

SHIRE OF YORK

**MINUTES OF THE
AUDIT COMMITTEE MEETING
HELD ON 2 JULY 2018
COMMENCING AT 3.05PM
IN COUNCIL CHAMBERS,
YORK TOWN HALL, YORK**

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SHIRE OF YORK

MINUTES OF THE AUDIT COMMITTEE
HELD ON 2 JULY 2018 COMMENCING AT 3.05PM
IN COUNCIL CHAMBERS, YORK TOWN HALL, YORK

1. OPENING

1.1 Declaration of Opening

Cr David Wallace, Shire President, declared the meeting open at 3.05pm.

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 Kevin Trent, Deputy Shire President;
Cr Denese Smythe; Cr Jane Ferro; Cr Pam Heaton; Cr Denis Warnick*

2.2 Staff

Paul Martin, Chief Executive Officer; Suzie Haslehurst, Executive Manager Corporate & Community Services

2.3 Apologies

Cr Heather Saint

3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

3.1 *Minutes of Audit Committee Meeting held 5 June 2018.*

COMMITTEE RECOMMENDATION

Moved: Cr Smythe

Seconded: Cr Trent

That the minutes of the Audit Committee meeting held on 5 June 2018 be accepted as a true and correct record.

CARRIED: 6/0

4. ANNOUNCEMENT BY THE PRESIDING MEMBER WITHOUT DISCUSSION

Nil

5. PRESENTATIONS

Chief Executive Officer, Mr Paul Martin gave a presentation on the CEO Investigation into AS.TEN.01-16/17

6. OFFICER REPORTS

SY006-07/18 (Audit) – Risk Management Update

FILE REFERENCE:	OR.CMA.8; FI.FRP.6; OR.MTG.3.2
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:	28 August 2017 26 February 2018
DISCLOSURE OF INTEREST:	Nil
APPENDICES:	A. Risk Improvement Progress Report B. Risk Register Dashboard Report

Nature of Council’s Role in the Matter:

- Executive

Purpose of the Report:

This report provides the Audit Committee with an update regarding progress on the Shire’s Risk Management.

Background:

At the Ordinary Council Meeting held 28 August 2017, Council approved the Audit Committee’s recommendation that Council;

1. *Receives the Minutes of the Audit Committee meeting held on 7 August 2017 and adopts the following recommendations from the Audit Committee;*
 - (d) *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;*
 - (e) *Approves the prioritised Improvement Plan as attached to this report and the timeline for improvements to be made; f) Requests the Chief Executive Officer to report back to the Audit Committee on a six-monthly basis regarding progress against the Improvement Plan.*

A report was presented to the Audit Committee in December 2017 and subsequently to Council where it was proposed by officers that progress reports on the Risk Improvement Plan are presented on a six-monthly basis in June and December. This report presents the June update for consideration.

Comments and details:

An internal Risk Working Group was formed with officers from across the organisation meeting regularly to monitor progress against the Risk Improvement Plan. Earlier this year, in recognition of the Occupational Health and Safety risks to be considered, the Regional Risk Coordinator from the Shire’s insurers LGIS, was invited to join the Group.

The Risk Improvement Progress Report is attached for Council’s reference at Appendix A to this report. Where action has been completed, the action is coloured green. Where some work has taken place, the action is highlighted yellow. Where progress is yet to be made, no colour has been applied.

Since the last review, officers have also been establishing and populating an organisation-wide risk register which was one of the recommendations made by the Auditors and is included in the Risk Improvement Plan.

The register was established following a two-day Risk Management Workshop undertaken by relevant officers across the Shire. The Register contains risk categories most often found in local governments across the state and officers have identified the controls that are in place and any actions that are required to further mitigate the risks associated with each category.

The above information is summarised in a dashboard report which is attached at Appendix B that rates the risk associated with each category and also the controls that are currently in place (see the consequence table attached to the dashboard report). The intent of the dashboard report is to regularly monitor the reduction of risk and improvement in controls that exist to mitigate those risks.

The actions suggested by the Auditors (contained in the Risk Improvement Plan) have been incorporated into the Risk Register.

There is one area where the controls in place are considered inadequate. This is related to security at the Depot and an allocation has been included in the draft 2018/19 Budget to install a security gate to restrict public access to the Depot yard and mitigate the risk of theft.

A substantial amount of work has also been done to improve the Shire's Information and Communications Technology (ICT) operations including the development of an ICT Audit and subsequent security plan, reconfiguration of the Shire's firewalls, passwords and internet access protocols, negotiation with service providers to determine the hardware updates required to implement the proposed plan and analysis of current and future usage needs and costs.

The development of an organisation-wide risk plan is considered a significant milestone and formalises the Shire's commitment to risk management. While there is room for improvement in all areas, the level of risk management is considered commensurate with the Shire's capacity and resources. The Working Group will continue to meet bi-monthly with notes from the meetings provided to Councillors in the Information Bulletin.

Options:

The Committee could recommend that Council requests the Chief Executive Officer to ensure all issues have been dealt with within a certain timeframe. However, officers have focused on those issues that present the highest risk to the Shire for immediate action within current resources and will continue to work through the remaining issues on the same basis.

Implications to consider:

- **Consultative**
Moore Stephens
LGIS

- **Strategic**
Theme 5: Strong and Effective Leadership
5.1 Effective and informed governance and decision-making

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

- **Financial**
Financial implications of the proposed risk mitigation strategies are presented to Council as they emerge and will inform the annual budget process.
- **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.*

- **Risk related**
A risk assessment has been undertaken and the risk is considered low.
- **Workforce Implications**
It is proposed that risk mitigation actions are undertaken within available resources. Where additional resources are required, this will be identified and submitted as part of the annual budget process.

Voting Requirements:
Absolute Majority Required: No

OFFICER RECOMMENDATION:

Moved: Cr Smythe

Seconded: Cr Ferro

“That the Audit and Risk Committee recommends that Council:

- 1. Receives the Risk Improvement Progress Report as attached at Appendix A to this report; and***
- 2. Notes the progress made to date regarding the Risk Improvement Implementation Plan endorsed by Council in August 2017 including the establishment of an organisation-wide Risk Register as summarised at Appendix B to this report.”***

CARRIED: 6/0

SHIRE OF YORK – RISK IMPROVEMENT PROGRESS REPORT

Risk No.	Procurement	Rated	Mitigation and Management Strategy	Resp. Officer
6.2.1c	<p>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.</p> <ul style="list-style-type: none"> EMCCS and Finance Manager have met with individual business units to provide further training and answer questions regarding procurement. Officers responsible for signing purchase orders have been requested to seek an explanation where non-compliance has occurred and to note the explanation on the PO. Officers authorising payments (EMCCS or CEO) now check any non-compliance and send an email memo to the responsible officer noting non-compliance. Moore Stephens noted significant improvement during Interim Audit in April 2018. 	Extreme	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	EMCCS
Action				
Risk No.	Inventory Counts and Reconciliations	Rated	Mitigation and Management Strategy	Resp. Officer
7.2.9	<p>Inventory counts for fuel, depot inventory and recreation centre inventory are undertaken for the purpose of ordering and not for reporting and monitoring.</p> <ul style="list-style-type: none"> Officers have documented and implemented a process for inventory counts and fuel dips which are undertaken monthly at the Depot. Stocktakes are undertaken at the YRCC and reported regularly. Officers have documented a process for inventory reconciliation of merchandise at the Visitor Centre and Residency Museum. 	Extreme	Routine documented inventory counts and fuel dips are required to ensure accurate management reporting of costs and assist in the detection of inventory shrinkage.	EMIDS/ EMCCS
Action				

SY006-07/17 (Audit)
APPENDIX A

SHIRE OF YORK – RISK IMPROVEMENT PROGRESS REPORT

Risk No.	Information Control Systems	Rated	Mitigation and Management Strategy	Resp. Officer
7.5.2	<p>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.</p> <ul style="list-style-type: none"> IT Security Plan drafted and presented to Risk and OSH Working Group for feedback. A new process has been documented to ensure passwords are changed regularly. The server structure has been reconfigured and levels of access introduced. Focus Networks engaged as new IT support provider. Reconfiguration of firewalls, internet access, virus control undertaken. 	Extreme	We suggest an IT Security Plan be developed and associated IT controls be implemented.	EMCCS
Action				
Risk No.	Procurement	Rated	Mitigation and Management Strategy	Resp. Officer
6.2.1a	<p>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.</p> <p>The Policy has been reviewed, amended and was adopted by Council in September 2017</p>	High	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.	EMCCS
Action				
6.2.1b	<p>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.</p> <p>The Policy has been reviewed, amended and was adopted by Council in September 2017</p>	High	The Purchasing Policy and associated procedures should be amended to ensure contract extensions and variations are appropriately controlled and authorised.	EMCCS
Action				

SHIRE OF YORK – RISK IMPROVEMENT PROGRESS REPORT

7.2.4a	<p>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.</p>	High	<p>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.</p>	
Action	<ul style="list-style-type: none"> • A contract register has been established to enable monitoring of contract terms and expiry. • Waste Collection Tender still to be undertaken. • Building/Compliance Officer position advertised May and June 2018. No suitable applications received. Quotes sought for three month contract to provide building services until a determination can be made. 			
7.2.4b	<p>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.</p>	High	<p>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.</p>	EMIDS
Action	Review in progress.			
8.3.2	<p>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.</p>	Medium	<p>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.</p>	EMCCS
Action	Delegation removed by Council at November 2017 OCM.			

SHIRE OF YORK – RISK IMPROVEMENT PROGRESS REPORT

Risk No.	Internal Control	Rated	Mitigation and Management Strategy	Resp. Officer
6.2.2	Currently, no policy on internal controls has been adopted by Council.	High	We suggest an Internal Control Policy be formulated and adopted to formalise Council's commitment to internal controls, based on risk management principles.	EMCCS
Action	Policy developed and adopted by Council in September 2017.			
Risk No.	Internal Control	Rated	Mitigation and Management Strategy	Resp. Officer
8.6.1	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken.	Medium	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.	EMCCS
Action	To be actioned in 2018/19.			
7.3.1b	We note there are no requirements for the self-reporting of identified breaches of internal controls or legislation.	Medium	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.	CEO
Action	<ul style="list-style-type: none"> The CEO has issued a directive by email that staff are not to use Council resources for personal benefit. Code of Conduct amended and provided to Risk & OSH Working Group. 			

SHIRE OF YORK – RISK IMPROVEMENT PROGRESS REPORT

Risk No.	Legislative Compliance Policy	Rated	Mitigation and Management Strategy	Resp. Officer
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.	High	We suggest a Legislative Compliance Policy be formulated and adopted to formalise Council's commitment to legislative compliance.	EMCCS
Action	Policy developed and adopted by Council in September 2017.			
Risk No.	Risk Management	Rated	Mitigation and Management Strategy	Resp. Officer
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.	High	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.	EMG
Action	<ul style="list-style-type: none"> • LGIS was engaged to undertake Risk Management Training with the Organisational Leadership Group in September 2017. • The Shire's Risk Management Policy and Framework is being reviewed and will be presented to Council in the coming months. 			
7.1.1	The Shire is yet to develop a formal Risk Assessment Improvement Plan as required by the Risk Management Policy.	High	We suggest a basic Risk Assessment Improvement Plan be developed based on the improvements identified in this review.	EMG
Action	<ul style="list-style-type: none"> • The Risk Improvement Plan was endorsed by Council in August 2017. • Progress reports are being provided on a six monthly basis. 			
7.1.3	A Business Continuity Plan was not available for our review.	High	We suggest a Business Continuity Plan be developed.	EMCCS
Action	This has been included in the development of the IT recovery plan			

SHIRE OF YORK – RISK IMPROVEMENT PROGRESS REPORT

Risk No.	Risk Management	Rated	Mitigation and Management Strategy	Resp. Officer
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.	High	We suggest an IT Disaster Recovery Plan be developed and fully tested.	EMCCS
Action	Plan drafted and considered by Risk and OSH Working Group.			
7.2.1	Formal risk management procedures and practices are not currently in place.	High	We suggest risk management procedures be developed in accordance with the risk management framework.	EMIDS/ EMCCS
Action	<ul style="list-style-type: none"> • LGIS was engaged to undertake Risk Management Training with the Organisational Leadership Group in September 2017. • The Shire's Risk Management Policy and Framework is being reviewed and will be presented to Council in the coming months. 			
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.	High	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.	EMIDS/ EMCCS
Action	<ul style="list-style-type: none"> • OSH audit undertaken by LGIS in September 2017. • LGIS Regional Coordinator working with the Shire to implement improvement plan. • Improvement Plan documented and actions allocated with timelines for completion. 			
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.	Medium	To help ensure the routine monitoring and treatment of identified risks, the risks should be recorded in an entity wide risk register.	EMCCS
Action	<ul style="list-style-type: none"> • LGIS was engaged to undertake Risk Management Training with the Organisational Leadership Group in September 2017. • A Risk Register and Action Plan has been established and is currently being populated by officers. • Reviewed regularly by the Risk Management Working Group. 			

SHIRE OF YORK – RISK IMPROVEMENT PROGRESS REPORT

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.	Medium	We suggest all identified risks be maintained within an overall risk register to enable reassessment of previously identified risks.	EMCCS
Action	To be actioned.			
8.2.1	Formal minutes of EMG meetings are currently maintained. Risk matters are not currently recorded within the minutes.	Medium	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.	CEO
Action	Risk has been placed on the EMG agenda for discussion at weekly meetings.			
8.3.1	No risk register was available for our examination.	Medium	We suggest a risk register be maintained and identified risks recorded within the register.	EMCCS
Action	<ul style="list-style-type: none"> • LGIS was engaged to undertake Risk Management Training with the Organisational Leadership Group in September 2017. • A Risk Register and Action Plan has been established and is currently being populated by officers. • Reviewed monthly by the Risk Management Working Group. 			
Risk No.	Financial Management	Rated	Mitigation and Management Strategy	Resp. Officer
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.	High	We suggest documented procedures be developed for the security and use of the physical token required for the processing of payments.	EMCCS
Action	<ul style="list-style-type: none"> • Token is currently stored securely and segregation of duties in place. • Procedures have been documented. 			
8.6.2	Financial Management Review undertaken in conjunction with this review details control weaknesses and legislative compliance breaches.	High	The items identified within the Financial Management Review should be addressed.	EMCCS

SHIRE OF YORK – RISK IMPROVEMENT PROGRESS REPORT

Action		<ul style="list-style-type: none"> All issues rated 'significant' and 'moderate' have been addressed. Matters rated minor are being worked through and in many cases, have been addressed. 			EMIDS
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).	Medium	We suggest the plans be developed and placed before the Council for adoption.		
Action		<ul style="list-style-type: none"> Asset Management Officer engaged, data collected and entered. Procedures yet to be documented. Draft asset management plans presented to Council Asset Management Plans to be reviewed by new EMIDS before being presented to Council 			
Risk No.	Procedures	Rated	Mitigation and Management Strategy	Resp. Officer	
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.	High	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.	EMG	
Action		<ul style="list-style-type: none"> Checklists have been developed and implemented in key areas Further work to be undertaken in this area. 			
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.	High	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.	EMG	
Action		To be actioned			

SHIRE OF YORK – RISK IMPROVEMENT PROGRESS REPORT

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.	High	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.	EMIDS/ EMCCS
Action	<ul style="list-style-type: none"> OSH audit undertaken by LGIS in September 2017. LGIS Regional Coordinator working with the Shire to implement improvement plan. 			
Risk No.	Procedures	Rated	Mitigation and Management Strategy	Resp. Officer
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.	High	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.	EMIDS
Action	Register of Contractors has been established and evidence of insurances requested and recorded.			
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.	High	We suggest formal agreements be entered into with landowners and insurance cover be sought prior to undertaking private works.	EMIDS
Action	Private works are not currently being undertaken due to capacity.			
8.5.1	We note there are no procedures to ensure employee complaints are investigated, recorded and responded to appropriately, within a defined timeframe.	High	We suggest the development of procedures for the investigation, recording and responding to employee complaints and grievances.	EMCCS
Action	<ul style="list-style-type: none"> Grievance Resolution Procedure has been developed and distributed to staff for feedback. Approved in April 2018. 			

SHIRE OF YORK – RISK IMPROVEMENT PROGRESS REPORT

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.	Medium	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.	EMG
Action	<ul style="list-style-type: none"> • KPIs have been set for officers across the organisation to develop, document and implement procedures • On-going 			

Risk No.	Human Resources	Rated	Mitigation and Management Strategy	Resp. Officer
7.2.5	<p>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.</p> <ul style="list-style-type: none"> • Checklists have and are being, developed and documented. • A corporate calendar of compliance dates and tasks has been established 	High	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.	EMCCS
Action	<ul style="list-style-type: none"> • Checklists have and are being, developed and documented. • A corporate calendar of compliance dates and tasks has been established 			
7.3.3	<p>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.</p>	High	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.	EMCCS
Action	<ul style="list-style-type: none"> • An Employee Manual is being developed which will be distributed to all staff when completed. • Employee orientation sessions will take place to familiarise staff with the contents of the Manual. 			

SHIRE OF YORK – RISK IMPROVEMENT PROGRESS REPORT

7.3.5	We noted no OSH committee is currently in place.		We suggest an OSH committee be formed and meet routinely to address identified OSH issues.	EMIDS/ EMCCS
Action	<ul style="list-style-type: none"> Risk Working Group Terms of Reference amended to include OSH matters OSH audit undertaken by LGIS in September 2017. LGIS Regional Coordinator working with the Shire to implement improvement plan. 			
7.3.6	Inductions are not currently applied to volunteers or contractors.	High	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.	EMG
Action	<ul style="list-style-type: none"> Contractor and volunteer inductions are now undertaken. Procedures to be documented. 			
7.3.1a	Volunteers and contractors are not bound by a Code of Conduct when performing functions on behalf of the Shire.	Medium	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.	CEO
Action	Code of Conduct amended and considered by Risk Management Working Group.			
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.	Medium	We suggest a staff training matrix be established, to identify staff training needs relevant to their role.	EMCCS
Action	Staff training needs are now identified as part of performance management process and considered as part of annual budget process.			
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.		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.	EMCCS
Action	Copies of staff qualifications/licences/permits have been collected and placed on personnel files.			

Shire of York
Risk Dashboard Report
June 2018

Asset Sustainability practices			Risk	Control
			High	Adequate
Failure or reduction in service of infrastructure assets, plant, equipment or machinery. These include fleet, buildings, roads and playgrounds and all other assets during their lifecycle from procurement to disposal.				
Actions	Due Date	Responsibility		
1. Request explanation from Responsible Officer when PO raised after the date of the invoice before payment is made	Sep-17	EMCCS		
2. Formalise Asset Disposal Process	Jun-18	EMIDS		
3. Collecting condition data and populating asset management database	Mar-18	AMO		
4. First draft of Transport and Building AMP's complete. To be finalised 2018	Sep-18	AMO		
5. Collecting building photographs as part of asset management process	Jan-18	AMO		
6. Maintenance and repairs to be documented as part of AMP's	Mar-18	AMO		
7. Include risk assessment in Asset Management Plans	Sep-18	EMIDS		

Business & Community disruption			Risk	Control
			Moderate	Adequate
Failure to adequately prepare and respond to events that cause disruption to the local community and / or normal business activities. This could be a natural disaster, weather event, or an act carried out by an external party (e.g. sabotage / terrorism).				
Actions	Due Date	Responsibility		
1. Undertake an emergency evacuation drill	ASAP	TSO		
2. Develop and document a Business Continuity Framework	Jun-18	EMCCS		
3. Finalise and implement IT Security Plan	Dec-17	IT/P		
4. Engage a BRMPC 4 days per fortnight to develop a BRMP	Jun-18	BRMPC		
5. Assign funding in the budget to purchase a generator	Jun-18	EMDS		

Failure to fulfil Compliance requirements (statutory, regulatory)			Risk	Control
			Moderate	Adequate
Failure to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This includes, new or proposed regulatory and legislative changes, in addition to the failure to maintain updated internal & public domain legal documentation.				
Actions	Due Date	Responsibility		
1. Develop a Compliance Policy	Sep-17	EMCCS		
2. Develop an Internal Control Policy	Sep-17	EMCCS		
3. Amend Code of Conduct to require alleged breaches to be reported to the CEO	Sep-17	EMCCS		
4. Establish and maintain a risk register	Sep-17	EMCCS		
5. Complete Compliance Calendar	Sep-17	AGC		
6. Address risks outlined in Financial Management Review	Jun-18	FM		
7. Include documentation of procedures as a KPI for all staff	Jun-18	Executive & Supervisors		

Document Management processes			Risk	Control
			Moderate	Adequate
Failure to adequately capture, store, archive, retrieve, provide or dispose of documentation.				
Actions	Due Date	Responsibility		
1. More training for staff on records eg. entering & recording	Jun-18	AGC		
2. Need to work on more procedures to ensure there is more staff accountability	Jun-18	AGC		
3. Develop a culture of good record-keeping	Jun-18	EMG		
4. Update the Records Management Plan	Jun-19	AGC		
5				
6				
7				

Employment practices			Risk	Control
			Moderate	Adequate
Failure to effectively manage and lead human resources (full-time, part-time, casuals, temporary and volunteers).				
Actions	Due Date	Responsibility		
1. Complete Employee Manual for inclusion in employee inductions	Dec-17	EMCCS		
2. Develop and implement staff exit procedure	Dec-17	ESOCCS		
3. Include Employee Assistance Program process in Employee Manual	Dec-17	EMCCS		
4. Training needs identified as part of annual budget process	Feb-18	Executive & Supervisors		
5. Review Performance Management Process annually	Sep-18	EMCCS		
6. Review Workforce Plan	Jun-19	EMCCS		
7. Ensure annual budget allocation to subscribe to WALGA HR assistance services	Feb-18	EMCCS		

Engagement practices			Risk	Control
			Moderate	Effective
Failure to maintain effective working relationships with the Community (including local Media), Stakeholders, Key Private Sector Companies, Government Agencies and / or Elected Members. This includes activities where communication, feedback or consultation is required and where it is in the best interests to do so.				
Actions	Due Date	Responsibility		
1. Develop and implement procedures to establish and maintain a FB page	Dec-17	CEO		
2. Ensure timeliness allow for appropriate communication of information, deadlines etc	Jun-18	All staff		
3. More training on the complaints policy and procedures	Jun-18	All staff		
4. Work with Wheatbelt Volunteer hubs to increase service provision to support volunteer groups	Feb-18	EMCCS / CEDO		
5				
6				
7				

Environment management			Risk	Control
			Low	Adequate
Inadequate prevention, identification, enforcement and management of environmental issues.				
Actions	Due Date	Responsibility		
1. Develop and document process for road clearing permits	Jun-18	DAO		
2. Undertake mosquito fogging	Jun-18	EHO		
3. Develop and adopt a new Planning Strategy and Scheme	Jun-18	SP		
4				
5				
6				
7				

Errors, omissions & delays			Risk	Control
			Moderate	Effective
Errors, omissions or delays in operational activities as a result of unintentional errors or failure to follow due process including incomplete, inadequate or inaccuracies in advisory activities to customers or internal staff.				
Actions	Due Date	Responsibility		
1. Review Procurement Policy to ensure consistent quotation, probity & record keeping requirements and treatment of contract variations	Sep-17	EMCCS		
2. Provide further training to staff with purchasing authority to enforce the need to adhere to purchasing policies	Dec-17	EMCCS		
3. Identify specific staff training needs for inclusion in the annual budget process	Feb-18	EMG		
4. Include an allocation in the annual budget to provide for external advice	Feb-18	EMG		
5. Formalise the process for EMG review of outstanding correspondence	Dec-17	RO		
6. Provide information to all staff regarding the Customer Service Charter and reminder regarding timeframes for response	Dec-17	AGC		

External theft & fraud (including Cyber)			Risk	Control
			Moderate	Inadequate
Loss of funds, assets, data or unauthorised access, (whether attempted or successful) by external parties, through any means (including electronic).				
Actions	Due Date	Responsibility		
1. Request \$15,000 for Depot upgrade to improve security and access as part of mid-year budget review	Jan-18	DAO		
2. Replace all admin building access toggles with user identified toggles	Dec-17	IT/P		
3. Update register of toggle holders for Admin Building	Dec-17	IT/P		
4. Update register of users for access to other buildings	Jan-18	TSO		
5. Develop an IT Security Framework	Mar-18	IT/P		
6. Install additional CCTV and document procedures	Mar-18	IT/P		
7. Document cash handling and stocktake procedures for all areas and implement	Jun-18	FM		

Management of Facilities / Venues / Events			Risk	Control
			Low	Adequate
Failure to effectively manage the day to day operations of facilities, venues and / or events.				
Actions	Due Date	Responsibility		
1. Staff training required in the area of venue bookings	Jun-18	AGC		
2. Synergy Booking Module currently being updated.	Jun-18	AGC		
3. Events Committee to undertake desktop review of event management procedures	Jun-18	CEDO		
4. Develop procedures for facility bookings and feedback				
5	Jun-18	AGC		

IT or communication systems and infrastructure			Risk	Control
			Moderate	Effective
Disruption, financial loss or damage to reputation from a failure of information technology systems. Instability, degradation of performance, or other failure of IT or communication system or infrastructure causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked.				
Actions	Due Date	Responsibility		
1. Develop an IT Security and Disaster Recovery Plan that incorporates maintenance and replacement of infrastructure	Mar-18	IT/P		
2. Implement a protocol to ensure passwords are changed regularly	Mar-18	IT/P		
3. Review levels of access to server and develop a process to ensure security & confidentiality of information	Jun-18	IT/P		
4. Develop a written specification, seek quotes and engage an IT Service Provider.	Jun-18	IT/P		
5				

Misconduct			Risk	Control
			Moderate	Adequate
Intentional activities intended to circumvent the Code of Conduct or activities in excess of authority, which circumvent endorsed policies, procedures or delegated authority.				
Actions	Due Date	Responsibility		
1. Review and document cash handling procedures for implementation at all Shire outstations and administration	Jun-18	FM		
2. Complete Employee Induction Manual	Dec-17	EMCCS		
4. Develop an IT Security Framework	Jan-18	IT/P		
5. Develop and implement a procedure for disciplining employees	Jun-18			
6. Develop and implement a procedure for grievance resolution	Jun-18	EMCCS		

Project / Change management			Risk	Control
			Moderate	Adequate
Inadequate analysis, design, delivery and / or status reporting of change initiatives, resulting in additional expenses, time delays or scope changes.				
Actions	Due Date	Responsibility		
1. Provide staff training regarding risk implications for inclusion in agenda reports	Mar-18	EMCCS		
2. Project Planning Template (including risk assessment) is developed and distributed to relevant staff	Feb-18	EMIDS		
3. Project plans including milestones, reporting, stakeholder engagement, risk assessment and formal debriefs are documented for projects	Jun-18	Relevant staff		
4. Conduct Project Management Training for relevant staff	Jun-18	Relevant staff		
5				
6				
7				

Safety and Security practices			Risk	Control
			Moderate	Adequate
Non-compliance with the Occupation Safety & Health Act, associated regulations and standards. It is also the inability to ensure the physical security requirements of staff, contractors and visitors. Other considerations are carelessness or carelessness.				
Actions	Due Date	Responsibility		
1. CCTV to be installed at all buildings				
2. Establish procedures in liaison with LGIS for EAP	Jan-18	EMCCS		
3. Develop procedures for the implementation of the Alcohol & Other Drugs Policy	Jan-18	EMCCS		
4. Update Hazardous Substance and Dangerous Goods Register	Mar-18	DAO		
5. Develop and implement a Grievance, Bullying and Harassment resolution procedure	Jun-18	EMCCS		
6				
7				

Supplier / Contract management			Risk	Control
			Moderate	Adequate
Inadequate management of external Suppliers, Contractors, IT Vendors or Consultants engaged for core operations. This includes issues that arise from the ongoing supply of services or failures in contract management & monitoring processes.				
Actions	Due Date	Responsibility		
1. Meet with individual business units to provide further training on procurement policy	Sep-17	EMCCS		
2. Adjust Purchase Order Form to provide space for details of quotations sought	Sep-17	FM		
3. Seek explanations for non-compliance and provide information on PO before authorisation	On-going	EMG		
5. Establish, maintain and monitor a register of contracts	Jun-18	TSO		
4. Review Delegation DE5-1 to remove delegation not to invite tenders	Dec-17	EMCCS		
6				
7				

Measures of Consequence

RATING	PEOPLE	INTERRUPTION TO SERVICE	REPUTATION (Social / Community)	COMPLIANCE	PROPERTY (Plant, Equip, Buildings)	NATURAL ENVIRONMENT	FINANCIAL IMPACT	PROJECT	
								Time	Budget
Insignificant (1)	Near-Miss	No material service interruption - Less than 1 hour	Unsubstantiated, localised low impact on community trust, low profile or no media item.	No noticeable regulatory or statutory impact	Inconsequential damage.	Contained, reversible impact managed by on site response	Less than \$10,000	Exceeds deadline by 5% of project timeline	Exceeds project budget by 5%
Minor (2)	First Aid Treatment	Short term temporary interruption - backlog cleared < 1 day	Substantiated, localised impact on community trust or low media item	Some temporary non-compliances	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	\$10,000 - \$50,000	Exceeds deadline by 10% of project timeline	Exceeds project budget by 10%
Moderate (3)	Medical treatment / Lost time injury <30 Days	Medium term temporary interruption - backlog cleared by additional resources < 1 Week	Substantiated, public embarrassment, moderate impact on community trust or moderate media profile	Short term non-compliance but with significant regulatory requirements imposed	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	\$50,001 to \$200,000	Exceeds deadline by 15% of project timeline	Exceeds project budget by 15%
Major (4)	Lost time injury >30 Days / temporary disability	Prolonged interruption of services - additional resources, performance affected <1 Month	Substantiated, public embarrassment, widespread high impact on community trust, high media profile, third party actions	Non-compliance results in termination of services or imposed penalties to Shire / Officers	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	\$200,001 to \$500,000	Exceeds deadline by 20% of project timeline	Exceeds project budget by 20%
Extreme (5)	Fatality, permanent disability	Indeterminate prolonged interruption of services non-performance > 1 month	Substantiated, public embarrassment, widespread loss of community trust, high media profile, multiple third party actions	Non-compliance results in litigation, criminal charges or significant damages or penalties to Shire / Officers	Extensive damage requiring prolonged period of restitution. Complete loss of plant, equipment & building	Uncontained, irreversible impact	>\$500,000	Exceeds deadline by 25% of project timeline	Exceeds project budget by 25%

Measures of Likelihood

Rating	Description	Frequency
Almost Certain (5)	The event is expected to occur in most circumstances	More than once per year
Likely (4)	The event will probably occur in most circumstances	At least once per year
Possible (3)	The event should occur at some time	At least once in 3 years
Unlikely (2)	The event could occur at some time	At least once in 10 years
Rare (1)	The event may only occur in exceptional circumstances	Less than once in 15 years

Risk Matrix

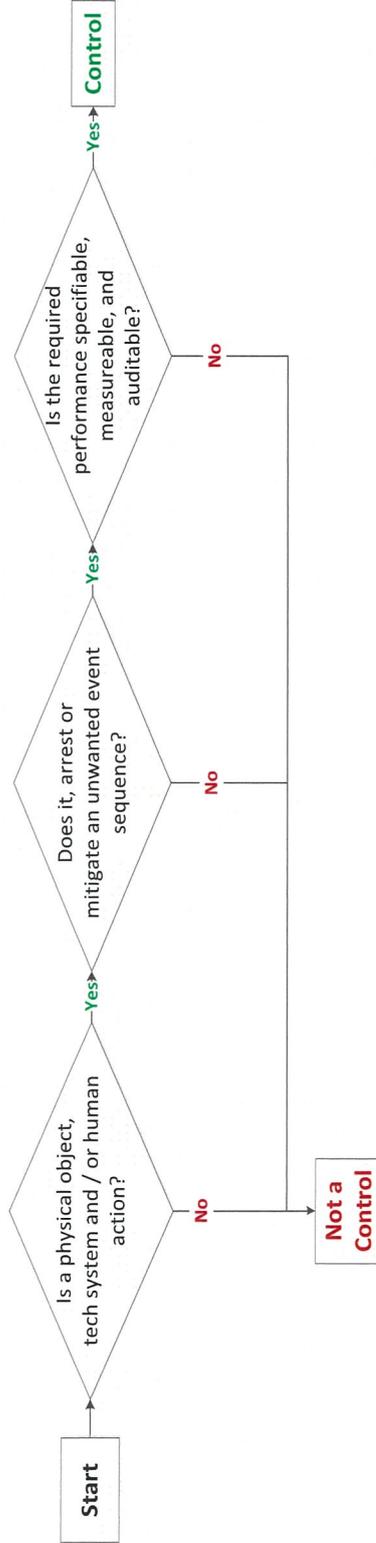
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely (4)	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible (3)	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely (2)	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare (1)	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Risk Acceptance Criteria

Risk Rank	Description	Criteria
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring
MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring
HIGH	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring
EXTREME	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring

Existing Controls Ratings

Rating	Foreseeable	Description
Effective	There is <u>little</u> scope for improvement.	Processes (Controls) operating as intended and aligned to Policies / Procedures. Subject to ongoing monitoring. Reviewed and tested regularly.
Adequate	There is some scope for improvement.	Processes (Controls) generally operating as intended, however inadequacies exist. Nil or limited monitoring. Reviewed and tested, but not regularly.
Inadequate	There is a <u>need</u> for improvement or action.	Processes (Controls) not operating as intended. Processes (Controls) do not exist, or are not being complied with. Have not been reviewed or tested for some time.



SY007-07/18 (Audit) – Timely Payments Focus Audit

FILE REFERENCE: FI.FRP.6
APPLICANT OR PROPONENT(S): Shire of York
AUTHORS NAME & POSITION: Tabitha Bateman – Finance Manager
RESPONSIBLE OFFICER: Suzie Haslehurst – Executive Manager, Corporate and Community Services
PREVIOUSLY BEFORE COUNCIL: No
DISCLOSURE OF INTEREST: Nil
APPENDICES: A. Timely Payments Focus Audit Management Letter

Nature of Council’s Role in the Matter:

- Executive

Purpose of the Report:

This report provides the Audit Committee with the results of the recent focus audit conducted by the Office of the Auditor General dealing with controls over timely payments of suppliers.

Background:

The *Local Government Amendment (Auditing) Act 2017* made the Auditor General responsible for the financial and performance auditing of local governments. Division 3C of the *Local Government Act 1995* provides for performance audits, which focus on the economy, efficiency and effectiveness of operations.

The Office of the Auditor General (OAG) wrote to the Chief Executive Officer in November 2017 advising that they had selected the Shire of York to take part in a focus area audit looking at controls over timely payment of suppliers. Focus audits aim to assess how well controls and business practices are performed. The findings serve to provide an insight into good practice and make recommendations for improvement so that all local governments can consider their own performance.

Following the entrance meeting held on 8 February 2018 which outlined the requirements of the audit, the OAG completed their audit activities for the Shire onsite on 21-22 February 2018 and issued a management letter that includes their audit findings. An exit meeting was held on 28 February as part of the process to discuss the audit findings and finalise the management letter which officers were requested to respond to. Officers provided a response on 14 March 2018. The management letter including officer responses is attached at Appendix A to this report.

The management letters for all the local governments audited were used to prepare a draft report, which was circulated to all parties on 10 May 2018 to ensure factual accuracy and contextual appropriateness, before the OAG finalised the report for tabling in Parliament. The report was sent via email to the Shire President and Chief Executive Officer with the following comment;

Please note that this Summary of Findings is provided to you in confidence. It must not be copied, reproduced or disclosed to any other person within or outside your local government except to the extent necessary to enable you to provide a response to the Auditor General (for example to Council or to relevant officers) or to obtain legal advice.

Officers were informed by the OAG that the findings should remain confidential until the Report had been tabled in Parliament. The results of the audit, which includes 10 local governments, can be found on the Office of the Auditor General’s website and was tabled in Parliament on 13 June 2018.

This report now presents the management letter for the information of Council.

Comments and details:

The objective of the audit was to assess whether local governments are making payments to suppliers on a timely basis in accordance with better practice.

The audit assessed the policies and practices over an 11-month period from 1 January 2017 to 30 November 2017 with the two main areas for the audit being:

- a. Have local governments developed procedures and controls for ensuring that payments are being made on a timely basis, and
- b. Are suppliers being paid on a timely basis?

The Shire's management letter highlighted three areas of moderate concern which required attention as soon as practicable and recommended the following;

1. The Shire should accurately record the goods and services receipt dates in its financial system; and regularly monitor invoices processed, but not yet paid, to ensure that all invoices are paid within 30 days of these dates.
2. It was noted that the Shire did not have an *approved* policy and procedure in place which sets out the terms by which suppliers should be paid. We acknowledge a written policy on the creditor's payment process has now been completed and is currently awaiting review and authorisation. We recommend that this written policy on processing payment of invoices is approved and placed on the Intranet for staff to access.
3. The Shire should pay all invoices within 30 days of the receipt of the invoice or receipt of the goods and services.

As noted in the management response, officers are now recording the date for which goods and services were received. Previously, it was accepted that signing off an invoice for payment implied receipt of goods or services. This process has now been formalised by means of a new stamp and is included on all invoices due for payment by the Shire.

Furthermore, as highlighted by the OAG in their audit findings and in response to the Regulation 17 Review performed by Moore Stephens in 2017, officers are working to improve policies and procedures organisation-wide which includes formalising the Shire's payment terms. While a procedure has been in place since 2014, it had not been signed off by management or communicated to staff and creditors as effectively as it could have been. Officers are in the process of finalising the procedure and will be promoting these terms to staff and creditors.

The Auditor-General acknowledged that most payments across the 10 local governments were made in a timely manner. However, due to the lack of formal payment policies and practices that addressed the need to pay on time, there was inconsistency in how quickly payments were made.

The report highlights two main areas of significance;

- Only 3 local governments had policies and procedures that addressed timely payment of suppliers, and
- For 13% of payments there was no valid reason why payments were later than supplier requirements or management policy/procedures.

The report further states that "good policies and procedures provide essential guidance for staff to manage payments in accordance with management's expectations and the needs of suppliers. They should specify timelines and where appropriate, circumstances where alternate timelines may be acceptable."

Accordingly, the Auditor-General provided the following recommendations for local governments being;

- (1) have policies or procedures that clearly require payment of invoices within specified periods after receiving the invoice or after the receipt of goods and services (whichever is later).
- (2) ensure they improve administrative processes so that all payments are made in accordance with their policies and procedures.
- (3) improve recordkeeping to ensure that for all payments there are records of the date that the invoice and goods or services were received. Ideally, this information should be recorded in the financial information management system and used as a key date for determining when payments should be made.

This audit has provided the Shire with an opportunity to review its procedures and systems, particularly in regard to outstanding invoices that remain unpaid beyond the Shire's standard trading terms. Officers are conscious of the financial burden inflicted upon businesses, particularly smaller, local businesses, when payments are held up. Based on the results and feedback from the OAG, officers feel the Shire of York fared well overall and recognise this focus audit as a valuable tool in working towards achieving improved practice.

Implications to consider:

- **Consultative**
Office of the Auditor-General
- **Policy related**
F 1.2 Procurement
G 4.7 Internal Control
- **Financial**
There were no costs borne by the Shire of York for this audit. It is noted however, the Office of the Auditor General stated the approximate cost of undertaking this audit across the 10 local governments was \$170,000.
- **Legal and Statutory**

Auditor-General Act 1997 Part 4 Div 2 – Performance audits

s18 General performance audit

- (1) *The Auditor-General may at any time conduct a review or examination of a particular aspect of the operations of the whole or part of the Commonwealth public sector, being a review or examination that is not limited to the operations of only one Commonwealth entity, body or person.*

Local Government Act 1995 (as amended) Part 7 Div 3C - Performance audit

7.12AJ. Conducting a performance audit

(1) *The Auditor General Act section 18 applies in relation to a local government as if —*

- (a) *the local government were an agency; and*
- (b) *money collected, received or held by any person for or on behalf of the local government were public money; and*
- (c) *money collected, received or held by the local government for or on behalf of a person other than the local government were other money; and*
- (d) *property held for or on behalf of the local government, other than money referred to in paragraph (b), were public property; and*

(e) property held by the local government for or on behalf of a person other than the local government were other property; and

(f) the reference in the Auditor General Act section 18(2)(d) to “legislative provisions, public sector policies or its own internal policies;” were a reference to “legislative provisions or its own internal policies;”.

- **Risk related**

Audits are a vital process in relation to risk mitigation. It is important that audit findings and recommendations are considered and addressed appropriately. In response to this audit, the Shire proposes to establish new procedures to address the risk of making untimely payments to suppliers.

- **Workforce Implications**

The work required to address the findings of the Timely Payments Focus Audit is not outside the current workforce capabilities.

Voting Requirements:

Absolute Majority Required: No

OFFICER RECOMMENDATION:

Moved: Cr Smythe

Seconded: Cr Heaton

“That the Committee recommends:

That Council:

- 1. Receives the Timely Payments Focus Audit Management Letter as attached to this report and acknowledges the final report as tabled in Parliament on 13 June 2018.***
- 2. Notes the operational improvements implemented as a result of the Timely Payments Focus Audit.”***

CARRIED: 6/0

SHIRE OF YORK

PERIOD OF AUDIT: 1 JANUARY 2017 TO 30 NOVEMBER 2017

FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Findings identified during this audit			
1. Goods and Services Received Dates		✓	
2. Policy and Procedures		✓	
3. Untimely Payment of Invoices		✓	

KEY TO RATINGS

The Ratings in this management letter are based on the audit team’s assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF YORK

PERIOD OF AUDIT: 1 JANUARY 2017 TO 30 NOVEMBER 2017

FINDINGS IDENTIFIED DURING THE AUDIT

1. GOODS AND SERVICES RECEIVED DATES

Findings

We found that the goods and services received dates are not recorded in the Shire's financial system and are not used to determine when payments should be made.

Rating: *Moderate*

Implication

The Shire is less likely to pay its invoices on time if the date that the goods and services are received is not accurately documented and recorded in the Shire's financial system.

Recommendations

The Shire should accurately record the goods and services receipt dates in its financial system; and regularly monitor invoices processed, but not yet paid, to ensure that all invoices are paid within 30 days of these dates.

Management Comment

Management agrees with the findings documented above. As a result, processes have been implemented whereby the date of goods or services received is recorded on the invoice. The stamp used on each invoice to record these details has been amended to include "Date Received". It is expected that this improvement will assist in determining whether payments are delayed based on the timing of receipt of goods.

Responsible Person:

Finance Manager

Completion Date:

9/3/2018

SHIRE OF YORK

PERIOD OF AUDIT: 1 JANUARY 2017 TO 30 NOVEMBER 2017

FINDINGS IDENTIFIED DURING THE AUDIT

2. POLICY AND PROCEDURES

Finding

We noted that the Shire did not have an approved policy and procedure in place which sets out the terms by which suppliers should be paid.

Rating: *Moderate*

Implication

By not having written policies and procedures relating to payment of invoices, there is an increased risk of non-compliance with set procedures for processing of payment of invoices.

Recommendations

We acknowledge a written policy on the creditor's payment process has now been completed and is currently awaiting review and authorisation. We recommend that this written policy on processing payment of invoices is approved and placed on the Intranet for staff to access.

Management Comment

Agreed – Existing procedures have been in place for a number of years however are not formally documented and available to staff. The current process for payment of invoices was introduced in May 2014 and has been communicated to staff and creditors verbally and via email since that time. Following recommendations from the recent Audit Regulation 17 Review and Financial Management Review however, the Shire has been focussing on compiling and formalising policies and procedures to improve practices within the organisation. Accordingly, officers will be reviewing the Shire's Procurement Policy and associated procedures to incorporate timely payment of creditors. It is expected that the procedure will be refined in response to the outcomes and recommendations of the Auditor General's Timely Payments Focus Audit to ensure best practice.

Responsible Person:

Finance Manager

Completion Date:

Ongoing

Next Policy Review – October 2018

SHIRE OF YORK

PERIOD OF AUDIT: 1 JANUARY 2017 TO 30 NOVEMBER 2017

FINDINGS IDENTIFIED DURING THE AUDIT

3. UNTIMELY PAYMENT OF INVOICES

Findings

We noted that there were 8 invoices from a sample of 60 payments, representing 13.33% of our samples tested, which were not paid within 30 days of the invoice date or the receipt of the goods and services date.

Rating: *Moderate*

Implication

When invoices are paid late, there is an increased risk that the Shire may incur additional costs such as late payment fees. In addition, the cash flow of suppliers is impacted.

Recommendations

The Shire should pay all invoices within 30 days of the receipt of the invoice or receipt of the goods and services.

Management Comment

After working through the 8 samples, it was later determined that 6 samples were identified as being paid late representing 10% of the samples tested. Of the 6 late payments, one invoice was paid one day late. Furthermore, payment delays occurred mainly because officers were tardy in forwarding invoices to the finance area for payment. To improve this issue, it is proposed that all invoices should be sent to the Shire's main email and not the individual officers and that officers communicate this to creditors. Additionally, this will be included in the updated procedure.

Management accepts the findings and recommendations from the OAG and expects that improvements to administrative processes and updating relevant policies and procedures will ensure continuous improvement in this area.

Responsible Person:

Finance Manager

Completion Date:

Ongoing

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 3.49pm.