



AGENDA

26th of JUNE 2024

AUDIT COMMITTEE MEETING

**To be held at the Shires Administration Building situated at Gascoyne Junction
commencing at 10:15am**

DISCLAIMER

Disclaimer

The advice and information contained herein is given by and to the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to the Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

Please note this agenda contains recommendations which have not yet been adopted by Council.

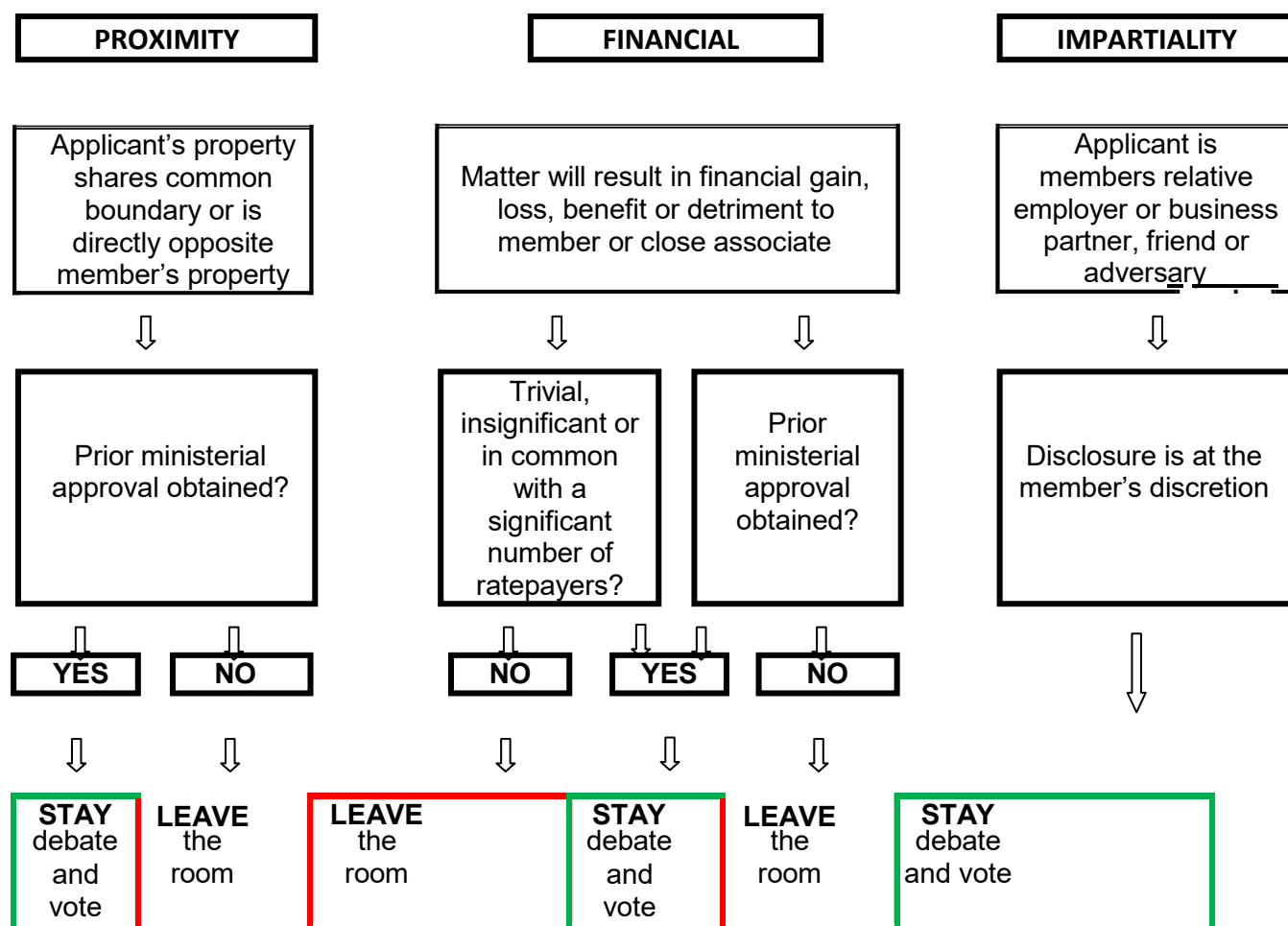
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John McCleary, JP
CHIEF EXECUTIVE OFFICER

* Declaring an Interest



Local Government Act 1995 - Extract

5.65 - Members' interests in matters to be discussed at meetings to be disclosed.

(1) A member who has an interest in any matter to be discussed at a council or committee meeting that will be attended by the member must disclose the nature of the interest:

(a) in a written notice given to the CEO before the meeting; or (b) at the meeting immediately before the matter is discussed. (Penalties apply).

(2) It is a defense to a prosecution under this section if the member proves that he or she did not know:

(a) that he or she had an interest in the matter; or (b) that the matter in which he or she had an interest would be discussed at the meeting.

(3) This section does not apply to a person who is a member of a committee referred to in section 5.9(2)(f).

5.70 - Employees to disclose interests relating to advice or reports.

(1) In this section: 'employee' includes a person who, under a contract for services with the local government, provides advice or a report on a matter.

(2) An employee who has an interest in any matter in respect of which the employee is providing advice or a report directly to the council or a committee must disclose the nature of the interest when giving the advice or report.

(3) An employee who discloses an interest under this section must, if required to do so by the council or committee, as the case may be, disclose the extent of the interest. (Penalties apply).

5.71 - Employees to disclose interests relating to delegated functions.

If, under Division 4, an employee has been delegated a power or duty relating to a matter and the employee has an interest in the matter, the employee must not exercise the power or discharge the duty and:

(a) in the case of the CEO, must disclose to the mayor or president the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter; and (b) in the case of any other employee, must disclose to the CEO the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter. (Penalties apply).

'Local Government (Administration) Regulations 1996 – Extract

In this clause and in accordance with Regulation 34C of the Local Government (Administration) Regulations 1996:

"Interest" means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.



SHIRE OF UPPER GASCOYNE
AGENDA FOR THE AUDIT MEETING OF COUNCIL TO BE HELD AT GASCOYNE JUNCTION
SHIRE OFFICES ON WEDNESDAY THE 26TH OF JUNE 2024 AT 10:15AM

Table of Contents

<u>1.</u>	DECLARATION OF OPENING/ANNOUNCEMENTS OF VISITORS.....	4
<u>2.</u>	RECORD OF ATTENDANCE, APOLOGIES AND APPROVED LEAVE OF ABSENCE.....	4
<u>3.</u>	APPLICATION FOR LEAVE OF ABSENCE.....	4
<u>4.</u>	PUBLIC QUESTION TIME.....	4
<u>5.</u>	DISCLOSURE OF INTEREST	4
<u>6.</u>	PETITIONS/DEPUTATIONS/PRESENTATIONS	4
<u>7.</u>	ANNOUNCEMENTS BY THE PERSON PRESIDING WITHOUT DISCUSSION	5
<u>8.</u>	MATTERS FOR WHICH THE MEETING MAY GO BEHIND CLOSED DOORS.....	5
<u>9.</u>	CONFIRMATION OF MINUTES FROM PREVIOUS MEETING	5
	10.1 REVIEW OF REGULATION 17 – LOCAL GOVERNMENT (AUDIT) REGULATIONS...5	
	10.2 2023 FINANCIAL MANAGEMENT REVIEW REPORT.....8	
<u>10.</u>	MEETING CLOSURE.....	11

SHIRE OF UPPER GASCOYNE
AGENDA FOR THE AUDIT MEETING OF COUNCIL TO BE HELD AT GASCOYNE JUNCTION SHIRE
OFFICES ON WEDNESDAY THE 26th of JUNE 2024 AT 10:15AM

1. DECLARATION OF OPENING / ANNOUNCEMENTS OF VISITORS

The President welcomed those present and declared the meeting open at am

2. APOLOGIES AND APPROVED LEAVE OF ABSENCE

2.1 Councillors

Cr B. Walker	Councillor / Chairperson
Cr J. Caunt	Councillor
Cr R. Hoseason-Smith	Councillor
Cr A. McKeough	Councillor

Staff

John McCleary JP	Chief Executive Officer
Andrea Pears	Manager of Finance and Corporate Services
Cherie Walker	Senior Corporate Services Officer

Visitors

Nil

2.2 Absentees

2.3 Leave of Absence previously approved

Nil

3. APPLICATION FOR LEAVE OF ABSENCE

4. PUBLIC QUESTION TIME

4.1 Questions on Notice

Nil

4.2 Questions without Notice

5. DISCLOSURE OF INTEREST

Nil

6. PETITIONS/DEPUTATIONS/PRESENTATIONS

Nil

7. **ANNOUNCEMENTS BY THE PERSON PRESCIDING WITHOUT DISCUSSION**

Nil

8. **MATTERS FOR WHICH THE MEETING MAY GO BEHIND CLOSED DOORS**

Nil

9. **CONFIRMATION OF MINUTES FROM PREVIOUS MEETINGS**

Committee Resolution No: AC 01062024

MOVED:

SECONDED:

That the minutes from previous Audit Committee Meeting held on 28th of February 2024 are a true and correct record.

FOR: CR

AGAINST: CR

F/A: 0/0

10.1 REVIEW OF REGULATION 17 – LOCAL GOVERNMENT (AUDIT) REGULATIONS	
Applicant:	Shire of Upper Gascoyne
Disclosure of Interest:	Nil
Author:	John McCleary – Chief Executive Officer
Date:	20 th June 2024
Matters for Consideration:	To review the Regulation 17 report undertaken and presented by AMD Chartered Accountant. Please refer to Appendix 1 .
Background:	To undertake a review of the appropriateness and effectiveness of risk management, internal controls and legislative compliance of the Shire in accordance with the <i>Local Government (Audit) Regulations 1996</i>, Regulation 17 for the period ended 30 June 2024 (the “Review”). The CEO is to review certain systems and procedures at least once every three (3) years. The Last review was undertaken 16th to 20th of November 2020. The findings included within the attached report are based on the site work completed by AMD from the 22 to 25 January 2024. Findings are based on information provided and made available to AMD during and subsequent to this site visit to 25 January 2024.
Comments:	The procedures performed and the findings on each of the focus areas are detailed in the following sections of the report: • Section 2 – Risk management; • Section 3 – Internal controls; and • Section 4 – Legislative compliance.

	Following the completion of our review and subject to the recommendations outlined within sections 2 to 4, AMD are pleased to report that in context of the Shire's overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review. Findings reported are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with best practice.
Statutory Environment:	17.CEO to review certain systems and procedures (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to— (a) risk management; and (b) internal control; and (c) legislative compliance. (2) The review may relate to any or all of the matters referred to in subregulation(1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years. (3) The CEO is to report to the audit committee the results of that review.
Policy Implications:	Nil
Financial Implications:	2023/24 Budget – An allocation has been made to engage a consultant to undertake the review.
Strategic Implications:	Objective 4: <i>To provide Good Governance and Leadership to the Upper Gascoyne Shire Region by:</i> • <i>Being strategically focused and effectively representing and promoting the Shire;</i> • <i>Providing professional and efficient services to the community;</i> • <i>Maintaining accountability and financial responsibility through effective planning;</i> • <i>Complying with statutory and legislative requirements; and</i> • <i>Fostering a positive, resilient, safe and progressive workplace.</i>

Risk Assessment:

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

Risk Category	Description	Rating	Mitigating Actions
Health	N/A	N/A	N/A
Financial Impact	N/A	N/A	N/A
Service Interruption	N/A	N/A	N/A
Compliance	Of the 12 issues raised only 2 relate to statutory compliance with the remainder referring to best practice.	2/4 Moderate	Various officers will be tasked with addressing each of the identified issues with Management reporting back to Audit Committee within 6 months, detailing progress made.
Reputational	No action on items listed would be minor in nature as it would be a low impact low news item	2/1 Low	Ensure identified issues are mitigated within a timely manner
Property	N/A	N/A	N/A
Environment	N/A	N/A	N/A
Fraud	N/A	N/A	N/A

Consultation:

AMD Chartered Accountants

Manager of Finance & Corporate Services.

Voting requirement:

Simple Majority

Officer's Recommendation:

That the Audit Committee:

1. Receives the Regulation 17 Audit Report;
 2. Endorses the comments provided by management;
 3. Refer the review to Council; and
- Recommends that Council adopt the review.

Committee Resolution No: AC 02062024

MOVED:

SECONDED:

FOR:

AGAINST:

F/A: 0/0

10.2 2023 FINANCIAL MANAGEMENT REVIEW REPORT

Applicant:	Shire of Upper Gascoyne
Disclosure of Interest:	None
Author:	John McCleary – Chief Executive Officer
Date:	20 June 2024
Matters for Consideration:	To provide a Financial Management Review report to the Audit Committee for their consideration of the appropriateness and effectiveness of the financial management systems and procedures of the Shire of Upper Gascoyne.
Background:	The objective was to test the financial management system of the Shire of Upper Gascoyne and report on the appropriateness and effectiveness of the control environment within, as required by the Local Government (Financial Management) Regulation 5(2)(c). The Shire engaged the services of RSM Australia to carry out the review and provide a report on their findings, please refer to Appendix 2 (Financial Management Review Report) to the agenda.
Comments:	The primary objective of our Financial Management System Review (FMSR) was to assess the adequacy and effectiveness of systems and controls in place within the Shire focusing on accounts payable, accounts receivable, human resources and payroll procedures; in accordance with the Financial Management System Review Services Request for Quotation (the “Review”). The responsibility of determining the adequacy of the procedures undertaken by us is that of the Chief Executive Officer (CEO). The procedures were performed solely to assist the CEO in satisfying his duty under Section 6.10 of the Local Government Act 1995 and Regulation 5(1) of the Local Government (Financial Management) Regulations 1996. The procedures performed and our findings on each of the focus areas are detailed in the report attached in Appendix??:

Statutory Environment:	Local Government (Audit) Regulations 1996 Reg14. Compliance Audits by local governments (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year. (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister. (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review. (3) After the audit committee has reported to the council under sub regulation {3A}, the compliance audit return is to be - (a) presented to the council at a meeting of the council; and (b) adopted by the council; and (c) recorded in the minutes of the meeting at which it is adopted
Policy Implications:	Nil

Financial Implications:	2023/24 Budget – An allocation has been made to engage a consultant to undertake the review.					
Strategic Implications:	Objective 4: <i>To provide Good Governance and Leadership to the Upper Gascoyne Shire Region by:</i> • <i>Being strategically focused and effectively representing and promoting the Shire;</i> • <i>Providing professional and efficient services to the community;</i> • <i>Maintaining accountability and financial responsibility through effective planning;</i> • <i>Complying with statutory and legislative requirements; and</i> • <i>Fostering a positive, resilient, safe and progressive workplace.</i>					
Risk Assessment:						
Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)
Risk Category		Description	Rating	Mitigating Actions		
Health		N/A	N/A	N/A		
Financial Impact		N/A	N/A	N/A		
Service Interruption		N/A	N/A	N/A		
Compliance			2/2 Low	Support the Audit committee’s recommendation.		
Reputational			1/ 1 Low	Request monthly status report.		
Property		N/A	N/A	N/A		
Environment		N/A	N/A	N/A		
Fraud		N/A	N/A	N/A		
Consultation:		AMD Chartered Accountants				
Voting requirement:		Simple Majority				

**Officer's
Recommendation:**

That the Committee:

1. Receive the 2023 Financial Management Report prepared by AMD;
2. Note the recommendations and managements comments contained within the report; and

Recommend that Council receive the 2020 Financial Management Report with accompanying recommendations and management comments.

Committee Resolution No: AC 03062024

MOVED:

SECONED:

FOR:

AGAINST:

F/A: 0/0

10. MEETING CLOSURE

The Shire President closed the meeting at ____pm.

APPENDIX 1

(Regulation 17 Report)

2023 Regulation 17 Review

Shire of Upper Gascoyne

For the period ended
31 December 2023

29 April 2024

Mr John McCleary
Chief Executive Officer
Shire of Upper Gascoyne
4 Scott Street
GASCOYNE JUNCTION WA 6705

Dear John

2023 REGULATION 17 REVIEW

We are pleased to present the findings and recommendations resulting from our Shire of Upper Gascoyne (the "Shire") *Local Government (Audit) Regulations 1996*, 2023 Regulation 17 Review.

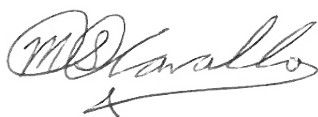
This report relates only to procedures and items specified within the 2023 Regulation 17 Review Request for Quotation proposal and does not extend to any financial report of the Shire.

We recommend this report be read in conjunction with the 2023 Financial Management Systems Review Report prepared by AMD in April 2024.

We would like to thank John, Andrea and the finance department for their co-operation and assistance whilst conducting our review.

Should there be matters outlined in our report requiring clarification or any other matters relating to our review, please do not hesitate to contact me.

Yours sincerely
AMD Chartered Accountants



MARIA CAVALLO FCA
Director

Table of Contents

1. Executive Summary	5
1.1. Background and Objectives.....	5
1.2. Summary of Findings.....	5
2. Risk Management	8
2.1. Scope and approach.....	8
2.2. Detailed findings and recommendations	9
2.2.1. Business Continuity	9
2.2.2. Occupational Health and Safety	10
2.2.3. Risk Management Policies and Procedures.....	11
2.2.4. Insurance Framework	12
2.2.5. Tender / Contracts Management	13
2.2.6. Lease Management	14
2.2.7. Audit Committee Charter and Meetings.....	15
2.2.8. Councillor Inductions.....	16
3. Internal controls	17
3.1. Scope and approach.....	17
3.2. Detailed findings and recommendations	18
3.2.1. Procurement and Contract Management.....	18
3.2.2. IT Strategic Plan	19
4. Legislative compliance	20
4.1. Scope and approach.....	20
4.2. Detailed findings and recommendations	20
4.2.1. Code of Conduct	20
4.2.2. Tender Register	22
5. Guidance on Risk Assessment	23

Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to review, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Shire of Upper Gascoyne management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the Shire of Upper Gascoyne. The review findings expressed in this report have been formed on the above basis.

Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use of the management of the Shire of Upper Gascoyne. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for Shire of Upper Gascoyne's information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review report has been prepared at the request of the Shire of Upper Gascoyne's Chief Executive Officer or its delegate in connection with our engagement to perform the review as detailed in the 2023 Regulation 17 Review Services Request for Quotation. Other than our responsibility to the Council and management of the Shire of Upper Gascoyne, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Shire of Upper Gascoyne external auditor, on this review report. Any reliance placed is that party's sole responsibility.

1. Executive Summary

1.1. Background and Objectives

To undertake a review of the appropriateness and effectiveness of risk management, internal controls and legislative compliance of the Shire in accordance with the *Local Government (Audit) Regulations 1996*, Regulation 17 for the period ended 31 December 2023 (the “Review”).

Our findings included within this report are based on the site work completed by us from the 22 to 25 January 2024. Findings are based on information provided and available to us during and subsequent to this site visit.

1.2. Summary of Findings

The procedures performed and our findings on each of the focus areas are detailed in the following sections of the report:

- Section 2 – Risk management;
- Section 3 – Internal controls; and
- Section 4 – Legislative compliance.

Following the completion of our review and subject to the recommendations outlined within sections 2 to 4, we are pleased to report that in context of the Shire’s overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

Findings reported by us are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with best practice.

The following tables provide a summary of the findings raised in this report:

	Extreme Risk	High Risk	Moderate Risk	Low Risk
Number of new issues reported	0	0	10	2

For details on the review rating criteria, please refer to Section 5.

Ref	Issue	Risk Rating
Risk management		
2.2.1	Business Continuity Potentially out of date Business Continuity Plan. Plan testing has not been undertaken	Moderate
2.2.2	Occupational Health and Safety No documented Occupational Health and Safety policies or procedures in place. Unable to determine whether psychosocial workplace hazards have been adequately addressed as required by the updated Work Health and Safety Act 2020.	Moderate
2.2.3	Risk Management Framework Further enhancements to the existing Risk Management Policy suggested.	Moderate
2.2.4	Insurance Framework No current insurance claims register is maintained nor is there a documented formal procedure in relation to the insurance claims process.	Moderate
2.2.5	Tender / Contracts Management Currently no post tender / contract review is undertaken by the Shire.	Moderate
2.2.6	Lease Management No lease register is maintained. Unable to determine if the Shire obtains current insurance certificate on an annual basis.	Moderate
2.2.7	Audit Committee Charter and Meetings No audit committee charter in place. Enhancements identified regarding Audit Committee meetings.	Moderate
2.2.8	Councillor Induction Councillor induction packs are not provided to new councillors upon election to the Shire Council.	Low
Internal controls		
3.2.1	Procurement and Contract Management Currently no formal contract management framework in place.	Moderate
3.2.2	IT Strategic Plan No IT Strategic Plan in place.	Moderate
Legislative compliance		
4.2.1	Code of Conduct No documented Code of Conduct in place for employees.	Moderate
4.2.2	Tender Register At the time of our onsite audit, the 2022/23 and 2023/24 tender register was not available on the Shire's website.	Low

1.3. Limitations

We draw your attention to the following limitations:

- We were not required to and did not undertake an audit in accordance with Australian Auditing Standards. Consequently, no assurance will be expressed.
- We have not verified the authenticity or validity of the documentation made available to us.
- We have included information that we obtained verbally in this document. We cannot verify that this information is credible or truthful.
- If additional or new documentation or information is brought to our attention subsequent to the date of this report, which would affect the observations detailed below, we reserve the right to amend our findings accordingly.

2. Risk Management

2.1. Scope and approach

In accordance with our quotation dated September 2023, our review examined the following areas:

- Whether the Local Government has an effective risk management system and that material operating risks to the Local Government are appropriately considered;
- Whether the Local Government has a current and effective Business Continuity Plan (including disaster recovery) which is tested from time to time;
- The internal processes for determining and managing material operating risks in accordance with the Local Government's identified tolerance for risk, particularly in the following areas:
 - Potential non-compliance with legislation, regulations and standards and local government's policies;
 - Important accounting judgements or estimates that prove to be wrong;
 - Litigation and claims;
 - Misconduct, fraud and theft; and
 - Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Whether regular risk reports presented to the Audit Committee/Council, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Adequacy of the Local Government processes to manage insurable risks and ensured the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Effectiveness of the Local Government's internal control system with management and the internal and external auditors;
- Whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- The Local Government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Audit Committee meeting practices ensuring periodically meeting with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and
- Ascertained whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

2.2. Detailed findings and recommendations

2.2.1. Business Continuity

Finding Rating: Moderate

Our review of the current Business Continuity Plan indicated that this plan was last reviewed in 2019. Additionally, our enquiries identified that the Business Continuity Plan (including data recovery) has not been tested.

Implications/Risks

If the Shire's does not have a current Business Continuity Plan in place and if it is not tested on a regular basis, there is a risk of significant delays and business interruption in the event of unforeseen circumstances in respect to the Shire's business operations.

Recommendation

We recommend the Shire review and update the Business Continuity Plan as required ensuring the plan has been based on an updated evaluation of risks which may disrupt critical business functions. The evaluation should identify critical systems and processes, minimum resources and response times needed to assure/resume operations.

An incident response plan – containing the information needed to respond to an incident (e.g. emergency contact lists, responsibilities) and disaster recovery plan – detailing the steps to be taken to recover operations, should be developed based on the Business Continuity Plan.

The updated plan should be communicated to staff and tested on a periodic basis to ensure that staff are familiar with their responsibilities. This should also include testing of IT system backups.

Management Comment

The Business Continuity Plan will be updated. However our IT backup systems are tested and testing occurred recently to ensure that they are working as required. These tests are performed by PCS, our outsourced IT Provider, and in accordance with our Support Agreement, are scheduled bi-annually.

Responsible Officer: John McCleary /
Andrea Pears/
Jarrod Walker

Completion Date: 30 November 2024

2.2.2. Occupational Health and Safety

Finding Rating: Moderate

Discussions with management indicated there are limited Occupational Health and Safety policies and procedures currently in place. As a result, we are unable to determine whether psychosocial workplace hazards have been adequately addressed as required by the updated Work Health and Safety Act 2020.

Implications/Risks

The Shire may be exposing staff to safety risks, and staff may be unaware of their obligations.

Recommendation

We recommend an Occupational Health and Safety framework be developed, approved and implemented to ensure safety to staff, council members and the community, and to ensure staff are aware of their obligations. This framework should incorporate the Shire's policies and procedures with respect to addressing psychosocial workplace hazards are required by legislation.

Management Comment

This has been an ongoing issue for the Shire. It will be determined whether to outsource as it is a common issue for small remote Shires, that at current staffing levels we are time poor, and would not have the capacity for staff to concentrate their time on implementing and documenting this framework. Nonetheless our staff do work well and are aware of OHS issues but in order to provide proof the framework required needs to be formally addressed in writing readily available for staff.

Responsible Officer: John McCleary/
Andrea Pears/
Jarrod Walker

Completion Date: 30 June 2025

2.2.3. Risk Management Policies and Procedures

Finding Rating: Moderate

While completing a review of the Shire's internal risk management policies and procedures, we noted the following:

(A) Update or Further Enhancement Required

The following policies and/or procedures required further enhancements:

- Risk Management Policy – although this policy was most recently reviewed by the Shire in January 2020, the policy references the former guidance standard AS/NZS 31000:2009 as opposed to the current guidance standard, AS/ISO 31000:2018;
- We also noted there is an additional Risk Management Policy contained within the standalone Policy Manual which was reviewed in December 2022 and refers to the correct risk guidance standard;
- There is no risk matrix included within either Risk Management Policy noted above; and
- Policy 4.31B Fraud and Corruption Policy most recently reviewed in 2022 refers to the former guidance standard AS 8001:2008. The current standard is AS 8001:2021.

(B) No Policy or Procedure

The following Shire practices are not documented/addressed in policies or procedures:

- Litigation /Claims policy;
- Environmental Management policy;
- Waste Management policy;
- Disposal of fixed assets, in particular IT equipment;
- Performance appraisal policy and procedure;
- Engaging of Contractors procedure and induction;
- Safety procedures and Inductions for Contractors and outside workers; and
- Public Interest Disclosure Procedure.

Implications/Risks

Lack of policies and/or procedures evidencing specific risks to the Shire. In addition, out-dated policies and procedures may not reflect the actual practices followed by Shire representatives.

Recommendation

We recommend the following:

- The policies highlighted at (A) above be updated in accordance with our findings. In addition, we recommend the reviews outlined in the Risk Management Governance Framework document be undertaken; and
- Policies and procedures be developed and implemented for those identified areas of risk highlighted at (B) above.

Management Comment

Both recommendations will be created and/or amended as detailed above.

Responsible Officer: John McCleary/
Andrea Pears/
Jarrod Walker

Completion Date: 30 June 2025

2.2.4. Insurance Framework

Finding Rating: Moderate

We noted the Shire does not have an Insurance Claims Register to ensure insurance claims are lodged and followed up in a timely manner after an incident.

We also noted there is no formal procedure documenting the insurance claim process to be followed.

Implications/Risks

Risk of untimely recovery of costs associated with insurance related events and risk of non-recovery of workers compensation claims.

Recommendation

We recommend insurance claims be lodged on a timely basis after incidents occur (we suggest no longer than one month) and that all claims be recorded in an appropriate insurance claims register.

Furthermore, we recommend that a formal insurance claims procedure be documented, communicated to Shire staff and implemented.

Management Comment

We currently have an insurance register but it is not current. We will ensure that this is used as part of the process of incident reporting as whether a claim needs to be submitted and tracked to completion.

Responsible Officer: John McCleary/
Andrea Pears/
Jarrod Walker

Completion Date: 30 June 2025

2.2.5. Tender / Contracts Management

Finding Rating: Moderate

Through discussions with management, we noted there is currently no formal post-tender / contract performance evaluation process on completion of large or critical project / tenders.

Implications/Risks

Lack of formalised documentation evidencing tender / contract performance assessment.

Recommendation

WALGA best practice guidelines recommend formal performance management assessments be completed at the end of the tender period once goods or services have been tendered.

We recommend a contract performance evaluation procedure be documented, implemented through the communication to all staff and monitored on an ongoing basis to ensure compliance with stated procedures. We suggest it may be useful for the procedure to include a standard contract compliance checklist, in particular for the monitoring of ongoing service contracts.

Management Comment

We have contacted WALGA for a copy of their best practice guidelines so that we are armed with the information to improve our risk mitigation and implement and document these procedures.

Responsible Officer: John McCleary/
Andrea Pears/
Jarrod Walker

Completion Date: 30 June 2025

2.2.6. Lease Management

Finding Rating: Moderate

Our enquiries indicated a Lease Register is not currently maintained within the Shire. As a result, we were unable to determine if the Shire obtains current insurance certificate on an annual basis.

Implications/Risks

The Shire is potentially exposed to risks due to lessee non-compliance with lease agreement terms and conditions.

Recommendation

We recommend a formal procedure be implemented to monitor lessee compliance with the terms and conditions of Council leased properties which may include maintaining a lease register to include key lease terms and conditions (such as term, right to extend, rent), insurance details (including obtaining a current certificate of currency in a timely manner upon insurance expiry) and any other lessee reporting requirements. Subsequently a review of the updated lease register periodically would prompt requests to lessees with respect to their reporting requirements.

Management Comment

We have created a lease register which will be updated in accordance with lease agreements which will be reviewed periodically by the dedicated officer.

Responsible Officer: John McCleary/
Andrea Pears/
Jarrod Walker

Completion Date: 30 June 2025

2.2.7. Audit Committee Charter and Meetings

Finding Rating: Moderate

We noted the following with respect to the Audit Committee and Audit Committee meetings:

- There is currently no Audit Committee Charter documented;
- There is currently no standing agenda item relating to compliance issues, and there is no mechanism in place for the Shire to report to the Audit Committee in respect of Compliance Obligations or breaches of compliance obligations once identified. Exception to this include the annual CAR and the findings of the Annual Audit;
- There is currently no standing agenda item at all Audit Committee meetings whereby risk reports are to be presented; and
- There is currently no standing agenda items at all Audit Committee meetings in respect of the status of prior external audit, internal audit, performance audits or other review findings to be presented to the Audit Committee.

Implication / Risk

Risk that the audit committee's responsibilities are not clearly defined.

If there is no consideration or discussion relating to risk, compliance and audit finding status at audit committee meetings, there is a risk of the necessary governance and oversight responsibilities not being met.

Recommendation

We recommend an Audit Committee Charter be documented and implemented clearly defining the independence, accountability, role and responsibilities and reporting arrangements for the committee.

We also recommend consideration be given to the following standing agenda items be included for future Audit Committee meetings:

- Compliance - this report could outline upcoming compliance obligations, past compliance obligations met, and any issues that have arisen in relation to compliance obligations;
- Risk including a risk report be presented to the Audit Committee and Council; and
- Report of the status of prior audit and review findings.

Management Comment:

An Audit Committee Charter has been developed and will be tabled at the Ordinary Council Meeting for adoption. In future we will include a standing agenda item, as recommended above, to address Compliance Obligations, Risk Reporting and the status of prior audit and review findings.

Responsible Officer: John McCleary/
Andrea Pears/
Jarrod Walker

Completion Date: 30 June 2025

2.2.8. Councillor Inductions

Finding Rating: Low

While an informal Councillor induction is completed by the CEO for newly elected Councillors, we noted there is currently no formal Councillor Induction Pack provided to Councillors.

Implications/Risks

Risk relevant documentation and information is not provided to or communicated to the newly elected Councillors to enable them to fulfil their responsibilities.

Recommendation

We recommend a formal Councillor Induction Pack be developed and provided to all newly elected councillors. An effective Councillor Induction Pack can build early positive relationships and teamwork between Councillors and management, increase productivity and provide essential knowledge from the moment a Councillor is elected.

Management Comment

A Councillor Induction Pack has been commenced and when completed will be tabled at an Ordinary Council Meeting for adoption. Each councillor will receive a copy for their use and reference.

Responsible Officer: John McCleary

Completion Date: 30 June 2025

3. Internal controls

3.1. Scope and approach

In accordance with our quotation dated September 2023, our review examined the following areas:

- Segregation of roles and functions, processing and authorisation controls;
- Delegations of authority (completeness and adherence);
- Documented policies and procedures;
- The effectiveness of policy and process reviews;
- Approval of documents, letters and financial records;
- Management internal reviews undertaken in respect to comparison of internal data with external sources of information;
- The adequacy of internal controls;
- Security controls in respect to physical access to assets and records;
- Security controls in respect to computer applications and information systems (general and application IT controls);
- Access limits placed on data files and systems;
- Whether the maintenance and review of financial control accounts and trial balances is regular and appropriate;
- Key management internal reviews undertaken in respect to comparison and analysis of financial results with budgeted amounts;
- Key management internal reviews undertaken in respect to the arithmetical accuracy and content of records;
- Controls in respect to purchasing and payment of accounts;
- Effectiveness of the training and development plan for staff and elected members; and
- Reporting, review and approval of financial payment and reconciliations; and
- Physical cash and inventory count records when compared to accounting records.

3.2. Detailed findings and recommendations

3.2.1. Procurement and Contract Management

Finding Rating: Moderate

Our discussions with management identified there is no documented contract management framework in place which outlines the approach and procedures to be followed. In addition, there does not appear to be a contract compliance checklist that is used to manage contracts.

In addition, our discussions with management in respect of contracts identified the following:

- There is no official ongoing performance review or post contract review process in place. Although we acknowledge that all contracts appear current the expectation is that on a yearly basis the Shire would formally assess the performance of the contractor; and
- A register of current contracts is not maintained.

Implications/Risks

- Risk Shire representatives do not follow an appropriate and consistent process when procuring and managing contracts.
- Risk of non-compliance with Shire's Purchasing policy.
- Risk of the contractor's non-compliance with the Shire's policies, procedures including relevant ethical requirements, health and safety requirements.
- Lack of documentation evidencing contractor/supplier performance assessment.

Recommendation

We recommend:

- A contract management framework be designed and documented to ensure that contracts are uniformly managed appropriately and in accordance with the stated framework. This uniform approach will also include the mandatory requirement of all contractors completing some level of induction (the level of induction completed should be determined based on the risks associated with the service or goods provided), the completion of a sole source justification form (or the equivalent) documenting the justification of a sole source arrangement (in the event that one exists) and completion of a periodic performance review of the service/goods provided by the contractor/supplier;
- A compliance checklist be developed based on the contract management framework and utilised by Shire representative's to ensure compliance is met on all contracts; and
- Development of a contract register to include the responsible officer, key terms and conditions term of the agreement, commencement and expiration dates, right to extend, dollar value, variation dollar value, insurances required and the date of expiration. The responsible officer should be aware of the key terms and ensure the contract / agreement and insurances are up to date and that the terms and conditions are adhered to.

Management Comment

A contract and compliance checklist will be created and kept updated by a dedicated contracts officer. This will also incorporate review dates, OHS induction and compliance in accordance with our framework and evaluation of their services.

Responsible Officer: John McCleary/
Andrea Pears/
Jarrod Walker

Completion Date: 30 June 2025

3.2.2. IT Strategic Plan

Finding Rating: Moderate

Our inquiries indicate that the Shire does not have an IT Strategic Plan in place.

Implications/Risks

Risk the Shire may not adequately plan for future IT requirements.

Recommendation

We recommend the Shire develop an IT Strategic Plan which is subsequently adopted by Council. Once the plan has been adopted, we recommend it is endorsed and communicated to all staff, implemented and monitored on a regular basis.

Management Comment

An IT Strategic Plan has been commenced and when completed will be taken to Council's Ordinary Council Meeting for adoption after which it will be communicated to staff and reviewed and updated as appropriate. The information contained within the plan will assist in developing and maintaining the Shire's ICT budget and infrastructure.

Responsible Officer: John McCleary/
Andrea Pears/
Jarrod Walker

Completion Date: 30 June 2025

4. Legislative compliance

4.1. Scope and approach

In accordance with our quotation dated September 2023, our review examined the following areas:

- Internal monitoring of compliance with legislation and regulations;
- The Local Government's ability to stay informed regarding legislative changes;
- The Local Government's completion of the annual Compliance Audit Return and reporting the results of that review to the Audit Committee and Council;
- The monitoring of the Local Government's structured guidelines that detail the Local Government's processes for meeting statutory obligations (compliance frameworks);
- Communications between key management and the Audit Committee to ensure the Audit Committee is informed in respect to the effectiveness of the Local Government's compliance and recommendations for changes as required;
- The Local Government's procedures in respect to receiving, retaining and handling complaints, including confidential and anonymous employee complaints;
- Key managements internal review processes in respect to the identification of adverse trends and management plans to address these;
- Management disclosures in financial reports of the effect of significant compliance issues (if any);
- The internal and / or external audit contracts include an assessment of compliance and ethics risks in the development of the audit plan and in the conduct of audit projects, and report compliance and ethical issues to the Audit Committee; and
- The Audit Committee's processes and procedures in respect to compliance with legislative and regulatory compliance ensuring no misuse of position through adequate disclosure of conflicts of interest.

4.2. Detailed findings and recommendations

4.2.1. Code of Conduct

Finding Rating: Moderate

The Shire currently has a Code of Conduct in place for Elected Members, Committee Members and Candidates, however there is no current Code of Conduct in place specifically for employees as required by the *Local Government Regulations Amendment (Employee Code of Conduct) Regulations 2021*.

Implications/Risks

Non-compliance with section 25 of the *Local Government Legislation Amendment Act 2019* (Amendment Act) which requires a CEO to prepare and implement a code of conduct for employees.

Non-compliance with the *Local Government Regulations Amendment (Employee Code of Conduct Regulations) 2021*.

Recommendation

The *Local Government Regulations Amendment (Employee Code of Conduct Regulations) 2021* provide that a local government's code of conduct for employees must contain requirements pertaining to:

- behaviour;

- disclosure of information;
- the use of information and resources;
- record keeping; and
- reporting and managing misconduct.

The CEO is required to prepare and implement a code of conduct to be observed by employees. The CEO may amend the code as required and must ensure that an up-to-date version of the code is published on the local government's official website.

As a result of the above legislative requirement, we recommend an Employee Code of Conduct be developed, implemented and communicated to all employees. We further recommend the Code of Conduct form part of the new employee induction process.

Management Comment

We do have an employee code of conduct but it requires updating. Once complete it will be taken to Council for adoption at the Ordinary Council Meeting. Once completed a copy will be provided to each employee.

Responsible Officer: John McCleary/
Andrea Pears

Completion Date: 30 June 2025

4.2.2. Tender Register

Finding Rating: Low

At the time of our onsite visit, the 2022/23 and 2023/24 tender registers were not available on the Shire's website as required by *Local Government (Administration) Regulations 1996*. We sighted a hard copy which was provided to us upon request.

We note this matter has been subsequently rectified.

Implications/Risks

Risk of non-compliance with the Local Government Regulations.

Recommendation

We recommend the Shire ensures the Tender Register is available on the Shire's website and is kept up-to-date.

Management Comment

The Shire will ensure Tenders Registers are available for viewing on the Shire's website.

Responsible Officer: John McCleary

Completion Date: 30 June 2025

5. Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation's ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation's objectives by maximising opportunities and minimising adverse effects.

Our risk guidelines are based on the Risk Management – Guidelines Standard AS / NZS ISO 31000-2018 and/or the Shire of Upper Gascoyne's Risk Management Framework.

Our guidance to risk classification in completing our review is as follows:

Measure of Likelihood of Risk

Likelihood is the chance that the event may occur given knowledge of the organisation and its environment. The following table provides broad descriptions to support the likelihood rating:

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

**Above Extracted from the Shire's Risk Management Framework.*

Measure of Consequence of Risk

Consequence is the severity of the impact that would result if the event were to occur. The following table provides broad descriptions to support the consequence rating:

Measures of Consequence							
Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment
Insignificant (1)	Negligible injuries	Less than \$1,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential or no damage.	Contained, reversible impact managed by on site response
Minor (2)	First aid injuries	\$1,001 - \$10,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
Moderate (3)	Medical type injuries	\$10,001 - \$50,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
Major (4)	Lost time injury	\$50,001 - \$500,000	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Catastrophic (5)	Fatality, permanent disability	More than \$500,000	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact

*Above Extracted from the Shire's Risk Management Framework.

Risk Analysis Matrix – Level of Risk

Finding Rating for each audit issue was based on the following table:

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

*Above Extracted from the Shire's Risk Management Framework.

Finding / Risk Acceptance Rating

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

*Above Extracted from the Shire's Risk Management Framework.

APPENDIX 2

(2023 Financial Management System Review)

2023 Financial Management System Review

Shire of Upper Gascoyne

For the period ended
31 December 2023

29 April 2024

Mr John McCleary
Chief Executive Officer
Shire of Upper Gascoyne
4 Scott Street
GASCOYNE JUNCTION WA 6705

Dear John

2023 FINANCIAL MANAGEMENT SYSTEMS REVIEW

We are pleased to present the findings and recommendations resulting from the Shire of Upper Gascoyne (the "Shire") *Local Government (Financial Management) Regulation 1996*, Financial Management System Review.

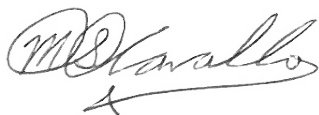
This report relates only to procedures and items specified within the Financial Management System Review Services Request for Quotation and does not extend to any financial report of the Shire.

We recommend this report be read in conjunction with the 2023 Audit Regulation 17 Review report prepared by AMD in April 2024.

We would like to thank John, Andrea and the finance department for their co-operation and assistance whilst conducting our review.

Should there be matters outlined in our report requiring clarification or any other matters relating to our review, please do not hesitate to contact me.

Yours sincerely
AMD Chartered Accountants



MARIA CAVALLO FCA
Director

Table of Contents

1. Executive Summary	5
1.1. Background and Objectives.....	5
1.2. Summary of Findings.....	5
1.3. Limitations.....	7
2. Collection of money	8
2.1. Scope and approach.....	8
2.2. Detailed findings and recommendations	8
3. Custody and security of money	9
3.1. Scope and approach.....	9
3.2. Detailed findings and recommendations	9
4. Maintenance and security of the financial records	10
4.1. Scope and approach.....	10
4.2. Detailed findings and recommendations	10
4.2.1. Key Register	10
4.2.2. Perfect Computer Solutions.....	11
4.2.3. Fixed Asset Physical Stocktake	12
<i>Finding Rating: Low</i>	12
5. Accounting for municipal or trust transactions	13
5.1. Scope and approach.....	13
5.2. Detailed findings and recommendations	13
5.2.1. Key Balance Sheet Reconciliations.....	13
5.2.2. Sundry Debtor Testing Exceptions	14
6. Authorisation for incurring liabilities and making payments	15
6.1. Scope and approach.....	15
6.2. Detailed findings and recommendations	15
6.2.1. Credit Card Exceptions.....	15
7. Maintenance of payroll, stock control and costing	16
7.1. Scope and approach.....	16
7.2. Detailed findings and recommendations	16
7.2.1. Depot Security	16
8. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations ..	17
8.1. Scope and approach.....	17
8.2. Detailed findings and recommendations	17
9. Guidance on Risk Assessment	18

Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to review, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Shire of Upper Gascoyne management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the Shire of Upper Gascoyne. The review findings expressed in this report have been formed on the above basis.

Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use of the management of the Shire of Upper Gascoyne. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for the Shire of Upper Gascoyne's information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review report has been prepared at the request of the Shire of Upper Gascoyne's Chief Executive Officer or its delegate in connection with our engagement to perform the review as detailed in the Financial Management System Review Services Request for Quotation. Other than our responsibility to the Council and management of the Shire of Upper Gascoyne, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Shire of Upper Gascoyne external auditor, on this review report. Any reliance placed is that party's sole responsibility.

1. Executive Summary

1.1. Background and Objectives

The primary objective of our Financial Management System Review (FMSR) was to assess the adequacy and effectiveness of systems and controls in place within the Shire focusing on accounts payable, accounts receivable, human resources and payroll procedures; in accordance with the Financial Management System Review Services Request for Quotation (the “Review”).

The responsibility of determining the adequacy of the procedures undertaken by us is that of the Chief Executive Officer (CEO). The procedures were performed solely to assist the CEO in satisfying his duty under Section 6.10 of the *Local Government Act 1995* and Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*.

Our findings included within this report are based on the site work completed by us from the 22 to 25 January 2024. Findings are based on information provided and available to us during and subsequent to this site visit.

1.2. Summary of Findings

The procedures performed and our findings on each of the focus areas are detailed in the following sections of the report:

- Section 2 – Collection of money;
- Section 3 - Custody and security of money;
- Section 4 - Maintenance and security of the financial records;
- Section 5 - Accounting for municipal or trust transactions;
- Section 6 - Authorisation for incurring liabilities and making payments;
- Section 7 - Maintenance of payroll, stock control and costing records; and
- Section 8 - Preparation of budgets, budget reviews, accounts and reports required by the *Local Government Act 1995* or the *Local Government (Financial Management) Regulations 1996*.

Following the completion of our review and subject to the recommendations outlined within sections 2 to 8, we are pleased to report that in context of the Shire’s overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

Findings reported by us are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with better practice.

The following tables provide a summary of the findings raised in this report:

	Extreme Risk	High Risk	Moderate Risk	Low Risk
Number of new issues reported	0	0	2	5

For details on the review rating criteria, please refer to Section 9.

Ref	Issue	Risk Rating
2.	Collection of money	
	We have no findings to raise in respect to the collection of money.	
3.	Custody and security of money	
	We have no findings to raise in respect to the custody and security of money	
4.	Maintenance and security of financial records	
	Key Register	
4.2.1	The key register is not complete and does not identity the number of and all keys allocated to employees.	Moderate
	Perfect Computer Solutions	
4.2.2	At the time of the review, there was no documented agreement in place with IT service provider, PCS.	Low
	Fixed Asset Physical Stocktake	
4.2.3	A review / stocktake of fixed assets has not been undertaken and is therefore required.	Low
5.	Accounting for municipal or trust transactions	
	Key Balance Sheet Reconciliations	
5.2.1	Month end checklists are not always signed as evidence of independent review.	Low
	Sundry Debtor Testing Exceptions	
5.2.2	No support was provided in respect of amounts charged on sundry debtor invoices.	Low
6.	Authorisation for incurring liabilities and making payments	
	Credit Card Exceptions	
6.2.1	Credit card policy may require updating. There is no signed credit card "Terms of Use Agreement" in place. The Shire credit card used by other Shire employees.	Moderate
7.	Maintenance of payroll, stock control and costing records	
	Depot Security	
7.2.1	Our enquiries and observations indicated that the gates to the Depot are opened in the morning and remain open all day.	Low
8.	Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations	
	We have no findings to raise in respect to the preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations.	

1.3. Limitations

We draw your attention to the following limitations:

- We were not required to and did not undertake an audit in accordance with Australian Auditing Standards. Consequently, no assurance will be expressed.
- We have not verified the authenticity or validity of the documentation made available to us.
- We have included information that we obtained verbally in this document. We cannot verify that this information is credible or truthful.
- Details in respect of actual procedures followed for key business cycles (invoicing and receipting; purchasing and payments; and payroll) were not provided to us following our requests. As a result our testing was limited to information provided and is based on minimum requirements.
- If additional or new documentation or information is brought to our attention subsequent to the date of this report, which would affect the observations detailed below, we reserve the right to amend our findings accordingly.

2. Collection of money

2.1. Scope and approach

For the following locations operated by the Shire:

- Upper Gascoyne Administration Office;
- Community Resources Centre; and
- Upper Gascoyne Depot.

We completed the following:

- Documented internal controls, procedures and reconciliations in relation to all source of income;
- Counted petty cash and float on hand ensuring materially correct;
- Reviewed fees and charges schedule and ensure adequate internal controls in place over receipting;
- Tested collection, receipting, invoicing and posting procedures over cash receipts on a sample basis; and
- Reviewed credit control procedures in respect to sundry debtors and rate debtors.

2.2. Detailed findings and recommendations

Our review indicated key underlying policies and processes in relation to the collection of money are appropriate, in line with best practice and operating effectively for a Council of the Shire of Upper Gascoyne's size.

According, we have no recommendations to raise in respect to the collection of money.

3. Custody and security of money

3.1. Scope and approach

- Conducted site visits of cash collection points to review the controls and procedures over the collection, receipting, recording and banking of cash collected offsite; and
- Reviewed the security of cash and banking procedures to ensure appropriate controls and procedures are in place.

3.2. Detailed findings and recommendations

Our review indicated key underlying policies and processes in relation to the custody and security of money are appropriate, in line with best practice and operating effectively.

According, we have no recommendations to raise in respect to the custody and security of money.

4. Maintenance and security of the financial records

4.1. Scope and approach

- Reviewed information technology (IT) systems to assess physical security, access security, data backups, contingency plans, compliance and systems development; and
- Reviewed registers maintained (including key register, tender register, gifts and travel registers etc.) and Council / Audit Committee minutes.

4.2. Detailed findings and recommendations

4.2.1. Key Register

Finding Rating: Moderate

Although a manual key register is maintained, our inquiries indicated the Shire does not have complete records of the number of and all keys allocated to employees.

Implications / Risks

- Non-compliance with Shire Policy 4B.2 Shire Keys which states “the Shire administration will maintain an up to date key register which will identify which staff has keys and what keys they have.”
- Risk of potential unauthorised access to Shire assets.

Recommendation

We recommend the key register is updated to ensure it is a complete record of all Shire keys which have been allocated to employees.

Management Comment

Our keys will be audited and updated on the key register.

Responsible Officer: Andrea Pears

Completion Date: 31 July 2024

4.2.2. Perfect Computer Solutions

Finding Rating: Low

Although we understand the Shire was in the process of drafting and negotiating an agreement with the Shire's current IT service provider, Perfect Computer Solutions ("PCS"), at the time of completing our review, there was no documented agreement in place.

Implication / Risk

- Risk the Shire is not receiving value for money from PCS.
- Risk control issues and inefficiencies are not identified and actioned on a timely basis.
- Risk there is a lack of clarity regarding the expectations of the IT support to be provided.
- Risk that in the event of PCS's terminating the agreement, the Shire will have a limited understanding of its own IT infrastructure, policies and procedures, practices applied and security mechanisms.
- Risk that PCS is not going through a robust employment process resulting in inappropriate contractors having access to and potentially exploiting the Shire's IT infrastructure and confidential information.

Recommendation

We recommend that an assessment be conducted and formally documented of the service provided by PCS to determine whether the Shire is receiving adequate IT support and value for money. If Council concludes that PCS is providing adequate IT support and receiving value for money, then an agreement should be negotiated and signed off by both parties. This agreement should be regularly reviewed to ensure it is current, the Shire's IT needs are being met and the roles and responsibilities of the contractor are clearly documented and outlined within the agreement.

Management Comment

We have received a Support Agreement for 2023/2024 from PCS which will be reviewed and updated on an annual basis.

Responsible Officer: Andrea Pears

Completion Date: 30 June 2024

4.2.3. Fixed Asset Physical Stocktake

Finding Rating: Low

Management indicated a review / stocktake of fixed assets has not been undertaken and therefore there may be obsolete assets or assets which are no longer in use recorded on the fixed asset or minor asset register.

Implication

Risk of inaccurate fixed asset records increasing the risk of misstatement fixed assets.

Recommendation

We recommend a physical asset stock take be completed; ensuring the fixed asset / minor asset register is updated for results of the review.

Management Comment

Asset Registers will be checked against current assets and updated as appropriate.

Responsible Officer: Andrea Pears

Completion Date: 31 August 2024

5. Accounting for municipal or trust transactions

5.1. Scope and approach

- Reviewed all monthly reconciliations including bank, sundry debtors, sundry creditors, fixed assets, rates debtors and rateable value reconciliations ensuring correctly reconciled and reviewed;
- Reviewed and tested in detail most recent municipal and trust bank reconciliations prepared;
- Reviewed processes in respect to BAS, FBT Return and other statutory returns preparation;
- Reviewed use of reserve funds and determined whether changes in reserve purposes have been budgeted or public notice was provided;
- Reviewed trust ledger balances; and
- Reviewed policies and procedures in respect to insurance, recording claims and insuring newly acquired assets.

5.2. Detailed findings and recommendations

5.2.1. Key Balance Sheet Reconciliations

Finding Rating: Low

While we understand that month end reconciliations are subject to independent review, this is not always documented as they are not consistently signed off by the reviewer.

Implications / Risks

Risk that errors and omissions are not detected and corrected in a timely manner.

Recommendation

We recommend all month end reconciliation checklists are signed by the preparer and reviewer as evidence of independent review.

Management Comment

The month end reconciliations are checked and signed each month prior to being scanned and filed in the monthly folder located on our server for access by RSM who prepare the monthly financial reports. To support independent review we will sign the checklist and keep a hard copy on the End of Month File as evidence of independent review.

Responsible Officer: Andrea Pears

Completion Date: 31 August 2024

5.2.2. Sundry Debtor Testing Exceptions

Finding Rating: Low

At the time of our review, evidence was not provided to support the amounts charged for 3 out of 5 sundry debtor invoices tested.

Implications / Risks

Lack of documentation to support sundry debtor transactions.

Recommendation

We recommend support for all sundry debtors raised be retained.

Furthermore, we suggest management consider introducing an “Authority to Raise Debtor Invoice” form prepared and signed by an authorising officer prior to raising non-recurrent debtors with documentation to support the debtor attached to the form.

Management Comment

The Shire of Upper Gascoyne already has in place an Invoice Requisition Form which requires supporting documentation, General Ledger Allocation and requires signing by the Preparer of the form and the authoriser. No debtor invoices will be raised in SynergySoft unless this form is completed and provided to the Finance Department.

Responsible Officer: Andrea Pears

Completion Date: 30 June 2024

6. Authorisation for incurring liabilities and making payments

6.1. Scope and approach

- Reviewed controls and procedures over the authorisation of purchase orders and making of payments;
- Tested sample of payments to ensure compliance with stated procedures;
- Reviewed credit card processes and procedures, and testing transactions on a sample basis;
- Reviewed petty cash processes and procedures, and testing transactions on a sample basis;
- Completed sample testing of asset additions and asset disposals;
- Reviewed asset capitalisation and depreciation policy and ensure compliance with stated policies; and
- Reviewed new loans received ensuring budgeted for or public notice provided.

6.2. Detailed findings and recommendations

6.2.1. Credit Card Exceptions

Finding Rating: Moderate

Our testing of internal controls relating to the Shire credit card and a sample of credit card statements identified the following exceptions:

- Signed “Terms of Use Agreement” to acknowledge usage terms and compliance with the Shire’s stated policies was not provided at the time of our review; and
- Our inquiries with management indicated the card holder allows other Shire staff to utilise the allocated credit card (for Shire expenditure).

Implications / Risks

Risk that error of fraud may not be detected on a timely basis.

Recommendation

We recommend:

- All credit card holders sign an agreement with the Shire outlining their acknowledgment of acceptable use of the credit card in accordance with stated policy. This agreement should also outline procedures relating to when a cardholder is on extended leave or absence from the Shire; and
- Only card holders utilise their allocated credit card in accordance with the Shire’s policy with access restricted to only the card holder.

Management Comment

A credit card terms of use agreement is being developed ready for signing by each credit card user. Should the Chief Executive Officer be absent then the Acting CEO will be empowered to utilise a credit card, which will be in the officer’s name, during this period.

Responsible Officer: Andrea Pears

Completion Date: 31 July 2024

7. Maintenance of payroll, stock control and costing

7.1. Scope and approach

- Completed site visit to the Depot to review security over stocks held and allocation / costings of stocks used (including fuel and inventory stocks);
- Reviewed of the allocation of public works overheads, plant operating costs and administration overheads completed;
- Reviewed payroll controls and procedures to ensure effective controls are in place, and complete tests on a sample basis to ensure these controls were operating effectively;
- Reviewed procedures and policies in place in respect of human resource management legislative and compliance requirements, recruitment, performance appraisal, disciplinary and termination procedures and leave entitlements;
- Reviewed listing of leave taken by employees ensuring authorised leave forms completed; and
- Reviewed annual leave balances and identify employees with more than eight weeks annual leave.

7.2. Detailed findings and recommendations

7.2.1. Depot Security

Finding Rating: Low

Our observations and enquiries during our site visit indicated the Shire Depot gates are opened in the morning and remain unlocked and open for the duration of the day.

Implications / Risks

Risk of potential unauthorised access to Shire assets.

Recommendation

We recommend where practical, the Shire Depot gates be closed and locked at all times during the day.

Management Comment

Automatic Gate was installed that is accessed via remote controls by authorised users when the gate needs to be opened. Otherwise it is shut and automatically closes after a 4 minute delay.

Responsible Officer: Sean Walker

Completion Date: 15 April 2024

8. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations

8.1. Scope and approach

- Reviewed policy and procedure manual;
- Reviewed the procedures for preparation of the monthly financial statements, annual financial statements and annual Budget, including assessment of accounting policy, notes and applicable reporting requirements and efficiency of the process;
- Reviewed monthly financial statements ensuring presented to Council within two months and information contained within monthly financial statements in accordance with Regulation 34 of *Local Government (Financial Management) Regulations 1996*;
- Reviewed the mid-year budget review to ensure compliance with Regulation 33A of the *Local Government (Financial Management) Regulations 1996* and assessment of budgetary expenditure controls in place;
- Ensured prior year audit report and management letter have been presented to audit committee and Council; and
- Reviewed compliance with Part 6 of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*.

8.2. Detailed findings and recommendations

Our review indicated key underlying policies and processes in relation to the preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations are appropriate, in line with best practice and operating effectively.

Accordingly, we have no recommendations to raise in respect to the preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations.

9. Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation's ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation's objectives by maximising opportunities and minimising adverse effects.

Our risk guidelines are based on the Risk Management – Guidelines Standard AS / NZS ISO 31000-2018 and/or the Shire of Upper Gascoyne's Risk Management Framework.

Our guidance to risk classification in completing our review is as follows:

Measure of Likelihood of Risk

Likelihood is the chance that the event may occur given knowledge of the organisation and its environment. The following table provides broad descriptions to support the likelihood rating:

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

**Above Extracted from the Shire's Risk Management Framework.*

Measure of Consequence of Risk

Consequence is the severity of the impact that would result if the event were to occur. The following table provides broad descriptions to support the consequence rating:

Measures of Consequence							
Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment
Insignificant (1)	Negligible injuries	Less than \$1,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential or no damage.	Contained, reversible impact managed by on site response
Minor (2)	First aid injuries	\$1,001 - \$10,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
Moderate (3)	Medical type injuries	\$10,001 - \$50,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
Major (4)	Lost time injury	\$50,001 - \$500,000	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
Catastrophic (5)	Fatality, permanent disability	More than \$500,000	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact

*Above Extracted from the Shire's Risk Management Framework.

Risk Analysis Matrix – Level of Risk

Finding Rating for each audit issue was based on the following table:

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

*Above Extracted from the Shire's Risk Management Framework.

Finding / Risk Acceptance Rating

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

*Above Extracted from the Shire's Risk Management Framework.