes, in addition to the failure to maintain updated legal documentation (internal & public domain) to reflect changes.

This does not include Occupational Safety & Health Act (refer "Injury or Death").

It does include the Local Government Act, Health Act, Building Act, Privacy Act and all other legislative based obligations for Local Government



**11.3 AUDIT REGULATION 17 REVIEW AND FINANCIAL MANAGEMENT REGULATION 5 REVIEW**

<b>File Number:</b>	<b>4.0474, 4.0473, 4.0469</b>
<b>Author:</b>	<b>Alina Behan, Executive Manager Corporate &amp; Community Services</b>
<b>Authoriser:</b>	<b>Chris Linnell, Chief Executive Officer</b>
<b>Previously before Council:</b>	<b>29 September 2020 (020920)</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Appendices:</b>	<b>1. Armada Audit and Assurance Report <a href="#">↓</a></b>

**NATURE OF COUNCIL'S ROLE IN THE MATTER**

Legislative

**PURPOSE OF REPORT**

This report presents the outcomes of the Audit Regulation 17 Review (Reg 17) and Financial Management Regulation 5 Review (FMR5) undertaken by Armada Auditing for the Audit & Risk Committee's consideration and recommendation to Council.

**BACKGROUND**

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer (CEO) to review and report to the Audit Committee on the effectiveness of the systems and procedures regarding risk management, internal control and legislative compliance. The Department's *Audit in Local Government Guideline* No. 9 advises that the review can be undertaken either on an internal or external audit basis.

In accordance with Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, the CEO is to "undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly and report to the local government the results of those reviews".

Previously, the Reg 17 was required to be carried out every two (2) years and the FMR5 every four (4) years. However, on 26 June 2018 the above regulations were amended to reflect the requirement for both reviews to be carried out every three (3) years.

Both of the above reviews were last carried out for the Shire of York in 2020 by external consultants and reported to Council.

Quotes were sought in March 2023 from suitably qualified consultants to conduct the reviews in accordance with the proposed timeframe. Accordingly, Armada Audit and Assurance were appointed based on the outcomes of the evaluation process.

The start-up meeting was conducted in May 2023 and was followed by on and off site testing. The audit covered the period 1 July 2022 – 31 March 2023.

The results of the audit were received in November 2023 and a copy is presented in Appendix 1.

Officers have considered the recommendations received as a result of the reviews and will add these actions to the Risk Register, reporting quarterly to the Audit & Risk Committee.

**COMMENTS AND DETAILS**

Armada Auditing reviewed the appropriateness and effectiveness of the Shire's policies, processes, procedures and controls by performing system walkthroughs, enquiry, inspection and observation. The reviews were undertaken within the context of identified internal and external influences and the Shire's appetite for risk.

At the close of the review, the auditors provided a report to identify specific key risk areas and potential improvement recommendations. It was noted that the auditors did not find any significant errors or deficiencies in relations to processes and controls. However, a number of recommendations were made to address gaps.

Officers have taken steps to address those matters which represent a higher risk to the organisation and welcome the guidance this Review provides for future operations.

**OPTIONS**

The Audit and Risk Committee has the following options:

**Option 1:** The Audit and Risk Committee could choose to recommend to Council that these improvements be undertaken in-house within the current resources, having regard for the significance of the risks identified but also the day-to-day workload of Officers.

**Option 2:** The Audit and Risk Committee could choose to recommend to Council that these improvements be undertaken in-house and in combination with independent consultant support where in-house expertise is not available in-line with current budget allocations.

**Option 3:** The Audit and Risk Committee could choose to recommend to Council that all actions are implemented by an independent consultant, noting that while this would enable the suggested policies, procedures and controls to be developed in a more timely and consistent manner, a budget amendment would be required in order to fund this option.

Option 2 is the recommended option.

**IMPLICATIONS TO CONSIDER****Consultative**

Armada Auditing worked with various Officers to collect and review the information required to undertake the Reg 17 and FMR5 Review.

**Strategic**Strategic Community Plan 2020-2030

Goal 5: Strong Leadership and Governance

To have effective and responsive leadership and governance, where a sense of collective purpose and shared direction combine to work together.

**Policy Related**

Armada Auditing reviewed the Shire's Policy Manual during the review. Recommendations are included within Appendix 1 for the development and/or amendment of existing policies which will be undertaken in accordance with the prioritisation of each action.

G19 Risk Assessment and Management

G20 Legislative Compliance

O6 Internal Controls

**Financial**

A budget allocation was provided for this work (GL: 42169) in the 2022/23 and 2023/24 financial years. Allocations have also been made in the 2023/24 financial year for consultancy support to implement the outcomes.

**Legal and Statutory**

Regulation 17 of the *Local Government (Audit) Regulations 1996* is applicable and states:

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

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
  - (a) *risk management; and*
  - (b) *internal control; and*
  - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.”*

Regulation 5 of the *Local Government (Financial Management) Regulations 1996* is applicable and states:

**“5. CEO's duties as to financial management**

- (1) *Efficient systems and procedures are to be established by the CEO of a local government —*
  - (a) *for the proper collection of all money owing to the local government; and*
  - (b) *for the safe custody and security of all money collected or held by the local government; and*
  - (c) *for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and*
  - (d) *to ensure proper accounting for municipal or trust —*
    - (i) *revenue received or receivable; and*
    - (ii) *expenses paid or payable; and*
    - (iii) *assets and liabilities;*

*and*

  - (e) *to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
  - (f) *for the maintenance of payroll, stock control and costing records; and*
  - (g) *to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*
- (2) *The CEO is to —*
  - (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
  - (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*

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12 December 2023

- (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews."*

**Risk Related**

The Reg 17 Review provides a risk rating for each of the matters identified. As outlined above, Officers have prioritised action relating to those matters based on levels of risk.

**Workforce**

Suggested improvements will be undertaken by Officers in conjunction with external consultants.

**VOTING REQUIREMENTS**

**Absolute Majority: No**

**COMMITTEE RECOMMENDATION**

**Moved: Ms Shona Zulsdorf**

**Seconded: Cr Denis Warnick**

**That, with regard to the Audit Regulation 17 Review and Financial Management Regulation 5 Review, the Audit and Risk Committee recommends that Council:**

- 1. Receives the Audit Regulation 17 Review and Financial Management Regulation 5 Review undertaken by Armada Auditing in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996* and Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, as presented in Appendix 1.**
- 2. Notes that these improvements be undertaken in-house and in combination with independent consultant support where in-house expertise is not available in-line with current budget allocations.**

**In Favour: Crs Kevin Trent, Denis Warnick, Peter Wright and Shona Zulsdorf**

**Against: Nil**

**CARRIED 4/0**

# Shire of York

## Financial Management, Risk Management, Internal Control and Legislative Compliance Review Report

08 6165 4000 | [ARMADA.COM.AU](http://ARMADA.COM.AU) | [INFO@ARMADA.COM.AU](mailto:INFO@ARMADA.COM.AU)



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**DISCLAIMER**

This report is provided in accordance with the agreed upon procedures engagement letter dated 28 April 2023 and is subject to its terms and conditions.

Our work was limited to that described in this report and was performed in accordance with ASRS 4400 as issued by AUASB. It did not constitute an examination or a review in accordance with generally accepting auditing standards or assurance standards. Accordingly, we provide no opinion on other form of assurance with respect to work or the information upon which our work was based. We did not audit or otherwise verify the information supplied to us in connection with this review, except to the extent specified in this report.

Our work was based only on the information made available up to the date of the review. Accordingly, changes in circumstances after this date or the availability of other information could affect our findings.

This report is intended solely for the Shire of York's internal use and benefit and may not be relied on by any other party. We accept no liability or responsibility to any other party who gains access to this report.

**1. Overview**

As outlined in our engagement letter dated 28 April 2023, we have been engaged to perform the following agreed-upon procedures as specified below for the Chief Executive Officer (CEO) to satisfy the requirements of Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 and Regulation 17(1) of the Local Government (Audit) Regulations 1996:

- (a) Review the Shire's compliance with Local Government laws and regulations through enquiry, inspection and observation; and
- (b) Review the appropriateness and effectiveness of the Shire's systems and procedures in relation to financial management, risk management and internal controls by performing system walkthroughs, enquiry, inspection, and observation.

We have conducted our engagement in accordance with the Standards on Related Services ASRS 4400 Agreed-Up On Procedures Engagements to Report Factual Findings.

Our procedures performed does not constitute a reasonable or limited assurance engagement, accordingly, no assurance will be expressed. Our review covered the period 1 July 2022 to 31 March 2023 in relation to financial management controls and we performed our procedures in June to October 2023.

The Shire of York is a local government based in Western Australia. The Shire is governed by seven (7) Councilors responsible for planning and making decisions on policies and developments affecting the area. At the time of the review, the Shire employed approximately 70 staff to implement the Council's decisions, running its day-to-day operations and providing a range of programs and services for the community.

**2. Scope of Work**

The objective of this review is to assess the Shire's compliance with Local Government laws and regulations through enquiry, inspection and observation and review the appropriateness and effectiveness of the Shire's system and procedures in relation to risk management, internal control and financial management systems by performing system walkthroughs, enquiry, inspection and observation.

The scope included review of the policies, procedures and plans in the areas and cycles described in Appendix C to this report.

We also covered the following areas in our engagement:

## 2.1 Risk Management

Risk can be defined as the 'effect of uncertainty on objectives'. Risk is important as it assists organisations in setting strategy, achieving objectives and making informed decisions. Taking risks is fundamental to local governments delivering the services to the community.

Risk management is a process in which businesses identify, assess and treat risks that could potentially affect their business operations.

The risk management process described in AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines is one way of achieving a structured approach to the management of risk. Consistently implemented, it allows risks to be identified, analysed, evaluated and managed in a uniform and focused manner.

ISO 31000 recommends that risk management be based on three core elements:

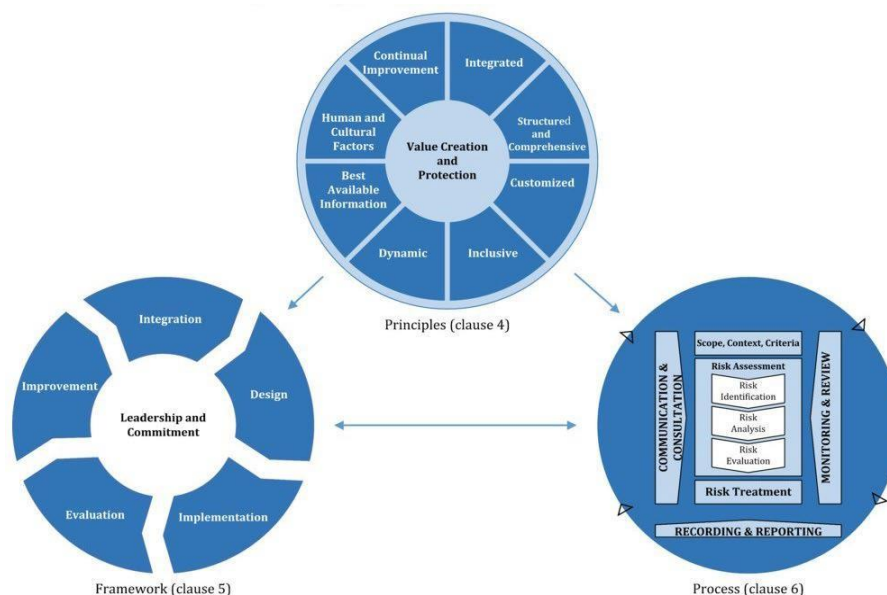


Diagram 1: Source - ISO 31000:2018 Risk Management Principles and Guidelines

### 2.1.1 Risk Management Process

#### a. Risk Identification

The aim of this step is to develop a comprehensive and tailored list of uncertain future events in the future that are likely to have an impact (either positively or negatively) on the achievement of the objectives these are the risks.

#### b. Risk Analysis

Risk analysis rates the potential impact of each risk and its likelihood of occurrence. The combination of these two factors determines the severity of the risk, which may be positive or negative. Although there are many ways to achieve this, a common approach is to use a matrix or 'risk heat map'. Consequence and likelihood are plotted on the two axes of the matrix, with each corresponding cell assigned a level of severity.



#### **c. Risk Evaluation**

Risk evaluation determines the tolerability of each risk. Tolerability is different from severity. Tolerability assists to determine which risks need treatment, and their relative priority, by comparing the severity of the risk against the level of risk you are willing to accept.

#### **d. Risk Treatment**

Risk treatment is the action taken in response to the risk evaluation, where it has been agreed that controls in place are deemed ineffective and additional mitigation activities are required. Risk treatment is an ongoing process where individual risk treatments (or combinations of treatments) are assessed to determine if they are adequate to bring the residual risk levels to a tolerable or appropriate level. If not, then new risk treatments are generated and assessed until a satisfactory level of residual risk is achieved.

#### **e. Communication and Consultation**

Communication and consultation is an essential attribute of good risk management. Risk management cannot be done in isolation and is fundamentally communicative and consultative. Hence this step is, in practice, a requirement within each element of the risk management process.

#### **f. Monitoring and Review**

Risks change over time and hence risk management will be most effective where it is dynamic and, evolving and responsive. Monitoring and review is integral to successful risk management and entities may wish to consider articulating should articulate who is responsible for conducting monitoring and review activities.

#### **g. Recording and Reporting**

The risk management process is most effective when well documented and shared. It may be included in formal risk reports to be recorded and published internally and externally as appropriate and should also be used as an input to reviews of the whole risk management framework.

Recognising and managing risk is a crucial part of the role management and the Council. Oversight of risk management is the responsibility of Council. Council should therefore regularly review and approve the risk management policies and frameworks. In this way the Council decides on the nature and extend of the risks it is prepared to take to meet objectives.

### **2.1.2 Risk Management Methodology**

- Conducted interviews with key personnel involved in the risk management process;
- Reviewed policies, frameworks and plans and assess compliance with industry best practice;
- Assessed whether actual practices are in accordance with approved policies, frameworks and plans;
- Determined whether the Risk Management principles are in accordance with AS/NZS ISO 31000:2018;
- Reviewed insurance policies to assess the adequacy of insurance cover; and
- Reported on the appropriateness and the effectiveness of the current systems and procedures.

### **2.1.3 Areas considered for the review:**

- Risk management systems and operating risks;
- Business continuity plan;
- We assessed the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, with regards to:
  - potential non-compliance with legislation, regulations and standards and local government's policies;
  - important accounting judgements or estimates that prove to be wrong;
  - litigation and claims;
  - misconduct, fraud and theft;
  - significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government.
- Risk reports identifying key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessed the adequacy of local government processes to manage insurable risks and ensure the adequacy

- of insurance cover;
- The effectiveness of the local government's internal control system with management and the internal and external auditors;
- Assessed whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more a high degree of risk;
- Assessed the local government's procurement framework and whether these policies and procedures are being applied;
- Ascertain whether fraud and misconduct risks have been identified, analysed, evaluated, an appropriate treatment plan has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

## 2.2. Legislative Compliance

### 2.2.1. Legislative Compliance Scope

We reviewed the following areas of the Shire's legislative compliance process:

- Compliance with legislation and regulations;
- Annual Compliance Audit Return and reporting to Council the results of that review;
- Procedures for receiving and treating complaints, including confidential and anonymous employee complaints;
- Identification of adverse trends and reviewed management's plans to deal with these;
- Management disclosures in financial reports;
- Whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects and report compliance and ethics issues to the Audit Committee;
- Compliance frameworks dealing with relevant external legislation and regulatory requirements;
- Legislative and regulatory requirements imposed on Audit Committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.

### 2.2.2 Legislative Compliance Methodology

- Conducted interviews with key personnel involved in the various internal control process;
- Reviewed policies, plans and assess compliance with industry best practice;
- Assessed whether actual practices are in accordance with approved policies, frameworks and plans;
- Reviewed key documents and plans to determine if the plans that are required by legislation are adopted and current.
- Reported on the appropriateness and the effectiveness of the current systems and procedures.

## 2.3 Internal Controls Review

### 2.3.1 Internal Controls Review Scope

The following controls were reviewed:

- Separation of roles and functions, processing and authorisation;
- Control of approval of documents, letters and financial records;
- Comparison of internal data with other or external sources of information;
- Limit of direct physical access to assets and records;
- Control of computer applications and information system standards;
- Limit access to make changes in data files and systems;
- Regular maintenance and review of financial control accounts and trial balances;
- Comparison and analysis of financial results with budgeted amounts;
- The arithmetical accuracy and content of records;
- Report, review and approval of financial payments and reconciliations; and
- Comparison of the result of physical cash and inventory counts with accounting records.

### 2.3.2 Internal Controls Methodology

- Conducted interviews with key personnel involved in the various internal control process;
- Reviewed policies, plans and assess compliance with industry best practice;
- Assessed whether actual practices are in accordance with approved policies, frameworks and plans;
- Performed walkthroughs of all significant transaction cycles. Our decision to perform a walkthrough was based on the significance of a particular cycle in terms of either the dollar value it represented in the annual financial statements (reference year 2022) or the strategic importance as noted in the Regulations or discussions from management;
- Obtained an understanding of the Shires IT operating systems and reviewed user access rights to determine whether appropriate segregation has been achieved;
- Reported on the appropriateness and the effectiveness of the current systems and procedures.

## 2.4 Financial Management Review

### 2.4.1 Financial Management Review Scope

As agreed, our examination covered the period 1 July 2022 to 31 March 2023. We examined the following financial systems and procedures of the Shire:

General	<ul style="list-style-type: none"> <li>• General journals</li> <li>• Bank reconciliations</li> <li>• Petty cash systems</li> <li>• Employee costs</li> <li>• Trust Funds</li> <li>• Record Keeping</li> <li>• Authorisations</li> <li>• Other general practices</li> </ul>
Revenue	<ul style="list-style-type: none"> <li>• Rates</li> <li>• Receivables</li> <li>• Fees and Charges</li> </ul>
Expenditure	<ul style="list-style-type: none"> <li>• Procurement</li> <li>• Payments</li> <li>• Credit card procedures</li> <li>• Cost management and control</li> <li>• Overhead allocations</li> </ul>
Assets	<ul style="list-style-type: none"> <li>• Register Acquisitions</li> <li>• Disposals</li> <li>• Depreciation</li> </ul>
Documents	<ul style="list-style-type: none"> <li>• Annual Budget</li> <li>• Long Term Financial Plan</li> <li>• Financial Reports</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• Insurance</li> <li>• GST</li> <li>• FBT</li> <li>• Minutes &amp; Meetings</li> <li>• Registers</li> <li>• Delegations</li> <li>• Audit &amp; Risk Committee</li> <li>• Information Storage</li> </ul>

#### 2.4.2 Financial Management Review Methodology

- Conducted interviews with key personnel involved in the various internal control process;
- Review policies, plans and assess compliance with industry best practice;
- Assess whether actual practices are in accordance with approved policies, frameworks and plans;
- We compared this listing and the relevant areas covered by these policies to the Local Government Act and Regulations, in particular the Local Government (Financial Management) Regulations, as amended from time to time;
- We noted areas of concern, in particular where we identified a lack of documented policies and procedures, or where documented policies and procedures deviated from the requirements of the Regulations;
- We performed walkthroughs of all significant transaction cycles. Our decision to perform a walkthrough was based on the significance of a particular cycle in terms of either the dollar value it represented in the annual financial statements (reference year 2022) or the strategic importance as noted in the Regulations or discussions from management;
- From these walkthroughs we noted areas of concern for discussion with management. Areas of concern include any significant deviation from the documented framework, or where the current framework did not address key risk areas;
- From the work performed above, we prepared a draft report to identify specific key risk areas and potential improvement recommendations.

### 3. Outcomes

#### 3.1 Risk Management, Legislative Compliance and Internal Controls Review

##### **Risk Management:**

The Shire has developed a Risk Assessment & Management Policy, setting out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks. The Shire has implemented a risk management process to achieve a structured approach to the management of risks.

The Shire's risk management process was effective in identifying risks and improvements throughout the Shire's key business areas. We have identified one area of improvement.

##### **Legislative Compliance:**

The Council has adopted various governance policies. The Chief Executive Officer is responsible for ensuring that legislative requirements are met, a compliance calendar is used in this process. The Shire's legislative compliance process is appropriate and effective.

##### **Internal Controls:**

The Shire has several policies and procedures documented and implemented over key financial areas. Considering the size, resources and operations of the Shire the internal control framework, policies and procedures as described to us are appropriate for most areas of operations.

#### 3.2 Financial Management Review

From the work performed during our review, we note that the Shire does have sufficient and appropriate controls in the financial management framework. We have identified a few areas for improvement.

Our detailed recommendations for improvement identified during our review summarised below.

These recommendations have been discussed with management and action plans to address these risks within acceptable timeframes were agreed on.

## 4. Procedures, Results and Recommendations

Based on the above scope of work performed in Section 2 of our report, we did not note any **significant errors or deficiencies** in relation to the processes and controls, however we did observe exceptions and have made recommendations to address the control gaps as listed below:

### 4.1 Review of Plans

1. Integrated Planning and Reporting					
Procedures Performed	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
<p>Review of the Shire's approved Plans:</p> <p>IT Disaster Recovery Plan – dated Feb 2018</p> <p>Workforce Plan adopted 27 March 2017</p>	Moderate	<p>IT Disaster Recovery Plan has not been updated since 2018 and includes names of former employees in the Contact List.</p> <p>Work Force Plan is outdated however Management have advised that a gap analysis was undertaken which informed the organisational review and the final alignment of staffing structure was completed last November.</p> <p>No Asset Management Plan prepared or adopted.</p>	Moderate	<p>The Shire has significant reliance on Information Technology to perform core functions. The IT Disaster Recovery Plan should be reviewed on an annual basis to ensure that the Plan is current and takes into account new risks due to the continuing evolution of technology and the increase risks associated with cyber security.</p> <p>The Long Term Financial Plan, Asset Management Plan and Workforce Plan are key to the Shire's Integrated Planning and Reporting Framework.</p>	<p>The IT Disaster Recovery Plan is scheduled to be updated in the 23/24 FY. The recovery plan is tested annually with our external provider.</p> <p>A consultant has been engaged to update the Workforce Plan in the 2023/24 FY.</p>
<p>Long Term Financial Plan adopted 27 June 2016</p>	Moderate	<p>Long Term Financial Plan is outdated and not fit for purpose.</p> <p>No Asset Management Plan prepared or adopted.</p>	Moderate	<p>These Plans should be developed to inform strategies in the Strategic Community Plan, Corporate Business Plan and Budgets.</p> <p>Without current Plans there is a risk that the Shire's budgets and strategic planning does not included accurate forecasts in relation to asset and employees.</p> <p>We recommend that the Plans are updated as soon as practically possible.</p>	<p>The LTFP is currently being reviewed by Moore Australia to include the updated information included in the recently completed Transport Asset Management Plans. It will be reviewed again in 23/24 FY following receipt of the Buildings &amp; land, Open Space and Infrastructure Other Asset Management Plans.</p>

4.2 Review of the Procurement Policy F2 last reviewed by management on 28 March 2023					
Procedures	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
<p>Review of policy Extracts below:</p> <p>Purchasing Thresholds - \$2,001 to \$5,000 Seek at least two verbal or written quotations from suitable suppliers (may include print outs from reputable suppliers' catalogues or websites). Recommendation to purchase, include on quotation form reason for choosing selected supplier, official order for the goods and services to be countersigned by the Officers designated in this Policy. At least one quotation must be obtained.</p> <p>Purchasing Thresholds - \$5,001 to \$20,000. Seek at least three verbal or written quotations from suitable suppliers. Recommendation to purchase, include on quotation form reason for choosing selected supplier, official order for the goods and services to be countersigned by the Officers designated in this Policy. At least one quotation must be obtained.</p>	Moderate	<p>The policy is not clear on the type and amount of quotations to be obtained. First refers to 2 verbal or written quotes and then states at least one must be obtained. Including "at least one to be obtained" negates the 2 verbal or written quote requirements.</p> <p>We analysed purchase orders approved between 1 July 2022 and 31 March 2023 in this threshold. 114 purchase orders were approved with a total value of \$369,771.</p> <p>We analysed purchase orders approved between 1 July 2022 and 31 March 2023 in this threshold. 90 purchase orders were approved with a total value of \$935,043.</p> <p>The policy is not clear on the type and amount of quotations to be obtained. First refers to 3 verbal or written quotes and then states at least one must be obtained. Including "at least one to be obtained" negates the 3 verbal or written quote requirements.</p>	Moderate	<p>It is important that the policy reflects the operational requirements and whether it can be achieved practically.</p> <p>The value represents 8% of total transaction value and 10% of the number of transactions. We recommend that "at least one quotation must be obtained is removed from the policy".</p> <p>If it is not possible or practical to obtain 3 written or verbal quotation from suppliers in this purchasing category, we recommend that policy be update as follows:</p> <p>\$5,001 to \$10,000 - 2 verbal or 2 written quotations. \$10,000 to \$20,000 - 2 written quotations.</p> <p>This will ensure that the market is tested with comparable suppliers and will be more efficient operationally.</p>	<p>Noted. We will make all updates as suggested and present these to Council via the Audit and Risk Committee for adoption.</p>

<p>Purchasing Thresholds - \$20,001 to \$50,000 Seek at least three written quotations from suitable suppliers after outlining in writing the requirements of the supply. Recommendation to purchase, include on quotation form reason for choosing selected supplier, and that the official order for the goods and services be countersigned by the Officers designated in this Policy. At least two quotations must be obtained.</p> <p>Para 11 – Authorisation for Signing Official Orders and Certification of Invoices</p> <p>CEO – Tender related to a maximum value in accordance with the approved tender as determined by Council.</p> <p>CEO – Non tender related – max \$250k.</p> <p>EMCCS – \$50,000 one transaction within approved budget.</p> <p>EMIDS - \$50,000 one transaction within approved budget.</p> <p>Work Supervisor - \$2,000 one transaction within approved budget.</p>	<p>Moderate</p>	<p>We analysed purchase orders approved between 1 July 2022 and 31 March 2023 in this threshold. 19 purchase orders were approved with a total value of \$599,433.</p> <p>The policy is not clear on the type and amount of quotations to be obtained. First refers to 3 written quotes and then states at least two must be obtained. Including "at least 2 to be obtained" negates the 3 verbal or written quote requirements.</p> <p>The thresholds for officials to authorise purchase orders and certify invoices for payments are the same.</p> <p>Certification of invoices is the process of ensuring that goods have been delivered or services have been provided in accordance with the request to the supplier. Once this is confirmed the invoice is matched to the approved purchase order and the invoice can be processed for payment.</p> <p>The employee that receives the good or service should sign and date the invoice when the good or service has been provided. This would normally be not be Chief Executive Officer or Executive Managers.</p> <p>Therefore placing threshold limits on the certification of invoices that have pre-approved purchase orders is a duplication of the approval process and not operationally efficient.</p>	<p>Moderate</p>	<p>The value represents 12% of total transaction value and 2% of the number of transactions. We recommend that "at least two quotations must be obtained is removed from the policy".</p> <p>We recommend that thresholds for certification of invoices is removed from the policy and the following included in relation to invoice certification:</p> <p>Shire employees that receive the goods or have evidence that the service has been delivered must sign and date the supplier invoice that they have carried out this function and also attached the supplier delivery note.</p> <p>The Accounts Payable Officer must check all invoices to the approved purchase order to make sure that only approved goods and services have been delivered by the supplier.</p> <p>Where supplier invoices are not supported by preapproved purchase orders the invoice must be authorisation according to purchase authorisation authority.</p> <p>This will also ensure adequate segregation of duties between purchase order authorisation, receipting of goods and services and matching invoices to purchase orders.</p>	
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2. Review of other policies					
Procedures and explanations	Risk Rating	Results and Exceptions	Control Effective	Recommendations	Management Comment
Significant Accounting Policies – No. F3 – last reviewed 25 November 2019	Moderate	This policy does not include the accounting policies adopted in the most recent financial statements.	Moderate	We recommend that this policy is reviewed each year before the start of the new financial year so that management can consider the impact of new or changed accounting policies on the financial statements and consider whether operational processes in relation to monthly financial reporting have to be implemented as a result of the change to ensure compliance from the start of the financial year.	Management to review and update to match reporting.
External Grants: Procurement & Management – No. F12 – last reviewed 25 November 2019		The policy in relation to Grant Administration is not sufficiently robust as it does not provide detail of how projects relating to grant funds are to be managed to ensure that the project is completed on time, on budget and on quality.		We recommend that the policy is updated or detailed procedure is documented on how employees should manage grant funded projects.	The Shire are moving to track grants via Government Frameworks Cascade system. The Policy will be reviewed and a process developed accordingly.
Fraud, Corruption and Misconduct Prevention – last reviewed 24 October 2016		The policy states that the Shire will develop and implement a Fraud Corruption Management Plan. This has not been developed and implemented yet.		We recommend that the Shire develops and implements the Fraud Corruption Management Plan as planned.	The Fraud and Corruption Framework has been developed and adopted. The Fraud and Corruption Management Plan is in progress and will be implemented in 2023/24.



#### 4.3 Appropriateness and effectiveness of financial systems and procedures

1. Monthly Accounting, Reconciliations and Masterfile's Procedures and Explanations					
Procedures and Explanations	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
General Journals –  We obtain the list of journal entries passed for the period under review and selected a sample of 9.	Moderate	General Journals –  We found that all journal entries were supported by documentation and authorised by a senior official that was not responsible to the preparation.	Moderate	None	
Bank reconciliations –  We reviewed bank reconciliations for selected months between 1 July 2022 and 31 March 2023.		Bank reconciliations –  For the months selected we found that the bank reconciliations were performed on 6 June 2023 and were performed manually outside of the approved accounting software. This means that unreconciled items for the period under review were only reconciled later in the year which would impact the accuracy of monthly financial reporting to Council. Reconciling the accounting records manually increases the risk of errors and omissions not being identified and corrected accurately in the approved accounting software.		Bank reconciliations –  We recommend that bank reconciliations are performed using the approved accounting software, shortly after month end to ensure that errors and omissions identified can be corrected prior to the preparation of financial activity statements.	Officers are working with financial consultants Moore Australia to improve processes in this area.
Fixed Asset Register – Discussion with the Financial Manager		Fixed Asset Register – The Fixed Asset Register is not updated monthly and reconciled to the general ledger. We understand that the accounting records are updated with asset additions and disposals monthly however the depreciation is calculated on the prior year estimate for monthly reporting.		Fixed Asset Register – We recommend that fixed asset register is updated monthly and reconciled to the accounting records to ensure that both are accurate and complete and that the correct amount of depreciation is accounted for monthly.	Agreed, this process will be in place shortly but there will always be a gap in the first quarter of each financial year while end of year processes complete.

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Supplier Masterfile Changes – Reviewed the policy and procedure and selected samples documents for inspection		Supplier Masterfile Changes – We found that there was no evidence that audit trail with supplier changes are reviewed regularly to ensure that all changes made are valid and accurate.		Supplier Masterfile Changes – We recommend a senior staff member that is not involved in the processing the new creditors or amendments to creditors review the audit trail on a regular basis and evidence this by signing and dating the document.	Changes to the supplier master file are conducted by the Finance Officer – Creditors and an audit trail printed for review and signature by the Finance Manager. During periods of low staff this process is conducted by the Finance Manager and EMCCS
Employee/Payroll Masterfile Changes Reviewed file and audit trails and discussions with the Payroll Officer.	Moderate	Employee/Payroll Masterfile Changes We reviewed the process for changes in employee information for March 2023 and could verify that the changes were supported by authorised forms and explanations.  We were not able to verify that authorised forms were filed for the period 1 July 2022 to January 2023 as the only file available started from February 2023.  Audit trails of changes to payroll information is not reviewed by an independent senior official to ensure that all changes are authorised and accurate.	Moderate	Employee/Payroll Masterfile Changes We recommend that authorised form and documents supporting employee changes are filed and accessible to reviewers of the audit trails.  Audit trails of all changes made in the employee and payroll master file should be printed and reviewed on a monthly basis to ensure that all changes are valid and accurate.	This process has been in place since February 2023. No further action required.  This audit process has been in place since June 2023 with an audit trail printed for review by the Finance Manager and EMCCS fortnightly after every payroll process. This is electronically filed against each pay run.

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2. Revenue					
Procedure and explanations	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
Grants – Revenue Recognition Discussion with Financial Management and review of 31 March 2023 Statement of Financial Activity.	Moderate	Grants – Revenue Recognition We note that management does not account for grants in accordance with AASB 15 Revenue from Contracts and AASB 1058 Income of Not-For-Profits during the financial year. Statement of Financial Activity is therefore not compliant with these accounting standards. We understand that the adjustments for revenue recognition is performed for financial reporting purposed at the financial year end only.	Moderate	Grants – Revenue Recognition Management must recognise Grant revenue in accordance with the Australian Accounting Standards during the financial year.	Noted. We will review our processes to align with AASB 15 and AASB 1058.

3. Expenditure					
Procedure and explanations	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
Procurement and purchases Selected a sample of 15 purchase orders	Moderate	Procurement and purchases We found that 6 invoices relating to 3 of the purchase orders were dated after the invoice date, inferring that the purchase was made without an approved purchase order.  We found that the following two purchase orders were approved by the Executive Manager Corporate and Community Services which is not in accordance with the delegated authority: PO 12646 – LGIS - \$339,525 PO 12624 – CS Legal - \$181,818	Moderate	We recommend that management perform internal checks to ensure that compliance with the Purchases and Procurement policy.	The Shire continues to conduct induction and annual refresher training in procurement to mitigate this risk. Internal checks commenced in the 2023/24 financial year to identify where further education is needed.  The two instances of EMCCS signed purchase orders were confirmed as occurring during periods where the EMCCS was A/CEO and as such are in line with delegations.
Cost management and overhead allocations: Discussions with Acting EMIDS and Financial Manager and review of documents.		Cost management and overhead allocations Managements has implemented project management systems including cost management on projects. No exceptions noted.  Plant and overhead rates have not been reviewed.		With the increase in inflation rates and supplier costs we recommend that the rates are reviewed and updated if required.	This will be reviewed this FY with external consultant oversight.

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4. Assets					
Procedure and explanations	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
Asset Disposals We reviewed documentation relating to asset disposals	Moderate	Asset Disposals Asset disposals for the year were only recorded and processed in October 2023.	Moderate	We recommend that fixed asset register is updated monthly and reconciled to the accounting records to ensure that both are accurate and complete and that the correct amount of depreciation is accounted for monthly.	Agreed, this process will be in place shortly but there will always be a gap in the first quarter of each financial year while end of year processes complete.
5. Compliance					
Procedures	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
Budgets Discussions with Finance Manager and review of documents	Moderate	Budgets The preparation of the budget is key for the Shire's financial management process and required resources and input from a number of employees to finalise the budget for adoption by Council. The Financial Manager is responsible for leading the project. We found that the Shire does not have any documented procedures in place to ensure that the process to prepare the budget can be followed by new employees coming into the role.	Moderate	Budgets Without a documented process the Shire is depending on a person and not a process to ensure that a significant part of financial management of the Shire is performed correctly.	Noted. The Shire has a budget timeline, and budget forms/templates but no in-depth written processes. The Shire will be reviewing all budget processes ahead of the 24/25 budget preparation.
Submission of Documents to the Department		Only exception was the financial statements for FY 2022 only submitted in April 2023.			The Annual Financial Statements were submitted by 30 September 2022 and receipt received. The OAG requested several revisions to the Financial Statement which were received in February 2023 and the final audited statements received in April 2023.

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6. Risk Management					
Procedures	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
Reviewed policies and procedures in place and reviewed the Risk Register.	Low	The Shire does have appropriate policies and procedures in place in relation to Risk Management and the Risk Register is reported in the Audit Committee Meetings.  The Risk Register is updated and risk appropriately monitors. One issue that we found was the Financial Sustainability is not included as a risk.	Low	We recommend including Financial Sustainability as a risk.	The Shire is undertaking a thorough review of its risk reporting and has already included Financial Sustainability as a risk.

5. Limitation of Findings

As the engagement does not constitute either a reasonable or limited assurance engagement in accordance with the Auditing and Assurance Standards Board (AUASB) standards, we **do not express an audit opinion or a review conclusion** and therefore provide no assurance on the internal controls of Shire of York.

We would like to thank management and the financial team for all their support during the engagement.

Yours Sincerely

Armada Audit & Assurance Pty Ltd



Marcia Johnson, Director  
27 November 2023

## Appendix A – Risk Ratings

Level 1	Significant Deficiencies	Issue(s) that represents a significant control or process deficiency and which could have the following impacts: <ul style="list-style-type: none"> <li>Cessation of core business activities;</li> <li>The Shire is unable to deliver its key services;</li> <li>Key strategies/objectivities of the Shire not being achieved including a failure of major projects;</li> <li>Significant financial loss and significant increase on project costs; and</li> <li>Critical breach in laws and regulations that could result in significant fines or consequences.</li> </ul>
Level 2	High Deficiencies	A finding that represents a high control or process deficiency and which could have the following impacts: <ul style="list-style-type: none"> <li>Major disruption of core business activities;</li> <li>Adverse effect on the ability to achieve business objectives;</li> <li>Delivery of critical are services compromised;</li> <li>Major financial loss and/or major increase on project budget/cost; and</li> <li>Breach in laws and regulations resulting in material fines and consequences.</li> </ul>
Level 3	Moderate Deficiencies	A key control or process weakness that needs strengthening and improvement. The impacts of these findings include the following: <ul style="list-style-type: none"> <li>Moderate financial loss and moderate increase on project budget/cost;</li> <li>If the control weakness is not corrected this could become a high finding and could have adverse effect on the ability to achieve business objectives; and</li> <li>Moderate breach in laws and regulations resulting in fines and consequences.</li> </ul>
Level 4	Low Risk Findings	Findings that represents a minor control or process weakness and which could have the following impacts: <ul style="list-style-type: none"> <li>Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule;</li> <li>Minimal impact on the ability to achieve business objectives; and</li> <li>Minimal financial loss and minimal effect on project budget/cost.</li> </ul>

Appendix B – Control Ratings – Effectiveness

Level 2	High Deficiencies	High residual risk – requires urgent management attention
Level 3	Moderate Deficiencies	Moderate residual risk - needs to be resolved as soon as possible
Level 4	Low Risk Findings	Low residual risk – satisfactory or administrative improvement required

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### Appendix C – List of policies, procedures and plans by this Review

SHIRE POLICIES	SHIRE PLANS
CODE OF CONDUCT FOR ELECTED MEMBERS AND STAFF - REVIEWED & ADOPTED 17 SEPTEMBER 2012	BUSINESS CONTINUITY PLAN - VERSION 1.1 MARCH 2022
C3 – COMMUNITY FUNDING: GRANTS & SPONSORSHIP – REVIEW 21 APRIL 2016	CORPORATE BUSINESS PLAN 2020 -2024
E4 – COUNCIL DELEGATES: ROLES & RESPONSIBILITIES - REVIEW 25 NOVEMBER 2019	COVID-19 PANDEMIC RESPONSE - MARCH 2022
F1 – REVENUE COLLECTION – REVIEW 27 APRIL 2021	I.T. DISASTER RECOVERY PLAN REF 0003770Q - FEBRUARY 2018
F2 – PROCUREMENT- REVIEW 28 MARCH 2023	LONG TERM FINANCIAL PLAN - ADOPTED 27 JUNE 2016
F3 – SIGNIFICANT ACCOUNTING POLICIES – REVIEW 25 NOVEMBER 2019	RECORDKEEPING PLAN 2020
F4 – INVESTMENT 25 NOVEMBER 2019	STRATEGIC COMMUNITY PLAN 2012 TO THE FUTURE
F5 – AUTHORITY TO MAKE PAYMENTS FROM TRUST & MUNICIPAL FUNDS – REVIEW 26 MAY 2020	STRATEGIC COMMUNITY PLAN 2020 - 2030
F6 – CORPORATE CREDIT CARD POLICY – REVIEW 23 AUGUST 2022	WORKFORCE PLAN 2017 – 2021 - ADOPTED 27 MARCH 2017
F7 – CONCESSIONS ON COMMERCIAL & FARMING PROPERTIES OCCUPIED BY PENSIONERS / SENIORS – REVIEW 25 NOVEMBER 2019	
F8 – RATES EXEMPTIONS FOR CHARITABLE PURPOSE – REVIEW 25 NOVEMBER 2019	



F9 – PANELS OF PRE-QUALIFIED SUPPLIERS – REVIEW 31 MARCH 2020	
F10 – FINANCIAL HARDSHIP – RATES & CHARGES – REVIEW 21 APRIL 2020	
F11 – FINANCIAL PLANNING & SUSTAINABILITY – REVIEW 25 NOVEMBER 2019	
F12 – EXTERNAL GRANTS: PROCUREMENT & MANAGEMENT – REVIEW 25 NOVEMBER 2019	
G2 – ORGANISATION STRUCTURE AND DESIGNATION OF SENIOR EMPLOYEES – REVIEW 25 NOVEMBER 2019	
G16 – FRAUD, CORRUPTION AND MISCONDUCT PREVENTION – REVIEW 24 OCTOBER 2016	
G17 – INTEGRATED PLANNING & REPORTING (PLANNING) – REVIEW 25 NOVEMBER 2019	
G18 – INTEGRATED PLANNING & REPORTING (REPORTING) – REVIEW 25 NOVEMBER 2019	
G19 – RISK ASSESSMENT & MANAGEMENT – REVIEW 25 NOVEMBER 2019	
G20 – LEGISLATIVE COMPLIANCE – REVIEW 25 NOVEMBER 2019	
G21 – EXECUTION OF DOCUMENTS & USE OF THE COMMON SEAL – REVIEW 25 NOVEMBER 2019	
G25 – COMPLIANCE – REVIEW 25 NOVEMBER 2019	
G26 – MODEL STANDARDS FOR CEO RECRUITMENT PERFORMANCE & TERMINATION – REVIEW 27 APRIL 2021	
G30 – CONTRACTOR MANAGEMENT – REVIEW 21 FEBRUARY 2011	
H1 – OCCUPATIONAL SAFETY & HEALTH – REVIEW 29 SEPTEMBER 2020	

O3 – WORKFORCE & HUMAN RESOURCES - REVIEW 27 APRIL 2021	
O5 – ASSET MANAGEMENT – REVIEW 27 APRIL 2021	
O6 – INTERNAL CONTROLS – REVIEW 27 APRIL 2021	
O8 – EMPLOYEE CODE OF CONDUCT – REVIEW 06 MAY 2021	
O18 – RECRUITMENT AND SELECTION	

**11.4 POLICY REVIEW - POLICY F2 - PROCUREMENT**

<b>File Number:</b>	<b>4.0474, 4.0473</b>
<b>Author:</b>	<b>Alina Behan, Executive Manager Corporate &amp; Community Services</b>
<b>Authoriser:</b>	<b>Chris Linnell, Chief Executive Officer</b>
<b>Previously before Council:</b>	<b>Not Applicable</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Appendices:</b>	<b>1. Armada Audit and Assurance Final Report <a href="#">↓</a></b> <b>2. Policy F2 - Procurement <a href="#">↓</a></b>

**NATURE OF COUNCIL'S ROLE IN THE MATTER**

Legislative

**PURPOSE OF REPORT**

This report presents a review of Policy F2 – Procurement to the Audit & Risk Committee for consideration and recommendation to Council.

**BACKGROUND**

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer (CEO) to review and report to the Audit Committee on the effectiveness of the systems and procedures regarding risk management, internal control and legislative compliance. The Department of Local Government, Sport & Cultural Industries' *Audit in Local Government Guideline* No. 9 advises that the review can be undertaken either on an internal or external audit basis.

In accordance with Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, the CEO is to “undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly and report to the local government the results of those reviews”.

In March 2023, Officers released a Request for Quotation (RFQ) seeking the services of a suitably qualified and experienced consultant to undertake both the Audit Regulation 17 and Financial Management Regulation 5 (Reg 17 and FMR Reg 5) reviews. In April 2023, Armada Audit and Assurance Pty Ltd (Armada) were awarded the contract to conduct these services.

As part of the review Officers requested that Armada also consider the Office of the Auditor General's concerns regarding separation of duties and make recommendations on how to better achieve this at the Shire of York. Armada's final report was received in November 2023 and is presented in Appendix 1.

**COMMENTS AND DETAILS**

As a result of the work performed in its review Armada found that the Shire has sufficient and appropriate controls in the financial management framework, although a few areas for improvement were identified. Suggestions were made for the improvement of Policy F2 – Procurement (the Policy) to improve clarity for Officers and to enhance separation of duties.

**Purchasing Thresholds**

With regard to purchasing thresholds Armada recommended removing the ambiguity that currently exists regarding the type and number of quotations required. Armada found the clauses to be contradictory, for example where the Policy required Officers to seek multiple quotations but obtain a lesser number. For example, the clause relating to Purchasing Threshold \$20,001 to \$50,000 currently states:

*Seek at least three (3) written quotations from suitable suppliers after outlining in writing the requirements of the supply. Recommendation to purchase, include on quotation form reason for choosing selected supplier, and that the official order for the goods and services be countersigned by the Officers designated in this Policy. At least two quotations must be obtained.*

Armada recommends the policy be updated to remove "at least two (2) must be obtained" as this negates the requirement for three (3) quotes.

This wording suggestion has been applied to all Purchasing Thresholds from \$5,000 to \$50,000.

Officers have merged the \$0-\$2,000 and \$2,001 to \$5,000 thresholds in line with current market conditions. All quotations must now be obtained in writing, emails are considered sufficient proof. Removing the ability to seek verbal quotations has negated the need to split the \$5,001 to \$20,000 threshold into two (2) sections as recommended by Armada.

**Authorisation of Official Orders**

Formerly authorisations were extended to the Works Supervisor position. However, this position was removed during the organisational realignment in November/December 2021. This has been replaced to authorise relevant positions with discrete sectional oversight to approve minor purchases in their workflow. This specifically excludes the Finance Manager as this position also has oversight of all payments and may not achieve appropriate separation. The Museum Curator, Pool Manager and Senior Project Manager will also not receive this delegation due to the high likelihood of them also being the Officer providing certification of invoices.

This and other sections of the policy have been updated to reflect the new Altus digital procurement processes.

**Certification of Invoices**

Armada has recommended that the thresholds for invoice certification be removed from the Policy.

It is suggested instead that employees who receive the goods or have evidence that the service has been delivered must sign and date the supplier invoice that they have carried out this function and also attach the supplier delivery note.

The Accounts Payable Officer must check all invoices to the approved purchase order to make sure that only approved goods and services have been delivered by the supplier.

Where supplier invoices are not supported by pre-approved purchase orders the invoice must be authorised in accordance with the purchase authorisation authority.

It is Armada's belief that this will ensure adequate segregation of duties between purchase order authorisation, receipting of goods and services and matching invoices to purchase orders.

**Other Improvements**

In addition to the improvements suggested by Armada, Officers have updated the exemption clause to include the procurement of visual artists where a specific outcome or artistic medium is required. This will be assessed in accordance with Policy C6 – Public Art.

A copy of the reviewed policy is presented in Appendix 2.

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**OPTIONS**

The Audit & Risk Committee has the following options:

**Option 1:** The Audit and Risk Committee could choose to recommend that Council adopts the policy.

**Option 2:** The Audit and Risk Committee could choose to recommend that Council not adopt the policy.

**Option 3:** The Audit and Risk Committee could choose to recommend that Council requests amendments to the policy.

Option 1 is the recommended option.

**IMPLICATIONS TO CONSIDER****Consultative**

Executive Leadership Team

Marcia Johnson, Director – Audit Services, Armada Auditing

**Strategic**

Strategic Community Plan 2020-2030

Goal 5: Strong Leadership and Governance

To have effective and responsive leadership and governance, where a sense of collective purpose and shared direction combine to work together.

**Policy Related**

The Shire of York website will be updated if the proposed Policy is adopted by Council.

**Financial**

Nil

**Legal and Statutory**

Section 2.7(2)(b) of the *Local Government Act 1995* is applicable to Council's role in relation to policies and states:

***"2.7. Role of council***

*(1) The council —*

*(a) governs the local government's affairs; and*

*(b) is responsible for the performance of the local government's functions.*

*(2) Without limiting subsection (1), the council is to —*

*(a) oversee the allocation of the local government's finances and resources; and*

*(b) determine the local government's policies."*

Regulation 11A of the *Local Government (Functions & General) Regulations 1996* is applicable and states:

***"11A. Purchasing policies for local governments***

*(1) A local government is to prepare or adopt, and is to implement, a purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$250 000 or less or worth \$250 000 or less.*

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- (2) *A purchasing policy is to make provision for and in respect of the policy to be followed by the local government for, and in respect of, entering into contracts referred to in subregulation (1).*
- (3) *A purchasing policy must make provision in respect of —*
- (a) the form of quotations acceptable; and*
  - (ba) the minimum number of oral quotations and written quotations that must be obtained; and*
  - (b) the recording and retention of written information, or documents, in respect of —*
    - (i) all quotations received; and*
    - (ii) all purchases made.*
- [(4) deleted]"*

**Risk Related**

The changes made to the Policy are to improve the segregation between duties in the procurement process and thus lessen the risk of fraud related incidents.

**Workforce**

The scope of this report is managed within current operational capacity.

**VOTING REQUIREMENTS**

**Absolute Majority: No**

**COMMITTEE RECOMMENDATION**

**Moved: Ms Shona Zulsdorf**

**Seconded: Cr Denis Warnick**

**That, with regard to the Policy Review - Policy F2 - Procurement, the Audit and Risk Committee recommends that Council:**

- 1. Resolves to adopt the review of Policy P2 – Procurement, as presented in Appendix 2.**
- 2. Authorises the Chief Executive Officer to make any minor formatting and typographical changes to the policy prior to publication.**

**In Favour: Crs Kevin Trent, Denis Warnick, Peter Wright and Shona Zulsdorf**

**Against: Nil**

**CARRIED 4/0**

**Shire of York**  
**Financial Management, Risk  
Management, Internal Control and  
Legislative Compliance Review Report**

08 6165 4000 | [ARMADA.COM.AU](http://ARMADA.COM.AU) | [INFO@ARMADA.COM.AU](mailto:INFO@ARMADA.COM.AU)



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**DISCLAIMER**

This report is provided in accordance with the agreed upon procedures engagement letter dated 28 April 2023 and is subject to its terms and conditions.

Our work was limited to that described in this report and was performed in accordance with ASRS 4400 as issued by AUASB. It did not constitute an examination or a review in accordance with generally accepting auditing standards or assurance standards. Accordingly, we provide no opinion on other form of assurance with respect to work or the information upon which our work was based. We did not audit or otherwise verify the information supplied to us in connection with this review, except to the extent specified in this report.

Our work was based only on the information made available up to the date of the review. Accordingly, changes in circumstances after this date or the availability of other information could affect our findings.

This report is intended solely for the Shire of York's internal use and benefit and may not be relied on by any other party. We accept no liability or responsibility to any other party who gains access to this report.

**1. Overview**

As outlined in our engagement letter dated 28 April 2023, we have been engaged to perform the following agreed-upon procedures as specified below for the Chief Executive Officer (CEO) to satisfy the requirements of Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 and Regulation 17(1) of the Local Government (Audit) Regulations 1996:

- (a) Review the Shire's compliance with Local Government laws and regulations through enquiry, inspection and observation; and
- (b) Review the appropriateness and effectiveness of the Shire's systems and procedures in relation to financial management, risk management and internal controls by performing system walkthroughs, enquiry, inspection, and observation.

We have conducted our engagement in accordance with the Standards on Related Services ASRS 4400 Agreed-Up-on Procedures Engagements to Report Factual Findings.

Our procedures performed does not constitute a reasonable or limited assurance engagement, accordingly, no assurance will be expressed. Our review covered the period 1 July 2022 to 31 March 2023 in relation to financial management controls and we performed our procedures in June to October 2023.

The Shire of York is a local government based in Western Australia. The Shire is governed by seven (7) Councilors responsible for planning and making decisions on policies and developments affecting the area. At the time of the review, the Shire employed approximately 70 staff to implement the Council's decisions, running its day-to-day operations and providing a range of programs and services for the community.

**2. Scope of Work**

The objective of this review is to assess the Shire's compliance with Local Government laws and regulations through enquiry, inspection and observation and review the appropriateness and effectiveness of the Shire's system and procedures in relation to risk management, internal control and financial management systems by performing system walkthroughs, enquiry, inspection and observation.

The scope included review of the policies, procedures and plans in the areas and cycles described in Appendix C to this report.

We also covered the following areas in our engagement:

## 2.1 Risk Management

Risk can be defined as the 'effect of uncertainty on objectives'. Risk is important as it assists organisations in setting strategy, achieving objectives and making informed decisions. Taking risks is fundamental to local governments delivering the services to the community.

Risk management is a process in which businesses identify, assess and treat risks that could potentially affect their business operations.

The risk management process described in AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines is one way of achieving a structured approach to the management of risk. Consistently implemented, it allows risks to be identified, analysed, evaluated and managed in a uniform and focused manner.

ISO 31000 recommends that risk management be based on three core elements:

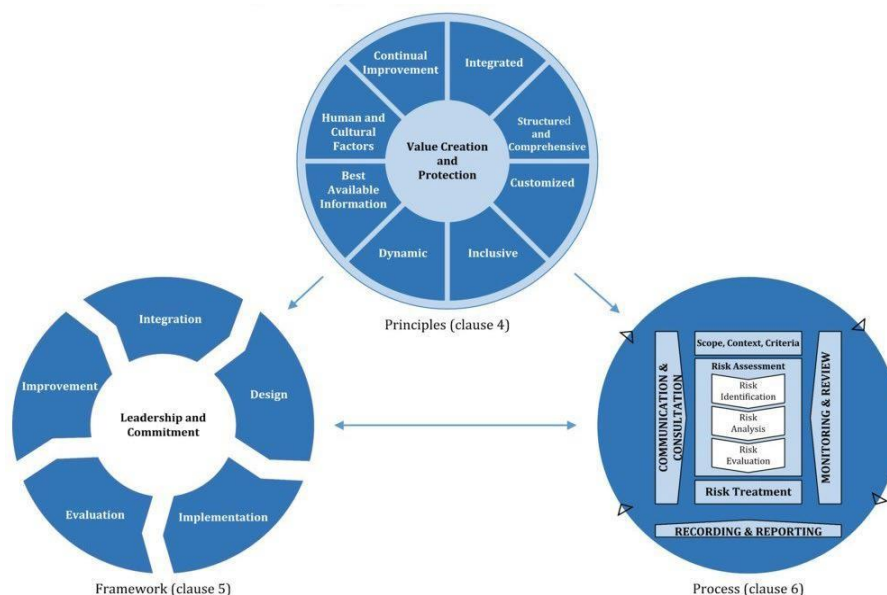


Diagram 1: Source - ISO 31000:2018 Risk Management Principles and Guidelines

### 2.1.1 Risk Management Process

#### a. Risk Identification

The aim of this step is to develop a comprehensive and tailored list of uncertain future events in the future that are likely to have an impact (either positively or negatively) on the achievement of the objectives these are the risks.

#### b. Risk Analysis

Risk analysis rates the potential impact of each risk and its likelihood of occurrence. The combination of these two factors determines the severity of the risk, which may be positive or negative. Although there are many ways to achieve this, a common approach is to use a matrix or 'risk heat map'. Consequence and likelihood are plotted on the two axes of the matrix, with each corresponding cell assigned a level of severity.

**c. Risk Evaluation**

Risk evaluation determines the tolerability of each risk. Tolerability is different from severity. Tolerability assists to determine which risks need treatment, and their relative priority, by comparing the severity of the risk against the level of risk you are willing to accept.

**d. Risk Treatment**

Risk treatment is the action taken in response to the risk evaluation, where it has been agreed that controls in place are deemed ineffective and additional mitigation activities are required. Risk treatment is an ongoing process where individual risk treatments (or combinations of treatments) are assessed to determine if they are adequate to bring the residual risk levels to a tolerable or appropriate level. If not, then new risk treatments are generated and assessed until a satisfactory level of residual risk is achieved.

**e. Communication and Consultation**

Communication and consultation is an essential attribute of good risk management. Risk management cannot be done in isolation and is fundamentally communicative and consultative. Hence this step is, in practice, a requirement within each element of the risk management process.

**f. Monitoring and Review**

Risks change over time and hence risk management will be most effective where it is dynamic and, evolving and responsive. Monitoring and review is integral to successful risk management and entities may wish to consider articulating should articulate who is responsible for conducting monitoring and review activities.

**g. Recording and Reporting**

The risk management process is most effective when well documented and shared. It may be included in formal risk reports to be recorded and published internally and externally as appropriate and should also be used as an input to reviews of the whole risk management framework.

Recognising and managing risk is a crucial part of the role management and the Council. Oversight of risk management is the responsibility of Council. Council should therefore regularly review and approve the risk management policies and frameworks. In this way the Council decides on the nature and extend of the risks it is prepared to take to meet objectives.

**2.1.2 Risk Management Methodology**

- Conducted interviews with key personnel involved in the risk management process;
- Reviewed policies, frameworks and plans and assess compliance with industry best practice;
- Assessed whether actual practices are in accordance with approved policies, frameworks and plans;
- Determined whether the Risk Management principles are in accordance with AS/NZS ISO 31000:2018;
- Reviewed insurance policies to assess the adequacy of insurance cover; and
- Reported on the appropriateness and the effectiveness of the current systems and procedures.

**2.1.3 Areas considered for the review:**

- Risk management systems and operating risks;
- Business continuity plan;
- We assessed the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, with regards to:
  - potential non-compliance with legislation, regulations and standards and local government's policies;
  - important accounting judgements or estimates that prove to be wrong;
  - litigation and claims;
  - misconduct, fraud and theft;
  - significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government.
- Risk reports identifying key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessed the adequacy of local government processes to manage insurable risks and ensure the adequacy

- of insurance cover;
- The effectiveness of the local government's internal control system with management and the internal and external auditors;
- Assessed whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more a high degree of risk;
- Assessed the local government's procurement framework and whether these policies and procedures are being applied;
- Ascertain whether fraud and misconduct risks have been identified, analysed, evaluated, an appropriate treatment plan has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

## 2.2. Legislative Compliance

### 2.2.1. Legislative Compliance Scope

We reviewed the following areas of the Shire's legislative compliance process:

- Compliance with legislation and regulations;
- Annual Compliance Audit Return and reporting to Council the results of that review;
- Procedures for receiving and treating complaints, including confidential and anonymous employee complaints;
- Identification of adverse trends and reviewed management's plans to deal with these;
- Management disclosures in financial reports;
- Whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects and report compliance and ethics issues to the Audit Committee;
- Compliance frameworks dealing with relevant external legislation and regulatory requirements;
- Legislative and regulatory requirements imposed on Audit Committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.

### 2.2.2 Legislative Compliance Methodology

- Conducted interviews with key personnel involved in the various internal control process;
- Reviewed policies, plans and assess compliance with industry best practice;
- Assessed whether actual practices are in accordance with approved policies, frameworks and plans;
- Reviewed key documents and plans to determine if the plans that are required by legislation are adopted and current.
- Reported on the appropriateness and the effectiveness of the current systems and procedures.

## 2.3 Internal Controls Review

### 2.3.1 Internal Controls Review Scope

The following controls were reviewed:

- Separation of roles and functions, processing and authorisation;
- Control of approval of documents, letters and financial records;
- Comparison of internal data with other or external sources of information;
- Limit of direct physical access to assets and records;
- Control of computer applications and information system standards;
- Limit access to make changes in data files and systems;
- Regular maintenance and review of financial control accounts and trial balances;
- Comparison and analysis of financial results with budgeted amounts;
- The arithmetical accuracy and content of records;
- Report, review and approval of financial payments and reconciliations; and
- Comparison of the result of physical cash and inventory counts with accounting records.

### 2.3.2 Internal Controls Methodology

- Conducted interviews with key personnel involved in the various internal control process;
- Reviewed policies, plans and assess compliance with industry best practice;
- Assessed whether actual practices are in accordance with approved policies, frameworks and plans;
- Performed walkthroughs of all significant transaction cycles. Our decision to perform a walkthrough was based on the significance of a particular cycle in terms of either the dollar value it represented in the annual financial statements (reference year 2022) or the strategic importance as noted in the Regulations or discussions from management;
- Obtained an understanding of the Shires IT operating systems and reviewed user access rights to determine whether appropriate segregation has been achieved;
- Reported on the appropriateness and the effectiveness of the current systems and procedures.

## 2.4 Financial Management Review

### 2.4.1 Financial Management Review Scope

As agreed, our examination covered the period 1 July 2022 to 31 March 2023. We examined the following financial systems and procedures of the Shire:

General	<ul style="list-style-type: none"> <li>• General journals</li> <li>• Bank reconciliations</li> <li>• Petty cash systems</li> <li>• Employee costs</li> <li>• Trust Funds</li> <li>• Record Keeping</li> <li>• Authorisations</li> <li>• Other general practices</li> </ul>
Revenue	<ul style="list-style-type: none"> <li>• Rates</li> <li>• Receivables</li> <li>• Fees and Charges</li> </ul>
Expenditure	<ul style="list-style-type: none"> <li>• Procurement</li> <li>• Payments</li> <li>• Credit card procedures</li> <li>• Cost management and control</li> <li>• Overhead allocations</li> </ul>
Assets	<ul style="list-style-type: none"> <li>• Register Acquisitions</li> <li>• Disposals</li> <li>• Depreciation</li> </ul>
Documents	<ul style="list-style-type: none"> <li>• Annual Budget</li> <li>• Long Term Financial Plan</li> <li>• Financial Reports</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• Insurance</li> <li>• GST</li> <li>• FBT</li> <li>• Minutes &amp; Meetings</li> <li>• Registers</li> <li>• Delegations</li> <li>• Audit &amp; Risk Committee</li> <li>• Information Storage</li> </ul>

#### 2.4.2 Financial Management Review Methodology

- Conducted interviews with key personnel involved in the various internal control process;
- Review policies, plans and assess compliance with industry best practice;
- Assess whether actual practices are in accordance with approved policies, frameworks and plans;
- We compared this listing and the relevant areas covered by these policies to the Local Government Act and Regulations, in particular the Local Government (Financial Management) Regulations, as amended from time to time;
- We noted areas of concern, in particular where we identified a lack of documented policies and procedures, or where documented policies and procedures deviated from the requirements of the Regulations;
- We performed walkthroughs of all significant transaction cycles. Our decision to perform a walkthrough was based on the significance of a particular cycle in terms of either the dollar value it represented in the annual financial statements (reference year 2022) or the strategic importance as noted in the Regulations or discussions from management;
- From these walkthroughs we noted areas of concern for discussion with management. Areas of concern include any significant deviation from the documented framework, or where the current framework did not address key risk areas;
- From the work performed above, we prepared a draft report to identify specific key risk areas and potential improvement recommendations.

### 3. Outcomes

#### 3.1 Risk Management, Legislative Compliance and Internal Controls Review

##### **Risk Management:**

The Shire has developed a Risk Assessment & Management Policy, setting out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks. The Shire has implemented a risk management process to achieve a structured approach to the management of risks.

The Shire's risk management process was effective in identifying risks and improvements throughout the Shire's key business areas. We have identified one area of improvement.

##### **Legislative Compliance:**

The Council has adopted various governance policies. The Chief Executive Officer is responsible for ensuring that legislative requirements are met, a compliance calendar is used in this process. The Shire's legislative compliance process is appropriate and effective.

##### **Internal Controls:**

The Shire has several policies and procedures documented and implemented over key financial areas. Considering the size, resources and operations of the Shire the internal control framework, policies and procedures as described to us are appropriate for most areas of operations.

#### 3.2 Financial Management Review

From the work performed during our review, we note that the Shire does have sufficient and appropriate controls in the financial management framework. We have identified a few areas for improvement.

Our detailed recommendations for improvement identified during our review summarised below.

These recommendations have been discussed with management and action plans to address these risks within acceptable timeframes were agreed on.

#### 4. Procedures, Results and Recommendations

Based on the above scope of work performed in Section 2 of our report, we did not note any **significant errors or deficiencies** in relation to the processes and controls, however we did observe exceptions and have made recommendations to address the control gaps as listed below:

##### 4.1 Review of Plans

1. Integrated Planning and Reporting					
Procedures Performed	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
<p>Review of the Shire's approved Plans:</p> <p>IT Disaster Recovery Plan – dated Feb 2018</p> <p>Workforce Plan adopted 27 March 2017</p>	Moderate	<p>IT Disaster Recovery Plan has not been updated since 2018 and includes names of former employees in the Contact List.</p> <p>Work Force Plan is outdated however Management have advised that a gap analysis was undertaken which informed the organisational review and the final alignment of staffing structure was completed last November.</p> <p>No Asset Management Plan prepared or adopted.</p>	Moderate	<p>The Shire has significant reliance on Information Technology to perform core functions. The IT Disaster Recovery Plan should be reviewed on an annual basis to ensure that the Plan is current and takes into account new risks due to the continuing evolution of technology and the increase risks associated with cyber security.</p> <p>The Long Term Financial Plan, Asset Management Plan and Workforce Plan are key to the Shire's Integrated Planning and Reporting Framework.</p>	<p>The IT Disaster Recovery Plan is scheduled to be updated in the 23/24 FY. The recovery plan is tested annually with our external provider.</p> <p>A consultant has been engaged to update the Workforce Plan in the 2023/24 FY.</p>
Long Term Financial Plan adopted 27 June 2016	Moderate	<p>Long Term Financial Plan is outdated and not fit for purpose.</p> <p>No Asset Management Plan prepared or adopted.</p>	Moderate	<p>These Plans should be developed to inform strategies in the Strategic Community Plan, Corporate Business Plan and Budgets.</p> <p>Without current Plans there is a risk that the Shire's budgets and strategic planning does not included accurate forecasts in relation to asset and employees.</p> <p>We recommend that the Plans are updated as soon as practically possible.</p>	<p>The LTFP is currently being reviewed by Moore Australia to include the updated information included in the recently completed Transport Asset Management Plans. It will be reviewed again in 23/24 FY following receipt of the Buildings &amp; land, Open Space and Infrastructure Other Asset Management Plans.</p>

4.2 Review of the Procurement Policy F2 last reviewed by management on 28 March 2023					
Procedures	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
<p>Review of policy Extracts below:</p> <p>Purchasing Thresholds - \$2,001 to \$5,000 Seek at least two verbal or written quotations from suitable suppliers (may include print outs from reputable suppliers' catalogues or websites). Recommendation to purchase, include on quotation form reason for choosing selected supplier, official order for the goods and services to be countersigned by the Officers designated in this Policy. At least one quotation must be obtained.</p> <p>Purchasing Thresholds - \$5,001 to \$20,000. Seek at least three verbal or written quotations from suitable suppliers. Recommendation to purchase, include on quotation form reason for choosing selected supplier, official order for the goods and services to be countersigned by the Officers designated in this Policy. At least one quotation must be obtained.</p>	Moderate	<p>The policy is not clear on the type and amount of quotations to be obtained. First refers to 2 verbal or written quotes and then states at least one must be obtained. Including "at least one to be obtained" negates the 2 verbal or written quote requirements.</p> <p>We analysed purchase orders approved between 1 July 2022 and 31 March 2023 in this threshold. 114 purchase orders were approved with a total value of \$369,771.</p> <p>We analysed purchase orders approved between 1 July 2022 and 31 March 2023 in this threshold. 90 purchase orders were approved with a total value of \$935,043.</p> <p>The policy is not clear on the type and amount of quotations to be obtained. First refers to 3 verbal or written quotes and then states at least one must be obtained. Including "at least one to be obtained" negates the 3 verbal or written quote requirements.</p>	Moderate	<p>It is important that the policy reflects the operational requirements and whether it can be achieved practically.</p> <p>The value represents 8% of total transaction value and 10% of the number of transactions. We recommend that "at least one quotation must be obtained is removed from the policy".</p> <p>If it is not possible or practical to obtain 3 written or verbal quotation from suppliers in this purchasing category, we recommend that policy be update as follows:</p> <p>\$5,001 to \$10,000 - 2 verbal or 2 written quotations. \$10,000 to \$20,000 - 2 written quotations.</p> <p>This will ensure that the market is tested with comparable suppliers and will be more efficient operationally.</p>	<p>Noted. We will make all updates as suggested and present these to Council via the Audit and Risk Committee for adoption.</p>



<p>Purchasing Thresholds - \$20,001 to \$50,000 Seek at least three written quotations from suitable suppliers after outlining in writing the requirements of the supply. Recommendation to purchase, include on quotation form reason for choosing selected supplier, and that the official order for the goods and services be countersigned by the Officers designated in this Policy. At least two quotations must be obtained.</p> <p>Para 11 – Authorisation for Signing Official Orders and Certification of Invoices</p> <p>CEO – Tender related to a maximum value in accordance with the approved tender as determined by Council.</p> <p>CEO – Non tender related – max \$250k.</p> <p>EMCCS – \$50,000 one transaction within approved budget.</p> <p>EMIDS - \$50,000 one transaction within approved budget.</p> <p>Work Supervisor - \$2,000 one transaction within approved budget.</p>	<p>Moderate</p>	<p>We analysed purchase orders approved between 1 July 2022 and 31 March 2023 in this threshold. 19 purchase orders were approved with a total value of \$599,433.</p> <p>The policy is not clear on the type and amount of quotations to be obtained. First refers to 3 written quotes and then states at least two must be obtained. Including "at least 2 to be obtained" negates the 3 verbal or written quote requirements.</p> <p>The thresholds for officials to authorise purchase orders and certify invoices for payments are the same.</p> <p>Certification of invoices is the process of ensuring that goods have been delivered or services have been provided in accordance with the request to the supplier. Once this is confirmed the invoice is matched to the approved purchase order and the invoice can be processed for payment.</p> <p>The employee that receives the good or service should sign and date the invoice when the good or service has been provided. This would normally be not be Chief Executive Officer or Executive Managers.</p> <p>Therefore placing threshold limits on the certification of invoices that have pre-approved purchase orders is a duplication of the approval process and not operationally efficient.</p>	<p>Moderate</p>	<p>The value represents 12% of total transaction value and 2% of the number of transactions. We recommend that "at least two quotations must be obtained is removed from the policy".</p> <p>We recommend that thresholds for certification of invoices is removed from the policy and the following included in relation to invoice certification:</p> <p>Shire employees that receive the goods or have evidence that the service has been delivered must sign and date the supplier invoice that they have carried out this function and also attached the supplier delivery note.</p> <p>The Accounts Payable Officer must check all invoices to the approved purchase order to make sure that only approved goods and services have been delivered by the supplier.</p> <p>Where supplier invoices are not supported by preapproved purchase orders the invoice must be authorisation according to purchase authorisation authority.</p> <p>This will also ensure adequate segregation of duties between purchase order authorisation, receipting of goods and services and matching invoices to purchase orders.</p>	
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2. Review of other policies					
Procedures and explanations	Risk Rating	Results and Exceptions	Control Effective	Recommendations	Management Comment
Significant Accounting Policies – No. F3 – last reviewed 25 November 2019	Moderate	This policy does not include the accounting policies adopted in the most recent financial statements.	Moderate	We recommend that this policy is reviewed each year before the start of the new financial year so that management can consider the impact of new or changed accounting policies on the financial statements and consider whether operational processes in relation to monthly financial reporting have to be implement as a result of the change to ensure compliance from the start of the financial year.	Management to review and update to match reporting.
External Grants: Procurement & Management – No. F12 – last reviewed 25 November 2019		The policy in relation to Grant Administration is not sufficiently robust as it does not provide detail of how projects relating to grant funds are to be managed to ensure that the project is completed on time, on budget and on quality.		We recommend that the policy is updated or detailed procedure is documented on how employees should manage grant funded projects.	The Shire are moving to track grants via Government Frameworks Cascade system. The Policy will be reviewed and a process developed accordingly.
Fraud, Corruption and Misconduct Prevention – last reviewed 24 October 2016		The policy states that the Shire will develop and implement a Fraud Corruption Management Plan. This has not been developed and implemented yet.		We recommend that the Shire develops and implements the Fraud Corruption Management Plan as planned.	The Fraud and Corruption Framework has been developed and adopted. The Fraud and Corruption Management Plan is in progress and will be implemented in 2023/24.

#### 4.3 Appropriateness and effectiveness of financial systems and procedures

1. Monthly Accounting, Reconciliations and Masterfile's Procedures and Explanations					
Procedures and Explanations	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
<p>General Journals –</p> <p>We obtain the list of journal entries passed for the period under review and selected a sample of 9.</p> <p>Bank reconciliations –</p> <p>We reviewed bank reconciliations for selected months between 1 July 2022 and 31 March 2023.</p> <p>Fixed Asset Register –</p> <p>Discussion with the Financial Manager</p>	Moderate	<p>General Journals –</p> <p>We found that all journal entries were supported by documentation and authorised by a senior official that was not responsible to the preparation.</p> <p>Bank reconciliations –</p> <p>For the months selected we found that the bank reconciliations were performed on 6 June 2023 and were performed manually outside of the approved accounting software. This means that unreconciled items for the period under review were only reconciled later in the year which would impact the accuracy of monthly financial reporting to Council. Reconciling the accounting records manually increases the risk of errors and omissions not being identified and corrected accurately in the approved accounting software.</p> <p>Fixed Asset Register –</p> <p>The Fixed Asset Register is not updated monthly and reconciled to the general ledger. We understand that the accounting records are updated with asset additions and disposals monthly however the depreciation is calculated on the prior year estimate for monthly reporting.</p>	Moderate	<p>None</p> <p>Bank reconciliations –</p> <p>We recommend that bank reconciliations are performed using the approved accounting software, shortly after month end to ensure that errors and omissions identified can be corrected prior to the preparation of financial activity statements.</p> <p>Fixed Asset Register –</p> <p>We recommend that fixed asset register is updated monthly and reconciled to the accounting records to ensure that both are accurate and complete and that the correct amount of depreciation is accounted for monthly.</p>	<p>Officers are working with financial consultants Moore Australia to improve processes in this area.</p> <p>Agreed, this process will be in place shortly but there will always be a gap in the first quarter of each financial year while end of year processes complete.</p>

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Supplier Masterfile Changes – Reviewed the policy and procedure and selected samples documents for inspection		Supplier Masterfile Changes – We found that there was no evidence that audit trail with supplier changes are reviewed regularly to ensure that all changes made are valid and accurate.		Supplier Masterfile Changes – We recommend a senior staff member that is not involved in the processing the new creditors or amendments to creditors review the audit trail on a regular basis and evidence this by signing and dating the document.	Changes to the supplier master file are conducted by the Finance Officer – Creditors and an audit trail printed for review and signature by the Finance Manager. During periods of low staff this process is conducted by the Finance Manager and EMCCS
Employee/Payroll Masterfile Changes Reviewed file and audit trails and discussions with the Payroll Officer.	Moderate	Employee/Payroll Masterfile Changes We reviewed the process for changes in employee information for March 2023 and could verify that the changes were supported by authorised forms and explanations.  We were not able to verify that authorised forms were filed for the period 1 July 2022 to January 2023 as the only file available started from February 2023.  Audit trails of changes to payroll information is not reviewed by an independent senior official to ensure that all changes are authorised and accurate.	Moderate	Employee/Payroll Masterfile Changes We recommend that authorised form and documents supporting employee changes are filed and accessible to reviewers of the audit trails.  Audit trails of all changes made in the employee and payroll master file should be printed and reviewed on a monthly basis to ensure that all changes are valid and accurate.	This process has been in place since February 2023. No further action required.  This audit process has been in place since June 2023 with an audit trail printed for review by the Finance Manager and EMCCS fortnightly after every payroll process. This is electronically filed against each pay run.

2. Revenue					
Procedure and explanations	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
Grants – Revenue Recognition Discussion with Financial Management and review of 31 March 2023 Statement of Financial Activity.	Moderate	Grants – Revenue Recognition We note that management does not account for grants in accordance with AASB 15 Revenue from Contracts and AASB 1058 Income of Not-For-Profits during the financial year. Statement of Financial Activity is therefore not compliant with these accounting standards. We understand that the adjustments for revenue recognition is performed for financial reporting purposed at the financial year end only.	Moderate	Grants – Revenue Recognition Management must recognise Grant revenue in accordance with the Australian Accounting Standards during the financial year.	Noted. We will review our processes to align with AASB 15 and AASB 1058.

3. Expenditure					
Procedure and explanations	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
Procurement and purchases Selected a sample of 15 purchase orders	Moderate	Procurement and purchases We found that 6 invoices relating to 3 of the purchase orders were dated after the invoice date, inferring that the purchase was made without an approved purchase order.  We found that the following two purchase orders were approved by the Executive Manager Corporate and Community Services which is not in accordance with the delegated authority: PO 12646 – LGIS - \$339,525 PO 12624 – CS Legal - \$181,818	Moderate	We recommend that management perform internal checks to ensure that compliance with the Purchases and Procurement policy.	The Shire continues to conduct induction and annual refresher training in procurement to mitigate this risk. Internal checks commenced in the 2023/24 financial year to identify where further education is needed.  The two instances of EMCCS signed purchase orders were confirmed as occurring during periods where the EMCCS was A/CEO and as such are in line with delegations.
Cost management and overhead allocations: Discussions with Acting EMIDS and Financial Manager and review of documents.		Cost management and overhead allocations Managements has implemented project management systems including cost management on projects. No exceptions noted.  Plant and overhead rates have not been reviewed.		With the increase in inflation rates and supplier costs we recommend that the rates are reviewed and updated if required.	This will be reviewed this FY with external consultant oversight.

4. Assets					
Procedure and explanations	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
Asset Disposals We reviewed documentation relating to asset disposals	Moderate	Asset Disposals Asset disposals for the year were only recorded and processed in October 2023.	Moderate	We recommend that fixed asset register is updated monthly and reconciled to the accounting records to ensure that both are accurate and complete and that the correct amount of depreciation is accounted for monthly.	Agreed, this process will be in place shortly but there will always be a gap in the first quarter of each financial year while end of year processes complete.
5. Compliance					
Procedures	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
Budgets Discussions with Finance Manager and review of documents	Moderate	Budgets The preparation of the budget is key for the Shire's financial management process and required resources and input from a number of employees to finalise the budget for adoption by Council. The Financial Manager is responsible for leading the project. We found that the Shire does not have any documented procedures in place to ensure that the process to prepare the budget can be followed by new employees coming into the role.	Moderate	Budgets Without a documented process the Shire is depending on a person and not a process to ensure that a significant part of financial management of the Shire is performed correctly.	Noted. The Shire has a budget timeline, and budget forms/templates but no in-depth written processes. The Shire will be reviewing all budget processes ahead of the 24/25 budget preparation.
Submission of Documents to the Department		Only exception was the financial statements for FY 2022 only submitted in April 2023.			The Annual Financial Statements were submitted by 30 September 2022 and receipt received. The OAG requested several revisions to the Financial Statement which were received in February 2023 and the final audited statements received in April 2023.

6. Risk Management					
Procedures	Risk Rating	Results and Exceptions	Control Rating	Recommendations	Management Comment
Reviewed policies and procedures in place and reviewed the Risk Register.	Low	The Shire does have appropriate policies and procedures in place in relation to Risk Management and the Risk Register is reported in the Audit Committee Meetings.  The Risk Register is updated and risk appropriately monitors. One issue that we found was the Financial Sustainability is not included as a risk.	Low	We recommend including Financial Sustainability as a risk.	The Shire is undertaking a thorough review of its risk reporting and has already included Financial Sustainability as a risk.

5. Limitation of Findings

As the engagement does not constitute either a reasonable or limited assurance engagement in accordance with the Auditing and Assurance Standards Board (AUASB) standards, we **do not express an audit opinion or a review conclusion** and therefore provide no assurance on the internal controls of Shire of York.

We would like to thank management and the financial team for all their support during the engagement.

Yours Sincerely

Armada Audit & Assurance Pty Ltd



Marcia Johnson, Director  
27 November 2023

## Appendix A – Risk Ratings

Level 1	Significant Deficiencies	Issue(s) that represents a significant control or process deficiency and which could have the following impacts: <ul style="list-style-type: none"> <li>Cessation of core business activities;</li> <li>The Shire is unable to deliver its key services;</li> <li>Key strategies/objectivities of the Shire not being achieved including a failure of major projects;</li> <li>Significant financial loss and significant increase on project costs; and</li> <li>Critical breach in laws and regulations that could result in significant fines or consequences.</li> </ul>
Level 2	High Deficiencies	A finding that represents a high control or process deficiency and which could have the following impacts: <ul style="list-style-type: none"> <li>Major disruption of core business activities;</li> <li>Adverse effect on the ability to achieve business objectives;</li> <li>Delivery of critical are services compromised;</li> <li>Major financial loss and/or major increase on project budget/cost; and</li> <li>Breach in laws and regulations resulting in material fines and consequences.</li> </ul>
Level 3	Moderate Deficiencies	A key control or process weakness that needs strengthening and improvement. The impacts of these findings include the following: <ul style="list-style-type: none"> <li>Moderate financial loss and moderate increase on project budget/cost;</li> <li>If the control weakness is not corrected this could become a high finding and could have adverse effect on the ability to achieve business objectives; and</li> <li>Moderate breach in laws and regulations resulting in fines and consequences.</li> </ul>
Level 4	Low Risk Findings	Findings that represents a minor control or process weakness and which could have the following impacts: <ul style="list-style-type: none"> <li>Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule;</li> <li>Minimal impact on the ability to achieve business objectives; and</li> <li>Minimal financial loss and minimal effect on project budget/cost.</li> </ul>



Appendix B – Control Ratings – Effectiveness

Level 2	High Deficiencies	High residual risk – requires urgent management attention
Level 3	Moderate Deficiencies	Moderate residual risk - needs to be resolved as soon as possible
Level 4	Low Risk Findings	Low residual risk – satisfactory or administrative improvement required

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### Appendix C – List of policies, procedures and plans by this Review

SHIRE POLICIES	SHIRE PLANS
CODE OF CONDUCT FOR ELECTED MEMBERS AND STAFF - REVIEWED & ADOPTED 17 SEPTEMBER 2012	BUSINESS CONTINUITY PLAN - VERSION 1.1 MARCH 2022
C3 – COMMUNITY FUNDING: GRANTS & SPONSORSHIP – REVIEW 21 APRIL 2016	CORPORATE BUSINESS PLAN 2020 -2024
E4 – COUNCIL DELEGATES: ROLES & RESPONSIBILITIES - REVIEW 25 NOVEMBER 2019	COVID-19 PANDEMIC RESPONSE - MARCH 2022
F1 – REVENUE COLLECTION – REVIEW 27 APRIL 2021	I.T. DISASTER RECOVERY PLAN REF 0003770Q - FEBRUARY 2018
F2 – PROCUREMENT- REVIEW 28 MARCH 2023	LONG TERM FINANCIAL PLAN - ADOPTED 27 JUNE 2016
F3 – SIGNIFICANT ACCOUNTING POLICIES – REVIEW 25 NOVEMBER 2019	RECORDKEEPING PLAN 2020
F4 – INVESTMENT 25 NOVEMBER 2019	STRATEGIC COMMUNITY PLAN 2012 TO THE FUTURE
F5 – AUTHORITY TO MAKE PAYMENTS FROM TRUST & MUNICIPAL FUNDS – REVIEW 26 MAY 2020	STRATEGIC COMMUNITY PLAN 2020 - 2030
F6 – CORPORATE CREDIT CARD POLICY – REVIEW 23 AUGUST 2022	WORKFORCE PLAN 2017 – 2021 - ADOPTED 27 MARCH 2017
F7 – CONCESSIONS ON COMMERCIAL & FARMING PROPERTIES OCCUPIED BY PENSIONERS / SENIORS – REVIEW 25 NOVEMBER 2019	
F8 – RATES EXEMPTIONS FOR CHARITABLE PURPOSE – REVIEW 25 NOVEMBER 2019	

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F9 – PANELS OF PRE-QUALIFIED SUPPLIERS – REVIEW 31 MARCH 2020	
F10 – FINANCIAL HARDSHIP – RATES & CHARGES – REVIEW 21 APRIL 2020	
F11 – FINANCIAL PLANNING & SUSTAINABILITY – REVIEW 25 NOVEMBER 2019	
F12 – EXTERNAL GRANTS: PROCUREMENT & MANAGEMENT – REVIEW 25 NOVEMBER 2019	
G2 – ORGANISATION STRUCTURE AND DESIGNATION OF SENIOR EMPLOYEES – REVIEW 25 NOVEMBER 2019	
G16 – FRAUD, CORRUPTION AND MISCONDUCT PREVENTION – REVIEW 24 OCTOBER 2016	
G17 – INTEGRATED PLANNING & REPORTING (PLANNING) – REVIEW 25 NOVEMBER 2019	
G18 – INTEGRATED PLANNING & REPORTING (REPORTING) – REVIEW 25 NOVEMBER 2019	
G19 – RISK ASSESSMENT & MANAGEMENT – REVIEW 25 NOVEMBER 2019	
G20 – LEGISLATIVE COMPLIANCE – REVIEW 25 NOVEMBER 2019	
G21 – EXECUTION OF DOCUMENTS & USE OF THE COMMON SEAL – REVIEW 25 NOVEMBER 2019	
G25 – COMPLIANCE – REVIEW 25 NOVEMBER 2019	
G26 – MODEL STANDARDS FOR CEO RECRUITMENT PERFORMANCE & TERMINATION – REVIEW 27 APRIL 2021	
G30 – CONTRACTOR MANAGEMENT – REVIEW 21 FEBRUARY 2011	
H1 – OCCUPATIONAL SAFETY & HEALTH – REVIEW 29 SEPTEMBER 2020	

O3 – WORKFORCE & HUMAN RESOURCES - REVIEW 27 APRIL 2021	
O5 – ASSET MANAGEMENT – REVIEW 27 APRIL 2021	
O6 – INTERNAL CONTROLS – REVIEW 27 APRIL 2021	
O8 – EMPLOYEE CODE OF CONDUCT – REVIEW 06 MAY 2021	
O18 – RECRUITMENT AND SELECTION	

## FINANCE POLICIES

### Procurement



Policy Number:	F2
Relevant Delegation:	1.1.12 Expressions of Interest for Goods and Services 1.1.13 Tenders for Goods and Services – Call Tenders 1.1.14 Tenders for Goods and Services – Accepting and Rejecting Tenders, Varying Contracts, Exercising Contract Extension Options 1.1.15 Panels of Pre-Qualified Suppliers for Goods and Services 1.1.17 Payments from the Municipal or Trust Funds
Adoption Details:	28 January 2016
Last Review Details:	28 March 2023

#### **POLICY OBJECTIVE:**

To provide a clear approach for the procurement of all goods and services to ensure practices are efficient, transparent, ethical, provide value for money and meet all legislative requirements.

#### **POLICY SCOPE:**

This Policy applies to all purchasing activities undertaken by the Shire's officers and makes provision for regional price preference.

#### **POLICY STATEMENT:**

#### **INTRODUCTION**

The Shire procures a considerable number of products and services and it is essential that it is done in a way that achieves value for money, is transparent, accountable, without bias or preference and effective. Compliance with the specification is more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability, life cycle costing and service benchmarks.

This policy was created to ensure appropriate procurement of all goods and services and therefore good governance. A full review of relevant legislation and industry best practice was undertaken in the process of preparing this policy and the following is in accordance with the Shire of York's Statement of Business Ethics.

#### **PRINCIPLES**

- (a) Procurement undertaken by the Shire is carried out in a consistent, efficient, effective and transparent manner.
- (b) Retaining the integrity of the procurement process by maintaining fair and ethical practices and adherence to statutory obligations is a fundamental requirement.
- (c) Value for money will be sought in a way that achieves the most advantageous outcomes for the Shire.

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- (d) Where appropriate local suppliers and/or suppliers using significant local resources to be given preferential consideration in order to support the local economy.
  - (e) Wherever possible, other sustainable benefits such as environmental and social factors will be considered in the overall value for money assessment.
  - (f) There should be no conflicts of interest which might compromise equity, probity and integrity and the avoidance of bias in the procurement process.
  - (g) Procurement records will be maintained in accordance with the *State Records Act* and the Shire's Recordkeeping Plan.
  - (h) Confidentiality protocols that protect commercial-in-confidence information are applied with information released only where appropriately approved.
  - (i) Risks related to the procurement process are identified and managed within the Shire's Risk Management Framework.

## PROVISIONS

### ETHICS AND INTEGRITY

- 1. All employees of the Shire shall observe the highest standards of ethics and integrity in undertaking purchasing activities, and act in an honest and professional manner that supports the standing of the Council.**

The following principles, standards and behaviour, must be observed and enforced through all stages of the purchasing process, to ensure the fair and equitable treatment of all parties.

- (i) Full accountability shall be taken for all purchasing decisions, and the efficient, effective and proper expenditure of public monies based on achieving value for money.
- (ii) All purchasing practices shall comply with the *Local Government Act 1995*, *Local Government (Functions and General) Regulations 1996* and requirements consistent with the Shire's Policies, Procedures and Code of Conduct.
- (iii) Purchasing is to be undertaken on a competitive basis, in which all potential suppliers are treated impartially, honestly and consistently.
- (iv) All processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable procedures and audit requirements.
- (v) Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed.

### 2. Value for Money

- 2.1 Value for money is an important principle governing purchasing, that allows the best possible outcome to be achieved for the Shire. It is important to note that compliance with the specification is more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability, life cycle costing and service benchmarks.
  - 2.2 An assessment of the best value for money outcome for any purchasing should consider:
    - (i) All relevant whole of life costs, benefits of whole of life cycle costs (for goods), and whole of contract life costs (for services), including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as, but not limited to, holding costs, consumables, deployment, maintenance and disposal.
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- (ii) The technical merits of the goods or services offered in terms of compliance with specifications, contractual terms and conditions, and any relevant methods of assuring quality.
  - (iii) Financial viability and capacity to supply without risk of default (competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history).
  - (iv) A strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable.
  - (v) The safety requirements and standards associated with both the product design and the specification offered by suppliers and the evaluation of risk arising from its supply, operation and maintenance.
- 2.3 Where a higher priced, conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer.

### 3. Purchasing Thresholds and Practices

- 3.1 The Shire of York must comply with all requirements, including purchasing thresholds and processes, as prescribed within legislation, this Policy and associated procedures in effect at the Shire of York.
- 3.2 The following table outlines the purchasing value thresholds and applicable practices relating to purchasing activities.
- 3.2.1 Purchasing value for the purposes of this policy is exclusive of GST.
- 3.2.2 Where no contract exists, the purchasing value will be the estimated total expenditure for a minimum three-year period.

Amount of Purchase	Process to be followed
Up to \$52,000	Direct purchase from suppliers. No quotation required. Market testing is strongly encouraged.
<del>\$2,001 to \$5,000</del>	<del>Seek at least two verbal or written quotations from suitable suppliers (may include print outs from reputable suppliers' catalogues or websites). Recommendation to purchase, include on quotation form reason for choosing selected supplier, official order for the goods and services to be countersigned by the Officers designated in this Policy. At least one quotation must be obtained</del>
\$5,001 to \$20,000	Seek at least <del>three verbal or two (2)</del> written quotations from suitable suppliers. Recommendation to purchase, include on quotation form reason for choosing selected supplier, official order for the goods and services to be countersigned by the Officers designated in this Policy <del>At least one quotation must be obtained</del>
\$20,001 to \$50,000	Seek at least three <del>(3)</del> written quotations from suitable suppliers after outlining in writing the requirements of the supply. Recommendation to purchase, include on quotation form reason for choosing selected supplier, <del>and that the official order for the goods and services be countersigned by the Officers designated in this Policy. At least two quotations must be obtained.</del>
\$50,001 to \$250,000	Obtain at least three written quotations (using the Shire of York's Request for Quotation template) containing price and specification of goods and

	services. Recommendations to purchase to be accompanied by a written evaluation against pre-determined criteria and approved by the Chief Executive Officer.
\$250,001 and above	Conduct a public tender process, as prescribed under the <i>Local Government (Functions and General) Regulations 1996</i> .
WALGA Services (excluding Preferred Supplier Program)	For the purchasing of WALGA services, a minimum of one <u>(1)</u> written quotation is to be sought and recorded.
Local Government Insurance Services (LGIS) and affiliated companies.	For the purchasing of LGIS services, a minimum of one <u>(1)</u> written quotation is to be sought and recorded. The suite of LGIS insurances is established in accordance with s.9.58(6)(b) of the Local Government Act 1995 and is provided to WALGA Member Local Governments as the owners of LGIS. Therefore, obtaining LGIS insurance services is available as a member-based service and is not defined as a purchasing activity subject to this Policy.

See also Clause 11.

3.3 The *Local Government (Functions and General) Regulations 1996* were amended in April 2020 and the tender threshold raised from \$150,000 to \$250,000.

3.4 *Western Australian Local Government Association (WALGA)/State Government Common Use Arrangement (CUA)*

3.4.1 Where the intended purchase is within the \$250,000 threshold, the above quotation process still applies with respect to obtaining quotations from either WALGA preferred suppliers or non-WALGA suppliers.

3.4.2 Where the intended purchase is over \$250,000 and the Shire wishes to use the Council Purchasing Service of WALGA without going through the tender process, the Shire must still follow the process of obtaining quotations from the WALGA panel.

3.5 Emergency purchases not included in the adopted budget must be authorised in advance by the Shire President in accordance with Section 6.8 of the *Local Government Act 1995*.

3.6 Purchasing Procedures

The Shire has developed a comprehensive Procurement Manual and procedures relating to all aspects of procurement which must be adhered to at all times.

#### 4. Insufficient Suppliers

4.1 It is recognised that in some cases, it may not be possible to obtain three quotations in accordance with the above. In this case, officers must seek an Override to this Policy via the Shire's Altus Procurement system before submitting a request for Purchase Order approval. Officers must include notation as to why purchase this is exempt. attach a file note to the purchase order. Officers must outlineing the details of the companies contacted (date, method, contact details) and their response. ~~This option is not permitted for purchase values above \$50,000.~~

#### 5. Sole Source of Supply

5.1 The procurement of goods and/or services available from only one private sector source of supply is permitted without the need to call for competitive quotation provided that there is genuinely only one source of supply. Written information regarding endeavours to find



other sources must be included on the ~~purchase order~~request for Override of the Procurement Policy.

#### 6. Panels of Pre-Qualified Suppliers

Panels will be established in accordance with the provisions of Part 4, Division 3 of the *Local Government (Functions and General) Regulations 1996* and the Council's Finance Policy F9 Panels of Pre-Qualified Suppliers.

#### 7. Anti-Avoidance

Shire Officers are not to enter into two (2) or more contracts for the purchase of goods and services in order to avoid the requirements of the above monetary thresholds.

#### 8. Exemptions

- 8.1 Notwithstanding that the principles of ethics and integrity as outlined in Section 1 apply at all times, in addition to the regulatory Tender exemptions for purchasing as set out in Regulation 11(2) of the Regulations, certain circumstances may arise where it is not reasonably practicable to adhere to the purchasing thresholds outlined in Section 3.
- 8.2 The following purchases are exempt from the requirement to undertake a competitive purchasing process as outlined in Section 3, where the total value of the purchase is within the Shire's approved annual budget, does not exceed \$50,000 in value, and where the overall business risk has been assessed as low to medium:
  - Emergency reactive building maintenance purchases under \$5,000
  - Advance/Prior Payment of Services (accommodation, travel services, seminars, training courses)
  - Annual memberships/subscriptions
  - Annual license/software maintenance/support fees
  - Conferences
  - Purchases of consumables, defined as items which are able to be consumed and likely to be used up or depleted over a short period of time
  - Purchases of goods or services supplied by or obtained through the Western Australian State Government or the Commonwealth or any of its agencies, or by a local government or a regional local government
  - Purchase of legal services where that service is obtained from a pre-qualified supplier under the WALGA Preferred Supplier Arrangement
  - Reimbursements (TAFE, training course fees, accommodation/meal costs, telephone and internet)
  - Reimbursements for Shop Local Programs made in accordance with approved budget allocations
  - Procurement of performing arts, defined as forms of creative activity that are performed in front of an audience, such as drama, music or dance.
  - Procurement of visual artists in accordance with C6 – Public Art as appropriate where a specific outcome or artistic medium has been identified.
  - Provision of utility services

- Where the contract is for petrol, oil or other liquid or gas used for internal combustion engines
- Purchases from Original Equipment Manufacturer (OEM's), or a sole agent thereof, where warranty provisions may otherwise be void
- Purchases of goods, services or works where there is genuinely only one private sector source of supply (manufacturer, supplier or agency) in line with Section 5 of this Policy
- Purchases of goods or services with demonstrated unique technical requirements that integrate explicitly with existing Shire systems, deviation from which would be inefficient and would otherwise not be considered value for money
- Emergency purchases in line with Section 3.5 of this Policy
- Sponsorships and donations made in accordance with Policy C3 *Community Funding: Grants and Sponsorship* or Policy C4 *Sponsorship of Tourism Events*

#### 9. Record Keeping

All purchasing activity, communications and transactions must be evidenced and retained as local government records in accordance with the *State Records Act 2000* and the Shire's Record Keeping Plan.

#### 10. Creation of New Suppliers

- 10.1 A background check of all new suppliers should be undertaken prior to the supplier being created in the system.
- 10.2 Checks serve as an anti-fraud control measure and should be stored against the completed new creditor documents.

#### 11. Authorisation ~~for the Signing~~ of Official Orders and Certification of Invoices

##### 11.1 Authorisation of Official Orders

- 11.2 At all times, an order must be raised, with full supporting quotation documentation, prior to the official engagement of a creditor. The ~~signing-authorisation~~ of official orders ~~and certification of invoices for~~ the supply of goods and services can only be exercised through the Shire's Altus Procurement program by those Officers indicated in the following schedule, and only to the extent indicated.

Chief Executive Officer	Tender related purchasing – to a maximum value in accordance with the approved tender as determined by Council
	Non-tender related purchases - to a maximum of \$250,000 in any one transaction within the approved Budget Allocations
Executive Manager Corporate and Community Services	To a maximum of \$50,000 in any one transaction within the approved Budget Allocations

Executive Manager Infrastructure and Development Services	To a maximum of \$50,000 in any one transaction within the approved Budget Allocations
<u>Works Supervisor, Coordinators and Supervisors, excluding Curator, Senior Project Manager, Pool Managers and Finance Manager</u>	To a maximum of \$2,000 in any one transaction within the approved Budget Allocations <u>for their responsible area only</u>

#### 11.2 Certification of Invoices.

Shire employees that receive the goods or have evidence that the service has been delivered must sign and date the supplier invoice acknowledging that they have carried out this function and also attached the supplier delivery note if provided.

The Accounts Payable Officer must check all invoices to the approved purchase order to make sure that only approved goods and services have been delivered by the supplier.

Where supplier invoices are not supported by preapproved purchase orders the invoice must be authorised in accordance with purchase authorisation authority. This includes where a variation is over 10% of the original approved purchase. In this instance a variation must be formally approved by the original approver.

#### 1012 Officers in acting capacity

- 12.1 Officers in acting capacity may sign official orders and authorise an invoice for payment of goods and services, as detailed within this Policy.
- 12.2 Acting capacity is defined when the Chief Executive Officer and/or the Officer for the time being appointed as Acting Chief Executive Officer is absent, on annual leave, long service leave, sick leave, conferences, meetings or absent from office during the course of business.

#### 1013 All official orders for goods and services must be countersigned as follows:

- 13.1 All Purchases up to the designated value for public tenders to be called (being \$250,000) shall be countersigned approved by the officers designated in ~~table 11.1~~.
- 13.2 Purchases above \$250,000 (excluding GST), conduct a public tender with a report to Council to award the contract.

#### 1014 Sustainable Procurement

##### 13.014.1 Local Economic Benefit

The Shire encourages the development of competitive local businesses within its boundary first, and second within its broader region. As much as practicable, the Shire will:

- where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses.
- consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support).
- ensure that procurement plans address local business capability and local content.

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- explore the capability of local businesses to meet requirements and ensure that Requests for Quotation and Tenders are designed to accommodate the capabilities of local businesses.
  - avoid bias in the design and specifications for Requests for Quotation and Tenders – all Requests must be structured to encourage local businesses to bid; and
  - provide adequate and consistent information to local suppliers.

To this extent, a qualitative weighting will be included in the evaluation criteria for quotes and Tenders where suppliers are located within the boundaries of the Shire, or substantially demonstrate a benefit or contribution to the local economy. These criteria will relate to local economic benefits that result from Tender processes.

#### 13-014.2 *Local Price Preference*

A preference will be applicable to all locally based contractors and suppliers with a permanent office and staff located within the Shire of York. This also applies to contractors based outside the Shire of York who use goods, materials or services which are sourced from within the Shire.

##### (a) Goods and Services

- (i) A 10% price preference, to a maximum of \$5,000, applies to goods and services, sourced and used in the Shire of York.
- (ii) A 5% price preference to a maximum of \$2,500 applies to goods and services sourced within the Avon Valley.

##### (b) Construction

- (i) A 5% price preference, to a maximum of \$5,000, applies to all construction conducted by businesses/contractors based within the Shire of York.
- (ii) A 2.5% price preference, to a maximum of \$2,500, applies to all construction conducted by business/contractors based within the Avon Valley.

#### 13-014.3 *Purchasing from Australian Disability Enterprises*

Where possible and appropriate, Australian Disability Enterprises (ADE) are to be invited to quote to supply goods, services or works under the tender threshold.

For purchases above the tender threshold, an ADE may be contracted without the need to undertake a public Tender process. The ADE will still need to be issued a request for quotation document, and a value for money assessment of the ADE's offer must be made to demonstrate benefits for the Shire's achievement of its strategic and operational objectives.

#### 13-014.4 *Purchasing from Aboriginal Businesses*

A business registered in the current Aboriginal Business Directory WA (produced by the Small Business Development Corporation) may be contracted directly without the need to comply with the Threshold and Purchasing Practices requirements of this Policy, only where:

- the contract value is or is worth \$250,000 or less, and
  - a best and sustainable value assessment demonstrates benefits for the Shire's achievement of its strategic and operational objectives.
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A qualitative weighting will be used in the evaluation of quotes and tenders to provide advantages to businesses registered in the current Aboriginal Business Directory WA, in instances where not directly contracted.

#### **1315 Non-Compliance**

- 15.1 Purchasing activities are subject to financial and performance audits, which review compliance with legislative requirements and also compliance with the Shire's policies and procedures.
- 15.2 A failure to comply with the requirements of this policy will be subject to investigation, with findings to be considered in context of the responsible person's training, experience, seniority and reasonable expectations for performance of their role.
- 15.3 Where a breach is substantiated it may be treated as:
- an opportunity for additional training to be provided.
  - a disciplinary matter, which may or may not be subject to reporting requirements under the *Public Sector Management Act 1994*.
  - misconduct in accordance with the *Corruption, Crime and Misconduct Act 2003*.

#### **KEY TERMS/DEFINITIONS:**

Not applicable.

Responsible Officer:	Executive Manager Corporate & Community Services
Contact Officer:	Executive Manager Corporate & Community Services
Relevant Legislation:	<i>Local Government Act 1995</i> – Section 3.57 <i>Local Government Act 1995</i> – Section 6.10 Local Government (Financial Management) Regulations 1996 – Regulation 11

Other Relevant Documents: E1 Code of Conduct: Council Members, Committee members & Candidates  
O8 Employee Code of Conduct  
F5 Authority to make Payments from Trust and Municipal Funds  
Shire of York Procurement Manual  
F6 Corporate Credit Card Policy  
F9 Panels of Pre-Qualified Suppliers Policy

Department of Local Government Guideline No 11 – Use of Corporate Credit Cards

#### **Review History:**

<b>Date Review Adopted:</b>	<b>Resolution Number</b>
Adopted – 28 January 2016	
Reviewed – 24 October 2016	121016
Reviewed – 18 September 2017	
Reviewed – 29 July 2019	

Reviewed – 25 November 2019	291119
Reviewed – 27 April 2021	050421
Reviewed – 22 June 2021	130621
<b>Former Policy No:</b>	F1.2
Reviewed – 28 March 2023	420323
<u>Reviewed – 22 December 2023</u>	

**12 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

*Nil*

**13 QUESTIONS FROM MEMBERS WITHOUT NOTICE**

*Nil*

**14 BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING**

*Nil*

**15 CLOSURE**

*The Presiding Member thanked everyone for their attendance and closed the meeting at 4.51pm.*