THREE SPRINGS SHIRE COUNCIL

# ATTACHMENT BOOK

AUDIT COMMITTEE MEETING
TO BE HELD ON
WEDNESDAY
05 FEBRUARY 2020

WILDFLOWER COUNTRY

MOORE STEPHENS

# Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls



**Shire of Three Springs**

**December 2019**

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# Contents

# 1.0 Engagement Overview

## 1.1 Scope of Services

The Shire of Three Springs engaged Moore Stephens to undertake a review service with a dual purpose, firstly to provide the basis for a report by the CEO to the Audit Committee on the appropriateness and effectiveness of the Shire's risk management, internal controls and legislative compliance systems and procedures as required by the *Local Government (Audit) Regulations 1996* Regulation 17. Secondly, a review of financial management systems to assess the appropriateness and effectiveness of these systems and procedures, as required by *Local Government Financial Management Regulations* 5(2)(c).

For efficiency, the reviews were undertaken simultaneously, and the results contained in this single report. Financial management systems and procedures are considered a subset of broader overall risk management, legislative compliance and internal controls. The matters examined in respect of financial management systems are detailed in Appendix A and where opportunities for improvement were identified, they are reported within the relevant section of the risk management, legislative compliance and internal controls framework design, implementation and evaluation sections of this report.

The results of the risk management, legislative compliance and internal controls review are to be reported by the CEO to the Audit Committee. The Audit Committee is required to review the CEO's report and on-report to the Council. The report from the Audit Committee to the Council is required to have attached a copy of the CEO's initial report to the Audit Committee.

### 1.1.1 Procedures – Financial Management Review

Our procedures for the Financial Management Review encompassed a review of the Shire's financial systems including, but not necessarily limited to:

- Collection of money owed;
- Custody and security of money held;
- Maintenance and security of financial records;
- Accounting for revenue and expenses;
- Accounting for assets and liabilities;
- Accounting for trust transactions;
- Authorisation of purchases;
- Authorisation of payments;
- Maintenance and processing of payroll;
- Stock controls and costing records;
- Preparation of budgets and budget reviews; and
- Preparation of financial reports.

Our procedures and approach have been developed over a number of years taking into account our extensive local government background and seeks to examine both financial systems and procedures in use.

The financial management review does not examine systems and procedures which are non-financial in nature and did not specifically test for legislative breaches.

# 1.0 Engagement Overview (continued)

### 1.1.2 Procedures – Risk Management, Legislative Compliance and Internal Controls Review

Our procedures for the systems and procedures review, as required by regulation 17 of the *Local Government (Audit) Regulations 1996*, on behalf of the CEO encompassed the following services:

- A review of the risk management systems policies, procedures and plans in place at the Shire;
- Evaluate the non-financial/operational internal control systems and procedures at the Shire;
- Assess systems and procedures for maintaining legislative compliance; and
- Prepare a report of matters identified during the review to assist the CEO assess the appropriateness and effectiveness of the relevant systems and procedures in accordance with regulation 17 of the *Local Government (Audit) Regulations 1996*.

To undertake these procedures, we applied the following methodology:

- Conduct onsite interviews with key personnel involved in risk management, financial management and the Shire's adherence to legislative requirements;
- Identify the extent of commitment and mandate to Risk Management principles, using AS/NZS ISO 31000:2018 as the framework, within the overall risk management framework;
- Review each component of risk management, legislative compliance and internal controls after considering the overall risk environment, governance structure and internal control environment;
- Assess the gaps, if any, between the current processes and the expected risk management, internal controls and legislative compliance systems and procedures and recommend suggested improvements; and
- Report on the appropriateness and the effectiveness of current systems and procedures.

The review was a high-level review given the scale, variety and breadth of non-financial activities and considered, as a minimum, the issues identified by the Department of Local Government, Sport and Cultural Industries to Local Government Operational Guideline Number 09 – Audit in Local Government (listed in Appendix E).

## 1.2 Legislative Changes

Our review was undertaken in early December 2019, at this time changes to regulations were being progressively implemented following royal assent to the *Local Government Legislation Amendment Act 2019* on the 5 July 2019. This report and findings reflect compliance and matters identified against legislation current at the time of the review. Where possible, we have noted within our report areas where legislative changes may affect improvements noted.

# 2.0 Review Context

## 2.1 Review Context - Shire of Three Springs

Understanding the external and internal context in which the Shire of Three Springs operates, relevant to financial management, risk, the internal control environment and its legislative compliance obligations, as it seeks to achieve its overall strategic objectives is important to the review of the related systems and procedures.

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

| External Influences | Internal Influences |
|---|---|
| Increasing community expectations in relation to service levels and delivery. | The objectives and strategies contained in the current Strategic Community Plan. |
| Rapid changes in information technology, changing the service delivery environment. | The timing and actions contained in the current Corporate Business Plan. |
| Increased compliance requirements due to Government Policy and Legislation. | The current organisational size, structure, activities and location. |
| Cost shifting by the Federal and State Governments. | The current human resourcing levels and staff retention. |
| Climate change and subsequent response. | The current financial capacity of the Shire. |
| Changing regulatory requirements. | The maintenance of corporate records. |
| | Allocation of resources to achieve strategic outcomes. |
| | Level of stakeholder and community engagement. |

# 3.0 Review Summary

## 3.1 Financial Management

The Shire of Three Springs has a number of financial management system controls to cover the wide variety of operations undertaken by the Shire. Council has responsibility for the adoption of the annual budget and annual report, review of the monthly statement of financial activity and review of the monthly list of payments. Responsibility for the financial management of the Shire rests with the CEO, as detailed under *Financial Management Regulation 5(1).*

### 3.1.1 Appropriateness

Considering the size, resources, variety of operations and the context in which the Shire of Three Springs operates, documented internal control procedures relating to financial management systems, are considered largely appropriate as a means of maintaining a high level of control over the financial management of the Shire. Our assessment as to the appropriateness is subject to identified weaknesses being addressed, and provided that internal control procedures are routinely and consistently applied. Weaknesses were identified with current controls and procedures, these are explained within Section 6.0 Framework Design of this report.

### 3.1.2 Effectiveness

Considering the results of other elements of financial management systems and processes where documented and routinely tested, the current practices undertaken by the Shire of Three Springs may be considered generally effective. Our assessment as to effectiveness is subject to the implementation of the improvements highlighted in Section 7.0 Framework Implementation of this report.

Whilst generally considered effective, weaknesses were identified where internal controls are not considered effective. These are explained within Section 7.0 Framework Implementation of this report.

### 3.1.3 Improvements

Details of recommended improvements to the current financial management, procedures and systems for the Shire are set out within the framework design and implementation sections of this report. Key improvements to the appropriateness and effectiveness of these procedures and internal controls include:

- IT controls;
- Bank account authorisations;
- Investment register;
- Compliance relating to information accompanying rates notices;
- Stock controls;
- Revenue and management controls of standpipe water;
- Fixed asset acquisitions and disposals;
- Procurement controls; and
- Payroll controls.

# 3.0 Review Summary (continued)

## 3.2 Risk Management

The Shire of Three Springs initially developed its formal risk management processes with the adoption of a Risk Management Policy 11000. The Policy refers to the Risk Management Standard ISO 31000:2009. The policy document forms the basis for risk management activities within the organisation.

### 3.2.1 Appropriateness

Currently, a documented entity wide Risk Management Policy is in existence to guide the implementation of risk management throughout the organisation. The current policy is based on the previous Risk Management Standard, AS/NZ ISO 31000:2009, which was updated in February 2018. The updates to the Standard were to highlight the leadership of top management and integration of risk management in organisations, along with the iterative nature of risk management. Update of the Shire's policy and framework to align to the new standard is encouraged to help ensure the appropriateness of risk management practices.

Considering the size, resources, operations and the context in which the Shire of Three Springs operates, a documented risk management policy and procedures aligned to ISO 31000:2018 is considered appropriate as a means of uniformly supporting decision making and documenting the organisation's response to risks.

### 3.2.2 Effectiveness

The current risk management policy reflects the Shire's commitment to organisation wide risk management principles, systems and processes aimed at optimising the achievement of objectives, embedding controls to mitigate risk, improving corporate governance and planning for continuity of critical operations. Development and application of risk management systems and processes are required to be implemented throughout the organisation in order for risk management processes and procedures to be considered effective.

### 3.2.3 Improvements

Improvements to risk management practices and policies are detailed within the framework design and implementation sections of this report, with key matters summarised as follows:

- Review and update, through adoption by Council, the risk management policy to align to the new Risk Management Standard, ISO 31000:2018;
- Implement a risk management framework / strategy aligned to the current risk Management Standard, ISO 31000:2018;
- Develop and apply risk management activities to existing practices in accordance with a suitable risk management framework; and
- Ensure appropriate management of operational risks for high risk areas.

# 3.0 Review Summary (continued)

## 3.3 Internal Control

A formal internal control policy has not been adopted by the Shire of Three Springs. A policy to guide the Shire would assist to ensure an iterative approach to evaluating the internal controls, systems and procedures, as well as providing a mechanism whereby regular review and updates occur.

### 3.3.1 Appropriateness

Considering the size, resources, operations and the internal/external context in which the Shire of Three Springs operates, the internal control framework, procedures and systems as described to us are considered appropriate for certain areas of operations. A number of internal controls were identified where these controls are not considered appropriate, such as bank authority listings and the maintenance of an investment register.

### 3.3.2 Effectiveness

Considering the overall results of monitoring and compliance practices undertaken by the Shire of Three Springs, the current internal control framework, procedures and systems (where documented and routinely tested) may be considered effective. Our assessment as to effectiveness is subject to the implementation of the improvements detailed in the framework implementation section of this report.

### 3.3.3 Improvements

Recommended improvements to the current internal control framework, procedures and systems are detailed later within the framework design and implementation sections of this report with selected key improvements to internal controls summarised as follows:

- The development of a documented internal control policy, promoting a risk-based approach to the development and maintenance of documented internal controls and procedures. This suggestion is intended to support a continual assessment of appropriate controls throughout the organisation by identifying the need for new controls (based on risk) and ensuring existing outdated and unnecessary controls are discontinued;
- Finalisation and testing of IT Disaster Recovery Plan;
- Removal of elected members and previous staff as authorising parties on Shire bank accounts;
- Development of a Business Continuity Plan;
- Key internal controls should be documented either as procedures or checklists;
- Procedures should be defined to improve the management of issues surrounding changes to internal controls;
- Measures should be taken to ensure staff are fully aware of, and understand, relevant internal controls; and
- Financial management control recommendations discussed at Section 3.1 of this report be implemented.

# 3.0 Review Summary (continued)

## 3.4 Legislative Compliance

Currently, no legislative compliance policy exists to communicate expectations of Council in relation to legislative breaches and regulatory compliance. Reliance in this regard is dependent upon the knowledge and experience of senior staff and their desire to achieve high levels of legislative and regulatory compliance.

### 3.4.1 Appropriateness

Considering local governments generally maintain a low risk appetite for breaches of legislation, a documented legislative compliance policy would be considered appropriate to reflect Council's low risk appetite in relation to legislative breaches. Whilst reliance on experienced senior staff for legislative compliance is considered appropriate it carries high risk where the number of experienced senior staff is low.

### 3.4.2 Effectiveness

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

Instances of non-compliance with legislative requirements were identified during our review. Apart from the noted breaches of legislation, and in the instances where the effectiveness was able to be assessed, the current legislative compliance control procedures and systems were considered effective.

### 3.4.3 Improvements

Improvements to the current framework, procedures and systems for legislative compliance are set out later within this report and summarised as follows:

- Development of a legislative compliance policy dealing with internal legislative compliance;
- Review meeting procedures and recording of minutes and disclosures;
- Ensure any duties delegated to contractors / officers are provided for within relevant legislation;
- Further development and approval of authorised checklists for functions which require a high level of legislative compliance; and
- Update the current staff training matrix and coordinate across the organisation. A risk based training matrix should help ensure staff with the responsibility for preventing, identifying and reporting breaches of legislation are offered relevant training to ensure their knowledge of legislative requirements is maintained and qualifications are maintained and up to date where required.

# 4.0 Methodology

## 4.1 Review Methodology – Financial Management Review

The objective of this review is to assist the CEO of the Shire of Three Springs to discharge responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996 (as amended)*.

In carrying out our review, we examined documented policies / procedures, undertook walkthroughs of key systems and procedures and performed limited detailed testing procedures to identify weaknesses in the financial management system and report to the CEO on the appropriateness and effectiveness of the control environment within the Shire, as required by regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

To this end we examined the following financial systems and procedures of the Shire.

- Bank reconciliations and petty cash management;
- Trust fund;
- Receipts/receivables;
- Rates;
- Fees and charges;
- Purchases, payments and payables (including purchase orders);
- Payroll;
- Credit card procedures;
- Fixed assets (including acquisitions, disposal and depreciation);
- Cost allocations;
- Administration allocations;
- Financial reports; and
- Budget.

# 4.0 Methodology (continued)

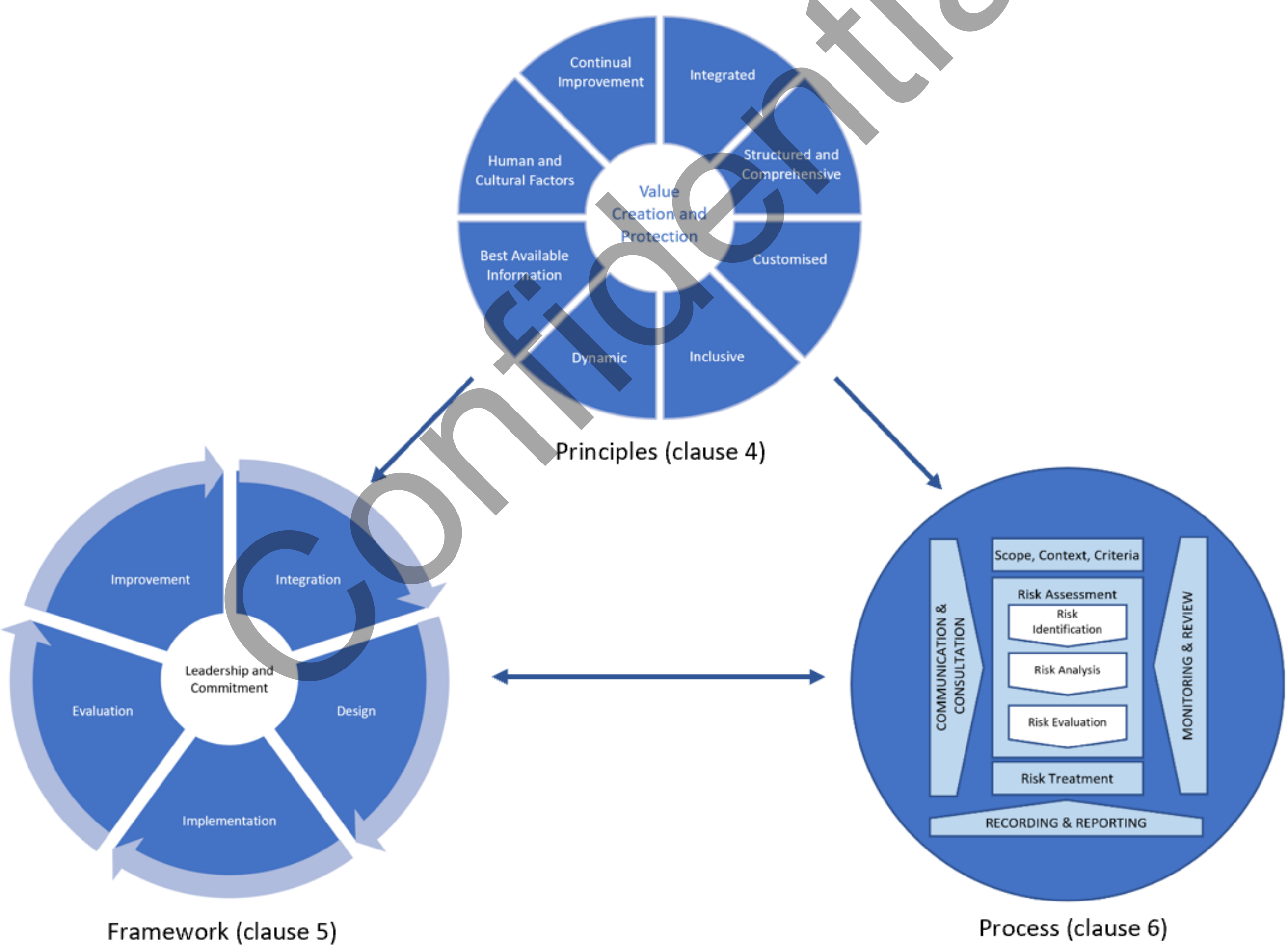
## 4.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls

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

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

The Australian Standard for Risk Management, ISO 31000:2018(E), identifies three components in the application of risk management, being *Principles, Framework* and *Process,* as set out in Diagram 1 below.

Diagram 1. Risk Management Principles, Framework and Process






**Source: Australia/New Zealand Standard ISO 31000:2018**

# 4.0 Methodology (continued)

## 4.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls (continued)

In undertaking our review, we have applied the three ISO 31000:2018 framework components, as set out on the previous page, to the review topics (risk management, internal controls and legislative compliance). This involves a process incorporating the five risk management framework components, *Integration, Design, Implementation, Evaluation and Improvement,* into the review of systems and processes:

- Identify the extent of leadership and commitment to the principles;
- Assess the extent of integration of risk management within the Shire;
- Assess the design of the current framework through an understanding of the Shire and the context within which it operates (risk management, legislative compliance and internal controls) after considering the overall context in which the review occurs;
- Assess the implementation of the current framework;
- Assess the extent of evaluation of the current framework and its effectiveness in supporting the Shire's objectives;
- Assess the current framework and improvements to the suitability, adequacy and effectiveness of the framework;
- Review the current process for the Shire's systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing context, assessing, treating, monitoring, reviewing, recording and reporting risk, internal controls and legislative compliance; and
- Report on the appropriateness and effectiveness of current systems and procedures.

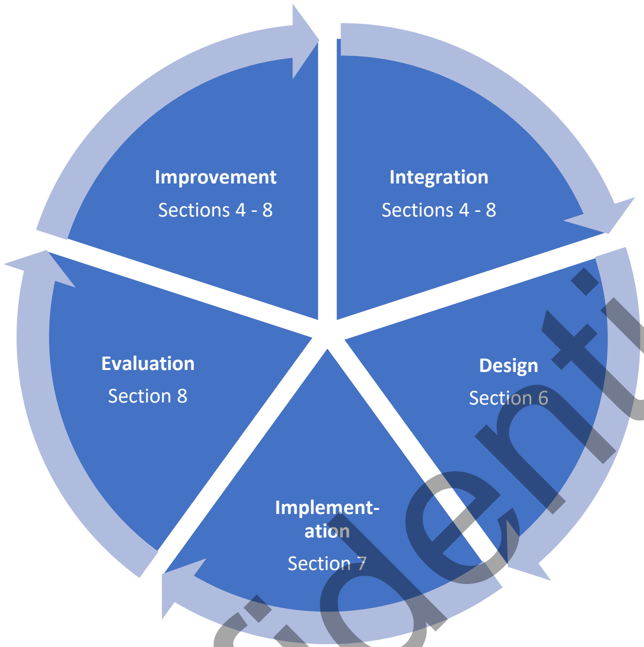
This evaluation is based on interviews with key staff, review of requested documentation listed in the Appendices and reference to any external audit reports or reviews previously conducted.

# 5.0 Appropriate Framework

## 5.1 Risk Management, Internal Control and Legislative Compliance

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

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




A high-level review of risk management systems, internal controls and legislative compliance was undertaken which precluded detailed testing of all internal controls and legislative compliance.

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

| Design | Implementation | Evaluation |
|---|---|---|
| 6.1 Strategic Plans | 7.1 Strategic and Operational Plans | 8.1 Council and Audit and Risk Committee |
| 6.2 Council Policies | 7.2 Operational and Financial Procedures | 8.2 Strategic and Operational Registers |
| | 7.3 Human Resource Management and Practices | 8.3 Annual Compliance Audit Returns |
| | 7.4 Insurance | 8.4 Complaint Handling |
| | | 8.5 Audit Practices |
| | | 8.6 Reviews required by the CEO |

Integration along with Leadership and Commitment were assessed within each of the elements of the framework.

# 6.0 Framework Design

## 6.1 Strategic Plans

The Shire of Three Springs has adopted two key strategic documents, the Strategic Community Plan 2018 - 2028 and the Corporate Business Plan 2017-2021. These plans identify the Council's organisational objectives and key outcomes, as the Shire progress on its stated vision "*Three Springs becomes a healthy and unified community with a bright future*".

The Strategic Community Plan recognises the community's aspirations and values through the following key focus areas:

**1. Economic Development:** A prosperous, thriving and innovative local economy;

**2. Environment:** To have a sustainable natural and built environment balanced with the needs of the community;

**3. Community Wellbeing:** A healthy, cohesive and safe community; and

**4. Civic Leadership:** A collaborative and forward thinking community that is guided by strong leadership; and

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

The Strategic Community Plan references strategic challenges which might affect the Shire, and the community's aspirations / vision, and the projects and programs which will be implemented through the plan.

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

# 6.0 Framework Design (continued)

## 6.2 Council Policies

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

A list of policies reviewed is provided in Appendix B - Council Policies Examined. The table below details matters identified and associated suggested improvements.

| Policy | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| 1005 Council Expenses | Policy to set out criteria to determine expenses to be met by Council for travel or attendance at conferences and training seminars. | The Policy stipulates reimbursements for Councillor travel will be a rate set by Council when Councillors use a personal vehicle for travel. The most recent determination published by the Salaries and Allowances Tribunal (SAT) sets out that travel is to be reimbursed to elected members when attending Council or committee meetings at the same rate as Section 30.6 of the *Local Government Officers' (Western Australia) Interim Award 2011*. It also sets out travel is to be reimbursed when performing other functions under the express authority of the local government, in accordance with the *Public Service Award 1992*. |
| | | Improvement:<br>Review and update the Policy to separate and clarify the calculation method for reimbursement of travel as set out with the most recent determination published by the SAT. |
| 2011 Complaints Handling | Policy to provide and efficient, effective and consistent approach to the management of complaints. | The Policy does not provide for the handling of complaints against the CEO. A complaints register is required to be maintained under the policy and is included at Appendix B of the policy manual, however we did not observe evidence of this register being maintained. |
| | | Improvement:<br>Review and amend the policy to provide a mechanism for the handling and resolution of complaints regarding the CEO. Establish a complaints register as required under the policy. |
| 3008 Regional Price Preference Local Goods and Services | Policy to set out criteria to be applied for pricing assessment of regional / local businesses in procurement evaluation. | The Policy allows for discounts not permitted by legislation such as a 'Works – Local Content' component, where additional discounts are applied for procurement evaluation, in addition to price reductions permitted by legislation. |
| | | Improvement:<br>Review and amend the policy to only include discounts permitted by *Local Government (Functions and General) Regulations 1996* Regulation 24D. |

# 6.0 Framework Design (continued)

| Policy | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| 3007 Purchasing | Policy providing a best practice approach and procedures for purchasing.<br>Ensure consistency for all purchasing activities that integrates within all the Shire of Three Springs operational areas.<br>Requires compliance with the *Local Government Act 1995* and *Functions and General Regulations 1996.* | The Policy provides limited direction in relation to contract variations and extensions of contracts awarded or against a written specification not awarded by tender. Extension of contracts and associated price changes are also not covered by the Policy. For contracts awarded by tender, legislation provides minimum requirements. |
| | | Purchasing requirements for procurement of goods or services in accordance with the exemptions under *Local Government (Functions and General) Regulations 1996* Regulation 11(2), above $150,000 are not included within the Policy. It is noted the practice of testing the market through sourcing multiple quotations when using the exemptions is sometimes occurring, and the policy should be updated to reflect the expectation and requirement. |
| | | The Policy requires decisions not to call tenders for exempt purchases above $150,000 shall be by Council resolution. Our limited testing noted instances where exempt purchases greater than $150,000 were made without any Council resolution. |
| | | Improvements:<br>Amend the Policy to provide the following:<br>Prohibit price variations to existing contracts awarded by tender other than those provided within the original contract, as required by *Local Government (Functions and General) Regulations 1996 Regulation 11(2) (j) (iv).*<br>Purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increase over a policy threshold level, due to the variation or extension. |
| | | Insert purchasing requirements for procurement of goods or services made under the exemptions under *Local Government (Functions and General) Regulations 1996* Regulation 11(2). |
| | | Update purchasing procedures and train staff to ensure they are aware of the requirement for a Council resolution where not calling tenders for purchases above $150,000 made under the exemptions of the *Local Government (Functions and General) Regulations 1996* Regulation 11(2). |

# 6.0 Framework Design (continued)

| Policy | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| 3009 Corporate Credit Card | Policy to regulate the use of corporate credit cards issued to employees. | We noted the practice of credit card transactions and acquittals being reviewed by an independent officer, however the policy does not require this practice to occur. |
| | | Improvement:<br>Update the policy or associated procedures to require independent review and authorisation of credit card transactions and acquittals, as well as acknowledging transactions as having been made and authorised by the CEO. The practice of separately highlighting transactions made on the CEO's credit card for presentation to Council should continue. |
| Appendix D Code of Conduct for Council Members, Committee Members and Staff | To provide guidance to Council members, committee members, contractors and employees of enforceable rules and requirements as prescribed in relevant legislation. | Section 2.4 Gifts and Bribery of the current Code of Conduct makes reference to a value of a token gift, which is inconsistent with the provisions of the *Local Government Act 1995* and the *Local Government (Administration) Regulations 1996*. In its current form there is no clarity for elected members and employees as to their disclosure obligations. |
| | | Contractors and volunteers are not bound by a Code of Conduct when performing functions on behalf of the Shire. |
| | | Elected members, committees, contractors and volunteers are not required to sign the Code of Conduct acknowledging they have read and understand the requirements within. |
| | N.B. Changes to requirements for Code of Conduct resulting from the Local Government Legislation Amendment Act 2019 are yet to be proclaimed. Improvements noted will require review against regulations once available. | Improvements:<br>Review the section of the Code of Conduct relating to disclosure requirements for gifts to highlight these need to be made in accordance with legislation. Consider amending the Code of Conduct so legislative requirements are not restated. Where legislative requirements are unclear or there is a desire for greater requirements, suggest this be covered by relevant policies, given the complexities involved in re-working the Code of Conduct to maintain currency when changes are made to legislation. |
| | | Expand the scope of the Code of Conduct to include actions by volunteers and contractors. Alternatively, a separate Code of Conduct be developed for volunteers and contractors. |
| | | Update the Code of Conduct as well as induction procedures to ensure all persons subject to the Code of Conduct sign and acknowledge they understand the content. |
| 11000 Risk Management Policy | Policy to set out the Shire's approach to articulate its commitment to Risk Management. | The current Policy is based on a superseded Risk Management Standard. |
| | | Improvement:<br>When next undertaking a review of the Policy, update the Policy to align to the current Risk Management Standard ISO 31000:2018. |

# 6.0 Framework Design (continued)

| Policy | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Internal Control Policy | A policy to evidence Council's commitment to Internal Controls and their importance to the organisation. | Currently, no policy on internal controls has been adopted by Council.<br>Improvement:<br>We suggest an Internal Control Policy be formulated and adopted to formalise Council's commitment to internal controls, based on a risk management process. |
| Policy Review | Routine review of Policies to help ensure they remain current. | Policies are reviewed annually by Council to help ensure they remain current. There is no 'history' (adoption / review) to indicate where policies have been reviewed and amended.<br>Improvement:<br>Following review of Policies by Council, update the latest 'history' date on the Policy to provide an accurate record of when the Policy was reviewed, amended and adopted. |
| Attendance at Events Policy | A policy to enable council to actively consider the purpose of and benefits to the community from attendance at events by elected members and the chief executive officer. | Currently, no policy on attendance at events has been adopted by Council.<br>Improvement:<br>Develop and adopt an attendance at events policy as required by section 5.90 of the *Local Government Act 1995*. |
| Legislative Compliance Policy | A policy to evidence Council's commitment to legislative compliance and its importance to the organisation. | Currently, no policy on internal legislative compliance has been adopted by Council.<br>Improvement:<br>Development and adoption of an internal legislative compliance policy may help formalise Council's commitment to legislative compliance. |

# 7.0 Framework Implementation

## 7.1 Strategic and Operational Plans

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

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

| Plan | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Business Continuity Plan | 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 not available for inspection. |
| | | Improvement: Develop a Business Continuity Plan and test it to ensure validity. Identify and document key business continuity risks along with the treatments, to reduce the risk to an acceptable level. |
| ICT Disaster Recovery Plan | Plan to address the handling of ICT disaster recovery. | An ICT Disaster Recovery Plan was adopted in April 2016. At the time of this review, the plan had not yet been tested. |
| | | Improvement: Test the ICT Disaster Recovery Plan to ensure validity. Identify and document key ICT risks, along with the treatments to reduce the risk to an acceptable level. |
| Corporate Business Plan | A plan to guide the internal operations of the Shire in delivering services to the community. | The Corporate Business Plan has not been reviewed annually as required by *Local Government (Administration) Regulations 1996 19DA (4).* |
| | | Improvement: To help ensure compliance and provide sound planning direction to the organisation, the Corporate Business Plan should be reviewed annually. |
| Workforce Plan | Document to enable appropriate planning of the workforce to deliver the Corporate Business Plan, and consider workforce implications of the Strategic Community Plan. | The Workforce Plan 2013-2017 has not been reviewed since it was developed and is now out of date. Although there is no statutory obligation to adopt the plan, it is required by the Department Local Government, Sport and Cultural Industries Integrated Planning and Reporting Advisory Standard (September 2016), and to be aligned to the Corporate Business Plan and annual budget. |
| | | Improvement: Review and update the Workforce Plan to maintain effective alignment with IPR documents, and to include all required data and information as published within the Department Local Government, Sport and Cultural Industries Integrated Planning and Reporting Advisory Standard (September 2016). |

# 7.0 Framework Implementation (continued)

| Plan | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| ICT Strategic Plan | Plan to guide the future development and delivery of ICT services and address the handling of ICT disaster recovery. | An ICT Plan highlighting and addressing ICT risks and how they are to be addressed was not available for inspection. |
| | | Presently IT support services are received from a contractor based in Perth. No formal service level agreement exists for this arrangement. |
| | | Improvements: |
| | | Develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level. |
| | | Careful development of an ICT strategy will assist in developing a scope to articulate service level agreements for a range of IT services to be potentially issued to different providers. |

# 7.0 Framework Implementation (continued)

## 7.2 Operational and Financial Procedures

In seeking to achieve its stated vision, the Shire of Three Springs delivers a number of services to the community. Meetings were undertaken with key staff in each of the areas of service responsibility, as well as examination of documented processes, to determine the practices applied to issues of risk management, internal controls and legislative compliance. A summary of the reviews undertaken to evaluate the controls is included at Appendix C.

We observed a number of practices and procedures in place, however their application was noted to not always be consistent. Considering the number of services provided and the current staff resourcing, a risk based approach to the prioritisation of the review and development of new procedures is recommended. The table below details areas of suggested improvement in relation to policies and procedures examined.

| Plan | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Risk Management Procedures | Procedures and practices to set out a uniform approach to the identification, assessment, management, reporting and monitoring of risks. | Risk management activities currently undertaken are largely documented, with existing procedures based on a superseded risk management standard. |
| | | Improvements:<br>Risk management procedures be updated, and a process developed in accordance with any update to the risk management policy. |
| | | Implement risk management procedures and processes throughout the organisation. |
| Procedure Changes | 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. |
| | | Improvement:<br>Establish a process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the organisation to assist with managing changes to procedures. |
| Workflow Diagrams | Workflow process diagrams create a visual representation of a process, clearly identifying key points of control and responsibility. | Workflow diagrams have not been compiled for undocumented procedures. |
| | | Improvement:<br>In conjunction with, or as an alternative to, the development of documented procedures and checklists, update and development of workflow process diagrams may assist in clearly identifying controls and processes to be followed where procedures or checklists do not exist. |

# 7.0 Framework Implementation (continued)

| Plan | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Rate notices and information accompanying rate notices | Compliance with statutory requirements when issuing rates notices. | The 2019/20 rate notice and the 2019/20 information accompanying the rate notice did not contain a statement that penalty interest on overdue rates and charges will continue to accrue daily until arrears are paid, as required by regulation 56(4)(e) of the *Local Government (Financial Management) Regulations 1996.* |
| | | Improvement:<br>Ensure all information required by the *Local Government Act 1995* and associated regulations, is included in future rate notices or accompanying information brochures. |
| Bank Account Authorisations | Ensure only current and appropriate personnel are authorising parties on bank accounts. | Previous staff and elected members, as well as current elected members, were listed as authorising parties on the Shire's bank accounts as at the time of our review. Bank authority listings should be reviewed regularly to ensure they are current. |
| | | Improvement:<br>Elected members have no administrative authority and therefore should not be listed as an authorising party on Shire bank accounts. The authority for the previous staff and elected members, as well as current elected members should be removed immediately. |
| ICT Security | Procedures and practices to ensure the security of IT information, systems and Data. | We noted limited controls in relation to the access to IT 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. |
| | | Improvement:<br>Undertake a comprehensive IT security review, articulate current practices and implement findings of the review. |

# 7.0 Framework Implementation (continued)

| Plan | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Overhead & Administration Allocations | To allocate indirect costs in a practical and efficient manner. | No process is currently in place to determine the allocation of indirect costs. From staff representations, current allocation rates are based on historical estimates and reviewed informally during budget preparations each year. No calculation method to support the allocations was available. |
| | | Improvement:<br>Undertake a review of activity based costings to support calculation of overhead and administration allocations. |
| Checklists | Checklists document the completion of multiple steps within an overall process. | Checklists of key functions are maintained for selected functions. Checklists were not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation. It was noted some staff have commenced with the creation of checklists and procedures. |
| | | Improvement:<br>Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists assist in ensuring compliance with repetitive legislative compliance tasks. Staff are encouraged to continue with the development of checklists and procedures for routine functions, including evidencing independent review. |
| Stock Control | Process to ensure stock is correctly allocated, as well as to reduce the potential for theft or misappropriation. | No formal process exists to monitor fuel stock allocated through fuel cards. Fuel is recorded as it is allocated and reviewed for reasonableness by management each month. |
| | | Improvement:<br>Develop and implement procedures for the monitoring of fuel stock on hand in an effort to improve opportunities to detect any issues or potential misuse with fuel allocations. |
| Standpipe Water Billing | Procedures and systems for restricting unauthorised access to standpipe. | One standpipe for which the Shire is responsible, is unlocked and accessible by members of the public. Current controls in relation to the capture, recording and billing of water usage by third parties in accordance with the schedule of fees and charges are considered inadequate. It is acknowledged management are aware of the weaknesses and are planning to address these. |
| | | Improvement:<br>Improve systems and procedures for controls around preventing unauthorised access to water from the standpipe, including documented procedures for the recovery of third party usage by administration staff in accordance with the adopted schedule of fees and charges. |

# 7.0 Framework Implementation (continued)

| Plan | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Asset Disposals | Procedures for the disposition of property in accordance with the requirements of section 3.58 of the *Local Government Act 1995* and regulation 30 of the *Local Government (Functions and General) Regulations 1996*. | Our limited testing noted instances where assets have not been disposed of in accordance with section 3.58 of the *Local Government Act 1995* and the *Local Government (Functions and General) Regulations 1996*.<br>• Two instances noted were the result of one large plant item and one smaller plant item being traded at the same time of purchasing a new plant item. Although the purchasing policy and legislative requirements allowed for the new plant item to be purchased without going to tender, the disposition of the traded plant item is not captured by these same exclusions.<br>• We noted another instance where expressions of interest were called for the sale of an item of plant by the Shire which sold for more than $20,000, through an advertisement published in a regional newspaper. Section 3.58(2) of the Local Government Act 1995 requires property to be disposed of only through either public auction or by tender, unless exempted by the Local Government (Functions and General) Regulations 1996. We also noted minimal support documentation to verify the process, evaluation and award of the disposition. |
| | | Improvement:<br>Ensure future asset disposals are in accordance with the requirements of section 3.58 of the *Local Government Act 1995* and the *Local Government (Functions and General) Regulations 1996*. |
| Procurement | Procedures for the procurement of goods or services. | Through limited testing of payments, an instance was noted where a purchase order did not pre-date the invoice, and an instance where no purchase order was issued for the invoice paid. |
| | | An unauthorised purchase was identified, relating to a gift purchased for a departing employee. The purchase was initiated by elected members and then presented for payment through the administration office. |
| | | A contract of sale was entered into for the purchase of property during 2018, without a budget provision or a Council resolution to support the unbudgeted purchase. Section 6.8 (1) (b) of the *Local Government Act 1995* requires a local government not to incur expenditure from its municipal fund for an additional purpose except where the expenditure has been authorised in advance by an absolute majority of Council. An item was presented to Council to endorse the purchase of the property after the contract of sale had been entered into, however this occurred prior to the adoption of the annual budget which provided for the purchase. |

# 7.0 Framework Implementation (continued)

| Plan | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Procurement (continued) | | Improvements:<br>All procurement of goods or services should be undertaken in accordance with legislative requirements and the Purchasing Policy. Any instances where a purchase pre-dates a purchase order should be documented, reviewed and authorised to demonstrate controls have been developed to comply and ensure the purchasing policy has been adhered to. |
| | | Elected members individually have no purchasing authority and are not authorised to incur expenditure on behalf of the Shire, unless by Council resolution. Future gifts should be procured to align and comply with the purchasing policy and delegated levels of authority. |
| | | Examine systems, processes and training to ensure those with delegated purchasing authority comply with the provisions of the purchasing policy and with legislation. |
| Procurement Assessment | Procedures to provide probity for the assessment of procurement options received. | Whilst there are documented formal requirements when undertaking assessments of responses to requests for quotations, it is noted that often this is conducted by only one officer regardless of the purchase value. |
| | | Documented procedures are not in place to require declarations of interest and confidentiality to be signed prior to assessments being undertaken for high value purchases. |
| | | Improvements:<br>To help ensure probity and fairness when assessing high value procurement options, at least three persons should assess the procurement option independently of each other. Documented processes should require a higher level of probity and due diligence, the higher the value or risk associated with the purchase. |
| | | Persons assessing any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence. Procedures for the declaration of interests prior to procurement assessments being undertaken should also be documented for high value purchases and tenders. |

# 7.0 Framework Implementation (continued)

| Plan | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Tender Assessment | Procedures to provide probity for the assessment of tenders received. | Procedures for the assessment of tenders against the selection criteria are not consistently applied. We noted an instance where a tender scope was developed by an external consultant, who also undertook the only assessment of the tender. No procedures or correspondence were available to ensure the independence of persons in assessing the tender. We note the consultant who undertook the assessments is currently engaged to oversee the works, review applications for payment by the supplier and plan works to be undertaken. |
| | | Documented procedures are not in place to require declarations of interest and confidentiality to be signed prior to assessments being undertaken for tenders. |
| | | Improvements:<br>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. |
| | | To help ensure probity and fairness when assessing tenders, procedures for the declaration of interests prior to assessing tenders should be documented. |
| Local Laws | To assist local governments in performing its functions. | We noted a number of local laws exist, however evidence of any recent reviews of local laws were not available for our inspection. Some local laws appear to be inoperative (as provided by section 3.7 of the *Local Government Act 1995).* |
| | | Improvement:<br>Review local laws within an eight year period as required by section 3.16 of the *Local Government Act 1995,* or alternatively consider repealing inoperative local laws as detailed in section 3.12 of the *Local Government Act 1995.* |
| Outstanding Purchase Orders | Process to ensure invoices are being processed in a timely manner and in accordance with the purchasing policy. | We did not observe any formal procedures relating to the routine monitoring of and clearance of outstanding purchase orders. |
| | | Improvement:<br>Establish procedures to include review of the status of outstanding purchase orders as part of end of month processes. Ensure any controls developed are routinely and consistently applied. |

# 7.0 Framework Implementation (continued)

| Plan | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Acceptance of the Annual Report | Ensure the annual report is accepted by Council and published to the local government website as required. | The 2017-18 annual report was not accepted by Council as required. |
| | | The 2017-18 annual report was uploaded to the Shire's website on 26 March 2019. |
| | | Improvements:<br>Ensure future annual reports are accepted by Council as required by section 5.54 of the *Local Government Act 1995.* |
| | | Ensure process is in place for the annual report to be uploaded to the Shire's website within 14 days of acceptance by Council, as required by section 5.55A of the *Local Government Act 1995*. |
| Information Required to be Published on Official Local Government Website | Ensure information is published for public information as required by legislation. | We noted the following information (in addition to other matters noted throughout this report) has not been published on the Shire's official website:<br>• Copies of local laws;<br>• Confirmed minutes of the special meeting of Council held 31 July 2019; and<br>• Minutes of the meeting of electors held 6 February 2019. |
| | | Improvement:<br>Ensure information is published on the Shire's official website as required by section 5.96A of the *Local Government Act 1995.* |
| Aquatic Centre Cash Handling | Procedures and systems for the handling of cash at the swimming pool facility. | Controls in relation to the handling of cash received at the swimming pool facility are considered inadequate. |
| | | Improvement:<br>Remove or significantly reduce the potential amount of cash received at the swimming pool facility, through use of pre-purchased vouchers, EFTPOS etc. Should cash continue to be accepted, appropriate procedures and controls are required. |

# 7.0 Framework Implementation (continued)

## 7.3 Human Resource Management and Practices

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

| Component | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Staff Training | To ensure staff have access to ongoing and appropriate training. | Planned staff training needs for employees are currently identified and recorded in a training matrix. This matrix has not been updated for a number of years. |
| | | Improvement:<br>Refine the current staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation, monitors currency of required licences and qualifications, and is regularly reviewed and updated. |
| Timesheet Authorisation | To provide a record of hours worked by staff for accurate processing of fortnightly payroll. | Through review of payroll processes, instances were identified where there was no evidence of review and authorisation of time records by an authorising officer. |
| | | Improvement:<br>Ensure all timesheets are properly completed, and authorised, when forwarding to staff for processing through fortnightly payroll to ensure employees receive correct entitlements. |
| Staff Contracts | To provide a documented record of the terms and conditions of each employee’s contract of employment. | Through our limited testing, we noted an instance where evidence of correspondence on an employee file to support the current rate of pay applied through the payroll was not available between December 2015 and September 2019. |
| | | Improvement:<br>Undertake a review of all personnel to reconcile documentation relating to conditions of employment, remuneration, roles and responsibilities. |
| Employee Termination Procedures | Procedures to ensure staff physical and IT access is removed and Shire assets returned at the time of departure. | No formal process or procedure is currently in place to ensure the appropriate termination of employees. Departmental managers have the responsibility of ensuring Shire assets are recovered, however there is no structure in place to ensure IT permissions and security codes are restricted, or for Shire property (phones, vehicles, keys) to be returned prior to the employee finishing with the Shire. |
| | | Improvement:<br>Establish procedures or checklists to manage and document the termination of employees, ensuring access to IT systems, etc. is appropriately restricted and all allocated Shire assets are recovered. |

# 7.0 Framework Implementation (Continued)

| Component | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Staff Induction Processes | Controls to assist with adequate information, instruction and training to all Shire employees | Staff inductions appear to be consistently applied throughout the organisation. The code of conduct is not included within the checklist of requirements for a new employee commencing. |
| | | Copies of employee driver licences are checked for currency and recorded on employee personnel files, but not reviewed subsequent to the initial inspection. |
| | | Improvements:<br>Ensure all new employees of Council are appropriately inducted, with evidence of inductions retained on employee files. |
| | | Establish procedures to ensure copies of employee driver licences, and other required certifications and qualifications relevant to their position, are routinely recorded on employee files. |
| Payroll Exception Reporting | Procedures to assist with accurate processing of employee entitlements. | The officers responsible for processing and reviewing payroll are tasked with review and capture of employee entitlements, allowances, deductions, etc. This is performed through a variance report comparing the payroll being processed to the previous payroll reports with no verification to employee master records. Staff have advised more formal documentation / checklists are intended to be created to assist with payroll processing, review and authorisation. |
| | | Improvement:<br>A full review of procedures and controls is required to determine practical 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 accuracy. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes. |

# 7.0 Framework Implementation (continued)

## 7.4 Insurance

At present, the Deputy Chief Executive Officer annually reviews the completeness of insurance, which is presented to the Chief Executive Officer for final review. Discussions are also held with the insurers annually and adjustments to policies and insurance levels made as considered appropriate. The insurance values of buildings, plant and equipment are based on the three-yearly valuations of building assets undertaken by registered valuers.

| Component | Purpose / Goal | Matters Noted / Improvements |
|---|---|---|
| Events Insurance | Insurance cover maintained by community groups for when holding events on Shire property. | Community Groups' insurances are not always assessed prior to events being held on Shire property. Reliance is placed on event organisers to ensure copies of insurances are provided.<br><br>Improvement:<br><br>To help ensure all events held on Shire property have relevant and adequate insurance cover, procedures should be developed, and records maintained to ensure current insurances are in place. |
| Contractor Insurance | Insurance cover maintained by contractors for damage caused when undertaking works for the Shire. | Contractors' insurances are not always assessed prior to award of contracts in all cases. Reliance is placed on contract managers to ensure copies of insurances are provided.<br><br>Improvement:<br><br>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. |

# 8.0 Framework Evaluation

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

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

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

## 8.1 Council and Audit and Risk Committee

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

| Component | Purpose / Goal | Matters Noted / Improvements |
|---|---|---|
| List of Payments | Lists of payments presented to Council each month in accordance with legislative requirements. | The list of payments discloses details of each invoice being paid, rather than just the information required by legislation. Public provision of this level of detail increases the risk of IT related fraud and may result in disclosure of confidential commercial information. |
| | | Improvement:<br>The list of payments made by the CEO under delegated authority should be presented to Council with only the minimum information required by legislation. |
| Council and Audit Risk Committee | Monitoring and consideration of risks when making strategic decisions. | Identified risks are not included within agenda items for elected member consideration or recorded in an appropriate risk register. |
| | | Improvement:<br>Identified risks relating to a Council decision should be communicated within the agenda item, to enable elected members to be fully informed of the identified risks when making decisions. Risks should also be appropriately recorded in a risk register. |
| Local Public Notice of Meetings | Ensuring residents and ratepayers are provided with information to attend Council and Committee meetings open to the public. | Audit Committee meetings have not been advertised via local public notice. |
| | | Improvement:<br>Ensure all committee meetings under the *Local Government Act 1995* which are required to be open to the public, are advertised in accordance with regulation 12 of the *Local Government (Administration) Regulations 1996.* |

# 8.0 Framework Evaluation (continued)

| Component | Purpose / Goal | Matters Noted / Improvements |
|---|---|---|
| Council and Committee Minutes | Official record of proceedings and decisions. | In our limited testing and review of minutes of Council meetings, we noted the following:<br>• An instance where a staff member declared an interest and left the meeting. The minutes do not contain a record of when or if the staff member returned to the meeting;<br>• An elected member declared an interest in and voted on a matter, however the minutes did not include a record of any decision to allow the declaring member to remain during discussions / deliberations, or to participate in the decision;<br>• Not all extents of interests disclosed at meetings have been recorded in the minutes;<br>• A budget amendment was submitted for Council consideration which required an absolute majority decision, however the officer's report indicated only a simple majority was required; and<br>• A decision at a Council meeting varied from the written officer's recommendation, yet the minutes did not state a reason for the change. |
| | | It was noted an Audit Committee Meeting was included as an agenda item for the ordinary Council meeting held 12 December 2018, rather than the Audit Committee meeting being held as a separate meeting. Although all elected members comprise membership of the Audit Committee, it has specific duties under legislation, with regulations also providing for content of minutes, meeting procedures etc and as such, is required to hold its own committee meeting separate from a meeting of council. |
| | | A budget amendment was adopted by Council at a special meeting held 4 September 2019. A component of the budget amendment was a change to a previous decision made by Council, rather than a budget amendment. This change was not undertaken in accordance with the provisions of regulation 10 of the *Local Government (Administration) Regulations 1996*. |
| | | Not all attachments (monthly statement of financial activity, accounts for payment list) are published in the minutes on the official local government website. |

# 8.0 Framework Evaluation (continued)

| Component | Purpose / Goal | Matters Noted / Improvements |
|---|---|---|
| Council and Committee Minutes<br><br>(continued) | | Improvements:<br><br>Ensure minutes of Council meetings are correctly recorded and contain all information required under regulation 11 of the *Local Government (Administration) Regulations 1996*. |
| | | Hold separate committee meetings for the Audit Committee as required by legislation, including the functions provided for in regulation 16 of the *Local Government (Audit) Regulations 1996.* |
| | | Ensure changes or revocations to previous decisions of Council are correctly considered and treated as required by legislation. |
| | | Ensure all attachments supporting the minutes are included in the official minutes, and the minutes published on the official local government website. |
| Monthly Statement of Financial Activity | Monthly statements of financial activity prepared in accordance with legislative requirements. | Our limited testing noted the explanation of material variances were not properly completed in the documents supporting the May 2019 statement of financial activity as required by regulation 34(2)(b) of the *Local Government (Financial Management) Regulations 1996*. |
| | | We observed the September 2019 monthly statement of financial activity presented to Council contained an error at Note 8, in that the incorrect GRV residential rate in the dollar was reported. |
| | | Improvement:<br>Ensure the monthly statement of financial activity contains all items required by legislation. |

# 8.0 Framework Evaluation (continued)

## 8.2 Strategic and Operational Registers

A number of registers are maintained by the Shire of Three Springs. The table below details areas for possible improvement in relation to these registers.

| Register | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Risk Register | Provide a record of risk breaches and remedial action taken. | A risk register was not available for our inspection to reflect identified risks, and if they have been adequately treated. |
| | | Improvement:<br>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. |
| Tender Register | Statutory register of tenders called. | Inspection of the register 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. |
| | | We noted the tender register contained documentation which could identify the value of the consideration being sought by tenderers if it were inspected by the public. Recording such information within the register is contrary to Regulation 16(3)(c) of the *Local Government (Functions and General) Regulations 1996.* |
| | | Improvement:<br>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. |
| Contracts Register | Provide a record of contracts entered into by the Shire. | A contracts register was not available for our inspection. |
| | | Improvement:<br>Maintain a register to record details of contracts and their status to assist with ensuring contracts are monitored and actioned as required. |

# 8.0 Framework Evaluation (continued)

| Register | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Delegation Register | Statutory register of delegations of authority. | A number of items recorded in the delegations register as delegations to the CEO are responsibilities of the CEO, and not decisions of Council delegated to the CEO. |
| | | A review/amendment history is not currently recorded within the delegations register. |
| | | Some delegations within the register include a delegation to the Environmental Health and Building Officer. The individual currently performing these duties is not an employee of Council, therefore cannot be delegated authority under the *Building Act 2011* or *Local Government Act 1995*. |
| | | Delegations are not numbered. We noted some delegations to the CEO reference sub delegations to other officers, however these delegations from the CEO are not recorded in the register. Minute references of delegations being made and memorandums to staff of delegations made to them are also not maintained. |
| | | Improvements:<br>Review Council delegations to the CEO to ensure they relate to decisions of Council delegated to the CEO and update the register accordingly. |
| | | Following review of Delegations by Council, update the latest 'history' date on each delegation to provide an accurate record of when the delegation was reviewed, amended and adopted. |
| | | Review and amend delegations relating to the *Building Act 2011* to remove sub delegation to contract Environmental Health and Building Officer, ensuring delegation remains with appropriately authorised officer of Council. |
| | | Numbering delegations may assist to provide a clear record of delegations being made and exercised. Review and update the delegations register to ensure records are maintained as required by legislation and as noted in the Department of Local Government, Sport and Cultural Industries Operational Guideline No. 17. |
| Gifts Register | Statutory register of gifts received as required under section 5.89A of the *Local Government Act 1995*. | We noted the register of gifts contains record of disclosures made under the former provision of the *Local Government Act 1995* (sections 5.82 & 5.83) and are published on the Shire's website as required. We did not observe a register of gifts in the prescribed form as required. |
| | | Improvement:<br>Establish a register of gifts in the prescribed form and publish on the Shire's official website as required. |

# 8.0 Framework Evaluation (Continued)

| Register | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Notifiable Gifts Register | Statutory register of gifts received (other than as required under section 5.89A of the *Local Government Act 1995*). | A notifiable gifts register was not available for our inspection or published on the Shire's website as required by regulation 34B(5) of the *Local Government (Administration) Regulations 1996.*<br><br>Improvement:<br>Maintain a register to record details of notifications given in relation to gifts as required by regulation 34B(5) of the *Local Government (Administration) Regulations 1996,* and publish on the Shire's official website as required. |
| Investment Register | 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.<br><br>Improvement:<br>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 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. |
| Register of Hazardous Materials | Provide a record of properties under the Shire's control containing hazardous materials. | A register of hazardous materials was not available for our inspection, to reflect properties under the control of the Shire which may contain hazardous materials such as asbestos, and if associated risks have been adequately treated.<br><br>Improvement:<br>Develop and maintain a register to record details of hazardous materials, such as asbestos, for properties under the control of the Shire. |

# 8.0 Framework Evaluation (Continued)

| Register | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Financial Interest Register | Records details required under the Act relating to financial circumstances of relevant persons | We noted primary returns were completed for two relevant persons. In both instances these primary returns have been completed more than three months after the documented start date. |
| | | Acknowledgements of annual returns for three relevant persons, as well as acknowledgement of a primary return for a relevant person, were not recorded as required by section 5.77 of the *Local Government Act 1995.* |
| | | A primary return for two relevant persons were not available for inspection upon examination of the Financial Interest Register. |
| | | We noted a relevant person's primary return pre-dates their documented start date. It was also noted the same relevant person's acknowledgement of a subsequent annual return pre-dated the completed return. |
| | | A primary return for a relevant person was noted to have incomplete information, in that the start date for the relevant person was omitted from the form. We noted another instance where a primary return contained several blank fields / incomplete information. |
| | | Improvements:<br>Ensure systems and procedures are in place to obtain all returns required under the *Local Government Act 1995*. Undertake necessary actions to rectify and report this matter as required. |
| | | Review systems and procedures place to ensure the acknowledgement of receipt of all returns occurs, and are appropriately filed in the register of financial interests as required under the *Local Government Act 1995*. |
| | | Undertake a thorough examination of files to locate the primary returns and file within the register as required within the provisions of section 5.88 of the *Local Government Act 1995,* or take action to rectify and report this matter as required. |
| | | Establish procedures to ensure all primary and annual returns are properly completed at the time of providing acknowledgement of receipt of the returns. |

# 8.0 Framework Evaluation (Continued)

| Register | Purpose / Goal | Matters Identified / Improvements |
|---|---|---|
| Regulatory Health Inspection Register | Register of regulatory inspections undertaken. | A register of health inspections undertaken is not routinely maintained. |
| | | Improvement: |
| | | Maintain a register to record details a central record of health inspections undertaken, registered premises within the district, and to ensure inspections are undertaken within required timeframes. |
| Swimming Pool Inspection Register | Register of inspections undertaken. | A register of inspections of private swimming pools within the district was not available for our inspection and it is unclear when inspections were last performed. |
| | | Improvement: |
| | | Develop and maintain a register to assess the current status of private swimming pool inspections. Routine monitoring and review of the register will assist to ensure inspections are undertaken within required timeframes. |

# 8.0 Framework Evaluation (continued)

## 8.3 Annual Compliance Audit Returns (CAR)

Returns have been completed on a self-assessment basis and approved by Council each year. The CAR was completed in house by staff for the 2017 and 2018 return periods. Areas of non compliance were noted in 2018 return, relating to the receipt of primary and/or annual returns of relevant persons. We were not able to verify that these matters were referred to the Corruption and Crime Commission as required by section 28 of the *Corruption and Crime Commission Act 2003*.

We also noted the returns for 2017 and 2018 were not reviewed and reported by the Audit Committee to Council for adoption as required by regulation 14 of the *Local Government (Audit) Regulations 1996*.

## 8.4 Complaint Handling

Community complaints are received by administration staff and allocated to the relevant manager to address. Responsibility for the routine follow up of complaints to ensure they have been adequately addressed remain with the manager who has been allocated the complaint.

| Component | Purpose / Goal | Matters Noted / Improvements |
|---|---|---|
| Community Complaints Procedures | Procedures for the recording handling and resolution of community complaints. | A customer complaints register is not currently maintained to follow up and ensure all complaints are adequately addressed. This type of register may assist with alignment to the requirements of the complaints handling policy. |
| | | Improvement:<br>To help ensure all complaints are adequately resolved, a register of customer complaints received should be maintained. |
| Official Complaints Register | A complaint register is required to be maintained in accordance with Section 5.121 of the *Local Government Act 1995.* | No official complaints register was available for inspection. |
| | | The official complaints register is not published on the Shire's official local government website as required by section 5.121(3) of the *Local Government Act 1995.* |
| | | Improvement:<br>To ensure compliance with the Act, an official complaints register should be maintained and published on the Shire's official local government website. |

# 8.0 Framework Evaluation (Continued)

## 8.5 Audit Practices

Council had appointed external financial auditors to the Shire of Three Springs for the 2016-17 period, with the 2017-18 and 2018-19 periods being audited by the Office of the Auditor General (OAG). No matters of non compliance were noted within the 2016-17 or 2017-18 audit reports. At the time of this review, the 2018-19 audit was yet to be finalised.

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

| Component | Purpose / Goal | Matters Noted / Improvements |
|---|---|---|
| Internal Audit | Internal audit monitors the level of compliance with internal procedures and process along with assessing the appropriateness of these procedures. | Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken. |
| | | Improvement:<br>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. |
| OSH Audit | Review of occupational safety and health procedures. | An audit was undertaken by an independent party in 2018. According to staff representations, the OSH Management Plan is not yet fully implemented. |
| | | Improvement:<br>Continue with implementation of the OSH Management Plan and ensure all previously identified OSH matters have been adequately addressed. |

# 8.0 Framework Evaluation (continued)

## 8.6 Review required to be undertaken by the CEO

The CEO is required to undertake reviews of systems and procedures of the local government. The table below presents matters noted in relation to these reviews.

| Component | Purpose / Goal | Matters Noted / Improvements |
|---|---|---|
| Audit Regulation 17 Review | 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.* | Previous review required under Audit Regulation 17 highlighted a number of improvement opportunities to matters identified. 19 of these improvements are yet to be implemented.<br>Improvements:<br>Outstanding items identified within the previous Audit Regulation 17 Review be addressed. |
| Financial Management Review | Review of the appropriateness and effectiveness of the Financial Management systems and procedures of the local government required to be undertaken every three years by Regulation 5(2) of *Local Government (Financial Management) Regulations 1996.* | Financial management review undertaken in May 2017 made four recommendations to improve the Financial Management of the Shire. Two items identified within the Financial Management Review remain to be addressed.<br>Improvement<br>Implement sytems to regularly monitor, action and items raised within reviews of internal controls. |

# 9.0 Other Matters

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# Appendix A – Financial Management Systems Review

The following reviews were undertaken to evaluate the appropriateness and effectiveness of financial management system controls:

| System | Description |
|---|---|
| Bank reconciliation and petty cash management | Examination of procedures and review of maintenance and management practices undertaken by staff |
| Trust funds | Examination of trust funds to determine proper accountability in the Shire's financial management system and compliance with regulatory requirements |
| Receipts and receivables | Examination of end of day banking procedures to determine if they were adequate in ensuring cash collection is being recorded and allocated properly to the general ledger. The receivables system including raising of invoices was also reviewed with limited testing in respect to allocation/posting |
| Rates | The Shire's rating procedures were examined to determine if they were adequate in ensuring rates were being imposed or raised correctly. This also included inspection of the rate record, rate notices, instalment notices, valuation reconciliations and general ledger. We randomly selected and tested rate notices which included:<br>• sighting the notices;<br>• re-performing the calculations;<br>• ascertaining whether the valuations applied agree to Landgate's valuation roll/report and rates per dollar imposed are as per adopted budget;<br>• ensuring the rate system is properly updated; and<br>• checking proper posting to the general ledger |
| Purchases, payments and payables (including purchase orders) | Random selection of payment transactions to determine whether purchases were authorised/budgeted and payments were supported, certified/authorised and correctly allocated. The Shire's purchases, payments and payables system was also examined to determine if adequate controls were in place in ensuring liabilities are properly recorded and payments are properly controlled.<br>We are aware of many incidents of payment scams/frauds within the local government industry during recent years. As a consequence of this activity, we have had a specific focus on the controls around the changes to supplier details within the EFT payment system |
| Payroll | A sample of eight employees were randomly selected from four pay runs and detailed testing of each employee's pay was performed to help ensure:<br>• the employee existed;<br>• the correct rate of pay was used;<br>• non-statutory deduction authorities are on hand;<br>• time sheets were properly completed and authorised;<br>• hours worked were properly authorised; and<br>• allocations were reasonable and correctly posted<br>The Shire's payroll system was also reviewed to determine if adequate controls were in place to help ensure wages and salaries are properly processed and payments are properly controlled |

# Appendix A – Financial Management Systems Review (Continued)

| System | Description |
|---|---|
| Credit card procedures | A review of the Shire's credit card procedures was performed to determine if adequate controls were in place. We randomly selected and tested credit card transactions to determine whether they are legitimate and usual in the context of the Shire's operations. This included:<br>• sighting tax invoices;<br>• ascertaining whether the transaction is for bona fide Shire business; and<br>• determining whether transactions are in line with the Shire's policy. |
| Fixed assets (including depreciation, acquisition, and disposal of property) | The fixed assets system including controls over acquisition and disposal of assets, updating of the fixed assets register, depreciation of fixed assets and reconciliation of the fixed assets register to the general ledger was examined. A sample of asset additions and disposals were judgmentally selected, and testing performed to ensure:<br>• the tax invoices existed;<br>• correct posting to the general ledger;<br>• fixed assets register was promptly updated; and<br>• classification of assets was correct.<br>In addition, a sample of four assets were judgmentally selected and testing performed to ensure the depreciation rates used are in line with the Shire's policy |
| Cost and administration allocation | The Shire's cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included review of the allocation basis and rates used to ensure they are appropriate and regularly reviewed |
| Financial reports | The annual report, annual financial report and monthly financial reports were reviewed for compliance with legislative requirements |
| Budget | The 2019-20 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements |

# Appendix B – Council Policies Examined

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

| Policy Topic | Policy Topic |
|---|---|
| **1000 - MEMBERS** | **3000 – FINANCE (cont'd)** |
| 1001 Annual Electors Meeting | 3007 Purchasing Policy |
| 1002 Council Elections—Voting in Person | 3008 Regional Price Preference – Local Goods and Services |
| 1003 Election to Committees | 3009 Corporate Credit Card |
| 1004 Conference and Meetings | 3010 Related Party Disclosure |
| 1005 Council Expenses | **4000– PERSONNEL** |
| 1006 Council Forum and Networking Meeting | 4001 Equal Employment Opportunity Statement |
| 1007 Refreshments | 4002 Sexual Harassment |
| **2000 - ADMINISTRATION** | 4003 Appointments |
| 2001 Legal Representation – Costs Indemnification | 4004 Medical and Police Clearance Certificates – Appointments |
| 2002 Advertising at Three Springs Oval | 4005 Superannuation |
| 2003 Press Release and Media Statements | 4006 Professional Development |
| 2004 Recognition of Passing of Community Member | 4007 Corporate Uniforms |
| 2005 Historical Committee | 4008 Emergency Services Leave |
| 2006 Participation and Community Engagement Group (TS Pace) | 4009 Motor Vehicles |
| 2007 Tourism and Promotional Committee | 4010 Council Cleaner – Use of Own Vehicle |
| 2008 Street Stall Permits | 4011 Payments to Employees in Addition to Contract or Award |
| 2010 Sports Ground Committee | 4012 Accrued Hours |
| 2011 Complaints Handling | 4013 Performance Management |
| 2012 Information Technology | 4014 Performance Review |
| 2013 Petroleum, Mining and Extractive Industries | 4015 Gifts (Non Staff) |
| 2014 Provision of Records to Police (CCTV) | 4016 Removal Expenses |
| **3000 - FINANCE** | 4017 Personal Leave |
| 3001 Significant Accounting Policies | |
| 3002 Investments | |
| 3003 Budget | |
| 3004 Donations | |
| 3005 Cash Contributions/Self Supporting Loans to Clubs/Organisations and Support to New Businesses In Three Springs | |
| 3006 Debt Collection | |

# Appendix B – Council Policies Examined (Continued)

| Policy Topic | Policy Topic |
|---|---|
| **5000 – HOUSING** | **8000 – OCCUPATIONAL SAFETY AND HEALTH** |
| 5001 Allocations of Staff Housing | **9000 – TOWN PLANNING** |
| 5002 Residential Rentals/Leases | **10000 – BUILDING** |
| 5003 Telephones in Council and Staff Houses | **11000 – RISK MANAGEMENT POLICY** |
| 5004 Water Consumption for Staff Occupying Council Residences | **APPENDICES** |
| 5005 Water Charges for Staff Occupying Non-Council Residences | Appendix A Equal Opportunity Diversity Plan |
| 5006 Water Charges for Non-Staff Occupying Council Property | Appendix B Complaints/Grievance Procedures |
| 5007 Private Rental Subsidy for Staff Occupying Non-Council Housing | Appendix C Complaints Handling Guidelines |
| **6000 – COUNCIL BUILDINGS, RESERVES, PARKS & GARDENS** | Appendix D Code of Conduct |
| 6001 Swimming Pool | Appendix E Electoral Code of Conduct |
| 6002 Halls and Sports Pavilion Hire | Appendix F Drug and Alcohol Policy |
| 6003 Picking Wildflowers | |
| **7000 – INFRASTRUCTURE** | |
| 7001 Vehicle Replacement Program | |
| 7002 Crossings | |
| 7003 Pipes Across Roads | |
| 7004 Gates | |
| 7005 Salt Drain/Road Reserve Crossings | |
| 7006 Roadside Vegetation Policy | |
| 7007 Asset Management Policy | |
| 7008 Lighting Management Policy | |

# Appendix C – Plans Examined

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

| Plan | Status |
|---|---|
| Strategic Community Plan | 2018-2028 |
| Corporate Business Plan | 2017-2021 |
| Strategic Resource Plan | 2016-2031 |
| Workforce Plan | 2013-2017 |
| Code of Conduct | Revised May 2019 |
| Record Keeping Plan | Approved by State Records Office 10 August 2018 |
| Joint Local Emergency Management Arrangements | 2015 |
| Staff Induction Book | May 2019 |
| IT Disaster Recovery Plan | April 2016 |
| Managing Emergencies in Shire Facilities | May 2015 |

# Appendix D – Strategic and Operational Registers Examined

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

| Register |
|---|
| Declarations of Interest Register |
| Tender Register |
| Gifts and Travel Register |
| Delegation Register (endorsed December 2018) |
| Financial Interests Register |
| Cemetery Register |
| Training Matrix |

# Appendix E – Operational Guidelines

## Risk Management

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

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

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

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

- *potential non-compliance with legislation, regulations and standards and local government's policies*
- *important accounting judgements or estimates that prove to be wrong*
- *litigation and claims*
- *misconduct, fraud and theft*
- *significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government*

*Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;*

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

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

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

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

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

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

# Appendix E – Operational Guidelines (Continued)

## Legislative Compliance

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

*a) Monitoring compliance with legislation and regulations*

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

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

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

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

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

*g) Reviewing whether the internal and / or external auditors have regard to compliance and ethics risks in the development of their Audit Plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee*

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

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

*j) Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest*

## Internal Controls

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

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

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

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

# Appendix E – Operational Guidelines (Continued)

## Internal Controls (continued)

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

a) *integrity and ethics;*

b) *policies and delegated authority;*

c) *levels of responsibilities and authorities;*

d) *audit practices;*

e) *information system access and security;*

f) *management operating style; and*

g) *human resource management and practices.*

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

*Aspects of an effective control framework will include:*

a) *delegation of authority;*

b) *documented policies and procedures;*

c) *trained and qualified employees;*

d) *system controls;*

e) *effective Policy and process review;*

f) *regular internal audits;*

g) *documentation of risk identification and assessment; and*

h) *regular liaison with auditor and legal advisors.*

*The following are examples of controls that are typically reviewed:*

a) *separation of roles and functions, processing and authorisation;*

b) *control of approval of documents, letters and financial records;*

c) *comparison of internal data with other or external sources of information;*

d) *limit of direct physical access to assets and records;*

e) *control of computer applications and information system standards;*

f) *limit access to make changes in data files and systems;*

g) *regular maintenance and review of financial control accounts and trial balances;*

h) *comparison and analysis of financial results with budgeted amounts;*

i) *the arithmetical accuracy and content of records;*

j) *report, review and approval of financial payments and reconciliations; and*

k) *comparison of the result of physical cash and inventory counts with accounting records.*

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# Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1005 Council Expenses** | | | | | | | | | | |
| Entity Wide | 6.2.1 | The Policy stipulates reimbursements for Councillor travel will be a rate set by Council when Councillors use a personal vehicle for travel. The most recent determination published by the Salaries and Allowances Tribunal (SAT) sets out that travel is to be reimbursed to elected members when attending Council or committee meetings at the same rate as Section 30.6 of the Local Government Officers' (Western Australia) Interim Award 2011. It also sets out travel is to be reimbursed when performing other functions under the express authority of the local government, in accordance with the Public Service Award 1992. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Review and update the Policy to separate and clarify the calculation method for reimbursement of travel as set out with the most recent determination published by the SAT. |
| | **2011 Complaints Handling** | | | | | | | | | | |
| Entity Wide | 6.2.2 | The Policy does not provide for the handling of complaints against the CEO. A complaints register is required to be maintained under the policy and is included at Appendix B of the policy manual, however we did not observe evidence of this register being maintained. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Review and amend the policy to provide a mechanism for the handling and resolution of complaints regarding the CEO. Establish a complaints register as required under the policy. |
| | **3008 Regional Price Preference Local Goods and Services** | | | | | | | | | | |
| Entity Wide | 6.2.3 | The Policy allows for discounts not permitted by legislation such as a 'Works – Local Content' component, where additional discounts are applied for procurement evaluation, in addition to price reductions permitted by legislation. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Review and amend the policy to only include discounts permitted by Local Government (Functions and General) Regulations 1996 Regulation 24D. |
| | **3007 Purchasing** | | | | | | | | | | |
| Entity Wide | 6.2.4a | The Policy provides limited direction in relation to contract variations and extensions of contracts awarded or against a written specification not awarded by tender. Extension of contracts and associated price changes are also not covered by the Policy. For contracts awarded by tender, legislation provides minimum requirements. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Amend the Policy to provide the following:<br>• Prohibit price variations to existing contracts awarded by tender other than those provided within the original contract, as required by Local Government (Functions and General) Regulations 1996 Regulation 11(2) (j) (iv).<br>• Purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increase over a policy threshold level, due to the variation or extension. |

## Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Entity Wide | 6.2.4b | Purchasing requirements for procurement of goods or services in accordance with the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2), above $150,000 are not included within the Policy. It is noted the practice of testing the market through sourcing multiple quotations when using the exemptions is sometimes occurring, and the policy should be updated to reflect the expectation and requirement. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | Planned action required | Insert purchasing requirements for procurement of goods or services made under the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2). |
| | | | | | | | | | | | |
| Entity Wide | 6.2.4c | The Policy requires decisions not to call tenders for exempt purchases above $150,000 shall be by Council resolution. Our limited testing noted instances where exempt purchases greater than $150,000 were made without any Council resolution. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | Planned action required | Update purchasing procedures and train staff to ensure they are aware of the requirement for a Council resolution where not calling tenders for purchases above $150,000 made under the exemptions of the Local Government (Functions and General) Regulations 1996 Regulation 11(2). |
| | **3009 Corporate Credit Card** | | | | | | | | | | |
| Functional | 6.2.5 | We noted the practice of credit card transactions and acquittals being reviewed by an independent officer, however the policy does not require this practice to occur. | Internal control or compliance breach. | | | Unlikely | Minor | Minor | Low | Planned action required | Update the policy or associated procedures to require independent review and authorisation of credit card transactions and acquittals, as well as acknowledging transactions as having been made and authorised by the CEO. The practice of separately highlighting transactions made on the CEO's credit card for presentation to Council should continue. |
| | **Appendix D Code of Conduct for Council Members, Committee Members and Staff** | | | | | | | | | | |
| Entity Wide | 6.2.6a | Section 2.4 Gifts and Bribery of the current Code of Conduct makes reference to a value of a token gift, which is inconsistent with the provisions of the Local Government Act 1995 and the Local Government (Administration) Regulations 1996. In its current form there is no clarity for elected members and employees as to their disclosure obligations. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | Planned action required | Review the section of the Code of Conduct relating to disclosure requirements for gifts to highlight these need to be made in accordance with legislation. Consider amending the Code of Conduct so legislative requirements are not restated. Where legislative requirements are unclear or there is a desire for greater requirements, suggest this be covered by relevant policies, given the complexities involved in re-working the Code of Conduct to maintain currency when changes are made to legislation. |
| | | | | | | | | | | | |
| Entity Wide | 6.2.6b | Contractors and volunteers are not bound by a Code of Conduct when performing functions on behalf of the Shire. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | Planned action required | Expand the scope of the Code of Conduct to include actions by volunteers and contractors. Alternatively, a separate Code of Conduct be developed for volunteers and contractors. |
| | | | | | | | | | | | |
| Entity Wide | 6.2.6c | Elected members, committees, contractors and volunteers are not required to sign the Code of Conduct acknowledging they have read and understand the requirements within. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | Planned action required | Update the Code of Conduct as well as induction procedures to ensure all persons subject to the Code of Conduct sign and acknowledge they understand the content. |
| | **11000 Risk Management Policy** | | | | | | | | | | |
| Entity Wide | 6.2.7 | The current Policy is based on a superseded Risk Management Standard. | Lack of strategic direction for risk management procedures. | | | Possible | Minor | Moderate | Medium | Planned action required | The current Policy is based on a superseded Risk Management Standard. |
| | **Internal Control Policy** | | | | | | | | | | |

# Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Entity Wide | 6.2.8 | Currently, no policy on internal controls has been adopted by Council. | Lack of strategic direction for risk management procedures. | | | Possible | Minor | Moderate | Medium | **Planned action required** | We suggest an Internal Control Policy be formulated and adopted to formalise Council's commitment to internal controls, based on a risk management process. |
| | **Policy Review** | | | | | | | | | | |
| Entity Wide | 6.2.9 | Policies are reviewed annually by Council to help ensure they remain current. There is no 'history' (adoption / review) to indicate where policies have been reviewed and amended. | Lack of strategic direction for risk management procedures. | | | Possible | Minor | Moderate | Medium | **Planned action required** | Following review of Policies by Council, update the latest 'history' date on the Policy to provide an accurate record of when the Policy was reviewed, amended and adopted. |
| | **Attendance at Events Policy** | | | | | | | | | | |
| Entity Wide | 6.2.10 | Currently, no policy on attendance at events has been adopted by Council. | Lack of strategic direction for risk management procedures. | | | Possible | Minor | Moderate | Medium | **Planned action required** | Develop and adopt an attendance at events policy as required by section 5.90 of the Local Government Act 1995. |
| | **Legislative Compliance Policy** | | | | | | | | | | |
| Entity Wide | 6.2.11 | Currently, no policy on internal legislative compliance has been adopted by Council. | Lack of strategic direction for strategic compliance. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Development and adoption of an internal legislative compliance policy may help formalise Council's commitment to legislative compliance. |
| | **Business Continuity Plan** | | | | | | | | | | |
| Entity Wide | 7.1.1 | A Business Continuity Plan was not available for inspection. | Failure to adequately manage a business disruption event. | | | Likely | Major | Major | High | **Prioritised action required** | Develop a Business Continuity Plan and test it to ensure validity. Identify and document key business continuity risks along with the treatments, to reduce the risk to an acceptable level. |
| | **ICT Disaster Recovery Plan** | | | | | | | | | | |
| Entity Wide | 7.1.2 | An ICT Disaster Recovery Plan was adopted in April 2016. At the time of this review, the plan had not yet been tested. | Failure to adequately manage a business disruption event. | | | Likely | Major | Major | High | **Prioritised action required** | Test the ICT Disaster Recovery Plan to ensure validity. Identify and document key ICT risks, along with the treatments to reduce the risk to an acceptable level. |
| | **Corporate Business Plan** | | | | | | | | | | |
| Entity Wide | 7.1.3 | The Corporate Business Plan has not been reviewed annually as required by Local Government (Administration) Regulations 1996 19DA (4). | Lack of strategic direction. | | | Possible | Minor | Moderate | Medium | **Planned action required** | To help ensure compliance and provide sound planning direction to the organisation, the Corporate Business Plan should be reviewed annually. |
| | **Workforce Plan** | | | | | | | | | | |
| Functional | 7.1.4 | The Workforce Plan 2013-2017 has not been reviewed since it was developed and is now out of date. Although there is no statutory obligation to adopt the plan, it is required by the Department Local Government, Sport and Cultural Industries Integrated Planning and Reporting Advisory Standard (September 2016), and to be aligned to the Corporate Business Plan and annual budget. | Lack of strategic direction. | | | Possible | Major | Major | High | **Prioritised action required** | Review and update the Workforce Plan to maintain effective alignment with IPR documents, and to include all required data and information as published within the Department Local Government, Sport and Cultural Industries Integrated Planning and Reporting Advisory Standard (September 2016). |
| | **ICT Strategic Plan** | | | | | | | | | | |
| Entity Wide | 7.1.5a | An ICT Plan highlighting and addressing ICT risks and how they are to be addressed was not available for inspection. | Lack of strategic direction. Failure to adequately manage a business disruption event. | | | Possible | Minor | 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 | 7.1.5b | Presently IT support services are received from a contractor based in Perth. No formal service level agreement exists for this arrangement. | Lack of strategic direction. Failure to adequately manage a business disruption event. | | | Possible | Minor | Moderate | Medium | **Planned action required** | Careful development of an ICT strategy will assist in developing a scope to articulate service level agreements for a range of IT services to be potentially issued to different providers. |
| | **Risk Management Procedures** | | | | | | | | | | |

# Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Entity Wide | 7.2.1a | Risk management activities currently undertaken are largely documented, with existing procedures based on a superseded risk management standard. | Lack of strategic direction for risk management procedures. | | | Possible | Minor | Moderate | Medium | **Planned action required** | Risk management procedures be updated, and a process developed in accordance with any update to the risk management policy. |
| | | | | | | | | | | | |
| Entity Wide | 7.2.1b | Risk management activities currently undertaken are largely documented, with existing procedures based on a superseded risk management standard. | Lack of strategic direction for risk management procedures. | | | Possible | Minor | Moderate | Medium | **Planned action required** | Implement risk management procedures and processes throughout the organisation. |
| | **Procedure Changes** | | | | | | | | | | |
| Entity Wide | 7.2.2 | 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 identified risks. | | | Possible | Major | Major | High | **Prioritised action required** | Establish a process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the organisation to assist with managing changes to procedures. |
| | **Workflow Diagrams** | | | | | | | | | | |
| Functional | 7.2.3 | Workflow diagrams have not been compiled for undocumented procedures. | Breakdown of internal controls. Controls reliant on the capability and honesty of staff. | | | Possible | Major | Major | High | **Prioritised action required** | In conjunction with, or as an alternative to, the development of documented procedures and checklists, update and development of workflow process diagrams may assist in clearly identifying controls and processes to be followed where procedures or checklists do not exist. |
| | **Rate notices and information accompanying rate notices** | | | | | | | | | | |
| Functional | 7.2.4 | The 2019/20 rate notice and the 2019/20 information accompanying the rate notice did not contain a statement that penalty interest on overdue rates and charges will continue to accrue daily until arrears are paid, as required by regulation 56(4)(e) of the Local Government (Financial Management) Regulations 1996. | Internal control or compliance breach. Potential for Financial Loss. Litigation Risk. | | | Likely | Moderate | Moderate | High | **Prioritised action required** | Ensure all information required by the Local Government Act 1995 and associated regulations, is included in future rate notices or accompanying information brochures. |
| | **Bank Account Authorisations** | | | | | | | | | | |
| Functional | 7.2.5 | Previous staff and elected members, as well as current elected members, were listed as authorising parties on the Shire's bank accounts as at the time of our review. Bank authority listings should be reviewed regularly to ensure they are current. | Lack of probity. Fraud risk | | | Likely | Major | Major | High | **Prioritised action required** | Elected members have no administrative authority and therefore should not be listed as an authorising party on Shire bank accounts. The authority for the previous staff and elected members, as well as current elected members should be removed immediately. |
| | **ICT Security** | | | | | | | | | | |
| Entity Wide | 7.2.6 | We noted limited controls in relation to the access to IT 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. | Loss of IT System. Internal control. | | | Possible | Major | Major | High | **Prioritised action required** | Undertake a comprehensive IT security review, articulate current practices and implement findings of the review. |
| | **Overhead & Administration Allocations** | | | | | | | | | | |

# Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Entity Wide | 7.2.7 | No process is currently in place to determine the allocation of indirect costs. From staff representations, current allocation rates are based on historical estimates and reviewed informally during budget preparations each year. No calculation method to support the allocations was available. | Internal control or compliance breach. Potential for Financial Loss. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Undertake a review of activity based costings to support calculation of overhead and administration allocations. |
| | **Checklists** | | | | | | | | | | |
| Functional | 7.2.8 | Checklists of key functions are maintained for selected functions. Checklists were not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation. It was noted some staff have commenced with the creation of checklists and procedures. | Compliance breach. | | | Possible | Major | Moderate | High | **Prioritised action required** | Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists assist in ensuring compliance with repetitive legislative compliance tasks. Staff are encouraged to continue with the development of checklists and procedures for routine functions, including evidencing independent review. |
| | **Stock Control** | | | | | | | | | | |
| Functional | 7.2.9 | No formal process exists to monitor fuel stock allocated through fuel cards. Fuel is recorded as it is allocated and reviewed for reasonableness by management each month. | Internal control or compliance breach. | | | Likely | Major | Moderate | High | **Prioritised action required** | Develop and implement procedures for the monitoring of fuel stock on hand in an effort to improve opportunities to detect any issues or potential misuse with fuel allocations. |
| | **Stock Control** | | | | | | | | | | |
| Functional | 7.2.10 | One standpipe for which the Shire is responsible, is unlocked and accessible by members of the public. Current controls in relation to the capture, recording and billing of water usage by third parties in accordance with the schedule of fees and charges are considered inadequate. It is acknowledged management are aware of the weaknesses and are planning to address these. | Internal control or compliance breach. Financial loss. | | | Likely | Major | Moderate | High | **Prioritised action required** | Improve systems and procedures for controls around preventing unauthorised access to water from the standpipe, including documented procedures for the recovery of third party usage by administration staff in accordance with the adopted schedule of fees and charges. |
| | **Asset Disposals** | | | | | | | | | | |

## Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Functional | 7.2.11 | Our limited testing noted instances where assets have not been disposed of in accordance with section 3.58 of the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996.<br>•Two instances noted were the result of one large plant item and one smaller plant item being traded at the same time of purchasing a new plant item. Although the purchasing policy and legislative requirements allowed for the new plant item to be purchased without going to tender, the disposition of the traded plant item is not captured by these same exclusions.<br>•We noted another instance where expressions of interest were called for the sale of an item of plant by the Shire which sold for more than $20,000, through an advertisement published in a regional newspaper. Section 3.58(2) of the Local Government Act 1995 requires property to be disposed of only through either public auction or by tender, unless exempted by the Local Government (Functions and | Internal control or compliance breach. | | | Possible | Major | Moderate | High | **Prioritised action required** | Ensure future asset disposals are in accordance with the requirements of section 3.58 of the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996. |
| | **Procurement** | | | | | | | | | | |
| Functional | 7.2.12a | Through limited testing of payments, an instance was noted where a purchase order did not pre-date the invoice, and an instance where no purchase order was issued for the invoice paid. | Lack of probity. Fraud risk | | | Likely | Major | Major | High | **Prioritised action required** | All procurement of goods or services should be undertaken in accordance with legislative requirements and the Purchasing Policy. Any instances where a purchase pre-dates a purchase order should be documented, reviewed and authorised to demonstrate controls have been developed to comply and ensure the purchasing policy has been adhered to. |
| | | | | | | | | | | | |
| Functional | 7.2.12b | An unauthorised purchase was identified, relating to a gift purchased for a departing employee. The purchase was initiated by elected members and then presented for payment through the administration office. | Lack of probity. Fraud risk | | | Likely | Major | Major | High | **Prioritised action required** | Elected members individually have no purchasing authority and are not authorised to incur expenditure on behalf of the Shire, unless by Council resolution. Future gifts should be procured to align and comply with the purchasing policy and delegated levels of authority. |

## Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Functional | 7.2.12c | A contract of sale was entered into for the purchase of property during 2018, without a budget provision or a Council resolution to support the unbudgeted purchase. Section 6.8 (1) (b) of the Local Government Act 1995 requires a local government not to incur expenditure from its municipal fund for an additional purpose except where the expenditure has been authorised in advance by an absolute majority of Council. An item was presented to Council to endorse the purchase of the property after the contract of sale had been entered into, however this occurred prior to the adoption of the annual budget which provided for the purchase. | Lack of probity. Fraud risk | | | Likely | Major | Major | High | **Prioritised action required** | Examine systems, processes and training to ensure those with delegated purchasing authority comply with the provisions of the purchasing policy and with legislation. |
| | **Procurement Assessment** | | | | | | | | | | |
| Functional | 7.2.13a | Whilst there are documented formal requirements when undertaking assessments of responses to requests for quotations, it is noted that often this is conducted by only one officer regardless of the purchase value. | Lack of probity. Fraud risk | | | Likely | Major | Major | High | **Prioritised action required** | To help ensure probity and fairness when assessing high value procurement options, at least three persons should assess the procurement option independently of each other. Documented processes should require a higher level of probity and due diligence, the higher the value or risk associated with the purchase. |
| | | | | | | | | | | | |
| Functional | 7.2.13b | Documented procedures are not in place to require declarations of interest and confidentiality to be signed prior to assessments being undertaken for high value purchases. | Lack of probity. Fraud risk | | | Likely | Major | Major | High | **Prioritised action required** | Persons assessing any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence. Procedures for the declaration of interests prior to procurement assessments being undertaken should also be documented for high value purchases and tenders. |
| | **Tender Assessment** | | | | | | | | | | |
| Functional | 7.2.14a | Procedures for the assessment of tenders against the selection criteria are not consistently applied. We noted an instance where a tender scope was developed by an external consultant, who also undertook the only assessment of the tender. No procedures or correspondence were available to ensure the independence of persons in assessing the tender. We note the consultant who undertook the assessments is currently engaged to oversee the works, review applications for payment by the supplier and plan works to be undertaken. | Lack of probity. Fraud risk. Internal control or compliance breach. | | | Likely | Major | 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 | 7.2.14b | Documented procedures are not in place to require declarations of interest and confidentiality to be signed prior to assessments being undertaken for tenders. | Lack of probity. Fraud risk. Internal control or compliance breach. | | | Likely | Major | Major | High | **Prioritised action required** | To help ensure probity and fairness when assessing tenders, procedures for the declaration of interests prior to assessing tenders should be documented. |
| | **Local Laws** | | | | | | | | | | |

## Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Functional | 7.2.15 | We noted a number of local laws exist, however evidence of any recent reviews of local laws were not available for our inspection. Some local laws appear to be inoperative (as provided by section 3.7 of the Local Government Act 1995). | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Review local laws within an eight year period as required by section 3.16 of the Local Government Act 1995, or alternatively consider repealing inoperative local laws as detailed in section 3.12 of the Local Government Act 1995. |
| | **Outstanding Purchase Orders** | | | | | | | | | | |
| Entity Wide | 7.2.16 | We did not observe any formal procedures relating to the routine monitoring of and clearance of outstanding purchase orders. | Lack of probity. Fraud risk | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Establish procedures to include review of the status of outstanding purchase orders as part of end of month processes. Ensure any controls developed are routinely and consistently applied. |
| | **Delegation Register** | | | | | | | | | | |
| Functional | 7.2.17a | The 2017-18 annual report was not accepted by Council as required. | Internal control or compliance breach. | | | Unlikely | Major | Major | Medium | **Planned action required** | Ensure future annual reports are accepted by Council as required by section 5.54 of the Local Government Act 1995. |
| | | | | | | | | | | | |
| Functional | 7.2.17b | The 2017-18 annual report was uploaded to the Shire's website on 26 March 2019. | Internal control or compliance breach. | | | Unlikely | Major | Major | Medium | **Planned action required** | Ensure process is in place for the annual report to be uploaded to the Shire's website within 14 days of acceptance by Council, as required by section 5.55A of the Local Government Act 1995. |
| | **Information Required to be Published on Official Local Government Website** | | | | | | | | | | |
| Functional | 7.2.18 | We noted the following information (in addition to other matters noted throughout this report) has not been published on the Shire's official website:<br>•Copies of local laws;<br>•Confirmed minutes of the special meeting of Council held 31 July 2019; and<br>•Minutes of the meeting of electors held 6 February 2019. | Internal control or compliance breach. | | | Unlikely | Major | Major | 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. |
| | **Aquatic Centre Cash Handling** | | | | | | | | | | |
| Functional | 7.2.19 | Controls in relation to the handling of cash received at the swimming pool facility are considered inadequate. | Internal control or compliance breach. | | | Likely | Major | Moderate | High | **Prioritised action required** | Remove or significantly reduce the potential amount of cash received at the swimming pool facility, through use of pre-purchased vouchers, EFTPOS etc. Should cash continue to be accepted, appropriate procedures and controls are required. |
| | **Staff Training** | | | | | | | | | | |
| Entity Wide | 7.3.1 | Planned staff training needs for employees are currently identified and recorded in a training matrix. This matrix has not been updated for a number of years. | Internal control or compliance breach. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Refine the current staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation, monitors currency of required licences and qualifications, and is regularly reviewed and updated. |
| | **Timesheet Authorisation** | | | | | | | | | | |
| Entity Wide | 7.3.2 | Through review of payroll processes, instances were identified where there was no evidence of review and authorisation of time records by an authorising officer. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Ensure all timesheets are properly completed, and authorised, when forwarding to staff for processing through fortnightly payroll to ensure employees receive correct entitlements. |
| | **Staff Contracts** | | | | | | | | | | |
| Entity Wide | 7.3.3 | Through our limited testing, we noted an instance where evidence of correspondence on an employee file to support the current rate of pay applied through the payroll was not available between December 2015 and September 2019. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Undertake a review of all personnel to reconcile documentation relating to conditions of employment, remuneration, roles and responsibilities. |
| | **Employee Termination Procedures** | | | | | | | | | | |

# Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Entity Wide | 7.3.4 | No formal process or procedure is currently in place to ensure the appropriate termination of employees. Departmental managers have the responsibility of ensuring Shire assets are recovered, however there is no structure in place to ensure IT permissions and security codes are restricted, or for Shire property (phones, vehicles, keys) to be returned prior to the employee finishing with the Shire. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | Planned action required | Establish procedures or checklists to manage and document the termination of employees, ensuring access to IT systems, etc. is appropriately restricted and all allocated Shire assets are recovered. |
| | **Staff Induction Processes** | | | | | | | | | | |
| Entity Wide | 7.3.5a | Staff inductions appear to be consistently applied throughout the organisation. The code of conduct is not included within the checklist of requirements for a new employee commencing. | Internal control or compliance breach. | | | Possible | Moderate | Moderate | Medium | Planned action required | Ensure all new employees of Council are appropriately inducted, with evidence of inductions retained on employee files. |
| | | | | | | | | | | | |
| Entity Wide | 7.3.5b | Copies of employee driver licences are checked for currency and recorded on employee personnel files, but not reviewed subsequent to the initial inspection. | Internal control or compliance breach. | | | Possible | Moderate | Moderate | Medium | Planned action required | Establish procedures to ensure copies of employee driver licences, and other required certifications and qualifications relevant to their position, are routinely recorded on employee files. |
| | **Payroll Exception Reporting** | | | | | | | | | | |
| Functional | 7.3.6 | The officers responsible for processing and reviewing payroll are tasked with review and capture of employee entitlements, allowances, deductions, etc. This is performed through a variance report comparing the payroll being processed to the previous payroll reports with no verification to employee master records. Staff have advised more formal documentation / checklists are intended to be created to assist with payroll processing, review and authorisation. | Lack of probity. Internal control or compliance breach. Financial loss. | | | Possible | Major | Moderate | High | Prioritised action required | A full review of procedures and controls is required to determine practical 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 accuracy. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes. |
| | **Events Insurance** | | | | | | | | | | |
| Entity Wide | 7.4.1 | Community Groups' insurances are not always assessed prior to events being held on Shire property. Reliance is placed on event organisers to ensure copies of insurances are provided. | Lack of probity. Financial loss. Breakdown in internal controls. | | | Likely | Major | Major | High | Prioritised action required | To help ensure all events held on Shire property have relevant and adequate insurance cover, procedures should be developed, and records maintained to ensure current insurances are in place. |
| | **Contractor Insurance** | | | | | | | | | | |
| Entity Wide | 7.4.2 | Contractors' insurances are not always assessed prior to award of contracts in all cases. Reliance is placed on contract managers to ensure copies of insurances are provided. | Lack of probity. Financial loss. Breakdown in internal controls. | | | Likely | Major | 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. |
| | **List of Payments** | | | | | | | | | | |

## Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Entity Wide | 8.1.1 | The list of payments discloses details of each invoice being paid, rather than just the information required by legislation. Public provision of this level of detail increases the risk of IT related fraud and may result in disclosure of confidential commercial information. | Lack of probity. Fraud risk. Internal control or compliance breach. Financial loss. | | | Possible | Major | Major | High | **Prioritised action required** | The list of payments made by the CEO under delegated authority should be presented to Council with only the minimum information required by legislation. |
| | **Council and Audit Risk Committee** | | | | | | | | | | |
| Functional | 8.1.2 | Identified risks are not included within agenda items for elected member consideration or recorded in an appropriate risk register. | Failure to identify risks or adequately treat identified risks. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Identified risks relating to a Council decision should be communicated within the agenda item, to enable elected members to be fully informed of the identified risks when making decisions. Risks should also be appropriately recorded in a risk register. |
| | **Local Public Notice of Meetings** | | | | | | | | | | |
| Functional | 8.1.3 | Audit Committee meetings have not been advertised via local public notice. | Compliance breach. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Ensure all committee meetings under the Local Government Act 1995 which are required to be open to the public, are advertised in accordance with regulation 12 of the Local Government (Administration) Regulations 1996. |
| | **Council and Committee Minutes** | | | | | | | | | | |
| Functional | 8.1.4a | In our limited testing and review of minutes of Council meetings, we noted the following:<br>•An instance where a staff member declared an interest and left the meeting. The minutes do not contain a record of when or if the staff member returned to the meeting;<br>•An elected member declared an interest in and voted on a matter, however the minutes did not include a record of any decision to allow the declaring member to remain during discussions / deliberations, or to participate in the decision;<br>•Not all extents of interests disclosed at meetings have been recorded in the minutes;<br>•A budget amendment was submitted for Council consideration which required an absolute majority decision, however the officer's report indicated only a simple majority was required; and<br>•A decision at a Council meeting varied from the written officer's recommendation, yet the minutes did not state a reason for the change. | Compliance breach. | | | 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 Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Functional | 8.1.4b | It was noted an Audit Committee Meeting was included as an agenda item for the ordinary Council meeting held 12 December 2018, rather than the Audit Committee meeting being held as a separate meeting. Although all elected members comprise membership of the Audit Committee, it has specific duties under legislation, with regulations also providing for content of minutes, meeting procedures etc and as such, is required to hold its own committee meeting separate from a meeting of council. | Compliance breach. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Hold separate committee meetings for the Audit Committee as required by legislation, including the functions provided for in regulation 16 of the Local Government (Audit) Regulations 1996. |
| | | | | | | | | | | | |
| Functional | 8.1.4c | A budget amendment was adopted by Council at a special meeting held 4 September 2019. A component of the budget amendment was a change to a previous decision made by Council, rather than a budget amendment. This change was not undertaken in accordance with the provisions of regulation 10 of the Local Government (Administration) Regulations 1996. | Compliance breach. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Ensure changes or revocations to previous decisions of Council are correctly considered and treated as required by legislation. |
| | | | | | | | | | | | |
| Functional | 8.1.4d | Not all attachments (monthly statement of financial activity, accounts for payment list) are published in the minutes on the official local government website. | Compliance breach. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Ensure all attachments supporting the minutes are included in the official minutes, and the minutes published on the official local government website. |
| | **Monthly Statement of Financial Activity** | | | | | | | | | | |
| Functional | 8.1.5a | Our limited testing noted the explanation of material variances were not properly completed in the documents supporting the May 2019 statement of financial activity as required by regulation 34(2)(b) of the Local Government (Financial Management) Regulations 1996. | Compliance breach. | | | Possible | Major | Moderate | High | **Prioritised action required** | Ensure the monthly statement of financial activity contains all items required by legislation. |
| | | | | | | | | | | | |
| Functional | 8.1.5b | We observed the September 2019 monthly statement of financial activity presented to Council contained an error at Note 8, in that the incorrect GRV residential rate in the dollar was reported. | Compliance breach. | | | Possible | Major | Moderate | High | **Prioritised action required** | Ensure the monthly statement of financial activity contains all items required by legislation. |
| | **Risk Register** | | | | | | | | | | |
| Functional | 8.2.1 | A risk register was not available for our inspection to reflect identified risks, and if they have been adequately treated. | Breakdown of internal controls. | | | Possible | Minor | 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. |
| | **Tender Register** | | | | | | | | | | |

## Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Functional | 8.2.2a | Inspection of the register 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. | Internal control or compliance breach. | | | Possible | Major | Moderate | High | Prioritised action required | Ensure the tender register complies with Regulation 16 & 17 of the Local Government (Functions and General) Regulations 1996 for future tenders called. |
| Functional | 8.2.2b | We noted the tender register contained documentation which could identify the value of the consideration being sought by tenderers if it were inspected by the public. Recording such information within the register is contrary to Regulation 16(3)(c) of the Local Government (Functions and General) Regulations 1996. | Internal control or compliance breach. | | | Possible | Major | Moderate | High | Prioritised 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. |
| | | **Contracts Register** | | | | | | | | | |
| Functional | 8.2.3 | A contracts register was not available for our inspection. | Breakdown of internal controls. | | | Possible | Minor | 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. |
| | | **Delegation Register** | | | | | | | | | |
| Functional | 8.2.4a | A number of items recorded in the delegations register as delegations to the CEO are responsibilities of the CEO, and not decisions of Council delegated to the CEO. | Internal control or compliance breach. | | | Unlikely | Major | Major | Medium | Planned action required | Review Council delegations to the CEO to ensure they relate to decisions of Council delegated to the CEO and update the register accordingly. |
| Functional | 8.2.4b | A review/amendment history is not currently recorded within the delegations register. | Internal control or compliance breach. | | | Unlikely | Major | Major | Medium | Planned action required | Following review of Delegations by Council, update the latest 'history' date on each delegation to provide an accurate record of when the delegation was reviewed, amended and adopted. |
| Functional | 8.2.4c | Some delegations within the register include a delegation to the Environmental Health and Building Officer. The individual currently performing these duties is not an employee of Council, therefore cannot be delegated authority under the Building Act 2011 or Local Government Act 1995. | Internal control or compliance breach. | | | Unlikely | Major | Major | Medium | Planned action required | Review and amend delegations relating to the Building Act 2011 to remove sub delegation to contract Environmental Health and Building Officer, ensuring delegation remains with appropriately authorised officer of Council. |
| Functional | 8.2.4d | Delegations are not numbered. We noted some delegations to the CEO reference sub delegations to other officers, however these delegations from the CEO are not recorded in the register. Minute references of delegations being made and memorandums to staff of delegations made to them are also not maintained. | Internal control or compliance breach. | | | Unlikely | Major | Major | Medium | Planned action required | Numbering delegations may assist to provide a clear record of delegations being made and exercised. Review and update the delegations register to ensure records are maintained as required by legislation and as noted in the Department of Local Government, Sport and Cultural Industries Operational Guideline No. 17. |
| | | **Gifts Register** | | | | | | | | | |

# Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Entity Wide | 8.2.5 | We noted the register of gifts contains record of disclosures made under the former provision of the Local Government Act 1995 (sections 5.82 & 5.83) and are published on the Shire's website as required. We did not observe a register of gifts in the prescribed form as required. | Lack of probity. Internal control or compliance breach. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Establish a register of gifts in the prescribed form and publish on the Shire's official website as required. |
| | **Notifiable Gifts Register** | | | | | | | | | | |
| Functional | 8.2.6 | A notifiable gifts register was not available for our inspection or published on the Shire's website as required by regulation 34B(5) of the Local Government (Administration) Regulations 1996. | Breakdown of internal control. Compliance breach. | | | Unlikely | Moderate | Moderate | Medium | **Planned action required** | Maintain a register to record details of notifications given in relation to gifts as required by regulation 34B(5) of the Local Government (Administration) Regulations 1996, and publish on the Shire's official website as required. |
| | **Investment Register** | | | | | | | | | | |
| Functional | 8.2.7 | An investment register was not available for our inspection. | Breakdown of internal control. Compliance breach. | | | Unlikely | 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 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. |
| | **Register of Hazardous Materials** | | | | | | | | | | |
| Functional | 8.2.8 | A register of hazardous materials was not available for our inspection, to reflect properties under the control of the Shire which may contain hazardous materials such as asbestos, and if associated risks have been adequately treated. | Breakdown of internal controls. | | | Possible | Minor | Moderate | Medium | **Planned action required** | Develop and maintain a register to record details of hazardous materials, such as asbestos, for properties under the control of the Shire. |
| | **Financial Interest Register** | | | | | | | | | | |
| Functional | 8.2.9a | We noted primary returns were completed for two relevant persons. In both instances these primary returns have been completed more than three months after the documented start date. | Breakdown of internal control. Compliance breach. | | | Unlikely | Moderate | Moderate | Medium | **Planned action required** | Ensure systems and procedures are in place to obtain all returns required under the Local Government Act 1995. Undertake necessary actions to rectify and report this matter as required. |
| | | | | | | | | | | | |
| Functional | 8.2.9b | Acknowledgements of annual returns for three relevant persons, as well as acknowledgement of a primary return for a relevant person, were not recorded as required by section 5.77 of the Local Government Act 1995. | Breakdown of internal control. Compliance breach. | | | Unlikely | Moderate | Moderate | Medium | **Planned action required** | Review systems and procedures place to ensure the acknowledgement of receipt of all returns occurs, and are appropriately filed in the register of financial interests as required under the Local Government Act 1995. |
| | | | | | | | | | | | |
| Functional | 8.2.9c | A primary return for two relevant persons were not available for inspection upon examination of the Financial Interest Register. | Breakdown of internal control. Compliance breach. | | | Unlikely | Moderate | Moderate | Medium | **Planned action required** | Undertake a thorough examination of files to locate the primary returns and file within the register as required within the provisions of section 5.88 of the Local Government Act 1995, or take action to rectify and report this matter as required. |

# Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Functional | 8.2.9d | We noted a relevant person's primary return pre-dates their documented start date. It was also noted the same relevant person's acknowledgement of a subsequent annual return pre-dated the completed return. | Breakdown of internal control. Compliance breach. | | | Unlikely | Moderate | Moderate | Medium | Planned action required | Undertake a thorough examination of files to locate the primary returns and file within the register as required within the provisions of section 5.88 of the Local Government Act 1995, or take action to rectify and report this matter as required. |
| Functional | 8.2.9e | A primary return for a relevant person was noted to have incomplete information, in that the start date for the relevant person was omitted from the form. We noted another instance where a primary return contained several blank fields / incomplete information. | Breakdown of internal control. Compliance breach. | | | Unlikely | Moderate | Moderate | Medium | Planned action required | Establish procedures to ensure all primary and annual returns are properly completed at the time of providing acknowledgement of receipt of the returns. |
| | **Regulatory Health Inspection Register** | | | | | | | | | | |
| Functional | 8.2.10 | A register of health inspections undertaken is not routinely maintained. | Breakdown of internal control. Compliance breach. | | | Unlikely | Moderate | Moderate | Medium | Planned action required | Maintain a register to record details a central record of health inspections undertaken, registered premises within the district, and to ensure inspections are undertaken within required timeframes. |
| | **Swimming Pool Inspection Register** | | | | | | | | | | |
| Functional | 8.2.11 | A register of inspections of private swimming pools within the district was not available for our inspection and it is unclear when inspections were last performed. | Breakdown of internal control. Compliance breach. | | | Unlikely | Moderate | Moderate | Medium | Planned action required | Develop and maintain a register to assess the current status of private swimming pool inspections. Routine monitoring and review of the register will assist to ensure inspections are undertaken within required timeframes. |
| | **Community Complaints Procedures** | | | | | | | | | | |
| Functional | 8.4.1 | A customer complaints register is not currently maintained to follow up and ensure all complaints are adequately addressed. This type of register may assist with alignment to the requirements of the complaints handling policy. | Failure to identify risks or adequately treat identified risks. | | | Possible | Major | Major | High | Prioritised action required | To help ensure all complaints are adequately resolved, a register of customer complaints received should be maintained. |
| | **Official Complaints Register** | | | | | | | | | | |
| Functional | 8.4.2a | No official complaints register was available for inspection. | Failure to identify risks or adequately treat identified risks. | | | Possible | Major | Moderate | High | Prioritised action required | To ensure compliance with the Act, an official complaints register should be maintained and published on the Shire's official local government website. |
| Functional | 8.4.2b | The official complaints register is not published on the Shire's official local government website as required by section 5.121(3) of the Local Government Act 1995. | Failure to identify risks or adequately treat identified risks. | | | Possible | Major | Moderate | High | Prioritised action required | To ensure compliance with the Act, an official complaints register should be maintained and published on the Shire's official local government website. |
| | **Internal Audit** | | | | | | | | | | |
| Entity Wide | 8.5.1 | Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken. | Internal and compliance risks not identified. | | | 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. |
| | **OSH Audit** | | | | | | | | | | |
| Entity Wide | 8.5.2 | An audit was undertaken by an independent party in 2018. According to staff representations, the OSH Management Plan is not yet fully implemented. | Internal and compliance risks not identified. | | | Possible | Moderate | Moderate | Medium | Planned action required | Continue with implementation of the OSH Management Plan and ensure all previously identified OSH matters have been adequately addressed. |
| | **Audit Regulation 17 Review** | | | | | | | | | | |

## Shire of Three Springs - Risk Assessment

| Context of assessment | Risk Number | Risk Assessment Category<br>Risk Issue and Failure Modes | Risk Identified | Existing Controls | Date of initial risk identification | Likelihood | Strategic Consequences | Operational Consequences | Risk Category | Action Required | Mitigation and Management Strategy (Possible Future Controls) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Entity Wide | 8.6.1 | Previous review required under Audit Regulation 17 highlighted a number of improvement opportunities to matters identified. 19 of these improvements are yet to be implemented. | Internal and compliance risks not identified. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Outstanding items identified within the previous Audit Regulation 17 Review be addressed. |
| | **Financial Management Review** | | | | | | | | | | |
| Entity Wide | 8.6.2 | Financial management review undertaken in May 2017 made four recommendations to improve the Financial Management of the Shire. Two items identified within the Financial Management Review remain to be addressed. | Internal and compliance risks not identified. | | | Possible | Moderate | Moderate | Medium | **Planned action required** | Implement sytems to regularly monitor, action and items raised within reviews of internal controls. |

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# Three Springs - Compliance Audit Return 2019

## Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

### Commercial Enterprises by Local Governments

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 1 | s3.59(2)(a)(b)(c) F&G Reg 7,9 | Has the local government prepared a business plan for each major trading undertaking in 2019? | N/A | | Keith Woodward |
| 2 | s3.59(2)(a)(b)(c) F&G Reg 7,10 | Has the local government prepared a business plan for each major land transaction that was not exempt in 2019? | N/A | | Keith Woodward |
| 3 | s3.59(2)(a)(b)(c) F&G Reg 7,10 | Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2019? | N/A | | Keith Woodward |
| 4 | s3.59(4) | Has the local government complied with public notice and publishing requirements of each proposal to commence a major trading undertaking or enter into a major land transaction for 2019? | N/A | | Keith Woodward |
| 5 | s3.59(5) | Did the Council, during 2019, resolve to proceed with each major land transaction or trading undertaking by absolute majority? | N/A | | Keith Woodward |

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## Delegation of Power / Duty

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 1 | s5.16, 5.17, 5.18 | Were all delegations to committees resolved by absolute majority? | Yes | | Keith Woodward |
| 2 | s5.16, 5.17, 5.18 | Were all delegations to committees in writing? | Yes | | Keith Woodward |
| 3 | s5.16, 5.17, 5.18 | Were all delegations to committees within the limits specified in section 5.17? | Yes | | Keith Woodward |
| 4 | s5.16, 5.17, 5.18 | Were all delegations to committees recorded in a register of delegations? | Yes | | Keith Woodward |
| 5 | s5.18 | Has Council reviewed delegations to its committees in the 2018/2019 financial year? | Yes | | Keith Woodward |
| 6 | s5.42(1),5.43 Admin Reg 18G | Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act? | Yes | | Keith Woodward |
| 7 | s5.42(1)(2) Admin Reg 18G | Were all delegations to the CEO resolved by an absolute majority? | Yes | | Keith Woodward |
| 8 | s5.42(1)(2) Admin Reg 18G | Were all delegations to the CEO in writing? | Yes | | Keith Woodward |
| 9 | s5.44(2) | Were all delegations by the CEO to any employee in writing? | Yes | | Keith Woodward |
| 10 | s5.45(1)(b) | Were all decisions by the Council to amend or revoke a delegation made by absolute majority? | N/A | Non revoked | Keith Woodward |
| 11 | s5.46(1) | Has the CEO kept a register of all delegations made under the Act to him and to other employees? | Yes | | Keith Woodward |
| 12 | s5.46(2) | Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2018/2019 financial year? | Yes | | Keith Woodward |
| 13 | s5.46(3) Admin Reg 19 | Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required? | No | | Keith Woodward |

## Disclosure of Interest

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 1 | s5.67 | If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68)? | Yes | | Keith Woodward |
| 2 | s5.68(2) | Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings? | Yes | | Keith Woodward |

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| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 3 | s5.73 | Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made? | Yes | | Keith Woodward |
| 4 | s5.73 | Where the CEO had an interest relating to a gift under section 5.71A(1), was written notice given to the Council? | N/A | | Keith Woodward |
| 5 | s5.73 | Where the CEO had an interest relating to a gift in a matter in respect of a report another employee is providing advice on under section 5.71A (3), was the nature of interest disclosed when the advice or report was provided? | N/A | | Keith Woodward |
| 6 | s5.75(1) Admin Reg 22 Form 2 | Was a primary return lodged by all newly elected members within three months of their start day? | Yes | | Keith Woodward |
| 7 | s5.75(1) Admin Reg 22 Form 2 | Was a primary return lodged by all newly designated employees within three months of their start day? | Yes | | Keith Woodward |
| 8 | s5.76(1) Admin Reg 23 Form 3 | Was an annual return lodged by all continuing elected members by 31 August 2019? | Yes | | Keith Woodward |
| 9 | s5.76(1) Admin Reg 23 Form 3 | Was an annual return lodged by all designated employees by 31 August 2019? | Yes | | Keith Woodward |
| 10 | s5.77 | On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return? | Yes | | Keith Woodward |
| 11 | s5.88(1)(2) Admin Reg 28 | Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76? | Yes | | Keith Woodward |
| 12 | s5.88(1)(2) Admin Reg 28 | Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28? | Yes | | Keith Woodward |
| 13 | s5.89A Admin Reg 28A | Did the CEO keep a register of gifts which contained a record of disclosures made under section 5.71A, in the form prescribed in Administration Regulation 28A? | Yes | | Keith Woodward |
| 14 | s5.88 (3) | Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76? | Yes | | Keith Woodward |
| 15 | s5.88(4) | Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee? | Yes | | Keith Woodward |

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| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 16 | s5.103 Admin Reg 34C & Rules of Conduct Reg 11 | Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes? | Yes | | Keith Woodward |
| 17 | s5.70(2) | Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report? | Yes | | Keith Woodward |
| 18 | s5.70(3) | Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee? | Yes | | Keith Woodward |
| 19 | s5.103(3) Admin Reg 34B | Has the CEO kept a register of all notifiable gifts received by Council members and employees? | Yes | | Keith Woodward |

### Disposal of Property

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 1 | s3.58(3) | Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5))? | Yes | | Keith Woodward |
| 2 | s3.58(4) | Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property? | No | | Keith Woodward |

### Elections

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 1 | Elect Reg 30G (1) (2) | Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates? | N/A | | Keith Woodward |
| 2 | Elect Reg 30G(3) & (4) | Did the CEO remove any ‘disclosure of gifts’ forms relating to an unsuccessful candidate or a successful candidate that completed the term of office from the electoral gift register, and retain those forms separately for a period of at least 2 years? | N/A | | Keith Woodward |

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## Finance

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 1 | s7.1A | Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act? | Yes | | Keith Woodward |
| 2 | s7.1B | Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority? | N/A | | Keith Woodward |
| 3 | s7.3(1) | Was the person(s) appointed by the local government under s7.3(1) to be its auditor, a registered company auditor? | Yes | Appointed by OAG | Keith Woodward |
| 4 | s7.3(1), 7.6(3) | Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council? | N/A | | Keith Woodward |
| 5 | Audit Reg 10 | Was the Auditor's report(s) for the financial year(s) ended 30 June received by the local government within 30 days of completion of the audit? | Yes | | Keith Woodward |
| 6 | s7.9(1) | Was the Auditor's report for the financial year ended 30 June 2019 received by the local government by 31 December 2019? | Yes | | Keith Woodward |
| 7 | S7.12A(3) | Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government, ensure that appropriate action was undertaken in respect of those matters? | Yes | | Keith Woodward |
| 8 | S7.12A (4) | Where the auditor identified matters as significant in the auditor's report (prepared under s7.9(1) of the Act), did the local government prepare a report stating what action had been taken or it intended to take with respect to each of the matters and give a copy to the Minister within 3 months after receipt of the audit report? | Yes | | Keith Woodward |
| 9 | S7.12A (4) | Within 14 days after the local government gave a report to the Minister under s7.12A(4) (b), did the CEO publish a copy of the report on the local government's official website? | Yes | | Keith Woodward |
| 10 | Audit Reg 7 | Did the agreement between the local government and its auditor include the objectives of the audit? | N/A | | Keith Woodward |
| 11 | Audit Reg 7 | Did the agreement between the local government and its auditor include the scope of the audit? | N/A | | Keith Woodward |

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| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 12 | Audit Reg 7 | Did the agreement between the local government and its auditor include a plan for the audit? | Yes | | Keith Woodward |
| 13 | Audit Reg 7 | Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor? | N/A | | Keith Woodward |
| 14 | Audit Reg 7 | Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor? | Yes | | Keith Woodward |

## Integrated Planning and Reporting

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 1 | s5.56 Admin Reg 19DA (6) | Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments? | Yes | 20th June 2018 | Keith Woodward |
| 2 | s5.56 Admin Reg 19DA (4) | Has the local government reviewed the Corporate Business Plan in the 2018-2019 Financial Year. If Yes, please provide date of Council meeting the review was adopted at? | No | | Keith Woodward |
| 3 | s5.56 Admin Reg 19C | Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments? | Yes | 26th November 2018 | Keith Woodward |
| 4 | s5.56 Admin Reg 19C (4) | Has the local government reviewed the current Strategic Community Plan. If Yes, please provide date of most recent review by Council in Comments.<br><br>Note: If the current Strategic Community Plan was adopted after 1/1/2016, please respond N/A and provide adoption date in Comments? | N/A | | Keith Woodward |
| 5 | S5.56 Admin Reg 19DA (3) | Has the local government developed an Asset Management Plan(s) that covers all asset classes. If Yes, please provide the date of the most recent Plan adopted by Council in Comments? | Yes | Incorporated with Strategic Resources plan 2016-2031 | Keith Woodward |
| 6 | S5.56 Admin Reg 19DA (3) | Has the local government developed a Long Term Financial Plan. If Yes, please provide the adoption date of the most recent Plan in Comments? | Yes | Incorporated with Strategic Resources plan 2016-2031 | Keith Woodward |
| 7 | S5.56 Admin Reg 19DA (3) | Has the local government developed a Workforce Plan. If Yes, please provide adoption date of the most recent Plan in comments? | Yes | Incorporated with Strategic Resources plan 2016-2031 | Keith Woodward |

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## Local Government Employees

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 1 | Admin Reg 18C | Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised? | Yes | | Keith Woodward |
| 2 | s5.36(4) s5.37(3), Admin Reg 18A | Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A? | Yes | | Keith Woodward |
| 3 | Admin Reg 18F | Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4)? | Yes | | Keith Woodward |
| 4 | Admin Regs 18E | Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only)? | Yes | | Keith Woodward |
| 5 | s5.37(2) | Did the CEO inform Council of each proposal to employ or dismiss a designated senior employee? | Yes | | Keith Woodward |

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## Official Conduct

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 1 | s5.120 | Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer? | N/A | CEO is complaints Officer | Keith Woodward |
| 2 | s5.121(1) | Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c)? | Yes | No complaints received. | Keith Woodward |
| 3 | s5.121(2)(a) | Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made? | Yes | | Keith Woodward |
| 4 | s5.121(2)(b) | Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint? | Yes | | Keith Woodward |
| 5 | s5.121(2)(c) | Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occured? | Yes | | Keith Woodward |
| 6 | s5.121(2)(d) | Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c)? | Yes | | Keith Woodward |

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## Optional Questions

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 1 | Financial Management Reg 5 (2)(c) | Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Local Government (Financial Management) Regulation 5 (2)(c) within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments? | Yes | Council OCM Feb 2020 | Keith Woodward |
| 2 | Audit Reg 17 | Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulation 17 within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments? | Yes | Council OCM Feb 2020 | Keith Woodward |
| 3 | Financial Management Reg 5A. | Did the local government provide AASB 124 related party information in its annual report(s) tabled at an electors meeting(s) during calendar year 2019? | Yes | | Keith Woodward |
| 4 | S6.4(3) | Did the local government submit to its auditor by 30 September 2019 the balanced accounts and annual financial report for the year ending 30 June 2019? | No | Extension granted by DLGSC | Keith Woodward |

## Tenders for Providing Goods and Services

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 1 | s3.57 F&G Reg 11 | Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2))? | Yes | | Keith Woodward |
| 2 | F&G Reg 12 | Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract? | N/A | Did not enter into multiple contracts | Keith Woodward |
| 3 | F&G Reg 14(1) & (3) | Did the local government invite tenders via Statewide public notice? | Yes | | Keith Woodward |
| 4 | F&G Reg 14 & 15 | Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16? | Yes | | Keith Woodward |

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| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 5 | F&G Reg 14(5) | If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation? | Yes | | Keith Woodward |
| 6 | F&G Reg 16 | Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16? | Yes | | Keith Woodward |
| 7 | F&G Reg 18(1) | Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender? | Yes | | Keith Woodward |
| 8 | F&G Reg 18 (4) | In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria? | Yes | | Keith Woodward |
| 9 | F&G Reg 17 | Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection? | Yes | | Keith Woodward |
| 10 | F&G Reg 19 | Did the CEO give each tenderer written notice advising particulars of the successful tender or advising that no tender was accepted? | Yes | | Keith Woodward |
| 11 | F&G Reg 21 & 22 | Did the local governments advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22? | Yes | | Keith Woodward |
| 12 | F&G Reg 23(1) | Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice? | N/A | Tenders only, no expression of interest | Keith Woodward |
| 13 | F&G Reg 23(4) | After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services? | N/A | Tenders only, no expression of interest | Keith Woodward |
| 14 | F&G Reg 24 | Did the CEO give each person who submitted an expression of interest, a notice in writing in accordance with Functions & General Regulation 24? | N/A | Tenders only, no expression of interest | Keith Woodward |
| 15 | F&G Reg 24AC (1) & (2) | Has the local government established a policy on procurement of goods and services from pre-qualified suppliers in accordance with the regulations? | No | | Keith Woodward |
| 16 | F&G Reg 24AD(2) | Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice? | N/A | No invite for panel undertaken. | Keith Woodward |
| 17 | F&G Reg 24AD(4) & 24AE | Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE? | N/A | No invite for panel undertaken. | Keith Woodward |

Department of
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GOVERNMENT OF WESTERN AUSTRALIA

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 18 | F&G Reg 24AF | Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application? | N/A | No invite for panel undertaken. | Keith Woodward |
| 19 | F&G Reg 24AD(6) | If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, given notice of the variation? | N/A | No invite for panel undertaken. | Keith Woodward |
| 20 | F&G Reg 24AH(1) | Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications? | N/A | No invite for panel undertaken. | Keith Woodward |
| 21 | F&G Reg 24AH(3) | In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria? | N/A | No invite for panel undertaken. | Keith Woodward |
| 22 | F&G Reg 24AG | Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG? | N/A | No invite for panel undertaken. | Keith Woodward |
| 23 | F&G Reg 24AI | Did the CEO send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted? | N/A | No invite for panel undertaken. | Keith Woodward |
| 24 | F&G Reg 24E | Where the local government gave a regional price preference, did the local government comply with the requirements of F&G Reg 24E including the preparation of a regional price preference policy? | No | | Keith Woodward |
| 25 | F&G Reg 24F | Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy? | No | | Keith Woodward |
| 26 | F&G Reg 11A | Does the local government have a current purchasing policy that comply with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, $150,000 or less? | Yes | | Keith Woodward |

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GOVERNMENT OF WESTERN AUSTRALIA

| No | Reference | Question | Response | Comments | Respondent |
|---|---|---|---|---|---|
| 27 | F&G Reg 11A | Did the local government comply with it's current purchasing policy in relation to the supply of goods or services where the consideration under the contract is, or is expected to be $150,000 or less or worth $150,000 or less? | Yes | | Keith Woodward |

I certify this Compliance Audit return has been adopted by Council at its meeting on ______________________

Signed Mayor / President, Three Springs

Signed CEO, Three Springs