SHIRE OF YORK

**MINUTES OF THE
AUDIT COMMITTEE MEETING
HELD ON 7 AUGUST 2017
COMMENCING AT 4.06PM
IN COUNCIL CHAMBERS,
YORK TOWN HALL, YORK**

Table of Contents

SHIRE OF YORK

MINUTES OF THE AUDIT COMMITTEE
HELD ON 7 AUGUST 2017
COMMENCING AT 4.06PM
IN COUNCIL CHAMBERS, YORK TOWN HALL, YORK

MEETING RECONVENED FROM 11 JULY 2017
DUE TO THE LACK OF A QUORUM

1. OPENING

1.1 Declaration of Opening
Cr David Wallace, Shire President, declared the meeting open at 4.06pm

1.2 Disclaimer
The Shire President advised the following:

"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.

Therefore members of the public should not rely on any decisions until formal notification in writing by Council has been received. Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material."

1.3 Standing Orders
Local Government (Council Meetings) Local Law 2016

1.4 Announcement of Visitors
Nil

1.5 Declarations of Interest that Might Cause a Conflict
Nil

1.6 Declarations of Financial Interest
Nil

1.7 Declarations of Interest that May Affect Impartiality
Nil

2. ATTENDANCE

2.1 Members
Cr David Wallace, Shire President; Cr Denese Smythe, Deputy Shire President; Cr Heather Saint; Cr Pam Heaton; Cr Jane Ferro

2.2 Staff
Paul Martin, Chief Executive Officer; Suzie Haslehurst, Executive Manager Corporate and Community Services; Paul Crewe, Executive Manager Infrastructure & Development Services

2.3 Auditors
Nil

2.4 Apologies
Nil

3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

3.1   Minutes of Audit Committee Meeting held 9 March 2017.

Recommendation
Moved: Cr Heaton   **Seconded: Cr Ferro**
That the minutes of the Audit Committee meeting held on 9 March 2017 be accepted as a true and correct record. *CARRIED: 5/0*

4. ANNOUNCEMENT BY THE PRESIDING MEMBER WITHOUT DISCUSSION
Nil

5. PRESENTATIONS
Nil

6. OFFICER REPORTS

SY004-07/17 (Audit) – Fraud and Error Assessment

FILE REFERENCE:	FI.FRP.4, FI.FRP.6, FI.FRP.8
APPLICANT OR PROPONENT(S):	Shire of York
AUTHORS NAME & POSITION:	Suzie Haslehurst – Executive Manager, Corporate and Community Services
RESPONSIBLE OFFICER:	Suzie Haslehurst – Executive Manager, Corporate and Community Services
PREVIOUSLY BEFORE COUNCIL:	No
DISCLOSURE OF INTEREST:	Nil
APPENDICES:	A. Fraud and Error Risk Assessment – CEO Statement
	B. Draft Fraud and Error Risk Assessment - Audit Committee Response

Nature of Council's Role in the Matter:
- Executive

Purpose of the Report:
This report presents for consideration and approval the proposed statement by the Chief Executive Officer and Audit Committee response with regard to the annual Fraud and Error Assessment required by the Shire's auditors.

Background:
In October 2016, Council resolved to appoint Moore Stephens as the Shire's auditor to undertake the 2016/17 Financial Audit pursuant to Section 7.3 of the *Local Government Act 1995*. Moore Stephens was also appointed to undertake a Financial Management Review and the Shire's Audit Regulation 17 Review.

Moore Stephens was engaged in November and it was determined that to achieve best value for the money, Moore Stephens would undertake the Audit Regulation 17 (Audit Reg 17) Review concurrently with the Financial Management Review (FMR) and the Shire's statutory interim audit (Interim Audit).

This work commenced in March 2017 and the outcomes of the FMR were considered by Council at the May OCM. The findings of the interim audit were incorporated into the FMR report.

In accordance with *Australian Auditing Standards* (ASA 240), auditors are required to ensure that a statement is received from the organisation regarding its assessment of the controls and procedures relating to the possibility of fraud and error. This is part of the annual audit process and is required to be completed for the year ended 30 June 2017.

Comments and details:
Appendix A provides the statement by the Chief Executive Officer relating to his Fraud and Error Assessment for 2016/17. The focus of the response was on the findings of the Audit Regulation 17 Review and the proposed improvement plan to be implemented. An instance of use of Council property for personal purposes was outlined and the action taken.

Appendix B provides the proposed statement by the Audit Committee which again acknowledges the outcomes of the Audit Regulation 17 Review and notes that the Committee is aware that the Chief Executive Officer is referring the matter of the purchase of the Old Convent School to the Public Sector Commission for review and had previously referred a matter relating to the York Recreation and Convention Centre.

Implications to consider:

- **Consultative**
  More Stephens

- **Strategic**
  Nil

- **Policy related**
  G4.6   *Risk Assessment and Management*

- **Financial**
  Nil

- **Legal and Statutory**

  Australian Accounting Standard 240
  42   The auditor shall make enquiries of management, internal audit, and others within the entity as appropriate, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.

- **Risk related**
  The Fraud and Error Risk Assessment is a risk mitigation strategy developed by the Shire's auditors to address the requirements of the Australian Accounting Standards.

- **Workforce Implications**
  Nil

Voting Requirements:
Absolute Majority Required: **No**

OFFICER RECOMMENDATION:

Moved: Cr Ferro   **Seconded: Cr Smythe**

"That the Committee recommends;

That Council:

1. *Notes the Fraud and Error Assessment by the Chief Executive Officer as attached at to this report;*

2. *Approves the Fraud and Error Assessment by the Audit Committee as attached to this report; and*

3. *Requests the Shire President to sign the Fraud and Error Assessment on behalf of the Audit Committee".*

CARRIED: 5/0

Fraud and Error Assessment by the Chief Executive Officer

TO THE CHIEF EXECUTIVE OFFICER

RE: FRAUD AND ERROR ASSESSMENT FOR THE YEAR ENDED 30 JUNE 2017.

As part of the audit process, we are required to assess the risk of fraud or error occurring within the organisation. This will enable us to identify and assess the risks of material misstatement of the organisation's financial report due to fraud or error.

Members of the management team are primarily responsible for providing systems that mitigate the possibility of fraud or error occurring within the organisation.

In accordance with Australian Auditing Standards, we are required to make enquiries of management of their assessment of the risk of fraud or error occurring within the organisation for the year ending 30 June 2017.

Therefore, we request you to answer the following questions by ticking the appropriate box and where appropriate providing a brief explanation in the space provided.

Should you wish to discuss any matters arising please feel free to do this with us at any stage of the audit.

INTERNAL CONTROL

1. In your opinion are the internal control systems adequate to mitigate the possibility of fraud or error occurring within the organisation?

   Yes but with qualifications

   As outlined in the Audit Regulation 17 Review undertaken by Moore Stephens in May 2017, the internal control framework procedures and systems of the Shire are generally considered to be appropriate. However, some weaknesses were identified and improvements have been suggested. At its meeting to be held on 11 July 2017, the Audit Committee will be recommending that Council approves a Risk Improvement Plan and timeline and progress is reported annually.

2. Are the internal control systems adequately documented to be enforceable?

   Not in some key areas

   Refer to response above. In addition, the proposed Risk Improvement Plan includes an action to develop an Internal Control Policy and procedures are being documented to ensure they are enforceable.

3. Do you believe the controls are adequately monitored to ensure they are operating as intended?

   Yes but with qualifications

   Controls are evaluated and monitored but all processes are not formally documented. The proposed Internal Control Policy will include the allocation of responsibility for internal auditing of controls.

4. Do you consider there to be any weaknesses in the entity's internal controls?

   Yes

   As outlined above, the Audit Regulation 17 Review conducted by Moore Stephens has identified these weaknesses and an Improvement Plan and timeline have been developed and is being presented to the Audit Committee and Council for consideration.

5. Are there any controls which you think could be bypassed or overridden?

   No

   Controls currently exist and as procedures are being documented, current and additional controls are included to ensure transparency and accountability and to minimise risk. An internal audit process will be developed to ensure monitoring and evaluation of compliance with documented procedures.

6. Do you know of instances in the past in which those controls have been overridden?

   No

MISREPRESENTATION IN FINANCIAL STATEMENTS

7. Do you consider there to be any risk of fraud or error having a material impact (both individually or cumulatively) on any balances or statements made within the Financial Report?

   No

8. Are you aware of any actual instances of fraud or error (either misrepresentation of data or misappropriation of assets) within the Council?

   Yes - error regarding misappropriation of Shire assets

   Prior to October 2016, the Shire did not have a Code of Conduct in place for employees. Once adopted by Council, all staff attended a workshop where the Code of Conduct was presented and explained.

   In February 2017, it was brought to my attention that some employees had been using Shire assets (equipment) for personal purposes because this practice had previously been sanctioned on an informal basis. After seeking advice from the Public Sector Commission, I issued a directive informing all staff that this was a breach of the Shire's Code of Conduct and if continued would result in disciplinary processes and potentially referral to external agencies. This message was reiterated by me in person at team meetings across the organisation.

9. Do you suspect that fraud or error may be occurring within the Council (even if unlikely to have a material impact)?

No

Fraud and Error Assessment by the Chief Executive Officer (continued)

10. Have you received communication from any current or former employee, Councilor, or other individual connected with the Council alleging that fraud has occurred?

   No

OTHER MATTERS

11. If you have any concerns or questions you would like us to address during the course of our audit, please describe

Council Name: Shire of York

Reply completed by: Paul Martin – Chief Executive Officer

Signed:

Date:

Fraud and Error Assessment by the Audit Committee

TO THE CHAIR OF THE AUDIT COMMITTEE

RE: FRAUD AND ERROR ASSESSMENT FOR THE YEAR ENDED 30 JUNE 2017.

In performing the audit engagement, the Australian Auditing Standards require us to consider the risk that fraud or error could occur within the organisation for the year ended 30 June 2017.

These standards require us to make enquiries of those charged with governance of the risk of fraud or error within the organisation.

Therefore, we would appreciate you taking the time to briefly answer the following questions in the spaces provided, and return this letter, preferably before the commencement of the audit.

1. Do you believe the policies and procedures in place within the organisation are adequate to minimise the risk of fraud to an appropriately low level? If no, please provide an explanation and reasons for your answer.

   Yes *but we are aware that weaknesses have been identified and the CEO is undertaking improvements to how risk is managed and that an Improvement Plan and Timeline will be submitted to Council for consideration on recommendation by the Audit Committee.*

2. Are you aware of any instances where policies and procedures have not been adhered to which could have resulted in a fraud occurring? If yes, please provide details.

   No *but we acknowledge the risks identified in the Audit Regulation 17 Review undertaken by Moore Stephens and the improvements proposed.*

3. Have you, during the past year, become aware of or suspected fraud within the organisation? If yes, please provide details.

   No *but we are aware the over the last 12 months the CEO has referred (and is continuing to refer) matters which have occurred at the Shire of York in previous years to the Public Sector Commissioner.*

4. If there any concerns or questions you would like us to address during the course of our audit, please describe.

   Council Name: Shire of York

   Reply completed by: David Wallace – Shire President and Chair, Audit Committee

   Signed:

   Date:

SY005-07/17 (Audit) – Audit Regulation 17 Review Report and Improvement Plan

FILE REFERENCE:	OR.CMA.8
APPLICANT OR PROPONENT(S):	Shire of York
AUTHORS NAME & POSITION:	Suzie Haslehurst – Executive Manager, Corporate and Community Services
RESPONSIBLE OFFICER:	Suzie Haslehurst – Executive Manager, Corporate and Community Services
PREVIOUSLY BEFORE COUNCIL:	SY131-10/16
DISCLOSURE OF INTEREST:	Nil
APPENDICES:	A. Audit Reg 17 Review Report
	B. Risk Improvement Plan

Nature of Council's Role in the Matter:
- Legislative
- Executive

Purpose of the Report:
This report presents the outcomes of the Audit Regulation 17 Review undertaken by Moore Stephens, and a proposed improvement plan for Council's consideration.

Background:
Regulation 17 of the *Local Government (Audit) Regulations1996* 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. Each of these areas is to be the subject of a review every 2 calendar years. 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.

The last review under Regulation 17 was conducted in-house and reported to the Audit Committee (the Commissioner) on 18 March 2015.

In October 2016, Council resolved the following;

"That Council:

Accepts the recommendations of the Audit Committee as detailed in the Minutes of the Audit Committee Meeting held on Monday, 17 October, 2016 as follows:

1.   ACCEPTS the proposal from Moore Stephens to undertake the package of   work as follows:
- *Review of Financial Management systems and procedures pursuant to Regulation 5 of the Local Government (Financial Management) Regulations 1996 for the sum of $7,000*
- *Review of Risk Management, Internal Control and Legislative Compliance*
- *Pursuant to Regulation 17 of the Local Government (Audit) Regulations 1996 for the sum of $10,000*
- *Undertake the 2016/17 statutory financial audit for the sum of $20,000*

2.   APPOINTS Moore Stephens as the Shire auditor to undertake the 2016/17 Financial Audit pursuant to Section 7.3 of the Local Government Act 1995

3.   AMENDS the CEO's KPI related to the submission of the report on Financial Management Systems to 30 June 2016."

Moore Stephens was engaged in November and it was determined that to achieve best value for the money, Moore Stephens would undertake the Audit Regulation 17 (Audit Reg 17) Review concurrently with the Financial Management Review (FMR) and the Shire's statutory interim audit (Interim Audit).

Moore Stephens commenced this work in March 2017 and the outcomes of the FMR were considered by Council at the May OCM. Officers are now presenting the Reg 17 Review report which is attached at Appendix A of this report for Council's information. Officers have worked with Moore Stephens to develop a prioritised Improvement Plan which is attached at Appendix B for Council's consideration.

Comments and details:
Pursuant to Audit Reg 17, Moore Stephens reviewed the appropriateness and effectiveness of the Shire's policies, processes, procedures and controls in relation to;
- Risk Management;
- Internal Control; and
- Legislative Compliance.

The review was undertaken within the context of identified internal and external influences and the level of risk the Shire is willing to accept or pursue by acting to improve controls. Moore Stephens then worked with officers to prioritise the list of recommended improvements into an implementation plan to guide the organisation over the coming 12-18 months. The improvement plan will be implemented in tandem with the recommendations of the FMR. The objective is to have achieved significant improvements against the identified issues when the next review is undertaken in 2 years.

It is proposed that a report is submitted to the Audit Committee every six months to monitor progress.

Risk Management
While the Shire has a Risk Management Policy and a template draft Framework that are considered appropriate, the application of effective processes is not consistently applied. The Risk Assessment Framework needs to be further developed, agreed and adopted and procedures developed to ensure the Framework is embedded in the Shire's operations.

An internal Audit Reg 17 working group consisting of officers from relevant business units has been established to oversee this process.

Internal Control
Moore Stephens noted that;
"Except for the matters noted and considering the results of the monitoring and compliance practices undertaken by the Shire of York, the current internal control framework, procedures and systems are considered to be generally operating effectively".

However, Moore Stephens has recommended the development and adoption of an Internal Control Policy. It is proposed that this task is undertaken by the Audit Reg 17 working group outlined above.

Legislative Compliance
It was noted that the Shire's *"current legislative compliance control procedures and systems, although largely informal, were considered effective"*. However, Moore Stephens has recommended that a Legislative Compliance Policy is developed and adopted to guide the Shire in this area and to ensure that officers with responsibility for legislative compliance are adequately trained.

Again, it is proposed that the Audit Reg 17 working group is tasked with this action and to consider any training needs to be recommended to the executive management group.

Summary
While the Audit Reg 17 Review Report is comprehensive and contains a significant number of suggested improvements, these are largely related to the documentation and consistent application of procedures, and not entirely unexpected. In addition, the report is consistent with other local governments, particularly where there has been a period of turmoil.

Officers have already taken steps to address those matters which represent a significant risk to the organisation and welcome the guidance this Review provides for future operations. Officers are confident that the improvements recommended can be fully implemented over time.

Options:
It is proposed that the recommended improvements are undertaken in-house over a period of time, having regard for the significance of the risks identified but also the day to day workload of officers. Officers have established an internal working group consisting of officers across the organisation to contribute to and implement the Improvement Plan.

Council could however, consider allocating further funds to engage an independent party to implement the recommendations outlined in the Reg 17 Review Report and the FMR. This would enable the suggested policies, procedures and controls to be developed in a more timely and consistent manner. With the draft 2017/18 budget balanced, Council would need to determine what activities or projects would need to be relinquished in order to fund this engagement and adopt a budget amendment for this to occur.

Implications to consider:
- **Consultative**
  Moore Stephens worked with various Shire officers to collect and review the information required to undertake the Reg 17 Review.

- **Strategic**
  This action was included in Council's Corporate Business Plan. The Improvement Plan also provides a benchmark for future reviews which are required to be undertaken every two years either on an internal or external audit basis.

- **Policy related**
  Moore Stephens reviewed the Shire's entire Policy Manual during the Reg 17 Review. Recommendations are included in the improvement plan for the development of new policies and amendment of existing policies which will be undertaken in accordance with the prioritisation of each action.

- **Financial**
  As per Council's resolution, the accepted fee for this work was $10,000 (GL 42169). As outlined above, should Council wish to engage external services to implement the improvement plan, further funds will need to be allocated.

- **Legal and Statutory**

  Local Government (Audit) Regulations 1996
  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
       at   least once every 2 calendar years.
(3)   The CEO is to report to the audit committee the results of that review.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

- **Risk related**
  The Audit Reg 17 Report provides a risk rating for each of the matters identified and a matrix of the rating assessment. As outlined above, officers have commenced action relating to those matters rated as 'significant' and action is planned and prioritised for all other identified matters.

- **Workforce Implications**
  As discussed above, the recommended improvements are intended to be undertaken in-house over a period of 12-18 months in accordance with the risk rating.

Voting Requirements:
Absolute Majority Required: **No**

OFFICER RECOMMENDATION:

Moved: Cr Smythe   **Seconded: Cr Ferro**

"That the Committee recommends:

That Council:

1. *Receives the Review of Risk Management, Legislative Compliance and Internal Controls undertaken by Moore Stephens in accordance with Regulation 17 of the Local Government (Audit) Regulations 1996 as attached to this report.*

2. *Approves the prioritised Improvement Plan as attached to this report and the timeline for improvements to be made.*

3. *Requests the Chief Executive Officer to report back to the Audit Committee on a six monthly basis regarding progress against the Improvement Plan".*

CARRIED: 5/0

Draft Review of Risk Management, Legislative Compliance and Internal Controls

Shire of York

May 2017

Contents

1.0 Background

1.1 Scope of Services

The Shire of York engaged Moore Stephens to provide the following services in relation to the requirements of Regulation 17 of the *Local Government (Audit) Regulations 1996.*

- To undertake a high level review of the risk management policies, procedures and plans in place at the Shire;

- To evaluate the financial internal control systems and procedures at the Shire;

- To evaluate the operational internal control systems and procedures at the Shire;

- To assess systems and processes for maintaining legislative compliance;

- To provide a list of any improvements identified during the review; and

- To provide in our report recommendations, identified during our assessment of the systems and procedures, relating to risk management, internal audit and legislative compliance to assist the Chief Executive Officer (CEO) to assess the appropriateness and effectiveness of these systems and procedures.

1.2 Review Required by Legislation

The Local Government (Audit) Regulations 1996, Regulation 17, requires the following:

1. *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:*

   a) *risk management;*

   b) *internal control; and*

   c) *legislative compliance.*

2. *The review may relate to any or all of the matters referred to in sub regulation (1) (a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*

3. *The CEO is to report to the audit committee the results of that review.*

This review was undertaken in response to the above requirements and our report has been prepared for the CEO to assist the position with the task of achieving legislative compliance.

In accordance with Regulation 16(c) of the same Audit Regulations, the Audit Committee is required to review a report prepared by the CEO, and subsequently report to the Council the results of the Committee's review, while at the same time, attaching a copy of the CEO's report to the Audit Committee.

Operational Guidelines prepared by the Department of Local Government and Communities (Audit in Local Government, number 09 September 2013) provides background to the intended outcomes of the review. An extract of the relevant content of the operational guidelines has been reproduced at Appendix D.

2.0 Introduction

2.1 Review Methodology

The primary goal of this review is to assist the CEO of the Shire of York to establish the appropriateness and effectiveness of the Shire of York's systems and procedures in relation to risk management, legislative compliance and internal controls.

Internal controls are designed to treat risks and form part of the risk management process. Non-compliance with legislation is one of the risks that would usually be identified as a consequence of applying a risk management process.

The Australian Standard for Risk Management (ISO 31000) identifies three components in the application of risk management being *Principles, Framework and Process* as set out in Diagram 1 below.

Diagram 1. Risk Management Principles, Framework and Process
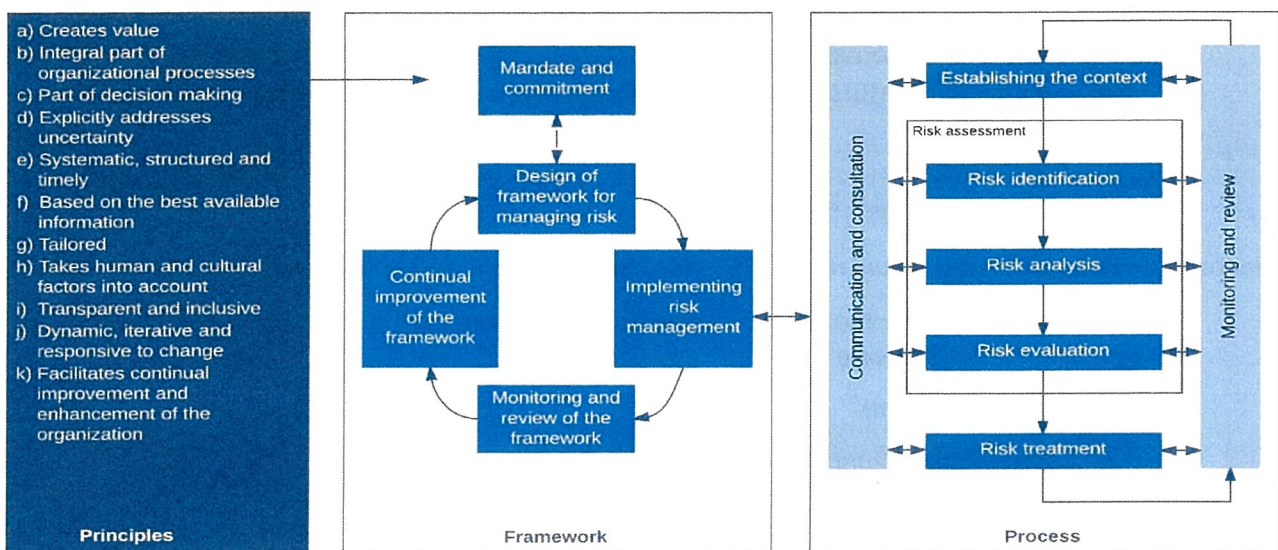
(Source: Standards Australia/Standards New Zealand, 2009)

In undertaking our review, we have applied the three ISO 31000 framework components, as set out above, to the review topics (risk management, internal controls and legislative compliance). This involves a process that incorporates the five framework components, being *mandate and commitment, framework design, implementation, monitoring and continuous improvement* as follows:

- Identify the extent of commitment and mandate to the principles;

- Establish an appropriate framework for the review topics (risk management, legislative compliance and internal controls) after considering the overall context in which the review occurs;

- Assess the appropriate framework against the current framework;

- Assess the implementation of the current framework;

- Assess the degree of monitoring of the current framework and its effectiveness;

- Assess the gaps (if any) between the current framework and the identified appropriate framework and document improvements; and

- Report on the appropriateness and effectiveness of current systems and procedures.

3.0   Review Context

3.1   Review Context - Shire of York

It is important to understand the external and internal context in which the Shire of York operates relevant to risk, the internal control environment and its legislative compliance obligations. That is, to understand the environment in which the Shire seeks to achieve its overall strategic objectives.

The external and internal influences identified during the course of the review are set out below:

External Influences	Internal Influences
Increasing community expectations in relation to service levels and service delivery.	The objectives and strategies contained in the Council's current Strategic Community Plan.
Rapid changes in information technology changing the service delivery environment.	The timing and actions contained in the Council's Corporate Business Plan.
Increased compliance requirements due to Government Policy and Legislation.	The current organisational size, structure, activities and location.
Cost shifting by the Federal and State Government.	The current human resourcing levels and turnover rate.
Reducing external grant funding for infrastructure and operations.	The current financial capacity of the Shire.
	The maintenance of corporate records.

3.2   Risk Appetite - Shire of York

A number of the above influences will be factors in the Shire's appetite for risk; being the level of risk the organisation is willing to accept or pursue through the setting of risk criteria and policy.

Understanding risk appetite helps determine the level of acceptable/unacceptable risk in relation to breaches of legislation or controls and the extent to which additional controls are required to treat risk.

As a public body, there is an expectation the Shire will maintain an inherent low appetite for the risk of legislative non-compliance and as a consequence adopted policy in order to maintain the organisation's reputation and to protect public funds from loss or misappropriation.

The appetite for risk in relation to service delivery, finance, health, safety and the environment is considered to be 'low to medium', requiring treatment with effective controls. Where the level of risk is considered 'high' or 'extreme', additional controls are required to reduce the risk level. In circumstances where the level of risk cannot be reduced below that of 'high', close monitoring of risk controls is required to ensure the relevant internal controls remain effective.

4.0   Review Summary

4.1   Risk Management

The Shire of York initially developed its formal risk management processes with the adoption of a Risk Management Policy in October 2014.

4.1.1   Appropriateness

Currently, a documented entity wide Risk Management Policy and template draft Framework is in existence to guide the implementation of risk management throughout the organisation. Considering the size, resources, operations and the context in which the Shire of York operates, a single documented risk management strategy is considered appropriate as a means of uniformly supporting decision making and documenting the organisation's response to risks.

4.1.2   Effectiveness

Elements of risk management processes, such as a risk register and documented risk assessments, if in existence, are not routinely applied. The current entity wide risk management framework requires the establishment of risk management procedures, and in their absence, the current systems are not considered to be effective and require further development.

4.1.3   Improvements

Improvements to risk management practices and policies are set out in detail in an Improvement Plan at Section 9.0 of this report, with key matters summarised as follows:

- Develop risk management procedures and apply management practices in accordance with these procedures;

- The risk assessment and acceptance criteria, as defined within the draft Risk Management Framework, should be modified to make it relative to the context of the risk assessment. This would enable the same criteria to be utilised for both entity level risk assessments and all other risk assessments avoiding the need to redefine the risk assessment framework for each level of risk assessment undertaken. The Risk Management Framework should then be finalised, adopted and implemented;

- Risk assessments undertaken should be recorded in a Risk Register; and

- Include any identified significant risks in the minutes of the Executive Management Group meetings.

4.0 Review Summary (Continued)

4.2 Internal Control

4.2.1 Appropriateness

Subject to the implementation of the improvements contained in this report and considering the size, resources, operations and the internal/external context in which the Shire of York operates, the internal control framework, procedures and systems described to us are generally considered appropriate, though require documenting to ensure they are consistently applied.

4.2.2 Effectiveness

Weaknesses have been identified where internal controls are not considered effective, these are detailed within this report and the Financial Management Review. Except for the matters noted and considering the results of the monitoring and compliance practices undertaken by the Shire of York, the current internal control framework, procedures and systems are considered to be generally operating effectively.

4.2.3 Improvements

Recommended improvements to the current internal control framework, procedures and systems are set out at Section 9.0 in this report. The key improvements to internal controls are summarised as follows:

- The development of a documented Internal Control Policy, promoting a risk based approach to the development and maintenance of documented internal controls and procedures. This suggestion is intended to support a continual assessment of appropriate controls throughout the organisation by identifying the need for new controls (based on risk) and ensuring existing outdated and unnecessary controls are discontinued;

- We suggest key internal controls are documented; and

- Measures be taken to ensure staff are aware of, and understand,relevant internal controls.

4.0   Review Summary (Continued)

4.3   Legislative Compliance

4.3.1   Appropriateness

Considering local governments generally maintain a low risk appetite for breaches of legislation, a documented legislative compliance policy is considered appropriate to reflect Council's low risk appetite in relation to legislative breaches. The Shire is yet to establish a legislative compliance policy to address internal legislative compliance, however we acknowledge a policy exists in relation to legislative enforcement activities.

4.3.2   Effectiveness

Maintaining legislative compliance is heavily reliant on the knowledge, experience and commitment of the CEO and senior staff to identify and prevent breaches of legislation. As a consequence, staff turnover, competing priorities and variations in workloads can have a significant negative impact on legislative compliance. Therefore, one of the most effective controls in maintaining legislative compliance is a motivated, stable, experienced and knowledgeable senior management group.

We note compliance matters were identified and these are detailed within this report and a recent Financial Management Review . With the exception of the noted breaches of legislation, and in the instances where the effectiveness was able to be assessed, the current legislative compliance control procedures and systems, although largely informal, were considered effective.

There were no identified breaches of the *Local Government Act 1995* noted in the Annual Compliance Audit Return 2016 reviewed. It is important to note the Return was not independently prepared or verified.

4.3.3   Improvements

Improvements to the current framework, procedures and systems for legislative compliance are set out under Section 9.0 of this report and summarised as follows:
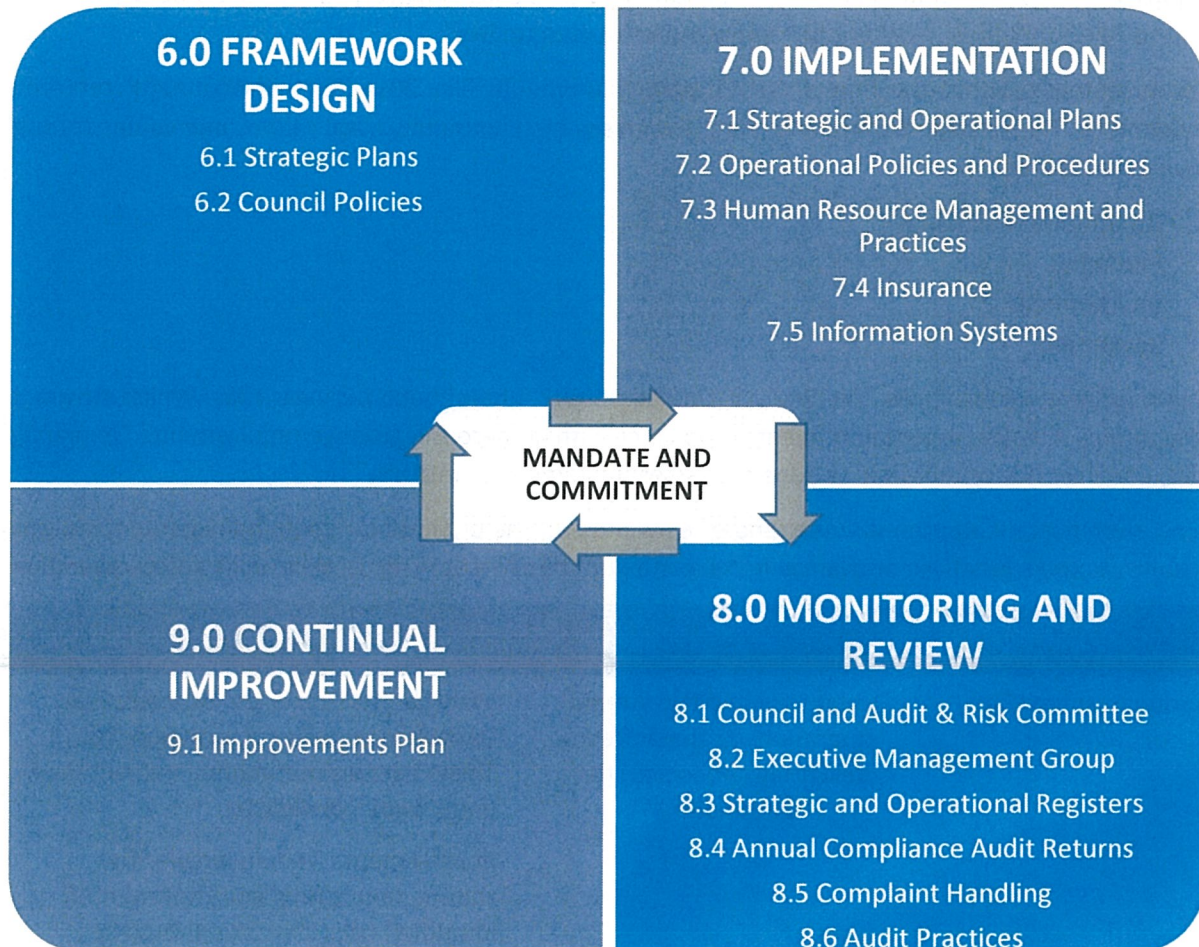
- The development of a legislative compliance policy; and

- The development of a risk based training matrix to help ensure senior staff with the responsibility for preventing, identifying and reporting breaches of legislation are offered relevant training to ensure their knowledge of legislative requirements is maintained.

5.0 Appropriate Framework

5.1 Risk Management, Internal Control and Legislative Compliance

The following framework was identified as being appropriate for risk management, internal control and legislative compliance for the Shire of York, after consideration of the current internal and external influences.

Diagram 2. Risk Management, Internal Control and Legislative Compliance Framework

6.0 FRAMEWORK DESIGN

6.1 Strategic Plans

6.2 Council Policies

7.0 IMPLEMENTATION

7.1 Strategic and Operational Plans

7.2 Operational Policies and Procedures

7.3 Human Resource Management and Practices

7.4 Insurance

7.5 Information Systems

MANDATE AND COMMITMENT

9.0 CONTINUAL IMPROVEMENT

9.1 Improvements Plan

8.0 MONITORING AND REVIEW

8.1 Council and Audit & Risk Committee

8.2 Executive Management Group

8.3 Strategic and Operational Registers

8.4 Annual Compliance Audit Returns

8.5 Complaint Handling

8.6 Audit Practices

We undertook a high level review of risk management systems, internal controls and legislative compliance which precluded detailed testing of all internal controls and legislative compliance.

The results of our review are detailed on the following pages, set out with reference to the structure of the above framework.

6.0   Framework Design

6.1   Strategic Plans

The Shire of York has adopted two key strategic documents, the Strategic Community Plan 2014-2024 and the Corporate Business Plan 2015-2019. These plans identify the Council's organisational objectives and key outcomes as the Shire progress on its stated vision "'A vibrant and inviting agricultural, heritage and tourist town and Shire, and a community that is focused on and works collaboratively to improve and promote the town and the Shire of York as a destination and wonderful place to live"

There are no strategies within the Shire of York Strategic Community Plan 2014-2024 which directly reference risk management. The Strategic Community Plan recognises the community's aspirations and values through the following key themes:

- Community Wellbeing
- Economy
- Environment
- Leadership

In seeking to achieve its objectives, the Shire of York faces both inherent and business risks. Whilst striving to fulfil expectations, it is also expected to meet compliance with numerous legislative requirements. To manage these risks, the Shire has established various processes, systems and controls.

This review examines the appropriateness and effectiveness of the organisation's risk management systems, internal controls and legislative compliance in the context of the Shire striving to achieve its stated objectives.

Plan	Purpose / Goal	Matters Identified / Improvements
Corporate Business Plan	A plan to guide the internal operations of the Shire in delivering services to the community.	We note the Corporate Business Plan Contains a number of strategic risks. These risks are not maintained within an entity wide risk register.
		Improvement: To help ensure the routine monitoring and treatment of identified risks, the risks should be recorded in an entity wide risk register.

6.0   Framework Design (Continued)

6.2   Council Policies

Whilst the operations of the Shire is the responsibility of the CEO, the Council is responsible for setting the framework for operations via adopted Council policies. These policies represent an overarching framework relevant to risk management, internal controls and legislative compliance and have been reviewed for appropriateness and effectiveness.

In general, Council policies are well formulated and provide clear guidance regarding Council's position on certain matters. A list of policies reviewed is provided in Appendix A - Council Policies Examined. The table below details areas for suggested improvement.

Policy	Purpose / Goal	Matters Identified / Improvements
3.6.2 Purchasing Policy	To provide a best practice approach and procedures for purchasing. Ensure consistency for all purchasing activities that integrates within all the Shire of York operational areas.	Purchases from the WALGA preferred supplier panel are required to apply the quotation process detailed within the Policy. However, it is not clear if the probity requirements in assessing and awarding the work detailed within the Policy apply to these purchases. The Policy provides no direction in relation to contract variations and extensions. We acknowledge these are not common, however there are no documented controls around the awarding of these variations and extensions once a contract has been awarded. From testing of a limited number of transactions and staff representations, we noted purchase orders are not always authorised prior to the purchase being made and evidence of quotations received is not always maintained with the purchase order. We noted a number of instances where purchasing staff had not followed the quotation requirements of the Policy and had stated there was only one supplier on the purchase order. This exemption from obtaining quotations is not provided for within the Policy and staff acknowledged more than one supplier existed.
		Improvement: We suggest the Policy be reviewed and amended to place the same quotation, probity and record keeping requirements on all procurement. The only exemption to normal requirements being the calling of tenders where an exemption exists under the Local Government Act 1995. The Purchasing Policy and associated procedures should be amended to ensure contract extensions and variations are appropriately controlled and authorised. Further training of staff with purchasing authority to enforce the need to adhere to purchasing procedures is recommended along with the examination of further controls to help ensure compliance with the Policy.

6.0   Framework Design (Continued)

Policy	Purpose / Goal	Matters Identified / Improvements
Internal Control Policy	A policy to evidence Council's commitment to internal controls and their importance to the organisation.	Currently, no policy on internal controls has been adopted by Council.
		Improvement: We suggest an Internal Control Policy be formulated and adopted to formalise Council's commitment to internal controls, based on risk management principles.
Legislative Compliance Policy	A policy to evidence Council's commitment to legislative compliance and its importance to the organisation.	Compliance Policy CP1.5 has been adopted by Council to cover enforcement activities undertaken by the Shire. Currently, no policy on legislative compliance by elected members or staff has been adopted by Council.
		Improvement: We suggest a Legislative Compliance Policy be formulated and adopted to formalise Council's commitment to legislative compliance.
Delegation of Authority	Council decision making authority granted by Council to the CEO who may sub delegate the authority to another employee.	We noted delegations where the register records the sub delegation of authority to an officer though the officer who is delegated the authority is not specified. (Refer DE1-13 as an example of this sub-delegation)
Risk Management Framework	Policies and procedures to set out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks.	We note the current draft framework is generic and yet to be modified and finalised by the Shire of York. Risk assessment and acceptance criteria within the draft document are independent of the context of the risk assessment being undertaken.
		Improvement: We suggest the current Risk Management Framework be modified. This would involve the risk assessment and acceptance criteria changed to use percentages to make them relative to the context of the assessment being undertaken. This should assist in avoiding any need to redefine the risk assessment framework for each level of risk assessment.

7.0 Implementation

7.1 Strategic and Operational Plans

The Council has several strategic and operational plans which form the basis of entity level controls and entity level risk assessments.

A list of plans reviewed is provided in Appendix B - Plans Examined of this report. The table below details areas for possible improvement in relation to the plans examined.

Plan	Purpose / Goal	Matters Identified / Improvements
Risk Assessment Improvement Plan	Plan to assess risk management capability and capacity and provide for its improvement	The Shire is yet to develop a formal Risk Assessment Improvement Plan as required by the Risk Management Policy.
		Improvement: We suggest a basic Risk Assessment Improvement Plan be developed based on the improvements identified within this review.
Asset Management Plan	Plan prepared to assist the Shire to improve the way it delivers services through its infrastructure assets such as roads, drainage, footpaths, public open space and buildings.	The Shire is yet to develop formal asset management plans. The risk assessments within these plans should utilise the matrix of consequences and likelihood detailed in the Risk Management Framework (yet to be finalised).
		Improvement: We suggest the plans be developed and placed before the Council for adoption.
Business Continuity Plan	Plan to facilitate organised decision-making in the event of a major incident that might otherwise lead to chaos.	A Business Continuity Plan was not available for our review.
		Improvement: We suggest a Business Continuity Plan be developed.

7.0   Implementation (Continued)

7.2   Operational Policies and Procedures

In seeking to achieve its stated vision, the Shire of York delivers a number of services to the community. Meetings were undertaken with key staff in each of the areas of service responsibility, to determine the practices applied to issues of risk management, internal controls and legislative compliance.

Daily operations are primarily based on staff knowledge and verbal instructions.

Considering the number of services provided and the current staff resourcing, a risk based approach to the prioritisation of the development of new procedures is recommended. The table below details areas of suggested improvement in relation to policies and procedures examined.

Component	Purpose / Goal	Matters Identified / Improvements
Risk Management Procedures/Practices	Procedures and practices to set out a uniform approach to the identification, assessment, management, reporting and monitoring of risks.	Formal risk management procedures and practices are not currently in place.
		Improvement: We suggest risk management procedures be developed in accordance with the risk management framework.
Documented Procedures	Documented procedures by officers helps establish a standard methodology and identifies key controls for processes undertaken by officers.	Limited documented procedures currently exist. In most cases where these do exist they are at least 3 to 4 years old. From staff representations, where procedures exist they are not consistently followed.
		Improvements: Opportunities exist to improve standard operating procedures and ensure they are documented with key controls clearly identified. Once these procedures are developed and implemented, they require constant monitoring for adherence and to ensure they are effective.
Payments	Procedures for the processing of payments.	Processing of EFT Payments requires the use of a physical token and entry of a password by an authorised signatory. We noted no procedures exist to ensure the security and control the use of the physical token.
		Improvements: We suggest documented procedures be developed for the security and use of the physical token required for the processing of payments.
Tender Assessment	Procedures to provide probity for the assessment of tenders received.	We noted services being provided by suppliers beyond the term of the initial contract and contract extension and exceeding $150,000 in value. We acknowledge the Shire is currently taking actions to tender the associated services. We noted contracts for the provision of monthly services with no end date within the contract and the value of works to date exceeds the tender threshold of $150,000.

Component	Purpose / Goal	Matters Identified / Improvements
		Improvements: We suggest procedures be developed to monitor existing contract end dates to ensure tenders are called before the expiration of existing contracts. Where contracts are to be extended in accordance with a contract extension clause, we suggest procedures be developed to ensure an appropriate level of probity and independence, to assess the renewal of existing contracts with sufficient time to enable calling of tenders if required.
		We suggest all existing contracts with no contract end date be reviewed and services be acquired in accordance with the Procurement Policy on fixed term contracts.
Checklists	Checklists document the completion of multiple steps within an overall process.	Checklists of key functions are maintained for selected functions. The checklists were not up to date in all cases and not used for all compliance functions.
		Improvements: Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists are of assistance in ensuring compliance with repetitive legislative compliance tasks.
Workflow Diagrams	Workflow process diagrams create a visual representation of a process, clearly identifying key points of control and responsibility.	Workflow diagrams have not been compiled. Basic workflow diagrams were developed as part of the Financial Management Review in 2013. These have not been updated and are not widely circulated or followed.
		Improvements: In conjunction with, or as an alternative to, the development of documented procedures and checklists, update and further development of workflow process diagrams may assist in clearly identifying controls and processes to be followed.
Management of Shire Facilities	Contracts with third parties for the management of Shire facilities.	A contract exists with a company for the management of the dog pound. From staff representations we understand the company raises charges on third parties for the care of dogs impounded by other Shire's with no lease in place for the use of the facility for their own purposes.
		A member of staff currently operates the shop at the swimming pool for their own gain with no lease in place for use of the building.

7.0   Implementation (Continued)

Component	Purpose / Goal	Matters Identified / Improvements
		Improvements: We suggest policies and procedures be developed to ensure a current signed lease or short term hire agreement is in place before a third party is allowed to use Shire property for their own commercial benefit. We suggest the Code of Conduct be modified as detailed in Section 7.3 below.
Occupational Health and Safety Procedures	Procedures to minimise the risk of injury to staff, contractors, volunteers and visitors.	Recent progress has been made in establishing occupational health and safety practices at the Depot. We noted a lack of documented occupational Health and Safety procedures across the organisation.
		Improvements: Establishment of organisation wide procedures for the assessment, reporting and treatment of Occupational Health and Safety risks should assist in minimising the risk of injury to staff, contractors, volunteers and visitors to Shire controlled properties.
Inventory Counts and Reconciliations	To monitor stock usage and recognise the cost of inventory utilised.	Inventory counts for fuel, depot inventory and recreation centre inventory are undertaken for the purpose of ordering and not for reporting and monitoring.
		Improvements: Routine documented inventory counts and fuel dips are required to ensure accurate management reporting of costs and assist in the detection of inventory shrinkage.

7.0   Implementation (Continued)

7.3   Human Resource Management and Practices

A number of components constitute the organisation's human resource management practices and form an essential element of risk management, internal control and legislative compliance. Each of these elements is examined in the table below.

Component	Purpose / Goal	Matters Identified / Improvements
Code of Conduct	To provide a documented expectation for the behaviour of elected members, staff, contractors and volunteers when performing their duties.	Volunteers and contractors are not bound by a Code of Conduct when performing functions on behalf of the Shire. We note there are no requirements for the self-reporting of identified breaches of internal controls or legislation.
		Improvement: We suggest the Code of Conduct be updated and the scope include actions by volunteers and contractors. Alternatively, a separate Code of Conduct be developed for volunteers and contractors.
		We suggest the Code of Conduct be amended to require alleged breaches to be reported to the CEO (or Shire President if the subject is the CEO) and then to be dealt with confidentially in accordance with the principles of natural justice and procedural fairness.
		We suggest the Code of Conduct prohibit staff from utilising Council assets or undertaking activities during working hours for their own personal gain.
Staff Training	To ensure staff have access to ongoing and appropriate training.	Staff training needs are currently identified on an ad-hoc basis. We understand management wishes to establish a more formal staff training structure.
		Improvement: We suggest a staff training matrix be established, to identify staff training needs relevant to their role.
Staff Inductions	To make new staff aware of their obligation to be aware of OSH risks, risk management and their obligation to report breaches of controls and other risk related incidences.	Staff indicate that inductions of new staff are currently undertaken with a new induction checklist recently developed. No formal documentation of inductions were observed on file for serving members of staff.
		Improvements: All staff should undergo a generic staff induction, including basic OSH topics, record keeping and code of conduct with evidence of the induction recorded on the employee file. Roles exposed to high risks or specialised components should undergo a specific induction relevant to the position and be recorded on the employee's file.
		Employees who have no evidence of having completed an induction should be re-inducted and the relevant evidence maintained on file.

7.0   Implementation (Continued)

Component	Purpose / Goal	Matters Identified / Improvements
Staff Qualifications	To ensure staff have valid qualifications for their position description.	We noted a member of staff whose qualifications and drivers licence were not on file. We acknowledge the employee was recruited through WALGA and checks were completed by WALGA.
		Improvements: Maintaining a qualifications register may assist in monitoring staff qualifications to ensure they remain current. Copies of staff qualifications should be maintained on each staff file as evidence of their qualification.
Occupational Health and Safety (OSH) Committee	A staff and management committee to assist in the continued improvement of OSH practices and procedures.	We noted no OSH committee is currently in place.
		Improvements: We suggest an OSH committee be formed and meet routinely to address identified OSH issues.
Volunteers/ Contractor Inductions	To ensure volunteers have knowledge of the basic standards required of them.	Inductions are not currently applied to volunteers or contractors.
		Improvements: We suggest a simple process be developed for the induction of volunteers and contractors.
		Practices should be implemented to ensure all contractors are inducted or able to demonstrate they have effective pre-existing safety and risk management procedures in place, before commencing works.

7.0   Implementation (Continued)

7.4   Insurance

At present, the Deputy Chief Executive Officer annually reviews the completeness of insurance. Discussions are also held with the insurers annually and adjustments to policies and insurance levels made as considered appropriate. The insurance values of Buildings and Plant and Equipment are based on the three-yearly valuations of building assets undertaken by registered valuers.

The existence and adequacy of insurance carried by contractors is not assessed prior to award of contracts. General contractors engaged by the depot on an ad hoc basis are generally not required to produce details of the level or existence of their insurance coverage.

Framework Components	Purpose / Goal	Matters Noted / Improvements
Contractor Insurance	Insurance cover maintained by contractors for damage caused when undertaking works for the Shire.	Contractors' insurances are not assessed prior to award of contracts. General contractors engaged on an ad hoc basis are generally not required to produce details of the level or existence of their insurance coverage or licences to undertake the works.
		Improvement: We suggest procedures be developed to ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Shire.
Private Works	Formal agreement with landowners and insurance cover maintained by the Shire when undertaking private works.	Currently no formal agreement is entered into when undertaking private works, insurance cover is not in place for damage to third party property for contract works.
		Improvements: We suggest formal agreements be entered into with landowners and insurance cover be sought prior to undertaking private works.

7.0   Implementation (Continued)

7.5   Information Systems

Information systems are maintained by an external Information Technology (IT) service provider on a server located within the administration building. The following table details areas for possible improvement in relation to information systems processes.

Framework Components	Purpose / Goal	Matters Noted / Improvements
Information Systems Plans	Plans to ensure the secure provision of information systems in the event of a disaster.	No IT Disaster Recovery Plan has been developed. No formal risk assessments have been undertaken for the IT environment. File recoveries have been tested, however a full system recovery has not been tested.
		Improvement: We suggest an IT Disaster Recovery Plan be developed and fully tested.
Information System Controls	Controls within the information system to protect records and restrict access.	There is no IT Security Plan currently in place despite a previous ransomware attack. Limited IT Security controls exist, with all files located on one virtual drive, managed by staff with all staff having full access. IT staff perform finance functions and have full admin access within the IT environment. Routine changing of passwords for all users only occurs for email access.
		Improvement: We suggest an IT Security Plan be developed and associated IT controls be implemented.

8.0   Monitoring and Review

Developing and implementing systems and procedures for risk management, legislative compliance and internal controls into an organisation can be a time consuming and expensive exercise with the potential to divert resources away from direct services. Considering the level of investment necessary to establish these systems, actions to monitoring their effectiveness are an essential practice.

After implementing these management and control systems, it is important to put in place practices that regularly monitor and assess their effectiveness to ensure they continue to meet their intended purpose.

Over time, the relevancy of established controls may change, their purpose may be forgotten, or technology may offer a more efficient or effective way to achieve the initial goal. For these reasons, formal review procedures are required to ensure the resources applied to maintaining these systems, practices and controls are done so in the most efficient way.

Evidence of the monitoring of risk management, internal controls and legislative compliance is sourced from Minutes of Meetings, Registers of Disclosures and reports reviewed.

8.1   Council and Audit and Risk Committee

Regular monthly financial statements and lists of payments, made in the intervening period between each meeting, have been presented to the Council for review, as required by legislation. This provides the basis for high level oversight of the expenditure transactions of the organisation.

The table below details areas for possible improvement in relation to risk monitoring processes.

Framework Components	Purpose / Goal	Matters Noted / Improvements
Agenda Items	Inform elected members of significant risks to be considered in relation to agenda items.	We noted risks are detailed within agenda items or Council minutes. These risks are not maintained within an entity wide risk register.
		Improvement: We suggest all identified risks be maintained within an overall risk register to enable reassessment of previously identified risks.

8.0   Monitoring and Review (Continued)

8.2   Executive Management Group

The Executive Management Group (EMG) meet regularly to discuss matters impacting the Shire. The table below details areas for possible improvement in relation to monitoring risks.

Framework Components	Purpose / Goal	Matters Noted / Improvements
Minutes of EMG Meetings	To formally document identified risks, internal control and legislative compliance weaknesses raised by the EMG.	Formal minutes are currently maintained. Risk matters are not currently recorded within the minutes. Improvement: We suggest minutes of the EMG meetings include documentation of any risks, internal control and legislative compliance weaknesses identified during the course of the meetings.

8.3   Strategic and Operational Registers

A number of registers are maintained by the Shire of York, these registers were reviewed and are listed at Appendix C – Strategic and Operational Registers Examined. The table below details areas for possible improvement in relation to these registers.

Register	Purpose / Goal	Matters Identified / Improvements
Risk Register	Provide a record of risk breaches and remedial action taken.	No risk register was available for our examination. Improvement: We suggest a risk register be maintained and identified risks recorded within the register.
Delegations Register	Provides a record of delegations from Council to the CEO and from the CEO to employees.	Authority to determine not to invite tenders has been delegated to the CEO under DE5-1. We noted the recording of delegations from the CEO to employees with no employee specified. Improvement: The likelihood of a purchase exceeding $150,000 being only available from one supplier is considered to be extremely low and should require significant substantiation. We suggest this delegation be removed to help ensure appropriate substantiation exists prior to the decision not to invite tenders. Where a sub delegation to an employee exists we suggest the delegations register clearly state the title of the employee who has been delegated the authority.

8.0   Monitoring and Review (Continued)

Register	Purpose / Goal	Matters Identified / Improvements
OSH Register	Provide a record of OSH incidents.	OSH incident forms are maintained within the OSH incident form file by depot staff and only forwarded to HR staff where an injury occurs. A number of incidents were recorded over the previous 2 years. Outcomes of investigations and treatments are not always recorded or signed. We note OSH incident forms are not made available to staff outside of the depot. Improvements: We suggest the OSH incident forms be reviewed by an OSH Committee (to be formed) and investigations and treatments to help prevent re-occurrence are recorded and signed as provided on the forms.

8.0   Monitoring and Review (Continued)

8.4   Annual Compliance Audit Returns

Returns have been completed on a self-assessment basis and approved by Council each year. It is important to note the Returns were not independently prepared or verified.

No areas of non-compliance were noted in relation to Annual Compliance Audit Return 2016.

8.5   Complaint Handling

The Code of Conduct does not require reporting of breaches (or suspected breaches) of the Code or legislation.

The table below details areas of suggested improvement in relation to complaint handling.

Framework Components	Purpose / Goal	Matters Noted / Improvements
Employee Complaints/Grievance Handling	Procedures for the handling of employee complaints and grievances.	We note there are no procedures to ensure employee complaints are investigated, recorded and responded to appropriately, within a defined timeframe.
		Improvement: We suggest the development of procedures for the investigation, recording and responding to employee complaints and grievances.

8.0 Monitoring and Review (Continued)

8.6 Audit Practices

Council has appointed external financial auditors to the Shire of York. No significant items have been identified during the last two years by the external auditors.

The table below details areas for possible improvement in relation to audit processes.

Framework Components	Purpose / Goal	Matters Noted / Improvements
Internal Audit	Internal audit monitors the level of compliance with internal procedures and process along with assessing the appropriateness of these procedures.	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.
		Improvements: We suggest that, as the level of documented procedures increases, an expanded internal audit function may be required to confirm adherence to documented policies and procedures.
Financial Management Review	Review of Financial Management undertaken bi-annually.	Financial Management Review undertaken in conjunction with this review details control weaknesses and legislative compliance breaches.
		Improvement: The items identified within the Financial Management Review be addressed.

9.0   Improvements

Suggested improvements opportunities are provided below to form an Improvement Plan.

9.1   Summary of Improvements

Paragraph		Matter Noted	Improvements
6.1.1	Corporate Business Plan	We note the Corporate Business Plan Contains a number of strategic risks. These risks are not maintained within an entity wide risk register.	To help ensure the routine monitoring and treatment of identified risks, the risks should be recorded in an entity wide risk register.
6.2.1	3.6.2 Purchasing Policy	Purchases from the WALGA preferred supplier panel are required to apply the quotation process detailed within the Policy. However, it is not clear if the probity requirements in assessing and awarding the work detailed within the Policy apply to these purchases.	We suggest the Policy be reviewed and amended to place the same quotation, probity and record keeping requirements on all procurement. The only exemption to normal requirements being the calling of tenders where an exemption exists under the Local Government Act 1995.
		The Policy provides no direction in relation to contract variations and extensions. We acknowledge these are not common, however there are no documented controls around the awarding of these variations and extensions once a contract has been awarded.	The Purchasing Policy and associated procedures should be amended to ensure contract extensions and variations are appropriately controlled and authorised.

9.0   Improvements (Continued)

Paragraph		Matter Noted	Improvements
6.2.1 Cont.	3.6.2 Purchasing Policy	From testing of a limited number of transactions and staff representations, we noted purchase orders are not always authorised prior to the purchase being made and evidence of quotations received is not always maintained with the purchase order. We noted a number of instances where purchasing staff had not followed the quotation requirements of the Policy and had stated there was only one supplier on the purchase order. This exemption from obtaining quotations is not provided for within the Policy and staff acknowledged more than one supplier existed.	Further training of staff with purchasing authority to enforce the need to adhere to purchasing procedures is recommended along with the examination of further controls to help ensure compliance with the Policy.
6.2.2	Internal Control Policy	Currently, no policy on internal controls has been adopted by Council.	We suggest an Internal Control Policy be formulated and adopted to formalise Council's commitment to internal controls, based on risk management principles.
6.2.3	Legislative Compliance Policy	Compliance Policy CP1.5 has been adopted by Council to cover enforcement activities undertaken by the Shire. Currently, no policy on legislative compliance by elected members or staff has been adopted by Council.	We suggest a Legislative Compliance Policy be formulated and adopted to formalise Council's commitment to legislative compliance.
6.2.4	Risk Management Framework	We note the current draft framework is generic and yet to be modified and finalised by the Shire of York. Risk assessment and acceptance criteria within the draft document are independent of the context of the risk assessment being undertaken.	We suggest the current Risk Management Framework be modified. This would involve the risk assessment and acceptance criteria changed to use percentages to make them relative to the context of the assessment being undertaken. This should assist in avoiding any need to redefine the risk assessment framework for each level of risk assessment.

9.0   Improvements (Continued)

Paragraph		Matter Noted	Improvements
7.1.1	Risk Assessment Improvement Plan	The Shire is yet to develop a formal Risk Assessment Improvement Plan as required by the Risk Management Policy.	We suggest a basic Risk Assessment Improvement Plan be developed based on the improvements identified within this review.
7.1.2	Asset Management Plan	The Shire is yet to develop formal asset management plans. The risk assessments within these plans should utilise the matrix of consequences and likelihood detailed in the Risk Management Framework (yet to be finalised).	We suggest the plans be developed and placed before the Council for adoption.
7.1.3	Business Continuity Plan	A Business Continuity Plan was not available for our review.	We suggest a Business Continuity Plan be developed.
7.2.1	Risk Management Procedures/Practices	Formal risk management procedures and practices are not currently in place.	We suggest risk management procedures be developed in accordance with the risk management framework.
7.2.2	Documented Procedures	Limited documented procedures currently exist. In most cases where these do exist they are at least 3 to 4 years old. From staff representations, where procedures exist they are not consistently followed.	Opportunities exist to improve standard operating procedures and ensure they are documented with key controls clearly identified. Once these procedures are developed and implemented, they require constant monitoring for adherence and to ensure they are effective.
7.2.3	Payments	Processing of EFT Payments requires the use of a physical token and entry of a password by an authorised signatory. We noted no procedures exist to ensure the security and control the use of the physical token.	We suggest documented procedures be developed for the security and use of the physical token required for the processing of payments.

9.0   Improvements (Continued)

Paragraph	Matter Noted	Improvements
7.2.4 Tender Assessment	We noted services being provided by suppliers beyond the term of the initial contract and contract extension and exceeding $150,000 in value. We acknowledge the Shire is currently taking actions to tender the associated services.	We suggest procedures be developed to monitor existing contract end dates to ensure tenders are called before the expiration of existing contracts. Where contracts are to be extended in accordance with a contract extension clause, we suggest procedures be developed to ensure an appropriate level of probity and independence, to assess the renewal of existing contracts with sufficient time to enable calling of tenders if required.
	We noted contracts for the provision of monthly services with no end date within the contract and the value of works to date exceeds the tender threshold of $150,000.	We suggest all existing contracts with no contract end date be reviewed and services be acquired in accordance with the Procurement Policy on fixed term contracts.
7.2.5 Checklists	Checklists of key functions are maintained for selected functions. The checklists were not up to date in all cases and not used for all compliance functions.	Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists are of assistance in ensuring compliance with repetitive legislative compliance tasks.
7.2.6 Workflow Diagrams	Workflow diagrams have not been compiled. Basic workflow diagrams were developed as part of the Financial Management Review in 2013. These have not been updated and are not widely circulated or followed.	In conjunction with, or as an alternative to, the development of documented procedures and checklists, update and further development of workflow process diagrams may assist in clearly identifying controls and processes to be followed.

9.0   Improvements (Continued)

Paragraph	Matter Noted	Improvements
7.2.7 Management of Shire Facilities	A contract exists with a company for the management of the dog pound. From staff representations we understand the company raises charges on third parties for the care of dogs impounded by other Shire's with no lease in place for the use of the facility for their own purposes. A member of staff currently operates the shop at the swimming pool for their own gain with no lease in place for use of the building.	We suggest policies and procedures be developed to ensure a current signed lease or short term hire agreement is in place before a third party is allowed to use Shire property for their own commercial benefit. We suggest the Code of Conduct be modified as detailed in Section 7.3 below.
7.2.8 Occupational Health and Safety Procedures	Recent progress has been made in establishing occupational health and safety practices at the Depot. We noted a lack of documented occupational Health and Safety procedures across the organisation.	Establishment of organisation wide procedures for the assessment, reporting and treatment of Occupational Health and Safety risks should assist in minimising the risk of injury to staff, contractors, volunteers and visitors to Shire controlled properties.
7.2.9 Inventory Counts and Reconciliations	Inventory counts for fuel, depot inventory and recreation centre inventory are undertaken for the purpose of ordering and not for reporting and monitoring.	Routine documented inventory counts and fuel dips are required to ensure accurate management reporting of costs and assist in the detection of inventory shrinkage.
7.3.1 Code of Conduct	Volunteers and contractors are not bound by a Code of Conduct when performing functions on behalf of the Shire.	We suggest the Code of Conduct be updated and the scope include actions by volunteers and contractors. Alternatively, a separate Code of Conduct be developed for volunteers and contractors.

9.0 Improvements (Continued)

Paragraph	Matter Noted	Improvements
7.3.1 Code of Conduct Cont.	We note there are no requirements for the self-reporting of identified breaches of internal controls or legislation.	We suggest the Code of Conduct be amended to require alleged breaches to be reported to the CEO (or Shire President if the subject is the CEO) and then to be dealt with confidentially in accordance with the principles of natural justice and procedural fairness. We suggest the Code of Conduct prohibit staff from utilising Council assets or undertaking activities during working hours for their own personal gain.
7.3.2 Staff Training	Staff training needs are currently identified on an ad-hoc basis. We understand management wishes to establish a more formal staff training structure.	We suggest a staff training matrix be established, to identify staff training needs relevant to their role.
7.3.3 Staff Inductions	Staff indicate that inductions of new staff are currently undertaken with a new induction checklist recently developed. No formal documentation of inductions were observed on file for serving members of staff.	All staff should undergo a generic staff induction, including basic OSH topics, record keeping and code of conduct with evidence of the induction recorded on the employee file. Roles exposed to high risks or specialised components should undergo a specific induction relevant to the position and be recorded on the employee's file. Employees who have no evidence of having completed an induction should be re-inducted and the relevant evidence maintained on file.
7.3.4 Staff Qualifications	We noted a member of staff whose qualifications and drivers licence were not on file. We acknowledge the employee was recruited through WALGA and checks were completed by WALGA.	Maintaining a qualifications register may assist in monitoring staff qualifications to ensure they remain current. Copies of staff qualifications should be maintained on each staff file as evidence of their qualification.
7.3.5 Occupational Health and Safety (OSH) Committee	We noted no OSH committee is currently in place.	We suggest an OSH committee be formed and meet routinely to address identified OSH issues.

9.0   Improvements (Continued)

Paragraph		Matter Noted	Improvements
7.3.6	Volunteers/ Contractor Inductions	Inductions are not currently applied to volunteers or contractors.	We suggest a simple process be developed for the induction of volunteers and contractors. Practices should be implemented to ensure all contractors are inducted or able to demonstrate they have effective pre-existing safety and risk management procedures in place, before commencing works.
7.4.1	Contractor Insurance	Contractors' insurances are not assessed prior to award of contracts. General contractors engaged on an ad hoc basis are generally not required to produce details of the level or existence of their insurance coverage or licences to undertake the works.	We suggest procedures be developed to ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Shire.
7.4.2	Private Works	Currently no formal agreement is entered into when undertaking private works, insurance cover is not in place for damage to third party property for contract works.	We suggest formal agreements be entered into with landowners and insurance cover be sought prior to undertaking private works.
7.5.1	Information Systems Plans	No IT Disaster Recovery Plan has been developed. No formal risk assessments have been undertaken for the IT environment. File recoveries have been tested, however a full system recovery has not been tested.	We suggest an IT Disaster Recovery Plan be developed and fully tested.
7.5.2	Information System Controls	There is no IT Security Plan currently in place despite a previous ransomware attack. Limited IT Security controls exist, with all files located on one virtual drive, managed by staff with all staff having full access. IT staff perform finance functions and have full admin access within the IT environment. Routine changing of passwords for all users only occurs for email access.	We suggest an IT Security Plan be developed and associated IT controls be implemented.

9.0   Improvements (Continued)

Paragraph		Matter Noted	Improvements
8.1.1	Agenda Items	We noted risks are detailed within agenda items or Council minutes. These risks are not maintained within an entity wide risk register.	We suggest all identified risks be maintained within an overall risk register to enable reassessment of previously identified risks.
8.2.1	Minutes of EMG Meetings	Formal minutes are currently maintained. Risk matters are not currently recorded within the minutes.	We suggest minutes of the EMG meetings include documentation of any risks, internal control and legislative compliance weaknesses identified during the course of the meetings.
8.3.1	Risk Register	No risk register was available for our examination.	We suggest a risk register be maintained and identified risks recorded within the register.
8.3.2	Delegations Register	Authority to determine not to invite tenders has been delegated to the CEO under DE5-1. We noted the recording of delegations from the CEO to employees with no employee specified.	The likelihood of a purchase exceeding $150,000 being only available from one supplier is considered to be extremely low and should require significant substantiation. We suggest this delegation be removed to help ensure appropriate substantiation exists prior to the decision not to invite tenders. Where a sub delegation to an employee exists we suggest the delegations register clearly state the title of the employee who has been delegated the authority.
8.3.3	OSH Register	OSH incident forms are maintained within the OSH incident form file by depot staff and only forwarded to HR staff where an injury occurs. A number of incidents were recorded over the previous 2 years. Outcomes of investigations and treatments are not always recorded or signed. We note OSH incident forms are not made available to staff outside of the depot.	We suggest the OSH incident forms be reviewed by an OSH Committee (to be formed) and investigations and treatments to help prevent re-occurrence are recorded and signed as provided on the forms.
8.5.1	Employee Complaints/Grievance Handling	We note there are no procedures to ensure employee complaints are investigated, recorded and responded to appropriately, within a defined timeframe.	We suggest the development of procedures for the investigation, recording and responding to employee complaints and grievances.

9.0   Improvements (Continued)

Paragraph		Matter Noted	Improvements
8.6.1	Internal Audit	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	We suggest that, as the level of documented procedures increases, an expanded internal audit function may be required to confirm adherence to documented policies and procedures.
8.6.2	Financial Management Review	Financial Management Review undertaken in conjunction with this review details control weaknesses and legislative compliance breaches.	The items identified within the Financial Management Review be addressed.

10.0 Other Matters

Disclaimer

The services provided in terms of this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standard Board and, consequently no opinions or conclusions are intended to convey assurance either expressed or implied.

Moore Stephens, Perth, a Perth based partnership of trusts ("the firm"), carries on business separately and independently from other Moore Stephens member firms around Australia and worldwide.

Services provided under this engagement are provided by the Firm and not by any other independent Moore Stephens member firm. No other independent Moore Stephens member has any liability for services provided by other members.

Throughout this document, a reference to Moore Stephens refers to Moore Stephens (WA) Pty Ltd trading as agent ABN 99 433 544 961, an independent member of Moore Stephens International Limited – member in principal cities throughout the world. The Perth Moore Stephens is not a partner or agent of any other Moore Stephens firm.

Copyright

All rights reserved.

This report is prepared solely for the purpose set out in the proposal scope and is not to be used for any other purpose or distributed to any other party without Moore Stephens prior consent. Any reliance placed by a third party on the report is that party's responsibility.

Conflicts of Interest

The firm currently provides audit and advisory service to Shire of York. However, we do not believe the provision of the services covered in the scope of this report and under the responsibility of a different engagement partner would compromise our objectivity in the conduct of the Audit.

Should the possibility of a perceived or actual conflict arise, the matter would be raised with the CEO immediately and activities suspended until the issue is resolved to the satisfaction of the CEO.

Moore Stephens

Level 15 Exchange Tower
2 The Esplanade
PERTH WA 6000
Phone   +61 (0)8 9225 5355
Email   rjbarnes@moorestephens.com.au
ABN   99 433 544 961

Document Date

Version: 2.2
Status: Draft
Date: 31 May 2017

Appendix A – Council Policies Examined

The Council Policies examined as part of the review were as follows:

Policy Topic	Policy Topic
Community Policies	G 1.7 Councillors: Recognition of Service
C 1.1 Freeman of the Shire of York	G 1.8 Councillors: Record Keeping
C 1.2 Australia Day Awards	G 1.9 Payment of Legal Costs for Councillors
C1.3 Community Funding: Donations, Grants, Sponsorship and Waiver of Fees	G 1.10 Workforce and Human Resources
C 1.4 Sponsorship of Tourism Events	G 1.11 Organisation Structure and Designation of Senior Employees
Corporate Policies	G 1.12 Civic Functions and Hospitality
CP 1.1 Execution of Documents and Use of the Common Seal	G 2.1 Comprehensive Complaints Response
CP 1.2 Use of the Shire of York Crest and Logo	G 2.2 Community Access to Information
CP 1.3 Commissioning of Legal Advice	G 2.3 Disruptive Behaviour at Council Meetings
CP 1.4 Local Government Resource Sharing	G 2.4 Petitions
CP 1.5 Compliance	G 2.5 Reference Groups
Finance Policies	G 2.6 Public Question Time
F1.1 Revenue Collection	G 2.7 Conduct of Council Forums
F1.2 Procurement	G 2.8 Currently Unused
F 1.3 Significant Accounting Policies	G 2.9 Community Engagement and Consultation
F1.4 Investment	G 2.10 State Administrative Tribunal
F1.5 Authority to Make Payments from Trust and Municipal Funds	G 3.1 Public Interest Disclosure
F1.6 Corporate Credit Card Policy	G 3.2 Fraud, Corruption and Misconduct Prevention
Governance Policies	G 4.1 Integrated Planning and Reporting: (Planning)
G 1.1 Code of Conduct: Councillors, Committee Members and Employees	G 4.2 Integrated Planning and Reporting: (Reporting)
G 1.2 Councillors: Professional Development	G 4.3 Financial Planning and Sustainability
G 1.3 Councillors: Travel and Accommodation	G 4.4 External Grants: Procurement & Management
G 1.4 Council Delegates: Roles and Responsibilities	G 4.5 Asset Management
G 1.5 Induction for Councillors	G 4.6 Risk Assessment and Management
G 1.6 Provision of Governance Services	

Town Planning	Miscellaneous Policies
Heritage Precincts & Places	Vandalism of Council Property
Restriction on Building Materials (PPI)	Gates Across Road Reserves
Sea Containers	Western Power – Distribution Power Lines Clearances at Road Crossings & Over Land
Advertising Signage	Onsite Effluent Disposal Facility
Retrospective Planning Applications	Staff Superannuation – WA Local Government Superannuation Plan – Contribution
Outbuildings in Residential Zones	Events for York
Relocated Second-Hand Dwellings	Temporary Accommodation Policy
Heritage Management - Interpretative Signage	Contractor Management Policy
Extractive Industries – Road Maintenance Contribution	Volunteer Management
Developer Contributions for Road & Footpath Upgrading	
Barn Style Shed Houses	
Seavroc Tree Cropping	

Appendix B – Plans Examined

The Plans examined as part of the review were as follows:

Plan	Status
Strategic Community Plan	Strategic Community Plan 2016-2026
Corporate Business Plan	Corporate Business Plan 2016-2020
Long Term Financial Plan	Long Term Financial Plan 2016 - 2026
Workforce Plan	2017-2021
Recordkeeping Plan	2015

Appendix C – Strategic and Operational Registers Examined

The registers examined as part of the review were as follows:

Register
Disclosure of Interest Register
Tender Register
Gifts and Travel Register
Complaints Register
OSH Risk Register
Delegations Register
Common Seal Register
Investments Register

Appendix D – Operational Guidelines

Risk Management

The internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

- *Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered;*

- *Reviewing whether the local government has a current and effective Business Continuity Plan (including disaster recovery) which is tested from time to time;*

- *Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:*

  - *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*

- *Obtaining regular risk reports, which identify 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;*

- *Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;*

- *Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;*

- *Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;*

- *Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;*

- *Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and*

- *Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.*

Appendix D – Operational Guidelines (Continued)

Legislative Compliance

'The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

a) Monitoring compliance with legislation and regulations

b) Reviewing the annual Compliance Audit Return and reporting to Council the results of that review

c) Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary

d) Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints

e) Obtaining assurance that adverse trends are identified and review management's Plans to deal with these

f) Reviewing management disclosures in financial reports of the effect of significant compliance issues

g) Reviewing 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

h) Considering the internal auditor's role in assessing compliance and ethics risks in their Plan;

i) Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements

j) Complying with 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

Internal Controls

Internal controls are systems of policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations.

These systems not only relate to accounting and reporting but also include communication processes both internally and externally, staff management and error handling.

Operational Guidelines prepared by the Department of Local Government and Communities (Audit in Local Government number 09 September 2013) provide the background to Internal Controls in the context of this review as follows:

'Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

Appendix D – Operational Guidelines (Continued)

Internal Controls (continued)

An effective and transparent internal control environment is built on the following key areas:

- k) *integrity and ethics;*
- l) *policies and delegated authority;*
- m) *levels of responsibilities and authorities;*
- n) *audit practices;*
- o) *information system access and security;*
- p) *management operating style; and*
- q) *human resource management and practices.*

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

Aspects of an effective control framework will include:

- a) *delegation of authority;*
- b) *documented policies and procedures;*
- c) *trained and qualified employees;*
- d) *system controls;*
- e) *effective Policy and process review;*
- f) *regular internal audits;*
- g) *documentation of risk identification and assessment; and*
- h) *regular liaison with auditor and legal advisors.*

The following are examples of controls that are typically reviewed:

- a) *separation of roles and functions, processing and authorisation;*
- b) *control of approval of documents, letters and financial records;*
- c) *comparison of internal data with other or external sources of information;*
- d) *limit of direct physical access to assets and records;*
- e) *control of computer applications and information system standards;*
- f) *limit access to make changes in data files and systems;*
- g) *regular maintenance and review of financial control accounts and trial balances;*
- h) *comparison and analysis of financial results with budgeted amounts;*
- i) *the arithmetical accuracy and content of records;*
- j) *report, review and approval of financial payments and reconciliations; and*
- k) *comparison of the result of physical cash and inventory counts with accounting records.*

SHIRE OF YORK - RISK IMPROVEMENT IMPLEMENTATION PLAN

Risk No.	Procurement	Risk Identified	Category
6.2.1c	From testing of a limited number of transactions and staff representations, we noted purchase orders are not always authorised prior to the purchase being made and evidence of quotations received is not always maintained with the purchase order. We noted a number of instances where purchasing staff had not followed the quotation requirements of the Policy and had stated there was only one supplier on the purchase order. This exemption from obtaining quotations is not provided for within the Policy and staff acknowledged more than one supplier existed.	Lack of probity. Financial loss. Unauthorised purchasing.	**Extreme**
Respons. Officer	*Mitigation and Management Strategy*	*Timeline* 2017/18	2018/19
EMCCS	Further training of staff with purchasing authority to enforce the need to adhere to purchasing procedures is recommended along with the examination of further controls to help ensure compliance with the Policy.		

Risk No.	Inventory Counts and Reconciliations	Risk Identified	Category
7.2.9	Inventory counts for fuel, depot inventory and recreation centre inventory are undertaken for the purpose of ordering and not for reporting and monitoring.	Financial Loss	**Extreme**
Respons. Officer	*Mitigation and Management Strategy*	*Timeline* 2017/18	2018/19
EMIDS/ EMCCS	Routine documented inventory counts and fuel dips are required to ensure accurate management reporting of costs and assist in the detection of inventory shrinkage.		

Risk No.	Information Control Systems	Risk Identified	Category
7.5.2	There is no IT Security Plan currently in place despite a previous ransomware attack. Limited IT Security controls exist, with all files located on one virtual drive, managed by staff with all staff having full access. IT staff perform finance functions and have full admin access within the IT environment. Routine changing of passwords for all users only occurs for email access.	Breach of IT Security and Internal Controls	**Extreme**
Respons. Officer	*Mitigation and Management Strategy*	*Timeline* 2017/18	2018/19
EMCCS	We suggest an IT Security Plan be developed and associated IT controls be implemented.		

Risk No.	Procurement	Risk Identified	Category
6.2.1.a	Purchases from the WALGA preferred supplier panel are required to apply the quotation process detailed within the Policy. However, it is not clear if the probity requirements in assessing and awarding the work detailed within the Policy apply to these purchases.	Lack of probity for purchases from WALGA preferred suppliers	**High**
Respons. Officer	*Mitigation and Management Strategy*	*Timeline* 2017/18	2018/19
EMCCS	We suggest the Policy be reviewed and amended to place the same quotation, probity and record keeping requirements on all procurement. The only exemption to normal requirements being the calling of tenders where an exemption exists under the Local Government Act 1995.		

SY005-07/17 (AUDIT) APPENDIX B

SHIRE OF YORK - RISK IMPROVEMENT IMPLEMENTATION PLAN

Risk No.	Procurement	Risk Identified	Timeline		Category
			2017/18	2018/19	
6.2.1b	The Policy provides no direction in relation to contract variations and extensions. We acknowledge these are not common, however there are no documented controls around the awarding of these variations and extensions once a contract has been awarded.	Breaches of Statutory Requirements. Lack of probity. Corrupt purchasing			High
Respons. Officer	*Mitigation and Management Strategy*				
EMCCS	We suggest the Policy be reviewed and amended to place the same quotation, probity and record keeping requirements on all procurement. The only exemption to normal requirements being the calling of tenders where an exemption exists under the Local Government Act 1995.				
7.2.4a	We noted services being provided by suppliers beyond the term of the initial contract and contract extension and exceeding $150,000 in value. We acknowledge the Shire is currently taking actions to tender the associated services.	Compliance breach Financial loss			High
Respons. Officer	*Mitigation and Management Strategy*		2017/18	2018/19	
EMIDS	We suggest procedures be developed to monitor existing contract end dates to ensure tenders are called before the expiration of existing contracts. Where contracts are to be extended in accordance with a contract extension clause, we suggest procedures be developed to ensure an appropriate level of probity and independence, to assess the renewal of existing contracts with sufficient time to enable calling of tenders if required.				
7.2.4b	We noted contracts for the provision of monthly services with no end date within the contract and the value of works to date exceeds the tender threshold of $150,000.	Compliance breach Financial loss			High
Respons. Officer	*Mitigation and Management Strategy*		2017/18	2018/19	
EMIDS	We suggest all existing contracts with no contract end date be reviewed and services be acquired in accordance with the Procurement Policy on fixed term contracts.				
8.3.2	Authority to determine not to invite tenders has been delegated to the CEO under DE5-1. We noted the recording of delegations from the CEO to employees with no employee specified.	Compliance breach Financial loss			Medium
Respons. Officer	*Mitigation and Management Strategy*		2017/18	2018/19	
EMIDS	The likelihood of a purchase exceeding $150,000 being only available from one supplier is considered to be extremely low and should require significant substantiation. We suggest this delegation be removed to help ensure appropriate substantiation exists prior to the decision not to invite tenders. Where a sub delegation to an employee exists we suggest the delegations register clearly state the title of the employee who has been delegated the authority.				

Risk No.	Internal Control	Risk Identified	Timeline		Category
			2017/18	2018/19	
6.2.2	Currently, no policy on internal controls has been adopted by Council.	Lack of strategic direction for implementation of internal controls			High
Respons. Officer	*Mitigation and Management Strategy*		2017/18	2018/19	
EMCCS	We suggest an Internal Control Policy be formulated and adopted to formalise Council's commitment to internal controls, based on risk management principles.				

SHIRE OF YORK - RISK IMPROVEMENT IMPLEMENTATION PLAN

Risk No.	Internal Control	Risk Identified	Category
8.6.1	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	Internal and Compliance risks not identified	**Medium**
		Timeline	
		2017/18	2018/19
Respons. Officer **EMCCS**	*Mitigation and Management Strategy*		
	We suggest that, as the level of documented procedures increases, an expanded internal audit function may be required to confirm adherence to documented policies and procedures.		
7.3.1b	We note there are no requirements for the self-reporting of identified breaches of internal controls or legislation.	Internal control or compliance breach not identified	**Medium**
		Timeline	
		2017/18	2018/19
Respons. Officer **CEO**	*Mitigation and Management Strategy*		
	Amend the Code of Conduct to require alleged breaches to be reported to the CEO (or Shire President if the subject is the CEO) and then to be dealt with confidentially in accordance with the principles of natural justice and procedural fairness. We suggest the Code of Conduct prohibit staff from utilising Council assets or undertaking activities during working hours for their own personal gain.		

Risk No.	Legislative Compliance Policy	Risk Identified	Category
6.2.3	Compliance Policy CP1.5 has been adopted by Council to cover enforcement activities undertaken by the Shire. Currently, no policy on legislative compliance by elected members or staff has been adopted by Council.	Lack of strategic direction for legislative compliance	**High**
		Timeline	
		2017/18	2018/19
Respons. Officer **EMCCS**	*Mitigation and Management Strategy*		
	We suggest a Legislative Compliance Policy be formulated and adopted to formalise Council's commitment to legislative compliance.		

Risk No.	Risk Management	Risk Identified	Category
6.2.4	We note the current draft framework is generic and yet to be modified and finalised by the Shire of York. Risk assessment and acceptance criteria within the draft document are independent of the context of the risk assessment being undertaken.	Lack of strategic direction for risk management procedures	**High**
		Timeline	
		2017/18	2018/19
Respons. Officer **EMG**	*Mitigation and Management Strategy*		
	We suggest the current Risk Management Framework be modified. This would involve the risk assessment and acceptance criteria changed to use percentages to make them relative to the context of the assessment being undertaken. This should assist in avoiding any need to redefine the risk assessment framework for each level of risk assessment.		
7.1.1	The Shire is yet to develop a formal Risk Assessment Improvement Plan as required by the Risk Management Policy.	Failure to improve risk management procedures	**High**
		Timeline	
		2017/18	2018/19
Respons. Officer **EMG**	*Mitigation and Management Strategy*		
	We suggest a basic Risk Assessment Improvement Plan be developed based on the improvements identified in this review.		
7.1.3	A Business Continuity Plan was not available for our review.	Failure to adequately manage a business disruption event	**High**
		Timeline	
		2017/18	2018/19
Respons. Officer **EMCCS**	*Mitigation and Management Strategy*		
	We suggest a Business Continuity Plan be developed.		

SHIRE OF YORK - RISK IMPROVEMENT IMPLEMENTATION PLAN

Risk No.	Risk Management	Risk Identified	Category
7.5.1	No IT Disaster Recovery Plan has been developed. No formal risk assessments have been undertaken for the IT environment. File recoveries have been tested, however a full system recovery has not been tested.	Loss of IT System.	High
Respons. Officer	*Mitigation and Management Strategy* / Timeline: 2017/18, 2018/19		
EMCCS	We suggest an IT Disaster Recovery Plan be developed and fully tested.		
7.2.1	Formal risk management procedures and practices are not currently in place.	Failure to identify risks or adequately treat identified risks	High
Respons. Officer EMCCS/ EMIDS	*Mitigation and Management Strategy* / Timeline: 2017/18, 2018/19		
	We suggest risk management procedures be developed in accordance with the risk management framework.		
8.3.3	OSH incident forms are maintained within the OSH incident form file by depot staff and only forwarded to HR staff where an injury occurs. A number of incidents were recorded over the previous 2 years. Outcomes of investigations and treatments are not always recorded or signed. We note OSH incident forms are not made available to staff outside of the depot.	Previously identified risks are not adequately treated.	High
Respons. Officer EMCCS/ EMIDS	*Mitigation and Management Strategy* / Timeline: 2017/18, 2018/19		
	We suggest the OSH incident forms be reviewed by an OSH Committee (to be formed) and investigations and treatments to help prevent re-occurrence are recorded and signed as provided on the forms.		
6.1.1	We note the Corporate Business Plan Contains a number of strategic risks. These risks are not maintained within an entity wide risk register.	Previously identified risks are not adequately treated.	Medium
Respons. Officer	*Mitigation and Management Strategy* / Timeline: 2017/18, 2018/19		
EMCCS	To help ensure the routine monitoring and treatment of identified risks, the risks should be recorded in an entity wide risk register.		
8.1.1	We noted risks are detailed within agenda items and Council minutes. These risks are not maintained within an entity wide risk register.	Previously identified risks are not adequately treated.	Medium
Respons. Officer	*Mitigation and Management Strategy* / Timeline: 2017/18, 2018/19		
EMCCS	We suggest all identified risks be maintained within an overall risk register to enable reassessment of previously identified risks.		
8.2.1	Formal minutes of EMG meetings are currently maintained. Risk matters are not currently recorded within the minutes.	Previously identified risks are not adequately treated.	Medium
Respons. Officer	*Mitigation and Management Strategy* / Timeline: 2017/18, 2018/19		
CEO	We suggest minutes of the EMG meetings include documentation of any risks, internal control and legislative compliance weaknesses identified during the course of the meetings.		
8.3.1	No risk register was available for our examination.	Previously identified risks are not adequately treated.	Medium
Respons. Officer	*Mitigation and Management Strategy* / Timeline: 2017/18, 2018/19		
EMCCS	We suggest a risk register be maintained and identified risks recorded within the register.		

SHIRE OF YORK - RISK IMPROVEMENT IMPLEMENTATION PLAN

Risk No.	Financial Management	Risk Identified			Category
7.2.3	Processing of EFT Payments requires the use of a physical token and entry of a password by an authorised signatory. We noted no procedures exist to ensure the security and control the use of the physical token.	Fraud risk			High
Respons. Officer	Mitigation and Management Strategy		Timeline		
			2017/18	2018/19	
EMCCS	We suggest documented procedures be developed for the security and use of the physical token required for the processing of payments.				
8.6.2	Financial Management Review undertaken in conjunction with this review details control weaknesses and legislative compliance breaches.	Financial Loss and Breakdown of Internal Control			High
Respons. Officer	Mitigation and Management Strategy		Timeline		
			2017/18	2018/19	
EMCCS	The items identified within the Financial Management Review should be addressed.				
7.1.2	The Shire is yet to develop formal asset management plans. The risk assessments within these plans should utilise the matrix of consequences and likelihood detailed in the Risk Management Framework (yet to be finalised).	Failure to appropriately manage assets. Ineffective spending of financial resources on assets			Medium
Respons. Officer	Mitigation and Management Strategy		Timeline		
			2017/18	2018/19	
EMIDS	We suggest the plans be developed and placed before the Council for adoption.				

Risk No.	Procedures	Risk Identified			Category
7.2.5	Checklists of key functions are maintained for selected functions. The checklists were not up to date in all cases and not used for all compliance functions.	Compliance Breach			High
Respons. Officer	Mitigation and Management Strategy		Timeline		
			2017/18	2018/19	
EMG	Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists are of assistance in ensuring compliance with repetitive legislative compliance tasks.				
7.2.7	A contract exists with a company for the management of the dog pound. From staff representations we understand the company raises charges on third parties for the care of dogs impounded by other Shire's with no lease in place for the use of the facility for their own purposes. A member of staff currently operates the shop at the swimming pool for their own gain with no lease in place for use of the building.	Compliance breach Financial loss			High
Respons. Officer	Mitigation and Management Strategy		Timeline		
			2017/18	2018/19	
EMG	We suggest policies and procedures be developed to ensure a current signed lease or short term hire agreement is in place before a third party is allowed to use Shire property for their own commercial benefit. We suggest the Code of Conduct be modified as detailed in Section 7.3 below.				
7.2.8	Recent progress has been made in establishing occupational health and safety practices at the Depot. We noted a lack of documented occupational Health and Safety procedures across the organisation.	Significant OSH Incident			High
Respons. Officer	Mitigation and Management Strategy		Timeline		
			2017/18	2018/19	
EMCCS/ EMIDS	Establishment of organisation wide procedures for the assessment, reporting and treatment of Occupational Health and Safety risks should assist in minimising the risk of injury to staff, contractors, volunteers and visitors to Shire controlled properties.				

SHIRE OF YORK - RISK IMPROVEMENT IMPLEMENTATION PLAN

Risk No.	Procedures	Risk Identified	Category
7.4.1	Contractors' insurances are not assessed prior to award of contracts. General contractors engaged on an ad hoc basis are generally not required to produce details of the level or existence of their insurance coverage or licences to undertake the works.	Financial Loss. OSH Incident	High
Respons. Officer	*Mitigation and Management Strategy*	*Timeline* 2017/18 2018/19	
EMIDS	We suggest procedures be developed to ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Shire.		
7.4.2	Currently no formal agreement is entered into when undertaking private works, insurance cover is not in place for damage to third party property for contract works.	Financial Liability in event of a property loss	High
Respons. Officer	*Mitigation and Management Strategy*	*Timeline* 2017/18 2018/19	
EMIDS	We suggest formal agreements be entered into with landowners and insurance cover be sought prior to undertaking private works.		
8.5.1	We note there are no procedures to ensure employee complaints are investigated, recorded and responded to appropriately, within a defined timeframe.	Internal and Compliance risks not identified	High
Respons. Officer	*Mitigation and Management Strategy*	*Timeline* 2017/18 2018/19	
EMCCS	We suggest the development of procedures for the investigation, recording and responding to employee complaints and grievances.		
7.2.2	Limited documented procedures currently exist. In most cases where these do exist they are at least 3 to 4 years old. From staff representations, where procedures exist they are not consistently followed.	Breakdown of internal controls. Controls reliant on the capability and honesty of staff	Medium
Respons. Officer	*Mitigation and Management Strategy*	*Timeline* 2017/18 2018/19	
CEO	Opportunities exist to improve standard operating procedures and ensure they are documented with key controls clearly identified. Once these procedures are developed and implemented, they require constant monitoring for adherence and to ensure they are effective.		

Risk No.	Human Resources	Risk Identified	Category
7.2.5	Checklists of key functions are maintained for selected functions. The checklists were not up to date in all cases and not used for all compliance functions.	Compliance Breach	High
Respons. Officer	*Mitigation and Management Strategy*	*Timeline* 2017/18 2018/19	
EMCCS	Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists are of assistance in ensuring compliance with repetitive legislative compliance tasks.		

SHIRE OF YORK - RISK IMPROVEMENT IMPLEMENTATION PLAN

Risk No.	Human Resources	Risk Identified	Category
7.3.3	Staff indicate that inductions of new staff are currently undertaken with a new induction checklist recently developed. No formal documentation of inductions were observed on file for serving members of staff.	Internal control or compliance breach	**High**
Respons. Officer	*Mitigation and Management Strategy*	*Timeline*	
EMCCS	All staff should undergo a generic staff induction, including basic OSH topics, record keeping and code of conduct with evidence of the induction recorded on the employee file. Roles exposed to high risks or specialised components should undergo a specific induction relevant to the position and be recorded on the employee's file. Employees who have no evidence of having completed an induction should be re-inducted and the relevant evidence maintained on file.	2017/18 2018/19	
7.3.5	We noted no OSH committee is currently in place.	OSH Risks not identified or treated	**High**
Respons. Officer	*Mitigation and Management Strategy*	*Timeline*	
EMCCS/ EMIDS	We suggest an OSH committee be formed and meet routinely to address identified OSH issues.	2017/18 2018/19	
7.3.6	Inductions are not currently applied to volunteers or contractors.	Internal control or compliance breach	**High**
Respons. Officer	*Mitigation and Management Strategy*	*Timeline*	
EMG	We suggest a simple process be developed for the induction of volunteers and contractors. Practices should be implemented to ensure all contractors are inducted or able to demonstrate they have effective pre-existing safety and risk management procedures in place, before commencing works.	2017/18 2018/19	
7.3.1a	Volunteers and contractors are not bound by a Code of Conduct when performing functions on behalf of the Shire.	OSH Incident Compliance breach	**Medium**
Respons. Officer	*Mitigation and Management Strategy*	*Timeline*	
CEO	We suggest the Code of Conduct be updated and the scope include actions by volunteers and contractors. Alternatively, a separate Code of Conduct be developed for volunteers and contractors.	2017/18 2018/19	
7.3.2	Staff training needs are currently identified on an ad-hoc basis. We understand management wishes to establish a more formal staff training structure.	Internal control or compliance breach	**Medium**
Respons. Officer	*Mitigation and Management Strategy*	*Timeline*	
EMCCS	We suggest a staff training matrix be established, to identify staff training needs relevant to their role.	2017/18 2018/19	
7.3.4	We noted a member of staff whose qualifications and drivers licence were not on file. We acknowledge the employee was recruited through WALGA and checks were completed by WALGA.	Unqualified staff engaged	**Medium**
Respons. Officer	*Mitigation and Management Strategy*	*Timeline*	
EMCCS	Maintaining a qualifications register may assist in monitoring staff qualifications to ensure they remain current. Copies of staff qualifications should be maintained on each staff file as evidence of their qualification.	2017/18	

7. **QUESTIONS FROM MEMBERS WITHOUT NOTICE**
   Nil

8. **NEXT MEETING**
   To be advised

9. **CLOSURE**
   The Shire President thanked everyone for attending and closed the meeting at 4.11pm.