



Shire of
Perenjori
Embrace Opportunity

Shire of Perenjori – Audit Committee Meeting
ATTACHMENTS

Thursday 15th December 2022



Shire of
Perenjori
Embrace Opportunity

Shire of Perenjori – Audit Committee Meeting

MINUTES

Wednesday 13th April 2022

Shire of Perenjori Council Chambers,
56 Fowler Street, Perenjori WA, 6620

Table of Contents

COUNCIL ROLES.....	3
DISCLAIMER	3
1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS:	4
2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE:	4
3. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS:.....	4
4. DECLARATION OF INTEREST:.....	4
5. REPORTS:	5
5.1 ACCEPTANCE AND ADOPTION OF ANNUAL REPORT – 2020/2021.....	6
5.2 AUDIT FOR THE YEAR ENDING 30 JUNE 2021 – OFFICE OF THE AUDITOR GENERAL.....	8
6. CLOSURE OF MEETING:.....	18

Council Roles

Advocacy:

When Council advocates on its own behalf or on behalf of its community to another level of government /body /agency.

Executive/Strategic:

The substantial direction setting and oversight role of the Council e.g. Adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

Legislative:

Includes adopting local laws, town planning schemes and policies.

Review:

When Council reviews decisions made by Officers.

Quasi-Judicial:

When Council determines an application/matter that directly affects a person's rights and interests. The Judicial character arises from the obligations to abide by the principles of natural justice.

Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (e.g.: under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.

Disclaimer

"Any statement, comment or decision made at a Council or Committee meeting regarding any application for an approval, consent or licence, including a resolution of approval, is not effective as an approval of any application and must not be relied upon as such.

Any person or entity that has an application before the Shire must obtain, and should only rely on, written notice of the Shire's decision and any conditions attaching to the decision and cannot treat as an approval anything said or done at a Council or Committee meeting.

Any advice provided by an employee of the Shire on the operation of a written law, or the performance of a function by the Shire, is provided in the capacity of an employee, and to the best of that person's knowledge and ability. It does not constitute, and should not be relied upon, as a legal advice or representation by the Shire. Any advice on a matter of law, or anything sought to be relied upon as a representation by the Shire should be sought in writing and should make clear the purpose of the request."

Shire of Perenjori

Minutes for the Shire of Perenjori Audit Committee Meeting held on Wednesday 13th April 2022, at the Shire of Perenjori Council Chambers, 56 Fowler Street, Perenjori WA, 6620, at 12.30 pm.

1. Declaration of Opening/Announcement of Visitors:

The Shire President declared the meeting open at 12.34 pm and welcomed those in attendance.

2. Record of Attendance/Apologies/Leave of Absence:

2.1 Attendance:

Members:	Cr C King (Shire President) Cr J Sutherland (Deputy President) Cr D Bradford Cr C Bryant Cr A Fraser Cr D Sparkman
Staff:	Paul Anderson - CEO Nola Comerford-Smith - MCCS Hannah Roberts – EA
Visitors:	Michael Fay - Pitcher Partners Daniel Fu – Pitcher Partners Steven - Office Auditor General
Members of The Public:	Nil
Leave of Absence:	Nil
Apologies:	Cr L Hepworth

3. Confirmation of Minutes of Previous Meetings:

3.1 AUDIT COMMITTEE MEETING HELD ON 17TH MARCH 2022

COUNCIL DECISION

Council Resolution Number: 130422.1

Moved: Cr C Bryant

Seconded: Cr J Sutherland

That the Minutes of the Audit Committee Meeting held on 17th March 2022, presented in attachment 3.1, be confirmed as true and correct subject to no corrections.

Motion put and carried 6/0

4. Declaration of Interest:

“Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences.”

5. Reports:

5.1 ACCEPTANCE AND ADOPTION OF ANNUAL REPORT – 2020/2021

Applicant:	Shire of Perenjori
File:	ADM 0339
Date:	6 th April 2022
Disclosure of Interest:	Nil
Voting Requirements:	Absolute Majority
Author:	Domenica Curtin – Admin Officer
Responsible Officer:	Paul Anderson - Chief Executive Officer
Attachments:	5.1 - Annual Report Document 2020/2021

Summary

The 2020/2021 Annual Report is attached for Council adoption.

Background

An Annual Report is required to be produced every year after the audit has been completed and upon receipt of the Audit Report.

The Annual Report is prepared in accordance with Section 5.53 of the Local Government Act, 1995 and includes;

- a) Report from the Shire President;
- b) Report from the CEO;
- c) The Annual Financial Report;
- d) The Auditors Report;
- e) Disability Report;
- f) Complaints Report;
- g) Information on Payments to Employees;
- h) Information on Statistics and other Payments (in relation to Councillors);
- i) An overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or continue in the next financial year;
- j) Freedom of Information Act 1992 – Information as required;
- k) State Records Act 2000 – Information in relation to record keeping systems;
- l) National Competition Policy Report

Advice has been received from the Financial Auditors advising the Auditors Report has now been finalised.

Statutory Environment

Local Government Act, 1995.

Section 5.27(1) states:

A general meeting of electors of a district is to be held once every financial year.

Section 5.27 (2)

A General meeting is to be held on a day selected by the Local Government but not more than 56 days after the Local Government accepts the Annual Report for the previous financial year.

Section 5.29(1)

The CEO is to convene an electors' meeting by giving –

- (a) at least 14-days local public notice; and
- (b) each council member at least 14-days' notice of the date, time, place and purpose of the meeting.

Acceptance of annual reports 5.54.

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted by the local government no later than 31 December after that financial year.

- (2) If the auditor’s report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor’s report becomes available.

Notice of annual reports 5.55.

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

Policy Implications

Nil

Consultation

Chief Executive Officer - Mr Paul Anderson
MCCS - Nola Comerford Smith
Accountant – Deb Barndon

Financial Implications

Nil

Strategic Community Plan

Area 5 Investing in Councils Capacity – Our Leadership.

Goal: Strengthen the Shire’s position as an innovative, independent local government providing excellence in all areas of governance, management and leadership.

Officer Comment

The annual report provides the opportunity for the Shire to summarise for the community the achievements of the Local Government and provide for the community the outcome of the annual audit.

COMMITTEE DECISION

Council Resolution Number: 130422.2

Moved: Cr D Bradford

Seconded: Cr C Bryant

That Council:

- 1. Adopt the 2020/2021 Annual Report, containing the Annual Financial Report and the Auditors Report, for the financial year ending 30 June 2021;**
- 2. Accept the 2020/2021 Annual Report containing the Annual Financial Report and Auditors Report;**
- 3. Confirm the date for the Annual Electors Meeting for Tuesday 31st May 2022, at 4.00pm in Latham and authorise the statutory advertising.**

Motion put and carried 6/0

5.2 AUDIT FOR THE YEAR ENDING 30 JUNE 2021 – OFFICE OF THE AUDITOR GENERAL

Applicant:	Shire of Perenjori
File:	ADM 0357
Date:	7 th April 2022
Disclosure of Interest:	Nil
Voting Requirements:	Absolute Majority
Author:	Paul Anderson - Chief Executive Officer
Responsible Officer:	Paul Anderson - Chief Executive Officer
Attachments:	5.2 (a) – Audit Closing Report for year ending 30 June 2021 5.2 (b) – Independent Auditor’s Report 2021 - Opinion

Executive Summary

This report presents the Auditors reports for the 2020/21 financial year.

Background

Audits are conducted annually and are presented to the Audit Committee prior to consideration by Council. The Audit Committee plays an important role in advising Council on the conduct of the audit to ensure the proper financial management of the organisation.

The administration has the opportunity to highlight any corrective action proposed to be taken to address any identified shortcomings, with the requirement to report to the Audit Committee with a recommendation to Council to acknowledge the report and the action taken to correct the matters raised and report to the Auditor General the actions implemented.

Statutory Environment

Local Government Act 1995

7.12A. Duties of local government with respect to audits

- (4) A local government must —
 - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.

Legal Compliance

Nil

Consultation

Senior Management and Financial staff
Shire President
Department of Local Government
Pitcher Partners (Council’s Auditors)
Auditor General’s Office

Financial Implications

Funding implications for future budgets.

Strategic Community Plan

Area 5: Investing in Councils Capacity – Our Leadership

Goal: Strengthen the Shire’s position as an innovative, independent local Government providing excellence in all areas of governance, management, and leadership

Officer Comment

The Ratings in the Auditor’s 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. They consider 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*).

The Audit has been completed and the findings identified in the management letter includes 11 identified issues, with 3 being considered by the Auditor to be significant and 11 being considered moderate, in addition, a significantly adverse trend was reported in Council’s Operating Surplus Ratio.

The Auditor General’s Report on the Audit on the annual financial report (copy attached) highlights a number of issues that have been identified in the management letter.

The manner in which the administration plans to address the issues raised in the Auditor General’s report and Auditors’ management letter are detailed below.

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Matters identified during the current year			
1. Lack of formal risk register		✓	
2. Rates reconciliation not reviewed		✓	
3. Lack of approval of transfers between reserve funds		✓	
4. Leave loading not included in annual leave provision		✓	
5. Unsigned loan agreement		✓	
Matters outstanding from prior year			
6. Non-Compliance with Local Government Regulations	✓		
7. Purchasing and payment procedures	✓		
8. IT General Controls	✓		
9. Reconciliation of Fixed Asset Register		✓	
10. Bank reconciliations not prepared		✓	
11. Journal entries – insufficient description		✓	

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 may be reported as a matter of non-compliance 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.

1. Lack of formal risk register

Finding

We observed that the Shire does not have a formal risk register within the governance framework. A formal risk register identifies the risks (both financial and operational) that the Shire is exposed to and allows those charged with governance to identify mitigating controls and actions to limit the impact of those risks.

Rating: *Moderate*

Implication

A lack of formal risk register increases the likelihood that risks are not identified on a timely basis resulting in financial loss to the Shire.

Recommendation

The Shire should develop a formal risk register that identifies all key risks to the Shire and an assessment of mitigating controls that will reduce the likelihood of financial loss.

Management Comment

Funding will be included in the 2022/23 budget to undertake this requirement.

Responsible Person: Chief Executive Officer

Completion Date: 30 June 2023

2. Rates reconciliation not reviewed

Finding

The end of year rates reconciliation was not reviewed and authorised.

Rating: *Moderate*

Implication

A lack of formal process for an appropriate person independent of the preparation to review and authorise the end of year rates reconciliation increases the risk of errors not being identified and addressed on a timely basis, resulting in an increased risk of misstatement to the financial statements.

Recommendation

An appropriate person independent of the preparation should review and approve the end of year rates reconciliation.

Management Comment

The end of year rates reconciliation will be reviewed by the Manager Corporate and Community Services and verified by the Chief Executive Officer to address this issue.

Responsible Person: Manager Corporate and Community Services

Completion Date: 30 June 2023

3. Lack of approval of transfers between reserve funds

Finding

We observed that transfers between the reserve funds have been processed without approval from the CEO.

Rating: *Moderate*

Implication

The reserves funds are cash backed by restricted cash. A lack of formal approval process for the transfer of funds increases the potential for reserve funding to be misallocated. This has an impact on the accuracy and the effectiveness of the budget review and also could result in misstatement to the financial statements.

Recommendation

A formal approval process for transfers between the reserve funds should be implemented.

Management Comment

A formal process to ensure compliance with the CEO or their approved delegate as final approval will be instigated.

Responsible Person: Manager Corporate and Community Services

Completion Date: 30 September 2022

4. Leave loading not included in annual leave provision

Finding

Audit procedures noted that the initial annual leave provision schedule did not include leave loading which is 17.5% of the base salary and the oncost which is 14% (10% superannuation and 4% workers compensation). This was subsequently adjusted by the Shire.

Rating: *Moderate*

Implication

Provisions for employee benefits should be based on the expected cost to an entity. Employees are entitled to the leave loading and the oncost component, therefore excluding those adjustments from the calculation results in potential material misstatement to the financial statements.

Recommendation

Leave loading and oncost adjustments should be included in the provision calculation.

Management Comment

An audit of all employees leave provisions including annual leave will be undertaken to ensure compliance and full liability of leave costs are represented in the financial statements.

Responsible Person: Manager Corporate and Community services/Finance Officer

Completion Date: 30 November 2022

5. Unsigned loan agreement

Finding

We observed that the WA Treasury Corporation loan agreement had not been signed by both parties.

Rating: *Moderate*

Implication

Unsigned legal agreements increase the risk that either party cannot be contractually held to the terms of the agreement. This may result in financial loss to the Shire or misstatement to the financial statements.

Recommendation

All legal agreements should be formally approved by both parties to ensure that they are accurate and legally enforceable.

Management Comment

All legal agreements will be verified to ensure all documents have been signed correctly.

A review of the record keeping practises will also be undertaken to ensure all legal documents and signed documentation is captured correctly and in accordance with the councils Record Keeping Plan.

Responsible Person: Chief executive officer

Completion Date: 31 December 2022

Matters outstanding from prior year audit

1. Non-compliance with Local Government Regulations

Finding 2019

We note the following instances of non-compliance with the *Local Government (Financial Management) Regulations 1996*:

- Regulation 33 of the *Local Government (Financial Management) Regulations 1996*, a copy of the annual budget of a local government is to be submitted to the Departmental CEO within 30 days of its adoption by the local government. At the time of the interim audit, the Shire could not provide evidence it had submitted the 2018/2019 budget to the Departmental CEO.
- Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report. We noted the signed audit report contained within the 2017/2018 annual financial report was dated 10 December 2018 however the annual financial report was not submitted to the Departmental CEO until 22 February 2019.

Status 2020

We note the following instances of non-compliance with the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*:

- Regulation 5(2) of the *Local Government (Financial Management) Regulations 1996* requires Financial Management Systems to be reviewed every three years. We noted that the Shire's Financial Management Systems Review was last completed on 10 August 2016.
- Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, a copy of the annual financial report of the local government was not submitted to the Departmental CEO within 30 days of receipt by the local government's CEO of the auditor's report on that financial report. The signed audit report contained within the 2018/2019 annual financial report was dated 11 February 2020 and the annual financial report was not submitted to the Departmental CEO until 26 March 2020.
- Regulation 17 of the *Local Government (Audit) Regulations 1996* requires a Regulation 17 Review be conducted by the CEO every three years. We noted that the Shire's Regulation 17 Review was last completed on 17 October 2016.
- Section 5.75 of the *Local Government Act 1995* requires that a relevant person other than the CEO must lodge with the CEO a primary return in the prescribed form within three months of the start date. We noted a relevant person (designated employee) who started on the 25 March 2019 only lodged their primary return on 4 October 2019.
- Section 5.76 of the *Local Government Act 1995* requires that each year a relevant person other than the CEO must lodge with the CEO an annual return in the prescribed form by 31 August of that year. We noted a relevant person (designated employee) did not lodge their 2018/2019 annual return until 30 March 2020.
- Section 5.89A(6) of the *Local Government Act 1995* requires that as soon as practicable after the person ceases to be a person who is required under section 5.87A or 5.87B to make a disclosure, the CEO is to remove all records relating to that person. We noted that two former persons were still listed on the Gifts Register that is published on the Shire's website.

Update 2021

As self-reported by the Shire, the following instances of non-compliance with the *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit) Regulations 1996* were identified:

- The *Local Government (Financial Management) Regulations 1996* paragraph 5(2)(c) requires the CEO to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures no less than every three financial years. We note that the last Financial Management Review took place in 2017.
- We noted that within the last three years the Shire has not performed a review of the appropriateness and effectiveness of systems and procedures in relation to risk management, internal controls, and legislative compliance. This is required under Regulation 17 of the *Local Government (Audit) Regulations 1996*.

Rating: *Significant (2020: Significant)*

Implication

- Non-compliance with Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*
- Non-compliance with Regulation 17 of the *Local Government (Audit) Regulations 1996*

Recommendation

- A review of the appropriateness and effectiveness of the Shire's financial management systems and procedures should be undertaken at least every three years.
- A review the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance should be undertaken at least every three years.

Management Comment:

Funding will be included in the 2022/23 budget to enable a review in accordance with regulation 5(2)(c) of the financial management regulations.

Responsible Person: Chief executive officer/Manager Corporate and Community Services

Completion Date: 31 March 2023

2. Purchasing and payment procedures

Finding 2018

The Shire's purchasing policy requires two or three written quotations be obtained for purchases, depending on the respective purchasing threshold. During our controls testing, instances were noted where the requisite number of quotations had not been attached to the purchase order, copies of the respective quotations only being provided after our audit enquiry.

This matter was raised as moderate in the 2018 interim audit management letter.

Finding 2019

During our procurement testing, our audit sample identified 11 instances where there was insufficient documentation to indicate that the requisite number of quotations had either been obtained or, in some cases, not attached to the payment record.

In addition to the above, the following exceptions were noted whilst conducting our procurement and payments testing:

- Delegated purchase approval limits are not documented and could only be confirmed verbally during our interim audit.
- One purchase order had not been approved.
- One creditor EFT payment batch listing could not be located.

- Two creditor EFT payment batch listings were only signed by one authority: and
- Four creditor EFT payment batch listings had not been approved at all.

This matter was raised as significant in the 2019 interim audit management letter.

Status 2020

During our procurement testing, we identified five instances out of our sample of 22 where there was insufficient documentation to indicate that the requisite number of quotations had either been obtained or, in some cases, not attached to the payment record.

In addition to the above, the following exceptions were noted whilst conducting our procurement and payments testing:

- 2 instances where the purchase order was raised after the invoice was issued: and
- 12 instances where the creditor EFT payment batch listings were not signed by two authorities.

2021 Update

The documented purchasing policy was not adhered to in the following areas:

- For 12 out of 27 transactions tested, the Shire did not obtain the required number of quotations prior to approval of purchase.
- For 3 out of 27 transactions tested, a purchase order was not raised prior to approval of purchase.
- For 7 out of 27 transactions tested, invoices were authorised by an officer without the requisite delegated approval limit. In addition, 3 invoices are not signed as approved.
- For 7 out of 27 transactions tested, the payment release form had not been approved.

Rating: *Significant (2020: Significant)*

Implication

The Shire has not adhered to the purchasing policy and the *Local Government (Financial Management) Regulations 1996*. There is an increased risk of favouritism of suppliers, not obtaining value for money and unauthorised goods/services may be purchased. This increases the risk of financial loss to the Shire.

Recommendation

We recommend Shire staff are reminded to follow the procurement policies and practices with respect to purchasing and payments and that there is adequate monitoring for compliance in this area.

Management Comment

- 1. Employees will be reminded to follow the purchasing policy.*
- 2. The purchasing policy will be reviewed to ensure that compliance with the policy is not an impediment to operations and compliance.*

Responsible Person: Chief Executive Officer/Manager Corporate and Community Services

Completion Date: 1. 31 July 2022
2. 31 December 2022

3. IT General Controls

Finding 2020

Based on our review of the Synergy Soft user access levels, we identified 9 accounts with “Superuser” accounts that are 6 potentially dormant; and 3 employees granted with “Superuser” access, which appears to be excessive.

Update 2021

We identified 9 out of 39 user IDs within Synergy Soft that were generic and had significant user access rights. This presents accountability issues as transactions posted or authorized cannot be traced back to specific users, especially if access to the passwords of the generic user IDs is not well controlled.

Management also failed to provide a password policy for employees gaining access to Synergy Soft. This further increases the risk of unauthorized access to the system.

Rating: *Significant (2020: Moderate)*

Implication

Inappropriate access to Synergy resulting from lack of accountability presented by generic user IDs could result in material fraud or errors.

Recommendation

Regular and formal user access reviews for all user IDs within Synergy should be performed. The results should be reported to the CEO and a formal action plan on the outcomes of user access reviews implemented.

Management Comment

An audit of the synergy access will be undertaken, and appropriate access control systems will be initiated that clearly show an audit trail and accountability of users.

Responsible Person: Manager Corporate and Community Services

Completion Date: 30 September 2022

4. Reconciliation of Fixed Assets Register

Finding 2019

At the time of the interim audit, the fixed asset register had not been updated since August 2018 and had not been reconciled to the general ledger since the previous financial year. The Shire had also not given formal consideration of the effect of Regulation 17A(5) of the *Local Government (Financial Management) Regulations 1996* whereby effective 1 July 2018 assets with a value below \$5,000 at the time of acquisition are to be expensed at the time of purchase.

In addition, we noted repairs and maintenance costs of \$32,732 had been recorded as capital expenditure in the general ledger.

This finding was rated as significant in the 2019 interim audit management letter.

Finding 2020

We noted the Shire has not performed a monthly reconciliation between the fixed asset register and the general ledger during the current financial year.

In addition, we were informed the infrastructure and buildings additions are not recorded until the end of the financial year.

Update 2021

The fixed asset register reconciliation performed as at the year-end had no evidence of review and approval. Furthermore, some building assets were found to have been over-depreciated as the useful life input into the accounting system was less than the stated accounting policy per the financial statements. The buildings depreciation was found to be overstated by \$88,110, which was subsequently adjusted by management in the financial statements.

Rating: *Moderate (2020: Moderate)*

Implication

An unapproved reconciliation increases the risk of variances not being appropriately addressed on a timely basis resulting in potential misstatements to the financial statements.

Over-depreciation of assets may result in a material misstatement to the financial statements.

Recommendation

Management should ensure that an appropriate reconciliation is performed on a timely basis with all variances addressed and the reconciliation reviewed and approved by an appropriate person. Useful lives of all fixed assets should be reviewed on an annual basis to ensure they are appropriate and in line with accounting policies.

Management Comment

A review of the asset register will be undertaken, and a reconciliation process will be instigated to ensure compliance. Funding will be included in the 2022/23 budget to enable a full review of the depreciation schedules and useful lives of assets to ensure correct depreciation is being recorded.

Responsible Person: Manager Corporate and Community Services

Completion Date: 31 December 2022

5. Bank reconciliations not prepared

Finding 2018

Bank reconciliations are an essential control in managing the accuracy and completeness of the Shire's accounting records and financial statements. Bank reconciliations are also a key aspect of internal controls over cash resources.

During our review of bank reconciliations, the following exceptions were noted:

- Municipal bank account reconciliations for the period July 2017 – March 2018 had not been consistently reviewed independently by management.
- The Municipal bank account reconciliations for the months of August 2017, December 2017 and March 2018 had not been filed.
- The Municipal bank account reconciliation for July 2017 did not contain the supporting schedules for identified reconciling items.
- The Municipal bank reconciliations for the month of September 2017 reflected an unreconciled difference of \$863.13.
- The Municipal bank reconciliation for November 2017 showed manual alterations, which were not annotated to describe the nature of the alterations.
- The Municipal bank reconciliations were, in certain instances, not prepared on a timely basis. For example, the reconciliation for January 2018 was signed-off by the preparer on 2 March 2018: and
- The files containing reconciliations for the Trust and Reserve accounts could not be located at the time of the interim audit. As at 31 March 2018 the Trust account balance amounted to \$6,173.23 and the aggregate of Reserve accounts amounted to \$2,097,240.42.

This matter was rated as significant in the 2018 interim audit management letter.

Finding 2019

During the review of controls over month-end reconciliations, we noted:

- The last reconciliation of the Trust bank account had been prepared as at 31 July 2018;
- The formal reconciliation of investment balances had not been prepared since the previous financial year; and
- The reconciliation of the Municipal bank account contained long-outstanding items.

This matter was rated as significant in the 2019 interim audit management letter.

Finding 2020

During the review of controls over month-end reconciliations, we noted formal reconciliation of investment balances had not been prepared since the previous financial year.

Update 2021

We observed that no bank reconciliation was prepared for the reserve funds bank account and the term deposit bank account throughout the financial year including at year-end. All bank balances were confirmed at year end with no exceptions noted.

Rating: *Moderate (2020: Moderate)*

Implication

A lack of formal process regarding cash balance reconciliations performed as part of the month end financial statements close process results in a lack of audit trail and an increased risk that potential errors or fraud are not being identified on a timely basis.

Recommendation

A reconciliation should be prepared and reviewed monthly for all bank accounts.

Management Comment

A Monthly reconciliation process of all bank accounts will be instigated.

Responsible Person: Manager Corporate and Community Services

Completion Date: 31 May 2022

6. Journal entries – insufficient description

Finding 2019

We noted two general journals tested during our interim audit did not document evidence of independent review. We also noted that a journal raised in February 2019 had been back dated to September 2018 when processed in the general ledger.

Finding 2020

While we noted general journals are signed by both the preparer and independent reviewer during our interim audit testing, the Shire could not provide documentation to support the reason for the general journal posted.

Update 2021

4 accounting journal entries tested did not have journal descriptions within synergy. In addition, the journal entries had no detail describing the preparer or the authoriser of the journal. Ultimately from the testing performed however we were able to gain sufficient evidence that they were valid journals.

Rating: *Moderate (2020: Moderate)*

Implication

Accounting journals can represent significant adjustments to previously approved accounting transactions and should therefore be supported by adequate explanations and proper approval by an independent officer.

Recommendation

Accounting journals should be appropriately documented by the preparer before being submitted for approval.

Management Comment

The journal recording and approval process will be improved in line with the recommendation and adequate documentation will be included to support transactions with a proper audit trail of the process .

Responsible Person: Manager Corporate and Community Services

Completion Date: 31 May 2022

It is recommended that the Audit Committee recommend to Council that the Chief Executive Officer provide a copy of the Audit Committee meeting minutes to the Minister for Local Government and the Auditor General once the actions as noted have been endorsed and the Committee meeting minutes are received at a future Council meeting.

Voting Requirements: Absolute Majority

Change to Officer Recommendation

No Change. OR:

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

COMMITTEE DECISION

Council Resolution Number: 130422.3

Moved: Cr A Fraser

Seconded: Cr C Bryant

That the Audit Committee recommends that Council:

- 1. Accepts the Auditor's Financial Report for the financial year ending 30 June 2021.**
- 2. Notes the findings identified in the Auditor's Management Letter and the Officers responses to the issues raised and allocates funding in the 2022/23 budget to address the significant issues.**
- 3. Notes the opinions expressed in the Independent Auditor's Report and the Officers responses to the issues raised.**
- 4. Notes the operating surplus ratio has been below the Department of Local government, Sport and Cultural Industries standard for the last three financial years is not meeting the standard.**
- 5. Will continue to monitor the ratio and consider options to close the gap as part of its continuing financial management effort.**
- 6. That a copy of the finalised Audit Committee Minutes be presented to the Minister and Auditor General.**

Motion put and carried 6/0 by absolute majority

6. Closure of Meeting:

The Shire President declared the meeting closed at 1.48 pm and thanked those in attendance.

I certify that this copy of the Minutes is a true and correct record of the meeting held on 13th April 2022.

Signed: _____

Cr Chris King - Presiding Officer

Date: _____

Shire of Shire of Perenjori Risk Assessment FMR Review Draft

Context of assessment	Risk Area	Risk Number	Purpose	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Date of initial risk identification	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)
Functional	Policy Review	6.2.1	Routine review of policies to help ensure they remain current.	We noted during our review a large number of policies have not been updated since 2017. No formal controls for the routine review of policies were available.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Develop and maintain controls for routine and regular policy review where they are not imposed by legislation to ensure they remain current and up to date.
Functional	General Policy Actions	6.2.2	To set out parameters for the implementation of policies.	We noted some council policies which may be, or have elements which may be operational in nature. Council policies are not necessarily intended to provide direction on how different operational functions are to be executed as these are the responsibility of the CEO. Some policies where this may occur are: <ul style="list-style-type: none"> •1005 Employee internet use •1007 Additional office closures •1026 Working from home policy •3016 Provision of refreshments •4005 Payment of accounts at post office •4009 Electronic funds transfer (EFT) and direct debits •4012 Authorising of Journals •7002 Policy objective •8005 Influenza vaccinations for employees •8006 Employee study expenses •8007 New employee medical examinations Policies are not necessarily intended to provide direction on how different functions are to be executed, except where legislation requires it.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Review and update these policies to consider the appropriate separation of the roles of the council and the CEO.
Functional	Policy Reference to Legislation and External Information	6.2.3	To support the link between Council policy, legislation and other information sources.	We noted two policies contain specific detail relating to legislation and other external references, including: <ul style="list-style-type: none"> •1018 Freedom of information; •8009 Elected member fees and expenses. Where policies reflect external references, changes to these references may result in invalid or ineffective policies.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Update policies to remove specific and / or detailed references to legislation and other external references to assist with appropriate alignment and consistency in Council policies is maintained.
Functional	Duplicate Policies	6.2.4	Policies which duplicate the content of other policies.	We noted two investment policies, policy 4011 and 4013 and two appointment of acting CEO policies, policy 1023 and 1024 which contained duplicate content.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Rescind one from each set of duplicate policies to remove any risk of error which could arise due to having duplicate policies.
Entity Wide	Policy 1004 - Communications and social media policy	6.2.5	Policy to establish protocols for the Shire of Perenjori's official communication with Councilors, employees and community.	Staff representations noted procedures for communication using social media which were not in line with this policy, which requires approval from the Shire President or CEO where authorised.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Update procedures to align with this policy or alternatively amend the policy and/ delegate certain powers to staff.
Functional	Policy 1010 - Volunteers	6.2.6	A policy to minimise the risk and potential of accident or injury to	During testing we noted no register of volunteers was available as required by this policy.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Develop a register of volunteers and maintain the register to align with Policy 1010 - Volunteers.
Functional	Policy 1022 - Occupational Health and Safety Policy	6.2.7	A policy to outlie the Shire's commitment to occupational health and safety.	This policy refers to a superseded risk management standard.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	When next undertaking a review of the Policy, update the Policy to align to the latest Risk Management Standard ISO 31000:2018.
Functional	Policy 2001 - Workshop and use of Plant by Employee	6.2.8	To ensure that the private use of Shire plant and equipment is transparent and to retain community confidence that the hire of plant and equipment is consistent for both Shire employees and the general	This policy does not detail the terms or conditions of use in circumstances such as misuse or damage nor does it consider any restrictions for the function of the equipment use. Private use of plant by Shire employees should only be in accordance with the same terms and conditions as the hire of plant by the general public.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Rescind the policy or alternatively amend the policy to apply to all plant hire.
Functional	Policy 2002 - Community Use of Shire plant	6.2.9	To ensure that the community use of Shire plant and equipment is transparent.	The policy does not sufficiently detail requirements and controls for: <ul style="list-style-type: none"> •The hire to conform with any terms and conditions of use which should be in line with insurance policy conditions; and •Limitations and reporting structure of community donations. We also noted the accounting procedure is not in line with the Australian Accounting Standards and may not accurately account for the expense of the plant use.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Major	High	Prioritised Action Required	Rescind the policy, or alternatively amend the policy to: <ul style="list-style-type: none"> •Consider transparency and limitations of use, terms and conditions of use; and •Ensure controls are in place to ensure the accounting treatment complies with the Australian Accounting Standards.
Functional	Policy 2004 - Bus hire charges	6.2.10	Policy to provide consistency in applying hire costs for the bus.	We noted one user in this policy, being the Latham Primary School is no longer applicable as the school has closed down.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Update the policy to remove reference to community organisations which are no longer in operation.
Functional	Policy 3008 - Gravel supply policy	6.2.11	Policy to provide acquisition and costing guidelines for gravel supplies.	The gravel cost attribution detailed within the policy may not be in line with the Accounting Standards Conceptual Framework, as income and expenses could be overstated in the Financial Reports.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Rescind the policy or alternatively amend the policy to remove conflict with the Accounting Standards Conceptual Framework and implement alternative controls to allocate the cost of gravel to Shire projects.
Functional	Policy 4008 - Corporate Credit Card Policy	6.2.12	Policy to regulate the use of corporate credit cards issued to employees.	This policy notes a monthly credit card statement is to be signed by the respective cardholder and another verifying officer. In the case of the CEO, this review is considered to be ineffective as all other staff are considered subordinates to the CEO.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Review the policy/procedure to amend the authorisation process of the CEO's credit card. Periodic reports to Council should be undertaken acknowledging transactions as having been made and authorised by the CEO.
Functional	Policy 4010 - Cheque Signing Policy	6.2.13	To delegate authority to the CEO to make payments from the Shire's municipal or trust fund.	The policy delegates the power to make payment. This should be done as a delegation by absolute majority and in writing as required by legislation. Additionally, the policy delegates power to the Shire President and councillors to make payments. Legislation does not allow a delegation to be made to a council member for this purpose.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Rescind the policy and create a delegation to give council staff the powers detailed within this policy. Ensure any delegations made comply with legislation.

Shire of Shire of Perenjori Risk Assessment FMR Review Draft

Functional	Policy 4014 - Covid-19 Financial Hardship Policy	6.2.14	Policy to provide fair, equitable, consistent and dignified support to ratepayers suffering hardship arising from the COVID 19 pandemic.	The policy scope applies only to the 2020/21 financial year and only references financial hardship as a result of the COVID 19 pandemic.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Consider reviewing the policy to apply to financial hardship circumstances other than the COVID 19 pandemic and with no time limit if the intent of the policy is to consider more general circumstances of financial hardship.
Functional	Policy 5001 - Bonds	6.2.15	Policy to set out the requirement to pay a bond for Shire owned staff housing.	The current policy requires housing bonds to be deposited into the Trust Fund, and not as specified by the Residential Tenancies Act 1987.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Review and amend the policy to require housing bonds to be held as required by legislation.
Functional	Policy 7010 - CCTV Policy	6.2.16	Policy to provide measures for the use of CCTV	We noted this policy included staff members no longer employed by the Shire.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Update the policy to give the responsibilities under the policy to current staff members. Consider listing by positions rather than names to maintain currency where staff changes occur. Alternatively rescind the policy and develop a procedure for the use of CCTV.
Entity Wide	Policy 1001 - Code of Conduct	6.2.17	To provide guidance to Council members, committee members, contractors and employees of enforceable rules and requirements as prescribed in relevant legislation.	This policy details a code of conduct which is no longer current as a new code of conduct for council members, committee members and candidates was adopted in 2021.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Rescind the policy to remove the superseded code of conduct.
Entity Wide	Internal Control Policy	6.2.18	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.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	We suggest an internal control policy be formulated and adopted to formalise Council's commitment and approach to internal controls, based on a risk management process
Entity Wide	Legislative Compliance Policy	6.2.19	A policy to evidence Council's commitment to legislative compliance and its importance to the organisation.	Currently, no policy on internal legislative compliance is currently adopted by Council.	Invalid or ineffective Policy	1/08/2022	Possible	Moderate	Minor	Medium	Planned Action Required	Development and adoption of a legislative compliance policy may help formalise Council's commitment and approach to legislative compliance.
Entity Wide	Business Continuity Plan	7.1.1	Plan to facilitate organised decision-making in the event of a major incident impacting the Shire's ability to continue normal operations.	A Business Continuity Plan was originally adopted in November 2016, and has not been reviewed since adoption, nor has it been tested.	Failure to adequately manage a business disruption event Failure to identify risks or adequately treat risks	1/08/2022	Possible	Major	Moderate	High	Prioritised Action Required	Review, update and finalise the Plan and test to ensure validity. Identify and document key business continuity risks along with the treatments, to reduce the risk to an acceptable level.
Functional	ICT Strategic Plan	7.1.3	Plan to guide the future development and delivery of ICT services and address the handling of ICT disaster recovery.	An ICT Strategic Plan was not available for our review.	Failure to adequately manage a business disruption event Failure to identify risks or adequately treat risks	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level.
Entity Wide	Corporate Business Plan	7.1.2	A plan to guide the internal operations of the Shire in delivering services to the community.	The Corporate Business Plan 2017 - 2021 has not undergone a recent review and is out of date. A corporate business plan was not available to cover periods from 2022 and onwards. We did note a draft Plan was being developed during our review.	Internal control or compliance breach	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	To help ensure compliance and provide sound planning direction to the organisation, the Corporate Business Plan should remain current and be reviewed annually as it is required to be considered when adopting the budget
Entity Wide	Operational Procedures	7.2.1	To provide direction to staff in the delivery of day-to-day operational tasks, as well as guidance for expected processes, systems, and controls to be maintained.	Some procedures are not formalised for a number of key operational functions throughout the Shire.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Undertake a review of existing operational procedures, and where required develop and implement additional procedures, to provide operational guidance aligned with adopted Council policies and legislation. Procedures should provide for activities not necessarily covered by legislation to communicate expected standards to staff from the CEO, in the course of implementing strategic direction and decisions of Council. Development of documented procedures and checklists, and / or workflow process diagrams may assist in clearly identifying controls and processes to be followed.
Entity Wide	Procedure Changes	7.2.2	Process to control and manage change to procedures.	Process for amending or changing procedures are not formalised. This creates opportunities for unilateral undocumented changes to procedures and a breakdown in key controls.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Establish process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, to assist with managing changes to procedures.
Functional	Risk Management Framework	7.2.3	Framework to set out the Shire's approach to Risk Management.	The risk management policy and framework refers to a superseded risk standard (ISO 31000:2009) and has not been reviewed since 2014. The risk policy is not included in the policy manual.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Update the risk policy and framework to align with the latest risk management standard (ISO 31000:2018). Once updated Council should adopt the risk policy to document it's commitment to risk management, and to guide the implementation of risk management activity throughout operations.
Functional	Risk Management Procedures	7.2.4	Procedures and practices to set out a uniform approach to the identification, assessment, management, reporting and monitoring of risks.	Risk Management activities are limited and current activities undertaken are largely undocumented.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Risk management procedures and process to be developed in accordance with the latest risk management standard (ISO 31000:2018) and implement risk management procedures and processes throughout the organisation.

Shire of Shire of Perenjori Risk Assessment FMR Review Draft

Functional	Grants Management	7.2.5	Controls for the effective management of grants and compliance with conditions imposed by funding bodies.	Limited procedures exist to support processes and controls in respect to: •Grants strategic alignment; •Application of grants; •Acquittal of grants; •Compliance with grant conditions; and •Governance and administration arrangements. Where grants are not effectively managed, there is a risk funds may be returned due to poor performance or missed opportunities in the future. In circumstances where controls are not effective for grant application processes, unbudgeted and unauthorised financial commitments may be undertaken on behalf of the Shire.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Document and implement procedures to consider the need for grant programs, if objectives are clearly defined, whether relevant factors and risks are thoroughly analysed and assessed (needs analysis, cost/benefit, risk analysis etc) and appropriate options for delivery are considered prior to applying for grants. Systems should include controls for the monitoring of grants with funding conditions and acquittal processes. Incomplete consideration of these factors may contribute to the Shire's ability to effectively deliver grant programs.
Functional	Procurement Tender Assessment	7.2.6	Procedures for the procurement of goods or services. Procedures to provide probity for the assessment of tenders received.	No procedures were available for the assessment of tenders and no evidence of proper assessment of tenders was available for review.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Likely	Moderate	Major	High	Prioritised Action Required	To help ensure probity and fairness when assessing tenders, procedures for the process to be undertaken in assessing tenders should be followed and documented with at least three persons assessing the tender independently of each other. Persons assessing any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence.
Functional	Rate notices and information accompanying rate notices	7.2.7	Compliance with statutory requirements when issuing rates notices.	We noted the following items were unavailable on the annual and instalment rate notices: •Statement of objects and reasons for imposing differential rates, differential minimums and service charges; •Statement noting instalments are not available, if at the date for payment of the first instalment, there are unpaid rates or service charges from the previous year; and •Valuation of the land for instalment notice.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure all information required by the Local Government Act 1995 and associated regulations to be contained within rates notices, including those relating to detailing hours and locations where rates payments can be made, reasons changes to advertised differential rates, and interest charges is included in annual rates notices or information accompanying the rates notice.
Functional	Accounts Payable	7.2.8	Procedures for the payment of goods or services.	During testing we noted the following issues in the accounts payable process: •Multiple EFT's did not show evidence of an authorisation for payment; •Some EFT's did not have evidence confirming the goods have been received; and •One instance whereby a PO was created after the invoice date.	Internal control or compliance breach	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	To help ensure payments are only made for goods or services received, ensure evidence confirming receipt of the goods or services is obtained before authorising the invoice for payment. Where the invoice is for a prepayment this should be clearly identified and authorised prior to authorising payment of the invoice. All procurement of goods and services should be undertaken in accordance with legislative requirements and the procurement policy. Consideration may be needed for procedures and checklists that supports compliance with the legislation and policies.
Functional	Facility Access	7.2.9	Process to manage and reconcile access to Shire facilities	Testing of the key register noted instances whereby keys had not been returned following use.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop regular reviews of the key register to identify instances whereby keys have not been returned in an appropriate timeframe and ensure a follow up process is undertaken.
Functional	Facility Access	7.2.9	Process to manage and reconcile access to Shire facilities	The key register did not contain information relating to the number of total keys for each facility or access point to allow accurate reconciliations to occur.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Record within a key register the total number of keys available for each facility or access point and then regularly reconcile this to the number of keys on hand and the number of keys currently let out.
Functional	Corporate Credit Cards	7.2.10	Procedures and practices in relation to the use of credit cards linked to the Shire bank account.	We noted during limited testing 75% of samples did not have an appropriate sign off by the cardholder or an independent review by a senior staff member.	Internal control or compliance breach	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Update procedures to require cardholders to review and certify expenses incurred on their credit cards each month with an independent review to additionally be undertaken by a senior member of staff.
Functional	Community Grants	7.2.11	Process for the allocation of grants community groups and individuals	A documented procedure for the community grants process was not available. We noted a conflict of interest check is not undertaken by staff prior to accessing grant applications. We also noted this review is undertaken by one officer with no independent review.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop a procedure for the collection and assessment of community grants with an appropriate process to determine any conflict of interest and either a review process or a panel consisting of more than one member to undertake the scoring of each grant application.
Functional	Procurement	7.2.12	Procedures for the procurement of goods or services.	Through limited testing of the fixed asset additions we noted one instance where a new asset did not have the number of quotations required by the purchasing policy.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	All procurement of goods or services should be undertaken in accordance with the Procurement Policy and legislative requirements, regardless of the type of service or goods.

Shire of Shire of Perenjori Risk Assessment FMR Review Draft

Functional	ICT Security	7.2.13	Procedures and practices to ensure the security of IT information, systems and Data.	We noted limited controls in relation to the access to CCTV and ICT systems including physical access to hardware. Some levels of permissions have been established to network access to software and data, however this is largely undocumented.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Undertake a comprehensive IT security review, articulate current practices and implement findings of the review.
Functional	Cyber Security Training	7.2.14	A process to ensure staff understand and are aware of cyber security threats.	We noted no cyber security training is currently undertaken by Shire staff.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop regular cyber security training to be undertaken by all IT users.
Functional	Management of Shire Facilities	7.2.15	Systems in place for the independent review of cash received and management of facilities.	We noted systems for the independent review of income earned and usage of a Shire facility are not undertaken	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop, implement and maintain systems and controls to reconcile income earned to patronage of Shire facilities.
Functional	Balance Sheet Reconciliations	7.2.16	Process for the control of balance sheet accounts	During testing of reconciliations between July 2021 and June 2022 we noted the following issues: •Creditor reconciliations were not available during this period; •Payroll reconciliations were not available during this period; •Trust fund reconciliations were unavailable during the period; •Municipal bank reconciliations did not have appropriate support and we noted multiple instances where an independent review was unavailable; •Reserve reconciliations did not have appropriate support.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Review system processes to ensure regular preparation and evidence of timely reviews for all balance sheet reconciliations.
Functional	Waste Site	7.2.17	Controls to ensure legislative compliance of the waste site.	Staff representation noted access controls are not in place at the landfill site in Perenjori and Latham. It was noted some illegal dumping of hazardous materials has previously occurred.	Internal control or compliance breach	1/08/2022	Possible	Minor	Major	High	Prioritised Action Required	Develop systems for use the Shire's waste sites to ensure more appropriate and safe use of the site is undertaken.
Functional	Purchase order	7.2.18	Procedures for the procurement of goods or services.	We noted the purchase order system did not have controls in place to stop staff without purchasing authority creating purchase orders. Staff representation noted multiple staff without purchasing authority have created purchase orders.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Likely	Moderate	Major	High	Prioritised Action Required	Review and amend the purchase order system to allow only staff with purchasing authority to create purchase orders.
Functional	Accounts Payable	7.2.19	Procedures for the procurement of goods or services.	We noted current practice allowed for a invoice to only be authorised by one officer which can additionally be the same officer who authorised the purchase order, without any independent review being undertaken.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Likely	Moderate	Major	High	Prioritised Action Required	Invoices signed by only one employee increase the risk that an improper invoice is paid. A second signature verifying the payment of an invoice will assist in providing independent review.
Functional	Creditors Audit Trails	7.2.20	Procedure to allow for appropriate review and approval of changes made within the creditors system.	Audit trail reports are not currently produced, however independent reviews appear to be routinely undertaken with each creditor payment.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Improve procedures to minimise risk of unauthorised changes to creditor details should be implemented. Independent regular reviews of software audit trails are one form of control and should be undertaken as a minimum.
Functional	Petty cash	7.2.21	Systems and processes to ensure controls are maintained around petty cash.	Our testing noted independent reviews of petty cash reconciliations are not undertaken.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Undertake a review of systems and processes relating to petty cash, to ensure adequate controls exist relating to security of cash held, as well as maintaining and processing of petty cash transactions.
Functional	Petty cash	7.2.21	Systems and processes to ensure controls are maintained around petty cash.	Staff representations stated that purchases made using petty cash have been made by officers without delegated authority to purchase goods or services.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Improve procedures to ensure purchases made using petty cash have received approval by an officer with appropriate authorisation limits prior to the purchase of the goods and services.
Functional	Security Controls for Cash Handling	7.2.22	Procedures and systems for the handling of cash at Shire facilities.	Security controls for cash held at various facilities are considered inadequate.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure access to any cash held is restricted only to authorised personnel through secure storage
Functional	Batch updates	7.2.23	A procedure to independently review accounting systems processing.	We noted some batch updates in the Shire's accounting software are not independently reviewed following update of the batch.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure all batch updates are independently reviewed to ensure the update is as per the reviewed information.
Functional	Accounts receivable	7.2.24	Timely collection and recovery of outstanding revenue.	No reporting to management or reporting processes to monitor and recover overdue sundry debtors currently exist.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop reporting mechanisms to allow for the monitoring of sundry debtors collection for all stages of debt collection.

Shire of Shire of Perenjori Risk Assessment FMR Review Draft

Functional	Stock Controls	7.2.25	Process to ensure stock is correctly allocated, as well as to reduce the potential for theft or misappropriation.	We noted items in the stock management system without evidence of stocktakes or reconciliations. Additionally, we noted an amount of fuel listed on the balance sheet which exceeded the capacity of fuel the Shire is able to hold.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Minor	Major	High	Prioritised Action Required	Develop and implement procedures for the monitoring of fuel stock on hand in an effort to improve controls to detect any issues or potential misuse with inventory or fuel allocations.
Functional	Stock Controls	7.2.25	Process to ensure stock is correctly allocated, as well as to reduce the potential for theft or misappropriation.	Limited controls are in place to monitor potential erroneous allocations or misuse of stock. Fuel dips are not independently reviewed for accuracy at periodic intervals, nor mechanisms to detect where excess stock (including fuels, oils, materials etc) may be allocated inappropriately or erroneously.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Minor	Major	High	Prioritised Action Required	Review and implement processes to undertake regular stock reconciliations and allocations. Ensure appropriate controls exist to evidence independent review of data as required.
Functional	Access to Shire Facilities	7.2.26	Ensure access to Shire is restricted only to personnel who are authorised.	We noted limited physical access security measures to some Shire facilities.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Likely	Minor	Moderate	High	Prioritised Action Required	Ensure adequate physical access security measures exist to prevent unauthorised individuals from accessing facilities.
Functional	Overhead & Administration Allocations	7.2.27	To allocate indirect costs in a practical and efficient manner.	A regular documented review of overheads costs was not available, with monthly reports being unsigned. Testing noted a significant variance in public works overheads in May 2022. It was indicated this variance would be balanced during year end processing. A delay in rectifying a variance until the end of the financial year will create inaccurate monthly reporting and a risk of poor decisions being made based on the inaccurate information.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Undertake a regular or monthly review of overhead costings to identify any variances and rectify issues causing variance once identified.
Functional	Overhead & Administration Allocations	7.2.27	To allocate indirect costs in a practical and efficient manner.	On review of the budget calculation we noted the calculation for administration allocations was based on rates from the prior year. We were unable to identify any calculation support for plant rates within the budget calculation spreadsheet.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Undertake reviews of overhead cost allocations in each budget year to ensure rates are based on current and accurate information.
Functional	Overhead & Administration Allocations	7.2.27	To allocate indirect costs in a practical and efficient manner.	We noted in the calculation of public works overheads in the annual budget a significant amount of administration costs was included in the calculation. Where a large number of administration costs are allocated through public works overheads there is a risk the recognition of new assets does not conform to the accounting standards.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Review and amend the allocation of administration costs to ensure these costs are not allocated to capital works projects resulting in a conflict with the accounting standards.
Functional	Information Required to be Published on Official Local Government Website	7.2.28	Ensure information is published for public information as required by legislation.	At the time of our review, we noted the following information (in addition to other matters noted throughout this report) has not been published on the Shire's official website as required by legislation: •Tender register; •The type, amount or value of any fees expenses or allowances paid to each council member during financial year beginning on or after 1 July 2020 (no later than 14 July).	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure information is published on the Shire's official website as required by section 5.96A of the Local Government Act 1995, section 29C of the Administration Regulations 1996 or section 17 of the Functions and General Regulations 1996.
Functional	Contractor Inductions	7.2.29	To induct contractors with the requirements and expectations of the Shire when undertaking work for the Shire.	A system is in place to undertake employee inductions prior to the contractor performing work for the Shire, however we noted this system has not been utilised by the Shire.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Likely	Minor	Moderate	High	Prioritised Action Required	Develop procedures to ensure the induction of all contractors prior to work being undertaken by the Contractor for the Shire.
Functional	Rates	7.2.30	Rates are correctly imposed and the rate system is properly maintained.	Evidence of routine reviews of rate exempt properties as defined by section 6.26(2)(g) of the Local Government Act 1995 was not available for our inspection.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop and maintain systems and processes whereby routine reviews are undertaken of rate exempt properties within the Shire.
Entity Wide	Records	7.2.31	Procedures and practices to ensure the appropriate maintenance and recording keeping of physical and digital records.	An appropriate tool or controls to systematically and consistently identify and name records was not consistent across all record keeping systems.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure tools or controls are in place to maintain consistent names and identification for records across the organisation.
Functional	Records	7.2.31	Procedures and practices to ensure the appropriate maintenance and recording keeping of physical and digital records.	No process to monitor and correct records usage is currently in place.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop systems and processes to monitor the practice of financial record keeping within the organisation and identify any misuse and correct appropriately.
Entity Wide	Records	7.2.31	Procedures and practices to ensure the appropriate maintenance and recording keeping of physical and digital records.	Staff representation noted records created by council members were not being correctly documented in line with the Shire record keeping plan.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop processes to capture all records created by council members in carrying out the duty of their role are recorded and retained in line with the Shire's record keeping plan.
Functional	Staff Training	7.3.1	To ensure staff have access to ongoing and appropriate training.	Planned and required staff training needs for employees are not currently identified and recorded in a central training matrix.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop and maintain a staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation and monitors currency of required licences and qualifications.
Functional	Staff employment Interviews	7.3.2	Employment procedure to ensure for the appropriate employment of staff.	Staff representations noted documented formal process for interviews is not consistently undertaken, with no conflict of interest checks undertaken and interview panels and weighted scoring only be used for some positions.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Review and amend pre-employment procedures with fair and appropriate process for the interview and consideration of applicants.

Shire of Shire of Perenjori Risk Assessment FMR Review Draft

Functional	Letter of Offer	7.3.3	Procedures for the onboarding of staff.	It was noted information required for the employment of prospective staff was only required to be submitted to the Shire subsequent to a full letter of offer being received by the prospective employee.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure any offer of employment is only given to a prospective employee after the prospective employee submits documentation required for their position. Alternatively, the offer of employment letter can be altered to be subject to the pre-employment requirements being fulfilled.
Functional	Employee Termination Procedures	7.3.4	Procedures to ensure staff physical and IT access is removed and Shire assets are returned at the time of departure.	A process / procedure is currently in place to handle the termination of employees for only some departments. Departmental managers and HR staff are allocated the responsibility of ensuring Shire assets are recovered. There is no formal structure in place to ensure IT permissions, shire assets and building security codes are restricted on termination of employees with the Shire.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Review and update procedures or checklists to manage and document the termination of employees, ensuring access to IT systems, etc. is appropriately restricted and Shire assets are recovered.
Functional	Personnel Records	7.3.5	Ensure employee records are securely stored to prevent unauthorised access.	Personnel records are located in the safe however the safe is kept open during the workday.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Secure the key for personnel records in a more appropriate location and restrict access only to officers who are authorised to access personnel records.
Functional	Staff Contracts & Employee Files	7.3.6	To provide a documented record of the terms and conditions of each employee's contract of employment.	Staff representations noted employee files did not contain all certifications, position descriptions, signed policies, pre-employment checks and signed contracts required. During testing we noted the following issues within employee files: •Pay increase tables were not signed by the CEO; •One employee's file did not contain a pay increase letter to allow matching of pay rate against payroll; •One employee's file noted an incentive payment within the contract which was not being paid at time of testing. The file did not contain a performance review which is a requirement of this contract provision;	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Undertake a review of all personnel files to reconcile documentation relating to conditions of employment, remuneration, roles and responsibilities.
Functional	Payroll Audit Trails	7.3.7	Procedure to allow for appropriate review and approval of changes made within the payroll system.	Limited review of changes made to employee details and parameters is currently undertaken prior to when each payroll is processed.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Procedures to minimise risk of unauthorised changes to employee details should be implemented. Regular reviews of software audit trails is one form of control and should be undertaken as a minimum. Where possible, segregation of duties should exist where employees responsible for processing payroll transactions are unable to make changes to employee banking details.
Functional	Changes to Banking Details	7.3.8	Controls to validate banking change requests.	Formal procedures relating to changes to banking details for employees should be updated to ensure sufficient controls exist in both substantiating the change request and the changes performed within the Shire's ERP system	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Update procedures to ensure the following matters are appropriately considered and controls are adequate to: •Validate the change request and its origin; •Authority exists for the change request; and •Validate and control the changes once completed.
Functional	Payroll	7.3.9	Procedures and practices to ensure appropriate payment of wages to employees.	During testing we noted evidence of an independent review is only available for the total payroll payment and a review was not detailed for individual staff members. We also noted one pay run was only signed by one employee in August 2021.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Review of procedures and controls to define procedures, documentation and controls for the accurate processing of payroll each fortnight. Details for each employee should be reviewed against individual employment contracts to capture allowances, deductions, entitlements etc, into a master list, with appropriate review and authorisation for changes. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes.
Functional	Code of Conduct for Employees	7.3.10	To provide guidance to contractors and employees of enforceable rules and requirements as prescribed in relevant legislation.	Regulations gazetted on the 3 February 2021 introduced minimum requirements for an employee code of conduct. At the time of our review, we noted an updated code of conduct for employees had not yet been adopted.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Prepare a new Code of Conduct for employees in accordance with the employee code regulations. Once prepared undertake re-inductions with all employees.
Functional	Building Insurance	7.4.1	Insurance cover is adequately maintained.	No evidence of an evaluation of building insurance cover was noted for the 2022/23 financial year. Due to the increase in building costs since the last insurance valuation, it cannot be determined whether the current level of insurance for buildings is sufficient.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop procedures for the regular review of building valuations and adjust insurance levels regularly to sufficiently cover any potential losses.
Functional	Contractor Insurance	7.4.2	Insurance cover maintained by contractors for damage caused when undertaking works for the Shire.	Contractors' insurances are not assessed prior to award of a contract or prior to the commencement of work.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Minor	Major	High	Prioritised Action Required	To help ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Shire, procedures should be developed, and records maintained to ensure copies of contractor's insurances are held on file.
Functional	Council and Committee Minutes	8.1.1	Official record of proceedings and decisions.	We noted the following items from the minutes of Council and Committee meetings: •Minutes of the April 2021 ordinary council meeting were unavailable on the website; and •Attachments to the agenda were not included within the minutes. These include monthly financial reports, list of accounts and the 2021/22 annual budget.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure minutes of Council meetings are correctly recorded and contain all information required under regulation 11 of the Local Government (Administration) Regulations 1996.

Shire of Shire of Perenjori Risk Assessment FMR Review Draft

Functional	Contract Register	8.2.1	Provide a record of contracts entered into by the Shire.	A contracts register has been established however it does not provide information detailing the status of contracts held by the Shire. The register contained completed contracts which were not identified and shown as complete in the register.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Maintain a register to record details of contracts and their status to assist with ensuring contracts are monitored and actioned as required.
Functional	Development Applications and Building Permits Register	8.2.2	Provide a record of the receipt and status of applications received.	A register to record and track applications for building permits and development applications is not currently maintained. Reliance for compliance with statutory processing timeframes of applications received remains with only one officer, with no independent oversight, monitoring or reporting being undertaken	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Create and maintain a register to record the details and status of applications for building permits and development, to assist with ensuring applications are processed within mandated timeframes.
Functional	Claims Register	8.2.3	Register of Insurance Claims.	An insurance claims register detailing claims made against and by the Shire was not available for review.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Develop and maintain an insurance claims register or alternatively develop systems within the risk register to monitor and manage insurance claims.
Functional	Swimming Pool Inspection Register	8.2.4	Register of inspections undertaken.	A register of inspections of private swimming pools within the district was not available for inspection.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Maintain a register to record details of required inspections of private swimming pools. Routine monitoring and review of the register will assist to ensure inspections are undertaken within required timeframes. Ensure register agrees to any fees raised for inspections.
Functional	ICT Register	8.2.5	Register listing ICT Hardware and Software.	An ICT hardware and software register was available however we noted the register did not contain information to allow for the management and renewing of software and ICT assets.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	As part of managing IT risks and expenditure expand the ICT hardware and software register to include information required for the effective monitoring and management of equipment and systems.
Functional	Regulatory Health Inspection Register	8.2.6	Register of regulatory inspections undertaken.	A register of health inspections undertaken is not routinely maintained.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Maintain a register to record details in a central record of health inspections undertaken and registered premises within the district, to help ensure inspections are undertaken within required timeframes.
Functional	Register of Hazardous Materials	8.2.7	Provide a record of properties under the Shire's control containing hazardous materials.	A register of hazardous materials was available, however it did not appear to have been recently updated. Therefore, the current conditions of hazards or any corrective activities is unknown.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Likely	Minor	Major	High	Prioritised Action Required	Maintain a register to record details of hazardous materials, such as asbestos, for properties under the control of the Shire.
Entity Wide	Risk Register	8.2.8	Provide a record of risk breaches and remedial action taken.	A risk register to reflect identified risks, and if they have been adequately treated exists, however if has not been updated since 2019 and is therefore not considered current.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Maintaining risk registers for all identified risks is important to help ensure appropriate recording and communication of high rated risks, along with providing a record to enable the verification of whether treatment plans have appropriately reduced the risk. Routine (at least quarterly) review of the risk register is required to assist in ensuring identified risks are adequately treated.
Functional	Investment Register	8.2.9	Register of investments held to evidence the nature and location of all investments and all transactions in relation to investments.	An investment register was not available for our inspection detailing the nature and location of all investments and all related transactions.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Recording the nature and location of all investments and related transactions is required by Regulation 19 (2) of the Local Government (Financial Management) Regulations 1996. Tracing of funds on maturity of investments is essential and record a of where funds are transferred and who authorised the transfer should be maintained within the register. Maintaining printed copies of the investment register, reviewed and authorised by a senior manager, independent of the control of the investments, prevents subsequent amendment to the register.
Functional	Tender Register	8.2.10	Statutory register of tenders called.	Inspection of the register we noted the inclusion of several procurements which were not tenders, but rather purchases made under exemptions allowed by regulation 11(2) of the Local Government (Functions and General) Regulations 1996 or requests for quotations and expressions of interest called. Procurement processes which are not tenders should be maintained separate to the tender register.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure the tender register contains only the information required to comply with Regulation 16 & 17 of the Local Government (Functions and General) Regulations 1996 for future tenders called and ensure all required information is required.
Functional	Tender Register	8.2.10	Statutory register of tenders called.	We noted for a sample selected for testing, a copy of the notice or invitation to tender was not available on the electronic version of the tender register and it was unclear in the physical register whether the attached notice was appropriately advertised.	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure the tender register contains only the information required to comply with Regulation 16 & 17 of the Local Government (Functions and General) Regulations 1996 for future tenders called and ensure all required information is required.
Functional	Financial Interest Register	8.2.11	Records details required under the Act relating to financial circumstances of relevant persons.	We noted multiple instances whereby the extent of an interest was not detailed as required by the Local Government (Administration) Regulations 1996.	Internal control or compliance breach	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Review systems and procedures to ensure the acknowledgement of receipt of all returns occurs and are appropriately filed in the register of financial interests as required by the Local Government Act 1995.
Functional	Financial Interest Register	8.2.11	Records details required under the Act relating to financial circumstances of relevant persons.	We noted instances where annual returns contained several blank fields / incomplete information within the forms. We also noted multiple returns did not detail the period of the return.	Internal control or compliance breach	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Review systems and procedures to ensure the acknowledgement of receipt of all returns occurs and are appropriately filed in the register of financial interests as required by the Local Government Act 1995.
Functional	Financial Interest Register	8.2.11	Records details required under the Act relating to financial circumstances of relevant persons.	We noted the returns of a relevant person who recently ceased to be a relevant person were still included in the current register of financial interests.	Internal control or compliance breach	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Review systems and procedures to ensure the acknowledgement of receipt of all returns occurs and are appropriately filed in the register of financial interests as required by the Local Government Act 1995.
Functional	Financial Interest Register	8.2.11	Records details required under the Act relating to financial circumstances of relevant persons.	We noted a relevant person has not completed a primary return as required by legislation.	Internal control or compliance breach	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Review systems and procedures to ensure the acknowledgement of receipt of all returns occurs and are appropriately filed in the register of financial interests as required by the Local Government Act 1995.

Shire of Shire of Perenjori Risk Assessment FMR Review Draft

Functional	Financial Interest Register	8.2.11	Records details required under the Act relating to financial circumstances of relevant persons.	We noted information being maintained within the register not required by legislation. As the financial interest register is available for public inspection, only records which are required by legislation to be made available for public inspection should be recorded in the register.	Internal control or compliance breach	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Review systems and procedures to ensure the acknowledgement of receipt of all returns occurs and are appropriately filed in the register of financial interests as required by the Local Government Act 1995.
Entity Wide	Internal Audit	8.5.1	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	Failure to identify risks or adequately treat risks Breakdown of internal controls	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	We suggest as the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required as recommended by the OAG in their report to parliament on the Audit of Local Government.
Entity Wide	Audit Regulation 17 Review	8.6.1	CEO's review of the appropriateness and effectiveness of systems and procedures for Risk Management, Internal Controls and Legislative Compliance in accordance with Regulation 17 of Local Government (Audit) Regulations 1996.	No evidence of a previous review was made available.	Internal control or compliance breach	1/08/2022	Possible	Moderate	Moderate	Medium	Planned Action Required	Ensure the next review is undertaken within the next three years as required by legislation