CONFIRMED MINUTES

AUDIT AND RISK COMMITTEE MEETING

8 DECEMBER 2021

I certify that the minutes of the meeting of the Audit and Risk Committee held on Wednesday, 8 December 2021 were confirmed on Tuesday, 25 January 2022.

_____

Presiding Person

CONFIRMED MINUTES
AUDIT AND RISK COMMITTEE MEETING
8 DECEMBER 2021

ATTENTION/DISCLAIMER

The purpose of this Committee Meeting is to discuss and make recommendations to Council about items appearing on the agenda and other matters for which the Committee is responsible. The Committee has no power to make any decisions which are binding on the Council or the Shire of Mundaring unless specific delegation of authority has been granted by Council. No person should rely on or act on the basis of any advice or information provided by a Member or Employee, or on the content of any discussion occurring, during the course of the Committee Meeting.

The Shire of Mundaring expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any advice or information provided by a Member or Employee, or the content of any discussion occurring during the course of the Committee Meeting.

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1.0 OPENING PROCEDURES

The Presiding Person declared the meeting open at 4.00pm.

Acknowledgement of Country

Shire of Mundaring respectfully acknowledges the Whadjuk people of the Noongar Nation, who are the traditional custodians of this land. We wish to acknowledge Elders past, present and emerging and respect their continuing culture and the contribution they make to the region.

1.1 Announcement of Visitors

Nil

1.2 Attendance/Apologies

Members	Cr James Martin (Shire President)	South Ward
	Cr Paige McNeil (Deputy Shire President)	Central Ward
	Cr John Daw	East Ward
	Cr Simon Cuthbert	East Ward
	Cr Doug Jeans	Central Ward
	Cr Karen Beale	West Ward
	Mr Craig Wilkinson	External Member
	Mr Tony Wittcomb	External Member
	Ms Rachael Green	External Member
Staff	Jonathan Throssell	Chief Executive Officer
	Megan Griffiths	Director Strategic & Community Services
	Garry Bird	Director Corporate Services
	Stan Kocian	Manager Finance & Governance
	Liz Nicholls	Governance Co-ordinator
	Andrea Douglas	Minute Secretary
Apologies	Nil	
Absent	Nil	
Guests	Greg Godwin	Moore Australia
	Indika Dias	Office of Auditor General
Members of the Public	Nil	
Members of the Press	Nil	

1.3 Election of Presiding Person and Deputy Presiding Person

As this is the first Audit and Risk Committee meeting since the elections held in October 2021, the Director Corporate Services chaired the meeting and called for nominations for the positions of Presiding Person of the Audit and Risk Committee.

Mr Wilkinson was nominated by Cr Daw who accepted the nomination.

Councillors Beale and Cuthbert were nominated by Cr Martin.

Cr Beale declined the nomination and Cr Cuthbert accepted the nomination.

As there were two nominations for the position of Presiding Person, a ballot was undertaken.

Following the ballot and announcement of results (Mr Wilkinson 8 votes and Cr Cuthbert 1), the Director Corporate Services declared Mr Wilkinson elected as Presiding Person of the Audit and Risk Committee.

Mr Wilkinson assumed the chair and called for nominations for the Deputy Presiding Person of the Audit and Risk Committee.

Cr Jeans was nominated by Cr Daw and Councillors Beale and Cuthbert were nominated by Cr Martin to be Deputy Presiding Person.

Cr Jeans accepted the nomination but then withdrew his acceptance.

Cr Beale declined the nomination and Cr Cuthbert accepted the nomination.

There being no further nominations, the Presiding Person declared Cr Cuthbert the Deputy Presiding Person of the Audit and Risk Committee.

2.0 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

Nil

3.0 DECLARATION OF INTEREST

3.1 Declaration of Financial Interest and Proximity Interests

Elected Members must disclose the nature of their interest in matters to be discussed at the meeting *(Part 5 Division 6 of the Local Government Act 1995).*

Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting *(Sections 5.70 and 5.71 of the Local Government Act 1995).*

Nil

3.2 Declaration of Interest Affecting Impartiality

An Elected Member or an employee who has an interest in a matter to be discussed at the meeting must disclose that interest *(Shire of Mundaring Code of Conduct, Local Government (Admin) Reg. 34C).*

Cr Beale disclosed an interest affecting impartiality in item 8.1 (Review of CD-02 Community Funding Policy) as she is a member of the Rotary Club and has been a previous grant recipient.

4.0 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

5.0 PUBLIC QUESTION TIME

Procedures for asking and responding to questions are determined by the Presiding Person and in accordance with the Shire's Meeting Procedures Local Law 2015. Questions must relate to a function of the Committee.

Nil

6.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

COMMITTEE DECISION RECOMMENDATION			**ARC1.12.21**
Moved by	Cr Jeans	Seconded by	Mr Wittcomb

That the Minutes of the Audit and Risk Committee Meeting held 17 August 2021 be confirmed.

CARRIED 9/0

For: Cr Daw, Mr Wilkinson, Cr Cuthbert, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil, Cr Jeans and Cr Beale

Against: Nil

7.0 PRESENTATIONS

7.1 Deputations

Nil

7.2 Petitions

Nil

7.3 Presentations

Nil

8.0 REPORTS OF EMPLOYEES

8.1 Review of CD-02 Community Funding Policy

File Code	GV.OPP 1
Author	Tracey Peacock, Community Capacity Building Officer
Senior Employee	Megan Griffiths, Director Strategic & Community Services
Disclosure of Any Interest	Nil
Attachments	1. CD-02 Community Funding Policy – November 2021) ⇩

SUMMARY

Council is requested to adopt the revised Policy CD-02 – Community Funding, which outlines the support provided to eligible community groups through Shire of Mundaring's Community Funding Program. This includes funding support to the community through multiple year agreements and through the Community Grants Program.

This review sees removal of reference to the Recover Together COVID-19 Relief & Recovery Fund, inclusion of the new InspireArts Community Creativity and Cultural Fund and includes greater clarification of multi-year funding agreements. The review also provides clarification and consistency on grant assessment and decision making.

BACKGROUND

The Recover Together COVID-19 Relief & Recovery Fund ceased on 30 June 2021. The Fund was established to support the community with COVID-19 relief and recovery initiatives in the 2020/21 financial year. The Fund has now ceased to operate and can be removed from the Policy.

In May 2021, Council resolved in part (C8.05.21) to allocate $7000 per annum to a new arts and culture grant (annual CPI index) and to authorise decisions on allocation under this grant to the Chief Executive Officer ($1000 and under) and to the Grants Selection Committee ($1001 and over). Councillors subsequently provided feedback on draft funding parameters of the new grant, InspireArts Creativity and Cultural Fund, at the August Council Forum. An item to adopt the InspireArts Creativity and Cultural Fund will be taken to Council in early 2022. Reference to the new fund is to be included in the Policy to outline its aims and assessment parameters.

The review also aims to provide greater clarification around multi-year funding agreements including enabling step progression to longer term agreements, as well as clarification and consistency regarding grant assessment and decision making processes.

STATUTORY / LEGAL IMPLICATIONS

In accordance with Section 2.7(2)(b) of the *Local Government Act 1995* it is the role of Council to determine the Local Government's policies.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring Strategic Community Plan 2020 - 2030

Priority 4 - Governance

Objective 4.4 – High standard of governance and accountability

Strategy 4.4.8 – Compliance with the Local Government Act 1995 and all relevant legislation and regulations

SUSTAINABILITY IMPLICATIONS

Governance

- The Program will deliver outcomes consistent with the strategic goals and objectives of the Shire.
- Up to date policies encourage good governance, ensuring transparency, accountability, effectiveness and efficiency.

Economic

- The Program will maximise income opportunities through grants, sponsorship, volunteering and partnership approaches.

RISK IMPLICATIONS

Risk: **Reputational** – Not having the policy compromises good governance, transparency, accountability, effectiveness and efficiency.		
Likelihood	**Consequence**	**Rating**
Unlikely	Minor	Low
Action / Strategy		
Risk is mitigated by adoption of the proposed amendments to the policy.		

EXTERNAL CONSULTATION

Nil

COMMENT

Policy CD-02 has been reviewed. The following amendments are proposed:

- to remove reference to the Recover Together COVID-19 Relief & Recovery Fund;
- to include reference to the new InspireArts Community Creativity and Cultural Fund;
- to bring assessment parameters for the Community Event and Matching Grants in line with other grant pools, for consistency across the Community Grants Program;
- to provide greater clarification around multi-year funding agreements and enabling step progression to longer term agreements; and

- to provide greater clarification around grant assessment and decision making processes.

ATTACHMENT 1 is the current policy and **ATTACHMENT 2** is the proposed final version.

COMMITTEE DECISION MOTION			**ARC2.12.21**
Moved by	Cr McNeil	Seconded by	Cr Jeans

That Meeting Procedures be suspended to allow Greg Godwin from Moore Australia and Indika Dias from Office of Auditor General to address the Committee and present the 2021 Audit Concluding Memorandum.

CARRIED 9/0

For: Cr Daw, Mr Wilkinson, Cr Cuthbert, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil, Cr Jeans and Cr Beale

Against: Nil

At 4.57pm, Mr Godwin and Mr Dias left the meeting.

4.58pm, Meeting resumed.

At 4:59 pm, Cr Cuthbert left the meeting.

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION

That Council adopts the revised Policy CD-02 Community Funding as reviewed and shown at **ATTACHMENT 2**.

COMMITTEE DECISION MOTION			**ARC3.12.21**
Moved by	Ms Green	Seconded by	Cr Beale

That Council adopts the revised Policy CD-02 Community Funding as at (**ATTACHMENT 1)** and amended as follows:

- Delete Dot Point 4 under Section 1 “To enhance the image of the Shire within the community” and;
- Delete the word “Community” from the heading “Community Quick Grants”.

CARRIED 8/0

For: Cr Daw, Mr Wilkinson, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil, Cr Jeans and Cr Beale

Against: Nil

Shire of Mundaring

POLICY

COMMUNITY FUNDING

Policy Ref:	**CD-02**		
Adopted by:	C4.03.09	**Date:**	24 March 2009
Amended by:	C13.05.18	**Date:**	8May 2018
Reviewed:	C5.03.19	**Date:**	12 March 2019
Reviewed:	C3.09.19	**Date:**	10 Sept 2019
Reviewed:	SC1.07.20	**Date:**	22 July 2020
Procedure Ref:	n/a	**Delegation Ref:**	
Statute Ref:	n/a		
Local Law Ref:	n/a		

PURPOSE

To outline the financial support provided to eligible local community groups through the Community Funding Program.

BACKGROUND

Council receives a range of requests for funding from local groups for a variety of sports, arts, recreation, environmental and community projects each year.

Council seeks to support groups to undertake these projects and in doing so, acknowledges the vast contribution made by local volunteers and not for profit groups to the social, cultural and economic fabric of our community.

This policy ensures that Shire funding resources are allocated in a way that is transparent, legal and equitable and that funded projects further the strategic aims and objectives of the Shire and represent responsible use of public monies.

POLICY

1. The aims of the Shire's Community Funding program are:
    - To encourage the development of services, facilities and events that meet identified community needs.
    - To promote active participation of local residents in community initiatives and the development of skills, knowledge and opportunities.
    - To provide assistance to the community to develop and deliver initiatives and services that support the Shire's Strategic Community Plan.
    - To enhance the image of the Shire within the community.

- To provide a level of funding that takes into account the budgetary constraints of the Shire.
- To enable community organisations to attract other funding and in-kind support.
- To acknowledge community organisations and volunteers for the positive contribution they make to the local community and Council's vision for the future.
- To ensure Shire funds are distributed in an equitable and transparent manner that ensures good governance.

Multi-Year Funding Agreements
For community groups in receipt of multi-year funding from the Shire, support will be delivered in the following ways:

Four Year Service Agreements:

Service Agreements may be offered to groups who provide an ongoing service to the community and maintain a continual community presence. These Agreements will support groups in their operations and staffing levels with the services they provide closely aligned to the Shire's strategic goals. These groups are required to report six monthly against key performance indicators as agreed with the Shire. Four year Service Agreements will be reserved for groups who bring a high level return on investment. It is generally expected that these Service Agreements will be offered recurrently, provided all conditions of funding are met.

Service Agreements are assessed and determined by Council.

MULTI- YEAR EVENT GRANT AGREEMENTS:

Multi-year Event Grant Agreements may be offered to groups who have a proven track record in the delivery of their community based event. The initiatives funded at this level will be closely aligned to the Shire's strategic goals and have the ability to attract significant external funding. These groups are required to report annually against key performance indicators as agreed with the Shire. Clear administration processes must be in place, with robust business planning demonstrated. It is generally expected that Multi-Year Event Grant Agreements will be offered recurrently, provided all conditions of funding are met.

There are three tiers of Event Grant Agreements –

- One off Annual Community Events Grants – these grants are offered through the annual open, competitive, Community Grants Program (refer under Community Grants section).
- Two year agreements – offered to those groups who have a history of consistently and successfully delivering the event to be funded on five or more occasions. An evaluation of the events must have been undertaken with evidence of achieving the events intended outcomes provided.

- Four year agreements - offered to those groups who have a history of consistently and successfully delivering the event to be funded on 10 or more occasions. An evaluation of the events must have been undertaken with evidence of achieving the events intended outcomes provided.

Multi-Year Event Grant Agreements are assessed and determined by Council.

COMMUNITY GRANTS

The Shire provides a variety of one-off community grants through the open, competitive, Community Grants Program. Guidelines pertaining to each of the following individual grants, including eligibility criteria and promotional and acquittal obligations, are made available to all prospective applicants via the website and in paper copy on request.

Community Event Grants

This grant provides funding to groups wishing to run fetes, festivals, markets, sporting/recreational carnivals, exhibitions and small performances.

Grants under $1000 will be assessed by the Chief Executive Officer.

Grants $1000 or greater, will be assessed by the Grants Selection Committee.

Matching Fund Grants

This grant provides funding for projects meeting the needs of the local community. Groups must be able to match the Shire funding dollar for dollar. Funding can be used towards equipment, minor capital upgrades, promotional material and training.

Grants under $1000 will be assessed by the Chief Executive Officer.

Grants $1000 or greater, will be assessed by the Grants Selection Committee.

Community Quick Grants

This grant provides funding to groups for the purchase of small equipment, promotional material, training and any other small projects that benefit the community.

Assessment and allocation of funding through Community Quick Grants will be undertaken by the Chief Executive Officer.

Giving Back Volunteer Recognition Grants – Milestone Event and Volunteer Recognition Event Grants

The Milestone Event grant provides funding to community groups to help them celebrate a significant milestone achievement.

Assessment of the Giving Back Milestone Grant will be undertaken by the Grants Selection Committee.

The Volunteer Recognition Event Grant provides funding to volunteer based organisations within the shire to support groups wishing to undertake activities and celebrations for the benefit of their members with the purpose of recognising their contribution to the group.

Assessment of Volunteer Recognition Event Grants will be undertaken by the Chief Executive Officer.

Youth Engagement Partnership Fund

The Shire works in partnership with community groups to deliver a range of programs and initiatives to local young people. The Fund provides a funding pool to community groups delivering initiatives that are aligned to the objectives of the Shire's youth services model.

Grants under $1000 will be assessed by the Chief Executive Officer.

Grants $1000 or greater, will be assessed by the Grants Selection Committee.

InspireArts – Community Creativity and Cultural Fund

The InspireArts Fund aims to support eligible applicants to carry out arts and culture initiatives which encourage new partnerships, improve access to arts and culture activity within the Shire, achieve long term artistic and cultural benefits and engage local residents.

Grants under $1000 will be assessed by the Chief Executive Officer.

Grants $1000 or greater, will be assessed by the Grants Selection Committee.

8.2 Audit and Risk Committee - Review of Terms of Reference.

File Code	GV.MTG 6.1
Author	Stan Kocian, Manager Finance and Governance
Senior Employee	Garry Bird, Director Corporate Services
Disclosure of Any Interest	Nil
Attachments	1. Audit and Risk ToRs Review – Nov 2021 FINAL ⇩

SUMMARY

This report recommends that the Audit and Risk Committee review the adopted Terms of Reference for the Committee including the following amendments that were identified during the Special Council Meeting to appoint independent, external members to the Committee:

1. To reflect the appointment of a third independent member to the Committee; and
2. Inclusion of how the independent external members will be appointed to the Committee.

Other amendments have also been suggested by staff, with all recommended changes consolidated into a new Draft terms of Reference provided as **Attachment 1**.

BACKGROUND

On 28 October 2017 the *Local Government Amendment (Auditing) Act 2017* was proclaimed, giving the Auditor General the mandate to take on responsibility for the annual financial audits of all Western Australian local governments

On 26 June 2018 the *Local Government (Audit) Regulations 1996* were amended to reflect the revised functions of an audit committee.

In accordance with the Committee's existing Terms of Reference, Committee membership shall consist of the Shire President, Deputy Shire President, four elected members and three independent members.

Appointment to the Committee is determined by Council following ordinary local government elections, for a term to expire on the date of the subsequent ordinary local government elections.

STATUTORY / LEGAL IMPLICATIONS

Under the *Local Government Act 1995* section 5.9 – A committee is to comprise of

a) Council members only

b) Council members and employees

c) Council members, employees and other persons

d) Council members and other persons

e) Employees and other persons; or

f) Other persons only

“Other persons” meaning not a Council member or employee.

Under section 5.10 of the Act the appointment of committee members requires an absolute majority vote.

Section 7.1A of the Act relates to the formation of an Audit Committee as follows:

7.1A. Audit committee

(1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.

(2) The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.

* *Absolute majority required.*

(3)A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.

(4) An employee is not to be a member of an audit committee.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

In accordance with the Committee’s Terms of Reference the independent members are entitled to be reimbursed for travel costs upon submission of a claim form.

STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan

Priority 1 - Governance

Objective 1.2 – Transparent, responsive and engaged processes for Shire decision making

Strategy 1.2.1 – Increase transparency and responsiveness of Shire administration processes

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: The Terms of Reference don’t reflect changes to legislation.		
Likelihood	**Consequence**	**Rating**
Possible	Moderate	Moderate
Action / Strategy		

Council regularly reviews the Terms of Reference of the Audit and Risk Committee to ensure compliance.

Risk: Perceived lack of transparency if Council does not appoint external members to the Committee.		
Likelihood	**Consequence**	**Rating**
Unlikely	Minor	Low
Action / Strategy		
Council appoints three external members with relevant qualifications, skills and experience.		

Risk: There is a perceived lack of transparency regarding the appointment of external members to the Committee and how Council determines who these members will be in the event of the number of applications exceeding the external vacancies.		
Likelihood	**Consequence**	**Rating**
Possible	Minor	Low
Action / Strategy		
Council conducts a selection process with applicants for the vacancies and provides feedback to them on why there application has been unsuccessful.		

EXTERNAL CONSULTATION

Nil

COMMENT

In regards to the recruitment of independent members to the Committee, the application process has been designed to be relatively simple (in comparison to an employment application) to recognise the volunteer nature of the role and not discourage potential applicants from applying.

VOTING REQUIREMENT

Simple Majority

COMMITTEE DECISION RECOMMENDATION			**ARC4.12.21**
Moved by	Cr McNeil	Seconded by	Cr Daw

That Council adopts the reviewed Terms of Reference of the Audit and Risk Committee as attached and amended as follows:

1. Item 10.6 be renumbered to 10.5;
2. Insert a new Clause 10.3 c) requiring evidence of qualifications to be supplied;
3. Insert the words “up to” at the start of 4.1.2; and
4. Change the word “may” to “will” in Item 10.5.

CARRIED 8/0

For: Cr Daw, Mr Wilkinson, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil, Cr Jeans and Cr Beale

Against: Nil

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE
(Amended December 2018 – C11.12.18)
(Amended October 2019 – SC4.10.19)

Established: The Audit and Risk Committee in its current format was established in November 2015.

1. Name

The name of the Committee is the Shire of Mundaring Audit and Risk Committee.

2. Definitions

Act means the *Local Government Act 1995*.

Council means the Shire of Mundaring.

Chief Executive Officer (CEO) means the Chief Executive Officer of the Shire of Mundaring.

Elected Member means a Councillor of the Shire of Mundaring Council.

Independent Member means a community member with skills and experience that complement the Committee's objectives.

Local Public Notice has the same meaning as that prescribed in the *Local Government Act 1995.*

3. Objectives

The objective of the Committee is to assist Council in providing a transparent and independent process in its audit, risk and governance management to ensure accountability to the community in the governance and compliance framework and its financial and risk management responsibilities.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the Shire's affairs, determining the Shire's policies and overseeing the allocation of the Shire's finances and resources.

The Committee will ensure openness in the Shire's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the Shire's financial accounting systems, risk management framework, and compliance with legislation.

4. Committee Structure

4.1 The Committee shall consist of:

4.1.1 Shire President, Deputy Shire President, four elected members; and

4.1.2 Three independent members;

4.2 The independent members of the Committee will be appointed by Council;

4.3 The Chairperson of the Committee will be appointed by the Committee; and

4.4 The quorum for a Committee meeting is as per section 5.19 of the *Local Government Act 1995*: at least 50% of the number of offices (whether vacant or not) of member of the committee.

The Committee is supported by the CEO, and relevant staff nominated by the CEO.

5. Presiding Member

5.1 The Committee is to determine the Presiding Member of the Committee at the first meeting of the Committee immediately following each biennial local government election;

5.2 The Committee is to determine a Deputy Presiding Member of the Committee at the first meeting of the Committee immediately following each biennial local government election;

5.3 If the Chairperson is absent from a meeting, the Deputy Presiding Member is to preside at that meeting;

5.4 The role of the Presiding Member includes:

5.4.1 overseeing and facilitating the conduct of meetings in accordance with the Act and the Shire's *Meeting Procedures Local Law 2015*;

5.4.2 ensuring all Committee members have an opportunity to participate in discussions in an open and encouraging manner; and

5.4.3 where a matter has been debated significantly and no new information is being discussed, to call the meeting to order and ask for the debate to be finalised and the motion to be put.

6. Delegated Authority

The Committee has been delegated authority (delegation COM-46) to meet with the auditor at least once every year and is to provide a report to Council on the matters discussed and the outcome of those discussions.

7. Code of Conduct

The Shire of Mundaring Code of Conduct (Policy OR-34) applies to all elected members and external members of the Committee.

8. Public Question Time

Committee meetings are generally open to the public and Public Question Time will be conducted in accordance with the Shire's *Meeting Procedures Local Law 2015*.

9. Terms of Appointment

Appointment to the Committee will be determined by the Council following ordinary local government elections, for a term to expire on the date of the subsequent ordinary local government elections. If a member of the Committee resigns prior to an ordinary local government election, the Council will appoint a replacement.

10. Qualification and Selection of Independent Members

10.1 Independent members should possess accounting or related financial, governance and risk management experience and have strong business acumen, management and communication skills.

10.2 Calls for independent members to apply for a position on the Committee must be advertised by local public notice in advance of the ordinary local government elections.

10.3 Potential applicants for the role of an independent member will be required to submit the following information in order to be considered for appointment;

I. The applicants resume; and
II. A Statement that responds to the following questions;
   a) Why do you wish to serve on the Shire of Mundaring Audit and Risk Committee;
   b) What qualifications and professional experience do you have that would benefit the Committee.

10.4 Once applications have closed and after elected members have been appointed to the Committee by Council following the local government elections, a Special Meeting will be convened comprising of elected members only to assess the applications received and make a formal recommendation to Council to appoint the preferred applicants.

10.6 Depending on the number of applications received and the outcome of the initial assessment process by the Committee, a shortlist may be prepared by the Committee and interviews conducted with applicants who are shortlisted after the assessment process.

11. Meetings of the Committee

11.1 The Committee will meet at least four times per year.

11.2 An ordinary or a special meeting of the Committee is to be held:

(a) if called for by either the Chairperson or at least two Committee members in a notice to the CEO setting out the date and purpose of the proposed meeting; or

(b) if so decided by the Committee; or

(c) if called for by Council.

11.3 The Committee may invite, through the CEO, Shire employees, auditors or others to attend meetings and provide pertinent information, where necessary.

12. Functions of the Committee

12.1 In accordance with *Local Government (Audit) Regulations 1996*, the Committee is to -

(a) to guide and assist the local government in carrying out —

(i) its functions under Part 6 of the Act; and

(ii) its functions relating to other audits and other matters related to financial management;

(b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;

(c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —

(i) report to the council the results of that review; and

(ii) give a copy of the CEO's report to the council;

(d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —

(i) regulation 17(1); and

(ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);

(e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;

(f) to oversee the implementation of any action that the local government —

(i) is required to take by section 7.12A(3); and

(ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and

(iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and

(iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);

(g) to perform any other function conferred on the audit committee by these regulations or another written law.

Additionally, the Committee is to –

(h) review the Shire's draft annual financial report, focusing on

(i) accounting policies and practices;

(ii) changes to accounting policies and practices;

(iii) the process used in making significant accounting estimates;

(iv) significant adjustments to the financial report (if any) arising from the audit process;

(v) compliance with accounting standards and other reporting requirements; and

(vi) significant variances from prior years;

(i) Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation, but before the annual financial report is signed;

(j) Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committees terms of reference; and

(k) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the Committee's terms of reference.

12.2 Internal Audit

12.2.1 Review and approve the Internal Audit Charter and any subsequent changes, to ensure that internal audit activities are in accordance with the Internal Audit Charter;

12.2.2 The Internal Audit function shall report administratively to the CEO and functionally to the Council through the Audit and Risk Committee;

12.2.3 Ensure that at least one substantial internal audit is carried out and finalised each financial year;

12.2.4 Monitor and review recommendations arising out of internal audit reports and their implementation;

12.2.5 Review the effectiveness of the internal audit function, including compliance with relevant auditing standards;

12.2.6 Ensure the annual internal audit plan is informed by the Shire of Mundaring Risk Management Framework; and

12.2.7 If considered necessary, meet with the internal audit service provider to discuss any matters the Audit and Risk Committee or the internal auditor believes need to be discussed privately.

12.3 Governance

12.3.1 Review the annual Compliance Audit Return and satisfy itself that the return is supported by appropriate processes and controls, to provide reasonable confidence about the accuracy of information contained in the return, and make a recommendation on its adoption to Council.

12.3.2 Consider the CEO's three yearly reviews of the appropriateness and effectiveness of the Shire of Mundaring's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the Committee, and report to the Council the results of those reviews.

12.3.3 Ensure a regular review of Council policies is completed.

12.4 Risk Management

12.4.1 Ensure Council's Risk Management Framework addresses Council's exposure to both strategic and operational risks;

12.4.2 Monitor the effectiveness of the Risk Management Framework through regular reviews and reporting;

12.4.3 Regularly review Council's strategic risk register to check that extreme and high level risks are managed in accordance with the Risk Management Framework;

12.4.4 Address any specific requests referred from Council in relation to issues of risk and risk management; and

12.4.5 At least once every year consider a report from the Shire's Risk Management Committee in relation to the management of risk within the Shire, and satisfy itself that appropriate controls and processes are in operation, and are adequate for dealing with risks that impact the Shire.

13. Powers of the Committee

13.1 The Committee is a formally appointed committee of Council and is responsible to that body.

13.2 The Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility.

13.3 The Committee does not have any management functions and cannot involve itself in management processes or procedures.

13.4 The Committee recommendations are advisory only and shall not be binding on Council.

14. Voting

14.1 Each member of the Committee at a meeting will have one vote.

14.2 The Presiding Member will have a deliberative vote but does not in the event of an equality of votes have a casting vote.

14.3 In the event of a tied vote the matter will be referred to Council for deliberation.

15. Reporting Requirements

15.1 Recommendations arising from the Committee's deliberations shall be presented to the earliest available ordinary meeting of Council.

16. Alteration to Terms of Reference

16.1 The Committee is to conduct a review of its terms of reference providing Council with recommendations for any changes, in the first instance after twelve months of operation, with subsequent reviews to be held every two years.

17. Termination of Committee

Termination of the Committee shall be in accordance with the Act or at the discretion of Council.

18. Remuneration

18.1 The independent members of the Committee are to be reimbursed travel costs.

18.2 The Council will include the independent members of the Committee in its professional indemnity insurance coverage for the services they provide to the Council.

At 5:28 pm, Cr Beale left the meeting.

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

File Code	GV.AUD6
Author	Stan Kocian, Manager Finance and Governance
Senior Employee	Garry Bird, Director Corporate Services
Disclosure of Any Interest	Nil
Attachments	1. Financial Management Review and Review of Risk Management, Internal Controls and Legislative Compliance ⇩

SUMMARY

This report recommends that Council notes the results of the review of the Shire's:

1. Financial management systems and procedures (FMR), as required by Regulation 5(2)(c) the *Local Government (Financial Management) Regulations 1996*; and

2. Risk Management, Internal Controls & Legislative Compliance, as required by Regulation 17 of the *Local Government (Audit) Regulations 1996.*

Both reviews are required to be undertaken at least once every three financial years.

BACKGROUND

The Chief Executive Officer, as required by *Local Government (Financial Management) Regulation 1996 s 5(2)(c),* is to regularly examine the appropriateness and effectiveness of the financial management systems and procedures of the Shire of Mundaring. The review is to be undertaken at least once every three financial years. The results of this review are required to be reported Council. The Shire's previous FMR was presented to Council in June 2018.

Local Government (Audit) Regulations 1996 s17(1) (a), (b) and (c), also require the CEO to regularly review the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance, and then report the review outcomes to the audit committee. The Shire's previous Regulation 17 review was presented to the Audit and Risk Committee in November 2018. In accordance with the Committee's terms of reference the Committee subsequently reported the results of the Review to Council in December 2018.

Assurance Advisory Group (AAG) was engaged to undertake both reviews following a public request for quotation process. AAG undertook both reviews concurrently during August and September 2021.

STATUTORY / LEGAL IMPLICATIONS

Regulation 5(2)(c) the *Local Government (Financial Management) Regulations 1996* requires the CEO to review the Shire's Financial management systems and procedures at least once in every three financial years.

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review the Shire's Risk Management, Internal Control and Legislative Compliance systems and procedures at least once every three financial years.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring Strategic Community Plan 2020 - 2030

Priority 4 - Governance

Objective 4.4 – High standard of governance and accountability

Strategy 4.4.8 – Compliance with the Local Government Act 1995 and all relevant legislation and regulations

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: Reputational and Compliance – Elected Members are not aware of the Shire's approach to risk management, internal controls and legislative compliance (including those that pertain to financial management).		
Likelihood	**Consequence**	**Rating**
Likely	Moderate	High
Action / Strategy		
The FMR and Regulation 17 review enhances the reporting of the Shire's approach to risk management, internal controls and legislative compliance with increased transparency and involvement for the Elected Members.		

EXTERNAL CONSULTATION

Assurance Advisory Group was engaged to undertake both reviews following a public request for quotation process.

COMMENT

Due to the age of local government legislation, regulations and any guidance material issued by the Department of Local Government, Sport and Cultural Industries (DLGSCI) to assist local governments in undertaking an FMR and/or a Regulation 17 Review, there is no standardised or consistent approach to undertake these reviews.

A comprehensive scope was prepared for both reviews, which in turn became the specifications within the request for quotation documents. Upon appointing AAG to undertake the reviews the scope was then refined during initial discussions between the Shire and AAG. This was done based on advice from AAG that the final scope should consider, and be integrated with, current and historical audit activity. This approach was necessary in order for the Shire to receive value from the reviews by reducing unnecessary duplication and focusing on potential gaps.

In conducting the reviews AAG audited 42 subjects with approximately 170 items tested within those audit subjects. AAG included four findings with recommendations within its report and also identified some areas for improvement. AAG concluded that the remainder of the review outcomes were sound.

The table below summarises the findings/recommendations and agreed management actions.

Recommendation Title	**Management Response / Actions Required**	**Directorate**	**Responsible Officer**	**Estimated Completion Date**
An Inventory should be performed for all portable attractive assets and evidenced by inventory sheets.	Accepted. The Manager Finance and Governance will liaise with the Asset Management Officer to develop/implement a process and documents for an inventory stock-take.	Corporate Services and Infrastructure Services.	Manager Finance and Governance.	30 June 2022.
Serial numbers be sourced and added to the Portable and Attractive Asset Register for individual assets.	Whilst it is acknowledged that this would be best practice, the implementation of this recommendation has budget resource (human and monetary) implications. The implementation of bar codes and bar code readers will be considered as part of the Corporate	Corporate Services.	Manager Finance and Governance.	30 June 2022.

	Business Planning process for 2022/23.			
The CEO Authorise multiple officers with the ability to exercise powers restricted to when acting in a substantive position and/or have a check box added to the Higher Duties form related to authorisation requirements.	Accepted. Higher Duties checklist form to be amended to include a check box titled “additional authorisations required”.	Corporate Services.	Manager Finance and Governance/Manager Human Resources.	30 November 2021.
Each delegated authority maintain a register of how and when they exercised their delegated authority including date, details and outcome. The source or mechanism to register could be included within each Delegated Authority form.	Noted. The Shire is confident that all instances of officers exercising their delegated power are being recorded in writing and filed, whether it be via the delegated authority form, letter, signed cheque, and approved EFT etc. The implementation of this recommendation would be administratively onerous for those employees with delegated authority.	Corporate Services.	Manager Finance and Governance.	N/A.
The Conflicts of Interest Policy detail how each section is currently managing conflicts of interest under delegated authority and each section ensure they	Noted. The Shire is of the view that its current guidelines are appropriate for all services areas and should be applied by all	Corporate Services.	Manager Finance and Governance.	31 March 2022.

register conflicts when they arise, even if the management strategy is to avoid or transfer.	service areas on a consistent basis. The primary issue here is that in some instances, whilst potential conflicts of interest are being managed appropriately, those conflicts of interest are not actually being declared in writing on the declaration form. The Shire will provide more in-house training across all service areas, and continue to reinforce the importance of documenting all potential conflicts of interest and how they are managed.			

The table below summarises the AAG's suggested areas for improvement and managements comments regarding the suggestions. It should be noted that the majority of the suggestions for improvement would have resource implications should they be implemented.

Suggested Improvement	**Management Comments**
Risk Management	
Risk Treatment: The Shire is yet to incorporate on-going monitoring of risks via inclusion of treatment action plans detailing inherent to residual risk assessment outcomes.	The Shire has recently completed an extensive full review of its risk dashboard/register, including risk controls. The intention going forward is to undertake a "rolling" review whereby all risks and controls are reviewed over a period of two years.
Probity: Periodic engagement of probity providers for high value or high-risk procurements does not occur over a	Could be considered for major projects and contracts, however this would be an addition cost which has not been factored into the Shire's Long Term Financial Plan.

decentralised procurement model.	The Shire has an annual allocation of $60,000 for internal audits therefore an option could be to incorporate probity audits as part of the Shire's ongoing internal audit plan.
Internal Controls	
Policy Framework: Whilst there is a responsible Directorate for policy review, the policies themselves do not report who that responsible person is.	Accepted. As and when policies are reviewed, the updated policy will incorporate a "responsible directorate" section.
Complaints Management: Whilst the Shire has a register for complaints management register, the Shire is unable to readily report on complaint severity, escalation, status, resolution or feedback.	Constrained by the inherent limitations of the workflow (or lack of) within Shire's electronic records management system.
Conflicts of Interests: CEO delegations currently escalate to Council when there is a Conflict of Interest. Some other Councils have introduced efficiencies by nominating a reviewing Director to sign off that no benefit or gain was made.	Current practice is considered appropriate.
Assurance: Whilst the Shire has a four-year internal audit plan, it is yet to develop an Assurance Map which is a useful tool in advising on audit coverage across the organisation. Audit planning is then based on the identification of gaps in audit, controls and risk assessment.	Considered a valid area for improvement. However if an Assurance Map is to be developed within current resources, discussions need to take place in terms of the priority of this task in relation to current workloads.
Legislative Compliance	
Unfavourable Decisions, Notifications and Objections: the audit was unable to test these areas for compliance. It is recommended that meta-data inclusion occur in Info-Hub to ensure that relevant information can be extracted that is sufficient for third party review.	Constrained by the inherent limitations of the workflow (or lack of) within Shire's electronic records management system.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RECOMMENDATION

That Council notes:

1. The review of the Shire's Financial Management Systems and Procedures (FMR), as required by Regulation 5(2) (c) the *Local Government (Financial Management) Regulations 1996; and*

2. The review of the Shire's Risk Management, Internal Controls and Legislative Compliance, as required by Regulation 17 of the *Local Government (Audit) Regulations 1996.*

COMMITTEE DECISION MOTION			**ARC5.12.21**
Moved by	Cr Daw	Seconded by	Mr Wittcomb

That Council notes:

1. The review of the Shire's Financial Management Systems and Procedures (FMR), as required by Regulation 5(2) (c) the *Local Government (Financial Management) Regulations 1996;*

2. The review of the Shire's Risk Management, Internal Controls and Legislative Compliance, as required by Regulation 17 of the *Local Government (Audit) Regulations 1996; and*

3. In response to the comment "21 – Risk Treatment" in the Review, the Risk Register contains a list of appropriate controls and an assessment of those controls.

CARRIED 7/0

For: Cr Daw, Mr Wilkinson, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil and Cr Jeans

Against: Nil

ASSURANCE ADVISORY GROUP

Shire of Mundaring

Review of:

- Financial management systems and procedures, as required by Regulation 5(2)(c) the *Local Government (Financial Management) Regulations 1996*; and

- Risk Management, Internal Control & Legislative Compliance, as required by Regulation 17 of the *Local Government (Audit) Regulations 1996.*

August / September 2021. RFQ 30/2021

Through considered and progressive thinking AAG adds value to your future.

ASSURANCE ADVISORY GROUP

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1. Introduction

The Chief Executive Officer (CEO) as required by *Local Government (Financial Management) Regulation 1996 s5(2)(c)* is to regularly examine the appropriateness and effectiveness of the financial management systems and procedures of the Shire of Mundaring. *Local Government (Audit) Regulations 1996 s17(1) (a), (b) and (c),* also require the CEO to regularly review the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance, and then report the review outcomes to the audit committee.

For both *Regulations*, regular examination/review is to be not less than once in every three years and while there is no requirement to report the review of financial management systems and procedures to the audit committee, the Shire has chosen to do so.

Assurance Advisory Group was engaged to undertake a review of the above items during August/September 2021.

2. Scope and Objectives

Due to the historical age of local government legislation, regulations and any guidance material issued by the Department of Local Government, Sport and Cultural Industries (the Department) to assist local governments in the above stated regulatory requirements, there is no consistent approach to scope out the nature and extent to which these reviews should be conducted.

For this review, a comprehensive scope was prepared for consideration by the Shire, and in conjunction with the Shire was integrated with current and historical audit activity to form a final scope for review. This approach was necessary in order for the Shire to not only receive value from this particular audit by reducing unnecessary duplication and targeting gaps, but to also facilitate maximum assurance coverage, and provide for control self-assessment and audit planning moving forward.

3. Executive Conclusion

Shire staff who participated in the review were helpful and transparent in their approach to findings, recommendations and improvements.

42 audit subjects were scoped with an approximate 170 items tested within those audit subjects. There were four findings with recommendations and some areas for improvement with the remainder of the review outcomes sound.

Overall risk ratings are provided along with a maturity assessment to assist the Shire in prioritising action items. A Management Response / Action Plan is attached at Appendix 1.

4. Findings and Recommendations

There were no major findings for the Financial Management Regulation s5(2)(c) review.

The Audit Regulation 17 review identified the following:

1. *Regulation 17 b Controls* - Assets **[Moderate].**

   A. No inventory has been undertaken for the Furniture and Equipment and Minor Plant categories for the previous year.

   B. There were no serial numbers recorded against assets in the Portable and Attractive Assets Register.

   RECOMMENDATIONS:

   1. An Inventory should be performed for all portable attractive assets and evidenced by inventory sheets.
   2. Serial numbers be sourced and added to the Portable and Attractive Asset Register for individual assets.

2. *Local Government Act 1995 s9.10* – Authorised Officers - Registration **[High].**

   Officers acting in Authorised Officer positions have incorrectly assumed they were authorised to carry out the powers authorised to the substantive person in the position.

   RECOMMENDATION:

   the CEO Authorise multiple officers with the ability to exercise powers restricted to when acting in a substantive position and/or have a check box added to the Higher Duties form related to authorisation requirements.

3. *Local Government Act 1995 s5.46(3)* – Delegated Authority - Registration **[Moderate].**

   There is inconsistency with delegated officers registering how and when they exercised their delegated powers, as required by the Act.

   RECOMMENDATION: Each delegated authority maintain a register of how and when they exercised their delegated authority including date, details and outcome. The source or mechanism to register could be included within each Delegated Authority form.

4. *Local Government Act 1995 s5.46(3)* – Delegated Authority – Conflicts of Interest **[Moderate].**

   Whilst Conflicts of Interest were managed well, there was inconsistency in the procedures for managing conflicts related to delegated authority and in some instance no registration. Both items were a requirement stemming from an audit by the Officer of the Auditor General.

   RECOMMENDATION:

   The Conflicts of Interest Policy detail how each section is currently managing conflicts of interest under delegated authority and each section ensure they register conflicts when they arise, even if the management strategy is to avoid or transfer.

5. Potential Improvements

The review recommends improvement of the following matters:

Risk Management

- **Risk Treatment:** The Shire is yet to incorporate on-going monitoring of risks via inclusion of treatment action plans detailing inherent to residual risk assessment outcomes.
- **Probity:** Periodic engagement of probity providers for high value or high-risk procurements does not occur over a decentralised procurement model.

Internal Controls

- **Policy Framework:** Whilst there is a responsible Directorate for policy review, the policies themselves do not report who that responsible person is.
- **Complaints Management:** Whilst the Shire has a register for complaints management register, the Shire is unable to readily report on complaint severity, escalation, status, resolution or feedback.
- **Conflicts of Interests:** CEO delegations currently escalate to Council when there is a Conflict of Interest. Some other Councils have introduced efficiencies by nominating a reviewing Director to sign off that no benefit or gain was made.
- **Assurance:** Whilst the Shire has a four-year internal audit plan, it is yet to develop an Assurance Map which is a useful tool in advising on audit coverage across the organisation. Audit planning is then based on the identification of gaps in audit, controls and risk assessment.

Legislative Compliance

- **Unfavourable Decisions, Notifications and Objections:** the audit was unable to test these areas for compliance. It is recommended that meta-data inclusion occur in Info-Hub to ensure that relevant information can be extracted that is sufficient for third party review.

6. Maturity Assessment

A maturity assessment was drawn from testing results with respect to findings and improvements. The risk exposure rating is aligned with the Shire's risk matrix[1] and the maturity methodology is aligned with IIA[2] practice guides.

Combined they provide a pathway for the Shire to identify priority areas for attention moving forward.

Financial Management

SCOPE TOPIC	MATURITY LEVEL	RISK EXPOSURE RATING	PROPOSED PRIORITY
Purchases, payments and payables (Minor, Possible)	Managed	Low (4)	-
Receipts /Receivables (Minor, Unlikely)	Managed	Low (4)	-
Petty Cash/Cash Floats/Mail Remittance/Cash Receipts (Minor, Unlikely)	Managed	Low (4)	-
Expenses – Payroll (Minor, Unlikely)	Managed	Low (4)	-
Rates and Rate Rebates, Concessions, Discounts, and Interest (Minor, Unlikely)	Managed	Low (4)	-
Bank Reconciliations (Minor, Unlikely)	Managed	Low (4)	-
Trust Funds (Minor, Unlikely)	Managed	Low (4)	-
Fees and Charges (Minor, Unlikely)	Managed	Low (4)	-
Cost Allocations (Minor, Unlikely)	Managed	Low (4)	-
Financial Reports (Minor, Unlikely)	Managed	Low (4)	-
Budget (Minor, Unlikely)	Managed	Low (4)	-
State Integrated Planning and Reporting Framework – Financial (Minor, Unlikely)	Managed	Low (4)	-
Assets – Fixed Assets (Minor, Possible)	Defined[3]	Low (4)	-
Financial Delegations (Minor, Unlikely)	Managed	Low (4)	-
Contributions by Lessees/Asset Additions (Minor, Unlikely)	Managed	Low (4)	-
Insurance (Minor, Unlikely)	Managed	Low (4)	-
Information / Records Management (Minor, Unlikely)	Managed	Low (4)	-
Corporate Credit Card Procedures (Minor, Unlikely)	Managed	Low (4)	-
Monthly Statement of Financial Activity (Minor, Possible)	Managed	Low (4)	-

[1] Shire of Mundaring's IS-01 Risk Management Policy.
[2] Institute of Internal Auditors Australia (IIA) Capability Maturity Assessment.
[3] Note, this audit did not reiterate findings from other external audits of the OAG such as that related to Asset Sustainability Ratio.

Risk Management

SCOPE TOPIC	MATURITY LEVEL	RISK EXPOSURE RATING	PROPOSED PRIORITY
Risk Management Framework (Minor, Possible)	Managed	Moderate (6)	-[4]
Risk Treatment (Moderate, Possible)	Defined	Moderate (9)	2
Probity (Moderate, Possible)	Repeatable	Moderate (9)	2
Insurance (Insignificant, Rare)	Defined	Low (1)	-
Fraud and Misconduct (Moderate, Unlikely)	Managed	Low (1)	-
Business Continuity (Moderate, Unlikely)	Managed	Low (1)	-
Emergency Management (Minor, Unlikely)	Managed	Low (1)	-

Internal Controls

SCOPE TOPIC	MATURITY LEVEL	RISK EXPOSURE RATING	PROPOSED PRIORITY
External Auditors and the Shire (Minor, Unlikely)	Managed	Low (4)	-
Portable and Attractive Assets (Moderate, Likely)	Repeatable	High (15)	1
Authorised Officers (Major, Possible)	Defined	High (12)	1
Delegations of Authority (Minor, Unlikely)	Managed	Low (4)	-
Policy Framework (Minor, Unlikely)	Defined	Low (4)	-
Complaints Management (Minor, Possible)	Managed	Moderate (6)	4
Conflicts of Interests (Minor, Possible)	Defined	Moderate (6)	3
Assurance (Minor, Possible)	Defined	Moderate (6)	3
Audit Committee (Minor, Unlikely)	Managed	Low (4)	-

Legislative Compliance

SCOPE TOPIC	MATURITY LEVEL	RISK EXPOSURE RATING	PROPOSED PRIORITY
Monitoring Compliance with Legislation and Regulations (Minor, Unlikely)	Managed	Low (4)	-
Compliance Audit Return (Minor, Unlikely)	Managed	Low (4)	-
Governance Framework (Minor, Unlikely)	Managed	Low (4)	-
Declaration of Interests (Minor, Unlikely)	Managed	Low (4)	-
Elected Member Relations with Shire Employees (Minor, Unlikely)	Managed	Low (4)	-
Annual Report, Strategic Community Plan and Corporate Business Plan (Minor, Unlikely)	Managed	Low (4)	-

[4] By addressing other risk management moderate risks, this will automatically change therefore no specific action is required.

7. Testing and Observations

Financial Management Audit Regulation 5(2)(c)

1 Purchases, payments and payables

Audit Specifics	Observations		Commentary
A. Does the Shire process accounts in a timely manner?	✓		Yes, one payment run a week and/or according to terms for each supplier. Sample tests revealed no anomalies.
B. Does the Shire carry-out Audits with respect to Accounts Payable – either by way of external audit or internal self-controlled audits?	✓		Yes, Accountant performs an account check, including Masterfile data change check prior to payments. External audits are carried out by the Office of the Auditor General and internal audits are periodically carried out - the last Procurement Audit was carried out by Deloitte in March 2016 however the Compliance Audit Return is completed annually with all elements validated and an independent auditor was engaged for the previous Regulation 5(2)(c) audit.
C. Does the Shire issue and manage Purchase Orders in accordance with its financial management policies and procedures?	✓		Yes, the Shire has a detailed policy Admin 30, Admin 31, AS-04. A review of samples and check of the audit trail for a manual invoice payment and a matched invoice payment occurred. It was identified that the receiver reference is marked on the invoice which also references the Purchase Order number. However, from an audit perspective, the system is currently may be inefficient given there is no system link (automated audit trail) to quotations and tenders. It is accepted that this is completed by individuals on a case by case basis.
D. Is there appropriate separation between requisition, approval and payment?	✓		Yes, the online requisitioning system is set up to require a separate approver to the person raising the requisition. All actual payments are checked by the Accountant and approved by two approvers on-line. It was noted however that Receiver is the same individual as the Requisitioner. Current practices have a four-way separation for payments.
E. Does the Shire independently validate vendor details for authenticity and accuracy?	✓		Yes, confirmed Accountant performs Masterfile listing check and Businesses are checked against the Australian Business Registry. No anomalies were identified.
F. Does the Shire perform reconciliations between accounts raised and those paid at regular intervals?	✓		Each time a new account is added this will trigger the Accountant to perform a Masterfile a/c listing check. Sample checked G/L Reconciliation with a minor balance variance occurring between GL's due to live nature of supplier system. It was noted however that supplier statement reconciliations are not performed however there are a number of other reconciliations conducted.
G. Does the Shire ensure that data on paper and within systems cannot be altered at any point during the payment process?	✓		The Shire cannot ensure there is no alterations, however the Masterfile is checked and used as a detective measure along with access controls and ensuring there is two approvers.

2 Receipts /Receivables

Audit Specifics	Observations		Commentary
A. Does the Shire have adequate processes in place to receipt/receive Rates, Fines, Fees and Charges?	✓		Yes.
B. What is the system to ensure cash/cheque receipts are recorded in the AR ledger?	✓		The post room receipts listing is only referred to if a debtor reports a payment has not been processed but they are documented.
C. What is the system to ensure bank receipts are recorded in the AR ledger?	✓		They are documented with the review not identifying any anomalies.
D. Is the cash entry in the AR ledger guaranteed to generate an automated GL journal?	✓		Yes, tested and confirmed.
E. Are long overdue accounts reviewed in a timely fashion and chased?	✓		Yes. Tested samples noted 2 overdue accounts being pursued: 1) Shire Resident who sold his house and now paying for a Section 33 burn, and 2) Western Power account which is subject to Executive decision.
F. Are there set procedures to ensure overdue accounts are finally put into the hands of debt collectors and legal action taken if necessary?	✓		Yes normally, but currently there is a moratorium on Rates chasing due to the Covid pandemic

3 Petty Cash/Cash Floats/Mail Remittance/Cash Receipts

Audit Specifics		Observations		Commentary
A.	Is there is a limited petty cash facility?	✓		Yes, 10 floats totalling $5,600. The review of Petty Cash Reconciliation as at 30 June 2021 did not identify any anomalies.
B.	Are the processes and controls in place considered adequate?	✓		Yes, Imprest floats maintained, and reconciliations conducted. Reviewed Petty Cash Reconciliation as at 30 June 2021. Noted that all floats have an accountable employee.
C.	Is the regular comparison of the result of physical cash and inventory accounts with accounting records?	✓		Yes, regular Inventories. Reviewed Lake Leschenaultia/ Reflections Café cash on hand vs cash float reconciliation as at 28 June 2021. This was signed off by the responsible officer.
D.	Does the Shire remit cash receipts?	✓		Yes, the Shire remits cash receipts and testing confirmed that there was a robust process in place to manage cash. There are approximately 100 cheques raised per annum for both petty cash and entities. The AP clerk raises cheques and circulates them for signing by approved officers (2). They are returned the AP clerk who then distributes the cheques for another officer for petty cash withdrawal at the bank (where monies are also banked) and for entities mails/delivers.
E.	Is the process secure?	✓		Yes, it is considered secure.
F.	Are there appropriate controls in place to ensure that all mail/cash received is actually remitted/receipted?	✓		Yes, generally however cheques coming in via mail for the formal post room procedure records remittances but is not reconciled routinely.

4 Expenses – Payroll

Audit Specifics		Observations		Commentary
A.	Do Payroll processes have controls in relation to the access to system information?	✓		Yes, Authority limits access according to job need on application (as per IT Department). HR and Finance have access to payroll information as per access report. New starter forms arrive in HR from departments and permanent data is input to Authority, as are pay rates. New starters form's also arrive in Payroll for Payroll set up. Every employee has a timesheet approved by their supervisor. HR are notified of changes too. A Masterfile amendments listing is also reviewed by accounts supervisor for any changes. Each payroll is approved by Payroll role approved by Accountant or Team Leader of Finance and Manager Finance and Governance.
B.	Are parts of the payroll process manual or electronic and if so, is there consistency in the nature and extent of controls between the two?	✓		Mixed, Yes controls enacted to work between the two. All employees also complete a timesheet which is regularly reviewed.
C.	Are regular payroll exception reports or control self-assessments conducted?	✓		Yes, exceptional amounts are reported on fortnightly payroll summary and reviewed by payroll and resolved/rectified if necessary. Also, the Masterfile listing is regularly reviewed by the Accounts Supervisor.
D.	Has the Shire recently changed payroll systems and if so was a reconciliation between the two systems completed?	✓		No, regardless a sample G/L ledger Reconciliation was reviewed with no anomalies identified.
E.	Is the Manager's approval required for payment of overtime?	✓		Yes. Reviewed sample did not identify any anomalies.
F.	Does the approval process for higher duty payments require multiple levels of approval?	✓		Yes. However, two sample tests identified anomalies. One test identified that a staff member was not paid even thought it was approved. The other test identified that a staff member had been paid a higher rate but it was not recorded as higher duties. It is understood that a payroll audit has not occurred at the Shire for some time. Whilst this does not indicate an inappropriate level of approvals, it does identify errors or omissions can still occur. The Shire could consider conducting an in-house review to identify and rectify controls if necessary to gain an appropriate level of assurance.
G.	Is access limited to select members of the Human Resources, Finance, and IT teams for sensitive/confidential matters?	✓		Yes. Interviews and documented evidence identified no anomalies.

5 Rates and Rate Rebates, Concessions, Discounts and Interest

Audit Specifics		Observations		Commentary
A.	Does the Shire regularly review its rates, rate rebates, concessions, discounts and interests in-line with the annual budgeting process or new legal findings in the sector?	✓		Yes, the Manager Finance & Governance supplies input data annually for Finance staff to run output Authority reports. As part of the Long Term Financial Plan for the Shire, Rates, annual increases and growth are subject of sensitivity analysis and own source revenue coverage ratio is assessed.

Audit Specifics	Observations		Commentary
B. Has the Shire had the methodology reviewed for compliance and applicability?	✓		Not independently. But this does not necessarily mean it is incorrect or less optimal. No complaints or issues have been raised. The OAG audits rates compliance as part of its annual audit.

6 Bank Reconciliations

Audit Specifics	Observations		Commentary
A. Are bank reconciliations performed monthly and/or on a timely basis?	✓		Yes. Reviewed Bank Reconciliation as at 31 May 2021 with no anomalies identified.
B. Is exception reporting or some type or checking mechanism for accuracy in place?	✓		Yes, bank reconciliations are itemised. The sample reviewed for 31 May 2021 did not identify any anomalies given the balance per Bank has been compared to the Balance per the General Ledger, with reconciling items noted. Reconciliation includes direct debits reviewed and approval confirmed.

7 Trust Funds

Audit Specifics	Observations		Commentary
A. Is the Trust Fund accurate and up to date?	✓		Yes. Reviewed the Trust Fund Bank Reconciliation as at 31 May 2021 with no anomalies detected.
B. Is progress tracked through monitoring of held monies on a monthly basis?	✓		Yes, monthly reconciliations. The review of the Trust Fund Bank Reconciliation as at 31 May 2021 identified no anomalies.
C. Is the refund process documented and understood?	✓		Yes, policies in place and the review did not identify any anomalies.

8 Fees and Charges

Audit Specifics	Observations		Commentary
A. Are Fees and Charges updated as part of the annual budget process?	✓		Yes, a review of the Shire of Mundaring Adopted Fees & Charges 2021/22 identified no anomalies.
B. Where changes to fees are post adoption of the budget, are they in relation to legislated fees where the legislation changed and accordingly fees were adjusted appropriately in accordance with Local Government Act?	✓		No changes to fees and charges occurred post the budget adoption in 20/21. When this does occur however there is always an item to Council to approve by absolute majority with local public notice given.
C. Are doubtful and uncollectible debts recorded as per the accounting standards, Financial Management Regulations and the Council policy in relation to Significant Accounting Policies?	✓		Yes, trade receivables are recognised less any allowance for uncollectible amounts (i.e.; impairment).

9 Cost Allocations

Audit Specifics	Observations		Commentary
A. Are all costs allocated to cost centres to enable ownership of costs and budgetary control to be exercised?	✓		Yes, GL account structure shows distribution of costs to cost centre level with a review not identifying any anomalies. Responsible Officers, who are essentially Directors, Managers and some Co-ordinators, all have access to the budget enquiry software BIS.
B. Does the budget show a reasonable methodology for cost recovery and the setting of rates, fees and charges?	✓		Yes, Rate setting process incorporates fees and charges approved by council review identified no anomalies.

10 Financial Reports

Audit Specifics	Observations		Commentary
A. Does the Shire produce regular financial reports for Executive and Council in a timely fashion?	✓		Yes, reports are produced monthly to Council and published. They are reviewed by the Executive in the first instance.
B. Does the content of the reports provide sufficient information to enable performance of individual cost centre managers to be held accountable and also inform council members to a level which enables strategic decisions to be made for the future?	✓		Yes, various reporting levels are available. Strategic financial decisions by Council are informed by the annual integrated planning framework process each year, not periodical financial reporting. i.e., the 10-year Strategic Community Plan, asset management plan, workforce plan and Long-Term Financial Plan inform the development of the annual 4-year Corporate Business Plan from which the annual budget is an output (essentially the first year of the Corporate Business Plan). Reports are improved as and when requested by the Executive and Council, or as financial improvements occur.

11 Budget

Audit Specifics	Observations		Commentary
Local Government (Financial Management) Regulations 1996 A. s33. Was a copy of the annual budget of the Shire submitted to the Departmental CEO within 30 days of its adoption by Council?	✓		Yes. Testing of the Budget Review Submission email to Manager Finance & Compliance confirmed activity.
B. s33A(1). Was the budget review carried out between 1 January and 31 March in each financial year?	✓		Yes, the midyear budget review was adopted on the 8 February 2021.
C. s33(2A). Did that review consider the Shire's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; the Shire's financial position as at the date of the review; and also the review outcomes for the end of that financial year that were forecasted in the budget?	✓		Yes, as above. Activity sighted.
D. s33(2)(3)(4). Did the Shire within 30 days after the review of the annual budget submit it to Council for consideration and determine whether or not to adopt the annual budget (absolute majority required) and then within 30 days after a Council made a determination was a copy of the review and determination provided to the Department (DLGSCI)?	✓		Yes, as above. Activity sighted.

12 Integrated Planning and Reporting

Audit Specifics	Observations		Commentary
Did the Shire introduce and subsequently regularly review: A. Asset Management Plan (including land, buildings, plant and equipment).	✓		Yes, the review of the Corporate Business Plan available on the Shire's website identified compliance [includes the Asset Management Plan (pp55-59)].
B. Workforce Plan.	✓		Yes, the Corporate Business Plan available on the Shire's website. This includes the Workforce Plan (p.14, pp.53-54).
C. Plant Replacement (Capital) Plan.	✓		Yes, the Long-Term Financial Plan available on the Shire's website. This includes the 10 year capital works / replacement programs (including plant).
D. Long Term Financial Management Plan.	✓		Yes, the Long-Term Financial Plan available on the Shire's website.

13 Assets – Fixed Assets

Audit Specifics	Observations		Commentary
A. Are controls in place to ensure fixed assets are correctly recorded?	✓		Yes. Reconciliations are performed on fixed assets on a monthly basis. The reviewed of the Reconciliation for May G/L to Asset register did not identify any anomalies.
B. Are assets recorded as per the accounting standards?	✓		Yes. While land under roads is not capitalised it was explained to be within Regulations, as an example it is noted Local government are specifically prohibited from accounting for land under roads in the FM regs hence the inconsistency with the Standards. A physical verification occurs every 3 years for each class. Infrastructure verification was performed in 2021, for Land and Buildings in 2020, and Plant and Equipment in 2019. As per the Shire of Mundaring's annual report for the year ended 30 June 2020, an Australian Accounting Standard inconsistency was noted for 'Land Under Control prior to 1 July 2019'. The Shire has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019. The comparatives have not been restated.
C. Does the Shire policy in relation to Significant Accounting Policies describe the key policies being followed by the finance department?	✓		The fixed assets administration responsibility is split amongst directorates with the procedure last updated during 2011. It was noted Asset Sustainability ratio had declined and was reported as a concern for the Auditor General in 2019. The ratio is still below standard. When reviewing the previous audit conducted 2018 – this was identified as an issue. As indicated above, there are reasons for this. The Department (DLGHS) are reviewing this issue.
D. Does the Asset (Capital) Register include required categories such as Land, Buildings, Furniture and equipment, Plant and equipment, Motor vehicles, Computer equipment and Capital works in progress?	✓		Yes, Categories in financial report: Buildings, Furniture and Equipment, Plant and Equipment, Infrastructure: Roads, Footpaths, Drainage, Parks and Ovals. Categories per asset register: Land, Buildings, Furniture and Equipment, Plant and Equipment.

14 Financial Delegations

Audit Specifics	Observations		Commentary
A. Does the Shire have a financial/procurement delegations register?	✓		Yes. Reviewed/Sighted.
B. Does the system or processes in place ensure that only those persons authorised to make or approve payments up to certain delegatory levels can do so?	✓		Yes. This is embedded within the financial management system Authority in line with Procurement thresholds.
C. Are delegations regularly reviewed to ensure they support financial/procurement activities of the Shire?	✓		Yes, the delegations are regularly updated and reviewed, particularly when new staff commence or acting periods occur.
D. Do the controls adequately cater for persons actioning in higher duties / positions?	✓		Yes. This is adjusted in the system however it does rely on Finance staff being advised that someone is acting in a position.

15 Contributions by Lessees/Asset Additions

Audit Specifics	Observations		Commentary
A. Are there asset additions on leased properties/facilities?	✓		Yes, interviews with key staff indicated that assets additions on leased properties are monitored under the lease.
B. Are contributions by lessees considered to be low or high value?	✓		Yes, each contribution is considered on a case by case basis and treated accordingly.
C. If so, are they considered and processed on a case-by-case basis as the lease contractually determines who owns the asset addition?	✓		Yes, testing concluded it occurs on a case by case basis and is determined upfront before any development of any assets by the lessee occurred on the leased land and in accordance with the lease conditions. Lessee's are generally leasing land for the purpose of utilising Shire buildings on the land, rather than the land itself. It was identified that it is very rare that any improvements/additions would actually be undertaken.

16 Insurance

Audit Specifics	Observations		Commentary
A. When securing insurance, is the Shire considering Value for Money through a competitive process?	✓		Yes. LGISWA is the current provider for all insurance. This was reviewed last year by the council, with this recorded in the minutes – confirmed with a review of the minutes.
B. Has the Shire fully assessed its risks for insurance?	✓		Yes, as per discussion with Manager, Finance & Governance, on an annual basis there is a meeting held with the Insurance Broker from the Local Government Insurance Scheme (LGIS) to review of adequacy of the Shires Insurance coverage. As a part of this process, the asset register with associated values is reviewed.
C. Has the Shire appropriately determined those risks that require insurance and the extent of coverage needed?	✓		Yes, this process is included in the above activity.
D. Do insurable risks include those to both the Shire and third parties?	✓		Yes, this process is included in the above activity.
E. Were any claims made during the audit period and if so were those claims appropriately honoured and sufficient with respect to coverage?	✓		Several claims were made and payments received. It was noted that Zurich was the previous insurer, before LGISWA became a self-insurer for motor insurance.

17 Information / Records Management

Audit Specifics	Observations		Commentary
A. Does the Shire keep adequate records of financial activities?	✓		Yes, the Shire are required by law to keep detailed records of financial transactions to support their activities. This is audited by the OAG on an annual basis. No exceptions noted in the 30 June 2020 report.
B. Are records stored in an appropriate manner i.e. locked cabinets where necessary, free from potential damage.	✓		Reasonably so, much of the records are digital now, so able to be reviewed online.
C. Are processes in place for the approval of financial documents, letters and financial records? Are they effective?	✓		Yes (evidenced in other tests with no discrepancies detected).
D. Are there limits to staff access to make changes in data files and systems? Is the audit trail adequate?	✓		Yes (evidenced in other tests with no discrepancies detected).
E. Do the Shire computer applications and information systems contain adequate controls to protect the integrity of data?	✓		Yes (evidenced in other tests with no discrepancies detected).

18 Corporate Credit Card Procedure

Audit Specifics	Observations		Commentary
A. How many credit cards are in existence?	-		36. This is a significant reduction from the previous audit of 43 (down from 73).
B. Does the Shire have a Credit Card Policy or Process?	✓		Yes, Admin-29: Issue and Use of Corporate Purchasing Cards. The content appears to meet appropriate Accounting Standards.
C. Are credit card payments authorised with supporting records maintained?	✓		Yes, the review of sample transactions identified that approvals are received and appropriate documentation has been maintained.
D. Has the Shire followed its policies and procedures for credit card transactions?	✓		Yes, as indicated above.
E. Are transactions appropriately reconciled and reviewed?	✓		Yes and monthly reconciliation occurs by the Finance Officer – Accounts Payable who advised they submit the credit card transactions report to Council.

19 Monthly Statement of Financial Activity

Audit Specifics	Observations		Commentary
A. Are the Monthly Statement of Financial Activity prepared and lodged as per statutory requirement?	✓		Yes, monthly samples tested with no anomalies detected.
B. Does the Shire conduct monthly maintenance and review of financial accounts and trial balances?	✓		A review identified that the figures in the GL didn't match the amounts stated in the reconciliations for the month of May [May reconciliation: G/L $367,610, closing TB $366,800, Rates Ledger $367,611.20]. The issue was identified to due to reconciliations being undertaken before the month was actually closed off.
C. Does the Shire conduct monthly comparison, analysis and review of actual financial results with budgeted amounts?	✓		Yes, reviewed variance analysis and interview conducted with Accountant validated processes.

Audit Regulation 17(1)(a) - Risk Management

20 Risk Management Framework

Audit Specifics	Observation		Commentary
Does the Shire have an effective risk management framework which considers both strategic and operational risks?	✓		Generally, Yes. The level of maturity is currently at the Defined/Managed stage. Please see comments further in this section. The risk management dashboard includes both Strategic and Operational Risks. Currently, Strategic Risks are presented to the Audit & Risk Committee (as representing Council). Operational Risks are being reviewed by the Internal Risk Management Committee, who have set aside 2 hours each meeting to review high level operational risks, based on the risk themes of the Risk Dashboard. Managers are required to present their risks and controls applicable to their service area to the Committee. Any risk/control noted as inadequate requires the Manager to report back to the Risk Management Committee at the next meeting. The risk rating is reviewed by the internal Risk Management Committee as well as being challenged by the Governance Coordinator. The roles and responsibilities of Managers are documented in 'Risk Management Procedure Admin - 36'.
Do Risk Management Policies and Procedures include Risk Consequence and Likelihood Matrix/Table, Risk Appetite Tolerance Levels, Control ratings?	✓		Yes, the review of the Risk Management Policy (Ref: IS-01) includes Risk Acceptance Criteria (including Risk Consequence & Measures of Likelihood, Risk Appetite Tolerance and control ratings). This is consistent with criteria included in the Risk Dashboard.
Risk Registers/Dashboards Establishment.	✓		The review of the Risk Register/Dashboard identified it is currently in the process of being refreshed. As indicated above the Shire is currently going through the process of completing an enterprise-wide review of all operational risks. Twelve Managers are compiling their top five risks for their areas which are being presented to the internal Risk Management Committee and will form the basis for risks included in the Risk Register. This exercise will be refreshed on an annual basis and reported to the Audit & Risk Committee (as representing Council). As part of the Governance Coordinator's role, a Controls Assurance review is conducted on each of the risks for each area. The review of minutes associated with each of the presentations by Managers to date (Reviewed 1 Sept 2020, 2 Nov 20, 16 Nov 20, 24 Feb 21, 14 Apr 21, 10 Jun 21, 15 Jul 21) were sound. It was noted that the Controls Assurance Process was constantly being improved along with how the Shire was to consider treatment of risks stemming from Audits and Reviews in the risk register.
Established Audit and Risk Committee Meetings are in accordance with local government regulations supported by an Internal Audit Charter, Committee Terms of Reference and appropriate Meeting Minutes.	✓		PLEASE ALSO REFER TO ITEMS 35/36. Yes, the review of the Audit and Risk Committee Terms of Reference identified they have been established in line with the *Local Government Act, 1995*. This is supported by Internal Audit Charter Policy (Ref; OR-19). The review of Audit & Risk Committee Minutes (18 Aug 20, 14 Dec 20, 16 Feb 21 and 18 May 21) validate compliant functioning.
Internal Risk Management Committee supported by a Risk Management, Terms of Reference, Regular Meetings, Minutes of Meetings, Monitoring of Risk Treatment/Actions occurs.	✓		Yes, Internal Risk Management Committee formed (staff only) meets six-weekly (approx.). It is made up of the Executive (CEO and 4 Directors) and the Manager Finance & Governance. The Governance Coordinator provides "executive support" to the Committee. The review noted that the Internal Risk Management Committee does not have a formal charter or terms of reference, however a review of the Risk Management Policy (Ref: IS-01, last reviewed December 2018), Risk Management Committee Meetings (Reviewed 1 Sept 2020, 2 Nov 20, 16 Nov 20, 24 Feb 21, 14 Apr 21, 10 Jun 21, 15 Jul 21) identified a consistent and sound approach to managing risks. Meeting minutes include a status report on outstanding risk treatment/actions.
Does the Shire's also determine significant business risks by recognising responsibility for general or specific risk areas at an enterprise-wide level, including but not limited to:	✓		A review of specific registers identified:
Family and Children's Services	In progress		The Children's Services Manager will submit her 5 major risks to the Risk Management Committee (RMC) on 29 September 2021.
Swimming Pools, Watercourses	✓		Yes, Management of Facilities, Venues and Events considers risks associated with swimming pools, watercourses. Specific risks reviewed and noted in relation to 'Drowning/Permanent Injury at Lake Leschenaultia', 'Death/Permanent Injury from bushfire at Lake Leschenaultia', 'Drowning/Permanent Injury at Aquatic Centres', 'Death/Permanent Injury from chemical exposure at Aquatic Centres' and 'Death/Permanent Injury at Hudman Reserve Quarry'.

Audit Specifics	Observation		Commentary
Recreational Centre Gyms and Sports	✓		Recreation and Leisure – While this department recognised risks relating to the swimming pools and the lake, risks at the Mundaring Arena and other minor sporting venues were considered less significant.
Churches and Cemeteries	✓		The risks at the two cemeteries (Mundaring and Wooroloo) did not make it into the 5 most significant risks for Design Services (who design capital works such as new niche walls) or for Operations (who do the maintenance and grave-digging). Thus, these were not included on the Risk Register.
Information Communications Infrastructure	✓		IT, Communication Systems and Infrastructure were considered as part of the top 5 significant risks presented to the Risk Management Committee by the Manager Information Technology. The risk considered was based on 'Loss of internet access, loss of connectivity to locations on the network and between internal network devices due to damage or severance of Shire owned fibre optics infrastructure'. Key controls reviewed were assessed as effective.
Ranger Services	In progress		Manager Community Safety & Emergency Management will submit this teams risks to the Risk Management Committee in September 2021.
Warrant and Infringement issuing	✓		Manager Community Safety & Emergency Management, partial accountability under Statutory Services and Health. An internal audit was done by Paxon Group during November 2020 – February 2021. While the Findings Report has not yet been finalised and the Shire still needs to respond to the findings, they noted the following risks: 1. Inadequate controls over existing processes for issuing, reviewing, monitoring and waiving infringements and court imposed fines; 2. Policies, procedures and relevant legislation are not complied with; 3. Ineffective process for referrals to Fines Enforcement Registry; and 4. Governance processes for infringements are inadequate.
Building and Land Use Approvals	✓		On 24 February 2021 the following main risks were reported to the Risk Management Committee by the Planning/Construction Department Manager: Building and Health: 1. Inconsistent service delivery of statutory functions, including inconsistent or incorrect information provided to customers by frontline staff; 2. Inability to attract and/or retain Environmental Health and Building staff; 3. Operation of businesses trading unregulated and/or solely through social media - in a way as to deliberately avoid detection by regulators (e.g., Airbnb – addresses are withheld, closed Facebook group food businesses etc.), resulting in an inability for officers to properly investigate; 4. Introduction of full private building certification. Planning and Environment: 1. Errors in administration and decision making due to capability of staff, rapid changes in legislation complexity and workload; 2. The extent of non-compliance with the Shire's Local Planning Scheme No.4 is unknown, which could lead to extensive unauthorised works and irreversible environmental damage; 3. Rapid changes to strategic direction (at State or Local level) could undermine the ability of Strategic Planning / Environment Service to deliver committed strategic projects on time and within budget; 4. Significant emergency event involving loss of property resulting in increased application workload, pressure on staff, and community sensitivity relating to approvals and processes for clearing and rebuilding.

21 Risk Treatment

Audit Specifics	Observation		Commentary
Are the internal processes for treating material operating risks in accordance with the Shires identified tolerance for risk? And is this regularly assessed?	✓		Risk Management Procedure (Ref: Admin-36) documents the three lines of defence followed by the Shire of Mundaring: - 1st Line of Defence: All operational areas of the Shire. - 2nd Line of Defence: Governance Coordinator supplemented by the Executive Leadership Team (ELT) and Risk Management Committee (RMC). - 3rd Line of Defence: Internal and External Audits. Within this procedure tolerances have been set based on the Shire's risk appetite. This procedure was documented in 2016 and it can be noted that the risk process is being refreshed over the 2021 calendar year. The Risk Register includes the tolerances as well as criteria and responsibility.
Are risk treatment officers identified and required to regularly report on risk treatment?	✓		Identified Managers are required to report to the Risk Management Committee on an annual basis. In the event of an ineffective key control rating, the Manager is required to return to the next meeting to present how the risk will be mitigated. A Risk Management Committee (RMC) tracker is used to ensure items are closed out in a timely manner. The Shire is yet to mature to the point where process owners at all levels become responsible for their particular risk/control treatments.
Do the risks within the register, after treatment detail the residual		×	While the current Risk Register is in the process of being populated and will be the benchmark for future years, the treatment action plans detailing the improvement rating path from inherent to residual risk ratings are yet to be developed. This is important, not only for prosperity to avoid reinventing the wheel, but to demonstrate improvement.

risk ratings as well as the inherent risk ratings?			
Audit Specifics	Observation		Commentary
Does the Shire have controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk?	✓		As part of Risk Management Procedure (Ref: Admin-36), Appendix A details the Risk Assessment and Acceptance Criteria, with associated Measures of Consequence. This, in conjunction with the Risk Management Policy (Ref: IS-01), provide Shire employees with controls to be able to assess transactions as they arise. This review in conjunction with the Risk Acceptance criteria will provide employees with the guidance to understand when transactions should be escalated to an appropriate delegated authority.

22 Probity

Audit Specifics	Observation		Commentary
Does the Shire's procurement framework with a focus on probity and transparency and whether policies and procedures are consistently applied?		×	As discussed with the Governance Coordinator, the Procurement Function (model) at the Shire is decentralised with a Procurement Policy (Ref: AS-04) that staff are expected to adhere to. The Governance Coordinator is responsible for overseeing processes such as the suitability of tenders / quotations to ensure they are correct/compliant, while the Accountant reviews supporting documents such as quotes when preparing the payment run. It was noted from the review of the Audit & Risk Committee Meeting Minutes (dated 16 February 2021), the 2019 Compliance Audit Return highlighted instances of non-compliance with the Shire's procurement processes. In response the Contract Management Policy was drafted and a Contracts Officer position currently being recruited/filled. This is an advisory and oversight position that will ensure there are appropriate assurances in place. The review of Contract Management (Ref: OR-29) identified it to be sound. However, a decentralised procurement function without Procure to Pay reconciliations (see comments in Financial Audit above) regularly conducted (or automated) creates an environment for opportunists (particularly in the areas of invoice inflation). It was also noted that no full Procure to Pay Audit has yet been conducted and no independent probity auditors were engaged for high cost / high risk procurements. *Please note procurement was removed from the scope at the entry interview.*

23 Insurance

Audit Specifics	Observation		Commentary
Does the Shire have an adequate process to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance is maintained?	✓		Yes, as per discussions with the Manager, Finance & Governance, on an annual basis there is a meeting held with the Insurance Broker from the Local Government Insurance Scheme (LGIS) to review of adequacy of the Shires Insurance coverage. As a part of this process, the asset register with associated values is reviewed.

24 Fraud and Misconduct

Audit Specifics	Observation		Commentary
Have fraud and misconduct risks been identified, analysed, evaluated, and have an appropriate treatment plan which has been implemented, communicated, monitored and is there regular reporting and ongoing management of fraud and misconduct risks?	✓		The Shire of Mundaring has a number of processes in place to review fraud and misconduct. The review of the Fraud and Corruption Control Policy (Ref: OR-25) occurred where it was identified that the purpose of this policy is to show the Shire's commitment to a zero tolerance for fraud and corrupt conduct. The risk register has specific risks identified for 'external theft & fraud' and 'misconduct'. The risk register will be the basis for regular reporting and management of these risks. It is noted that this is the first year that the risk register is being compiled, and thus the information has not been populated at the time of the review for treatment plans. It was noted that the 'Fraud and Corruption Control Plan' has been discussed as a specific item at the Audit & Risk Committee Meeting on 18 August 2020. This provided specific controls, responsibility and timeframes for detection, control and response for fraud and corruption.

25 Business Continuity

Audit Specifics	Observation		Commentary
Does the Shire have a current and effective business continuity plan (including disaster recovery) which is tested from time to time?	✓		The review of the Business Continuity Plan (BCP) identified it was last revised in June 2018. It is anticipated the review/redraft of the BCP will be completed by September 2021. This will be in conjunction with a review of the Shire's existing Local Emergency Management Arrangements (LEMA). Through discussions with the Manager Community Safety & Emergency Management, it has noted that although the BCP document is outdated, the processes have been evolving through real world emergency situations such as the COVID 19 Pandemic and Wooroloo Bushfires. The Business Continuity Plan (dated 20 March 2020) was used to ascertain critical activities and positions during the on-set of COVID 19. Through interviews with the Manager Finance & Governance the BCP has been tested through the COVID 19 Pandemic with all staff in his team able to work from home as required. The outcomes from the Pandemic has resulted in changes in the Shire Operations preparing them for any similar situation which may arise.

26 Emergency Management

Audit Specifics	Observation		Commentary
Does the Shire have a current and effective emergency management plan which has been tested by Fire and Emergency Management organisations?	✓		The following documents were reviewed from the Shire's website: Local Emergency Management Arrangement (LEMA); LEMA Recovery Plan; LEMA Evacuation Sub Plan; and the LEMA Animal Welfare Sub Plan (Draft). It was noted that the majority of the documents related to pre-2016 and one is currently in draft. The LEMA review and redraft is to be completed to a stage where it is ready for internal consultation and presentation to the Shire's Local Emergency Management Committee and the DEMC (District Emergency Management Committee) by early December 2021. Discussions with the Manager Community Safety & Emergency Management identified that although the above documents have not been updated, the Shire's LEMA are endorsed and deemed compliant by the State Emergency Management Committee and are exercised/tested on an annual basis in an exercise led by the Shire and involving its LEMC members (includes WA Police and DFES). Further, it was discussed a significant event or real incident (such as COVID-19 or the Wooroloo Bushfire) means that an exercise is not required to be conducted during the year concerned. A post incident analysis (PIA) is to be conducted by Adrian Dyson shortly on the Shire's experiences in relation to the Wooroloo Bushfires. The PIA would be the subject of a report and recommendations (if there are any) to the Executive Leadership Team. Lessons learnt from these and similar situations are documented and included in policies going forward as considered relevant.

27 Risk Maturity

<table>
<tr><th>Audit Specifics</th><th colspan="2">Observation</th><th>Commentary</th></tr>
<tr><td>Does the Shire comply with risk management standard of ISO 31000:2018 Risk Management - Guidelines on Implementation?</td><td>✓</td><td></td><td>The review of the Risk Management Policy (Ref: IS-01) states 'It is the Shire's Policy to achieve best practice (aligned with ISO 31000:2018 Risk Management - Guidelines), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public.' The Policy was prepared by LGIS who ensured the policy is aligned to ISO31000:2018.</td></tr>
<tr><td>What is the current maturity level of the Shire when considering IIA practice guidelines for risk maturity?</td><td colspan="2">Repeatable / Defined</td><td>Through discussions and review of documentation, it is evident that Risk Management has been a documented process for the Shire of Mundaring. The Shire is yet to fully integrate Risk Management processes into the Shire's strategic planning as correlations to the Shire's objectives. The Shire is well placed to eventually map risk ownership across the entire organisation allowing for common language and aggregated reporting. Currently the Shire's maturity is assessed as Defined/Managed.
<table>
<tr><th>Stage</th><th>Culture</th><th>Governance</th><th>Process</th></tr>
<tr><td>1 - Initial</td><td>Risk belongs to the internal audit activity.</td><td>CAE / Audit Committee Chair.</td><td>Risk-based auditing.</td></tr>
<tr><td>2 - Repeatable</td><td>Risk is considered on an as needed basis.</td><td>Business Managers.</td><td>As-needed risk and control self-assessment process.</td></tr>
<tr><td>3 - Defined</td><td>Risk information is shared among internal audit and control functions. ✓</td><td>C-suite/board members.</td><td>Common risk language and risk assessment process are used by internal audit and control functions. ✓</td></tr>
<tr><td>4 - Managed</td><td>Risk is integrated into strategic planning; risk appetite is stated and communicated.</td><td>All levels of management and the board. ✓</td><td>Common risk language and consistent risk assessment process are in place throughout the organisation including treatment plans.</td></tr>
<tr><td>5 - Optimised</td><td>Risk is integrated into all decision-making compensation, and goals.</td><td>Total participation.</td><td>Common risk language and aggregated risk reporting are established throughout the organisation.</td></tr>
</table>
</td></tr>
</table>

Audit Regulation 17(1)(b) - Internal Controls

28 External Auditors and the Shire

Audit Specifics	Observation		Commentary
Does the Shire review the effectiveness of internal control systems with management and the internal and external auditors?	✓		Yes - External consultants are engaged to complete all internal audit activity in line with the Strategic Audit Plan. These audits include reviewing Local Government Financial Regulation 5(2)(c) and Audit Regulations 17(1)(a), (b) and (c). This program includes reviewing the effectiveness of internal control systems. The Office of the Auditor General provides external audits of the Shire of Mundaring and report back on the adequacy of internal control systems in the context of the audit and associated materiality.
Should the need arise, do meetings periodically occur with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the Shire's control environment?	✓		Yes, review of internal and external audit reports confirms this occurs.

29 Minor, Portable and Attractive Assets

Audit Specifics	Observation		Commentary
A. Does the Shire have a policy for the management of portable and attractive assets (mobile phones, laptops, laptop accessories etc)?	✓		Yes, reviewed Organisational Practice (OP-05) Management of Portable and Attractive Assets.
B. Are these assets appropriately tracked and subject to regular stock control activities?		x	No. As Per OP-05, 3. The Portable and Attractive Asset Registers must be regularly maintained and should contain the following information at a minimum: a. Detailed description of the asset b. The location of the asset c. The custodian of the asset d. The serial number (where applicable) e. Number of items (quantity) f. The asset value at the date of purchase or alternatively the estimated value g. Date of last stock take. A review of the ICT register and interviews identified anomalies that the procedure is not being fully followed. The inventory that should be performed on all assets as per the policy is not occurring and recording of count details on stock take sheets is not accurate. There were no serial numbers recorded in the register. Items that can be spread across such as Furniture and Equipment and Minor Plant it was noted that some inventories had not occurred.

30 Authorised Officers

Audit Specifics	Observation		Commentary
Local Government Act 1995 s9.10 – Good Governance: Has the appointment of Authorised Officers been reviewed and new Certificates issued for the period up to twelve months?	✓		Yes, as discussed with the Governance Coordinator, several years ago the Shire undertook an extensive exercise to map roles within the Shire to the corresponding legislation. This document shows the legislation, head of power, function authorised and authorised persons. This document is continually reviewed for relevance and applicability. Refer to document Authorisation Table in folder "17(1)(b) - Internal Controls - 30. Authorised Officers". This is the basis for the Governance Coordinator issuing the Certificate/Instrument of Appointment to the individual for their role. A review of the document/certificates issued to authorised persons by the Governance Coordinator and reviewed the Instrument of Appointment/Certificates occurred along with the Instrument of Appointments & Photo Identification to assure that they are issued upon commencement of employment or role. All Authorised Officers have a dual review by the Manager/Supervisor of the role, and by the Governance Coordinator when subsequently completing the certificate/'instrument of appointment'. All copies of the authorisations are available online on the Shire's Infohub Online Record System (this is a SharePoint based document management system). A review of the InfoHub confirmed that these authorisations are available for all Shire Staff to view. Staff are able to do a search to find information as required. No out of date Authorisations were detected. It was identified that no ongoing or period review occur after the initial issue to detect updates on change of role, underlying legislation or extenuating circumstances however testing did not identify any anomalies.

Audit Specifics	Observation		Commentary
Have all appropriate officers been issued an authorisation prior to execution of the authorised power?	✓		Yes, as per discussion with the Governance Coordinator and Coordinator Community Safety & Emergency Management appropriate officers have been issued with an authorisation prior to execution of authorised power. All authorised officers complete an induction in which they are trained on their roles, responsibilities and extent of authorisation. Where there may be a timing delay due to issue of the identification of authority, the officer will be paired with an Authorised Officer. Subsequently, the Governance Coordinator issues a document/certificate which stipulates the authority they personally have as an 'authorised person for the Shire of Mundaring'. For example, Rangers are provided with an induction when they commence in their role, where Managers will ensure they are aware of the limitations and extent of their authority. Rangers are issued with an identification document which meets the requirements of the Act (i.e.; name and official insignia of the Shire of Mundaring, name of the person, and a recent photograph). Testing confirmed compliance.
Where appropriate under non-local government legislation (Building Act 2011, Caravans Parks and Camping Act 1995 and Public Health Act 2016) where those authorised officers advised in writing citing the relevant legislation and where required also had photo identification incorporated.	✓		Yes, per discussion with the Governance Coordinator, non-local government legislation is documented and photo identification provided as appropriate. The review of samples of authority as a Fire Control Officer under the Bushfires Act 1954 occurred with no anomalies. Further, test on the Community Safety Ranger and the Senior Environmental Health Officer had correct authorisations detailed under *Caravan Parks and Camping Grounds Act 1995,* with further authority for one under the *Public Health Act 2016*.
When Officers acted in the position of an Authorised Officer, did they obtain authorisation to carry out their duties whilst acting in that position?		✖	As per discussion with the Governance Coordinator there is no formal process in place when staff are acting up to a higher position. The example provided was for Environmental Health Officers (EHOs). If an EHO acts up as Senior EHO, then they have assumed that they would automatically have the SEHO authorisations. It is noted that although most of the authorisations are the same, there may be some differences.
Was the extent to authority given consideration for all Authorisations prior to issue the Authorisation?	✓		Yes, several years ago the Shire undertook an extensive exercise to map roles within the Shire to the corresponding legislation. This extensive document shows the legislation, head of power, function authorised and authorised persons. This document is continually reviewed for relevance and applicability. Refer to document Authorisation Table in folder "17(1)(b) - Internal Controls - 30. Authorised Officers". This is the basis for the document/certificate that is issued to individual Authorised Officers, and the Governance Coordinator within her role will ensure the authorities provided are aligned with the job undertaken. The document provided stipulates the authority attributed to the individual to carry out their role.

31 Delegations of Authority

Audit Specifics	Observation		Commentary
Local Government Audit Regulations 1996: s19. Were all Council delegations to the CEO approved by Council and was proper consideration given for Council to make an informed decision?	✓		Yes, as per discussions and review of the document 'Delegations Register 2021' (available online on the Shire of Mundaring's website), it was noted that the document was presented to council in February 2021 (refer to 'Record of Proceedings February 2021), and subsequently approved and adopted on the 13 April 2021. The review of 'Council Meeting Minutes April 2021' noted the Delegations Register carried by absolute majority. The information included in the register shows the delegation from Council to the CEO, and subsequent delegations and the relevant section of the act it refers to.
Local Government Act 1995: s5.43(a) to (i). Has the Shire ensured it has limited the required Council delegated powers from the CEO? [*Refer also to s18G of the Administration Regulations 1996*].	✓		Yes, the document 'Delegations Register 2021 on Page 3 of 55, Regulation 18G clearly references the powers and duties which cannot be delegated to the CEO. This reference also includes Regulation 6 of the Local Government (Financial Management) Regulations 1996 which details other delegations prohibited from CEO to employee.

Audit Specifics	Observation		Commentary
s5.44(1.) Has the CEO ensured that it has not on-delegated power where expressly not permitted by Council?	✓		Yes, as indicated above. A review of the CEO retained register of Delegations of Authority validated this position.
s5.44(1). Has an officer with Delegated Authority ensured they have not on-delegated any of their powers to other Officers?	✓		Yes, there were no on-delegation of powers to other Officers.
s5.18. Did the Shire keep a register of delegations made to Committees?	✓		Yes, as per discussion with the Governance Coordinator and review of the document 'Delegations Register 2021' the Shire has included the one committee delegation to the Audit and Risk Committee. Refer to 'COM-46 Annual Meeting with Auditor'.
s5.46(1). Did the CEO keep a register of delegations made under this division to the CEO and employees?	✓		Yes, as per discussion with the Governance Coordinator and review of the document 'Delegations Register 2021, the CEO has kept a register of Delegations of Authority by the delegated officers.
s.5.46(2). Has the Shire co-ordinated annual reviews of Delegations of Authority by the delegated officers?	✓		Yes, as per discussion with the Governance Coordinator and review of the document 'Delegations Register 2021', prior to the submission of the 'Delegations Register' to Council for approval, it is circulated to Delegates for updates, improvements or further information as part of the annual review process conducted by the Governance Coordinator. The Executive Team also review the delegations register report to Council, prior to being presented to Council. In line with legislation, this is approved annually. Testing identified completed the last review by January 2021 with sufficient time to be presented to Council in February 2021.
s5.46(3). Did all delegated authority officers keep a register of how and when they exercised powers under their delegations of authority by August each year?	?	?	It was advised that there is a record of exercised powers by delegated authorities under their delegations of authority within Info-Hub, and that all delegated authority officers are trained to upload records. When interviewing managers, it was identified that there is in-consistency in this process. The Shire was also unable to readily extract a report from InfoHub to demonstrate compliance with this requirement. It was noted that the Statutory Services Directorate sends a summary of all planning delegations exercised to Councillors on a monthly basis but not how and when each individual exercised their power. This could however be obtained through of individual files. The Governance Coordinator suggested a potential improvement via including delegated activities as and when actioned, as a criteria in the metadata for InfoHub. Unable to Substantiate.
s5.71. Did delegated authority officers with a conflict of interest ensure that they did not exercise the power or discharge the duty (Penalty $10,000 or 2 years imprisonment) and did they notify (CEO to President and Employees to CEO)?	✓		There is a process for Shire Employees to disclose their conflicts of Interest under the Conflict of Interest Policy. Random sampling of Conflict of Interest forms on InfoHub, that were easily detectible were reviewed for completeness and accuracy. Recently the Office of the Auditor General tested conflicts of interest with delegations of authority across a number of local governments. Primary outcomes were the inability of local governments to demonstrate that they had not exercised their powers when there were conflicts. Interviews with Managers identified that conflicts are appropriately managed (generally by avoidance), however no audit trail was retained. It was suggested that the Shire update its Conflict of Interest Policy (see further section below), but officers also find a way to substantiate to third parties individual instances that were managed. Our understanding is that this doesn't happen often, so a register of some type would not be over burdensome, or alternatively attached to the metadata as indicated above.
s5.76. Annual Returns - did all officers lodge their Annual Returns with the CEO in time for the CEO to lodge a return with Shire President by 31 August each year? ($10,000 or 2 years imprisonment). Was the return completed in accordance with the regulations in particular did it include the relevant disclosure of financial interests?	✓		Yes, as per discussion with the Governance Coordinator all officers lodged their Annual Returns with the CEO. A number of Annual Returns were reviewed to test completeness in prescribed form with no anomalies detected, which is an improvement upon that last audit conducted in 2018.

Audit Specifics	Observation		Commentary
s5.75. Primary Returns – did all new officers with delegations of authority lodge their Primary Return in time for the CEO to lodge it with the President within 3 months of those officers commencing their employment? ($10,000 or 2 years imprisonment). Was the return completed in accordance with the regulations in particular the relevant disclosure of financial interests?	✓		Yes, all new officers lodged their Primary Return with the CEO in time to issue the return with the Shire President by 31 August. A number of Primary Returns were audited for completeness in the prescribed form with no anomalies detected.
s9.4. Has each person who received an unfavourable decision from Council, or from an employee of the Shire exercising delegated authority, (that is appealable under part nine of the Act) been informed of his or her right to object and appeal against the decision?	?	?	From discussions with the Governance Coordinator it was identified that all decisions for the Shire are uploaded into the InfoHub, however as is the case for delegations, there is no consolidated register or listing for unfavourable decisions or any readily available report sufficient for Third Party review. As such an example of an objection was not able to be produced by the Shire. This audit could not be tested. Again, an improvement could be advancement of metadata in InfoHub.
s9.29(2)(b). On all occasions, were those employees who represented the Shire in court proceedings, appointed in writing by the CEO?	-	-	It was identified that the Shire does not have in house legal counsel and as such court proceedings were handled by the Shire's lawyers, who are sourced from the WALGA preferred supplier of legal services panel.
s9.6(5). Did the Shire ensure that the person who made the objection was given notice in writing of how it has been decided to dispose of the objection and the reasons why?	?	?	As indicated above this could not be readily tested.

32 Policy Framework

Audit Specifics	Observation		Commentary
Good Governance – WALGA Guide for Ethical Decision Making Does the Shire regularly review policies for accuracy, relevancy, and compliance with legislation and regulations?	✓		The Shire of Mundaring's policies are generally reviewed on a bi-annual basis and amended where appropriate. Further some policies may have several changes over the course of the year if required by amendments to legislation or regulations or other circumstances if deemed appropriate by the CEO. A review of a sample of Shire policies included Risk Management IS-01; Purchasing Policy AS-04; Internal Audit Charter OR-19; Contract Management OR-29 and Fraud and Corruption Control OR-25. No deficiencies were detected.
Are the Shires policies made publicly available?	✓		Yes, the Shire of Mundaring has policies available online at https://www.mundaring.wa.gov.au/AboutCouncil/Policieslocallaws/Pages/default.aspx. As per discussion with the Governance Coordinator, Administrative Procedures are not available online as these are specifically related to the internal running of the Shire. A benchmarking exercise was conducted to compare the overall policies of the Shire to that of local governments including content in some instances. No outstanding absences or omissions were identified.

Audit Specifics	Observation		Commentary
Do the Shires policies detail who is accountable for the Policy?	✓		The Governance Coordinator has over-arching responsibility to ensure all policies are up to date. Each of the policies include information including: Policy Reference; - Adopted/Amendment Dates; Organisational Practice (OPs are the equivalent of policies, but for internal use, and signed off by the CEO); Procedure Reference (approved by Director/equivalent); Delegation Authority Reference - this links through to the appropriate Delegation Authority Reference; Statute Reference; Local Law or Other References. There is no specific reference to the individual/role responsible for each of the policies, however, some policies do have specific roles and responsibilities related to the policy, as well as policies being grouped under specific directorate categories such as Community Service Policies; Governance Service Policies; Human Resources Policies; Model Codes and Standards and Statutory Service Policies.
Do the Shires policies detail, if and what procedures, delegations or authorisations are linked to the Policy?	✓		

33 Complaints Management

Audit Specifics	Observation		Commentary
Local Government Act 1995 s5.120(1)&(2). Has the Shire designated a senior employee, as defined under s5.37, to be its complaints officer and if not is it recognised that the person holding office of CEO is the complaints officer?	✓		Yes, the review of Council Decision Feb 2021 (Ref: File Code - GV.DGA 1.4), Council confirmed the appointment of the Chief Executive Officer (CEO) as the complaints officer for minor breach complaints.
s5.121(1). Has the complaints officer maintained a register of complaints which records all complaints that result in action under section 5.110(6)(b) or (c)?	✓		Yes, the review of the 'Register of Complaints of Minor Breaches' validated complaints related to section 5.110(6)(b) or (c) were recorded.
s5.121(2). Does the register of complaints include, for each recorded complaint, (a) the name of the council member about whom the complaint is made; (b) the name of the person who made the complaint; (c) a description of the minor breach that the standards panel finds has occurred; and (d) details of the action taken under section 5.110(6)(b) or (c)?	✓		Yes, the 'Register of Complaints of Minor Breaches' included for each recorded complaint, (a) the name of the council member about whom the complaint is made; (b) the name of the person who made the complaint; (c) a description of the minor breach that the standards panel finds has occurred; and (d) details of the action taken under section 5.110(6)(b) or (c).
Good Governance – ISO Standard + Management Guidelines Review whether the Shire has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints.	✓		The Shire has a method to submit complaints online via the website (Ref: https://www.mundaring.wa.gov.au/AboutCouncil/Council/Pages/MakeAComplaint.aspx). The Shire has provided a Complaints Procedure - Customer Guide and Customer Service Charter online for constituents to refer to online. The review of the Shire's Complaint Management Policy (Ref: AS-02) provides the high level principles which the Shire will use in handling complaints received. The "Complaints Procedure - Customer Guide" available online for Shire residents, clearly states how complaints can be made to the Shire (Aka - "receiving complaints". The "Customer Service Charter" details how the Shire will treat complaints received, as well as how it can be escalated by the individual if they do not believe it has been adequately resolved. "Admin-41 Complaints Management" procedure details how the information will be retained and access restricted based on complaint level. The procedure states *'For verbal complaints a File Note, as a minimum, should be recorded in the Shire's electronic records management system (ERMS). Complaints are recorded in the Shire's ERMS by level: Level 1 complaints are generally accessible, while Level 2 and Level 3 complaints are confidential and access is restricted. 'Staff grievances are managed via Grievance Management Procedures (Ref: OP-24 (Repealed) & HR-09). Policy HR-09 states 'Where allegations are proven, all relevant documentation will be placed on the respondent employee's personal file. If the allegations are not proven, all relevant documentation will be placed on a restricted access file'* which will maintain confidentiality. It was identified that the Shire does not have general

Audit Specifics	Observation		Commentary
			complaints register to keep track of overall complaints, severity, escalation and feedback. Through discussions with the (Team Leader Information Management, a summary of Level 1 to 3 complaints can be extracted from InfoHub, however contains the title of the document only. Further information is to be obtained via review of each complaint file/document. The Shire has investigated (via Anne) the possibility of reviewing Complaints statistics, however, this has not been further pursued. A review of a sample of complaints identified adequate and compliant handling/management of the complaints.
Has the Shire reviewed guidance material issued by the WA Ombudsman?	✓		Yes, as discussed with the Governance Coordinator the Shire has reviewed information from the WA Ombudsman who maintains a manual reference material folder based on information from the WA Ombudsman, as well as the Ombudsman NSW and Victorian Ombudsman. Information from these sources have been incorporated into the Shire's Policy and referenced per AS/NZS 10002:2014 Guidelines for complaint management in organisations as referred to the WA Ombudsman. Further, it is noted that the Shire has also reviewed policies from other local governments for appropriate inclusions.

34 Conflicts of Interest

Audit Specifics	Observation		Commentary
Good Governance – Public Sector Commissioner's Guide Is there a formalised Conflict of Interest Management framework that meets the Best Practice Guidelines for Shire employees?	✓		The Shire has a 'Conflict of Interest Guidelines for Employees' which was compared to the 'Conflicts of Interests Guidelines for the Western Australia Public Sector June 2011' available online (referred to as 'guidelines') which demonstrated alignment with the majority of aspects including management strategies (different terminology between the 6 R's as opposed to the 6 P's).
Does the Shire maintain a register of conflicts of interest, and does it include action items to manage the interest in addition to details of the disclosure?		×	As indicated earlier the Shire does not have a readily available or consistent method to review conflicts of interest. Whilst registers are not a statutory requirement, they are strongly encouraged by the WA Ombudsman, the Office of the Auditor General and the Office of the Public Sector Commissioner.
Does the Shire ensure that all business units of the Shire have identified potential conflict of interest items and had those items assessed have management strategies?	✓		As per previous comments in the Delegations of Authority section, the Shire is adequately managing Conflicts of Interest however that position cannot be readily validated.

35 Assurance

Audit Specifics	Observation		Commentary
Good Governance Does the Shire have a mechanism to obtain assurance that adverse trends are identified and reviewed and managed (actioned)?	✓		It was noted that in the 2019 Annual Report that the Auditor General was of the opinion material matters relating to significant adverse trends in the financial position of the Shire (Asset Sustainability Ratio) was well below the standards expected by the Department of Local Government, Sport and Cultural Industries standard. It was however noted that the Audit & Risk Committee and Internal Risk Management Committee have broad oversight of the financial trends for the Shire, that the Strategic Community Plan 2020-2030 provides monitoring of long term qualitative aspects and that the Corporate Business Plan provides monitoring opportunities for efficiency and effectiveness. This coupled with the relatively healthy risk management position of the Shire, external audits, independent regulatory audits (this audit) has improved the Shire's position. The Manager Finance & Governance advised that financial trends are monitored through the Shire's 10-year long term financial plan which includes a 10-year forecast of ratio results for each year is used as a monitoring tool.

Audit Specifics	Observation		Commentary
Does the Shire have an internal audit charter, manual, strategic internal audit plan and annual internal audit plan?	✓		Yes, the Shire has an Internal Audit Charter (Ref: OR-19). The charter states that 'internal audits will be performed by independent external contractors appointed through a transparent expressions of interest process. Thus the Shire has deemed that an Internal Audit Manual is not required. The Shire has a (Strategic) Internal Audit Plan for the period 2021/22 to 2024/25. The Internal Audit Plan includes planned audits on an annual basis. The document notes that other audits may be conducted on an ad hoc basis 'to reflect the level of risk and the dynamic environment in which these risks present themselves to the organisation'. The Shire does not have an annual audit plan, as all included in the one document.
Does the Shire have an assurance map or audit universe (or similar) to assist with identifying areas to be audited (or planned for audit) and record areas that have been audited?		×	No, discussions with the Governance Coordinator indicated that this could be an improvement pathway for the Shire, and provide overall confidence across the breadth of activities undertaken by the Shire are compliant, efficient and effective. It is noted however the Shire does have a four-year audit plan.
Does the internal audit activity undertaken by the Shire (whether internally or though engagement of internal auditors) meet the IPPF definition of what internal audit activity should be?	✓		The definition of Internal Auditing in The IIA's International Professional Practices Framework (IPPF), internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. The Shire's Internal Audit Charter (Ref: OR-19) adequately reflects this position. A review of internal audit reports identified engagement of appropriate internal auditors with risk-based value adding approaches.
Has the Shire considered the internal auditor's role in assessing ethics risks within the audit plans and reporting of ethics risks to the audit committee?	✓		The Shire addresses Fraud, Corruption and Theft and have appropriate Code of Conduct practices in place.
Is the assurance function adequately resourced (both financial and human)?	✓		The Shire considers its internal audit budget to be adequate and in the absence of any published guideline or assurance map, this is difficult to determine.

36 Audit Committee

Audit Specifics	Observation		Commentary
Local Government (Audit) Regulations 1996 s16. Did the Audit Committee undertake the following functions:	The Audit & Risk Committee (ARC) operates under the ARC Terms of Reference (ToR) was adopted on 28 October 2019. The ToR guide the ARC in the duties they are expected to fulfill for the Shire.		
(a) guide and assist the Shire in carrying out (i) its functions under Part 6 of the Act and (ii) its functions relating to other audits and other matters related to financial management?	✓		Yes, confirmed through discussion with the Governance Coordinator and Manager Finance & Governance. The ARC are an integral part of policy review which have a financial or governance implication, and set the basis for how the Shire is financially managed. The ARC is an integral part of the internal and external audit reporting process, with all reports submitted to the Committee for consideration and recommendation to Council for adoption. A sample review of meeting minutes (Ref: ARC Meeting Minutes 14 Dec 2020) identified which the final audited accounts for the 30 June 2020 year end were noted.
(b) guide and assist the Shire in carrying out the Shire's functions in relation to audits conducted under Part 7 of the *Local Government Act 1995*?	✓		Yes, confirmed through discussions that the Audit Committee have achieved their responsibilities in this area which can be demonstrated in the minutes of the ARC meetings. The ARC review and approve then adopt the rolling four year Internal Audit Plan on an annual basis which includes the outlook for audits to be conducted, and those that have been completed.

Audit Specifics	Observation		Commentary
(c) review a report given to it by the CEO under regulation 17(3) (the *CEO's report*) and is to (i) report to the council the results of that review and (ii) give a copy of the CEO's report to the council?	✓		Yes, the previous audit reviewed by the Audit & Risk Committee (ARC) occurred - Agenda Minutes dated 20 November 2018 relating to *8.7 Review of Risk Management, Internal Controls and Legislative Compliance* completed by the CEO on behalf of the Shire. ARC has referred to the requirement under 17(3). Council Decision (Ref: C11.12.18) included the Chief Executive Officer's review of the appropriateness and effectiveness of the Shire's systems in regard to risk management, internal control and legislative compliance'.
(d) monitor and advise the CEO when the CEO is carrying out functions in relation to a review under (i) regulation 17(1) and (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c)?	✓		Yes, however as advised by the Shire, this has not need to occur as the Shire is proactive with these audits.
(e) support the auditor of the Shire to conduct an audit and carry out the auditor's other duties under the Act in respect of the Shire?	✓		Yes, a review of the Audit & Risk Committee (ARC) Agenda Minutes validate this position. The ARC have supported the Auditors by ensuring Management Actions are duly noted and followed up on an on-going basis as part of the Audit and Risk Committee Action Items - Status Report which is reviewed at each meeting. ARC also, as required, meet at least 3 times annually (more as 4 meetings have occurred 18 August 2020, 14 Dec 2020, 16 February 2021 and 18 May 2021 in the last financial year ended 30 June 2021).
(f) oversee the implementation of any action that the Shire (i) is required to take by section 7.12A(3) and (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c)?	✓		Yes, the 30 June 2019 and 30 June 2020 year ends showed significant items were presented to the ARC (as per the year end sign off of the accounts by the Auditor General there have been items noted as 'significant'). Letters were sighted sent to the Minister addressing these items.

Audit Regulation 17(1)(c) - Legislative Compliance

37 Monitoring Compliance with Legislation and Regulations

Audit Specifics	Observation		Commentary
Good Governance – Benchmarked WA LG's and Governance/Audit Networking Is the Shire effective in staying informed about how they manage compliance with legislation and regulations?	✓		The Shire ensures they remain informed about compliance with legislation and regulations through automatic updates from WALGA and the Department of Local Government. This is sent directly to the Governance Coordinator, the CEO and sent to a general mailing group to read and check applicability to the Shire. When reviewing the latest update requirements issued by the Department of Local Government, Sport and Cultural Industries (DLGSC), the following responses were provided: • **Cash in Lieu of POS** https://www.dlgsc.wa.gov.au/department/news/news-article/2021/06/03/accounting-for-cash-in-lieu-of-open-space A POS cash back reserve has been created by Council and the necessary funds transfers and journals have been transacted to ensure POS funds are held in reserve, restricted assets or trust as required as at 30 June 2020. • **Election Amendments** https://www.dlgsc.wa.gov.au/department/news/news-article/2021/08/02/local-government-(elections)-amendment-regulations-2021 Will be administered by the Shire's Returning Officer who is aware of these requirements . The Shire engages the WAEC to conduct its elections on its behalf. • **Employee Code of Conduct** https://www.dlgsc.wa.gov.au/department/news/news-article/2020/12/04/local-government-employee-code-of-conduct A new draft code of conduct to replace the previous code of conduct has been endorsed by the Executive team. Currently out for staff comment until 17 September after which it will be signed off by the CEO and rolled out to all staff. • **Contact Registers** https://www.dlgsc.wa.gov.au/department/news/news-article/2020/11/25/mandatory-contact-registers-in-wa Contact registers (and Safe WA app) have been present at all Shire facilities open to the public from day 1 of the requirement. Members of the public are refused entry/service if they don't complete the register or check in with the app. • **Ato ruling right of burial** https://www.dlgsc.wa.gov.au/department/news/news-article/2020/10/30/private-ato-ruling-applying-to-regional-local-governments Shire does not charge GST on right of Burial. • **Payment methods** https://www.dlgsc.wa.gov.au/department/news/news-article/2020/07/02/payment-methods Shire has historically accepted electronic payment at all of its facilities.
How does the Shire stay aware of changes or amendments in legislation that affects Local Governments?	✓		As above, the Governance Coordinator advised further that there were several publications reviewed regularly to ensure awareness of changes/amendments in legislation for local governments: • Councillor Direct Newsletter: This includes relevant areas for councillors. Noted in this example elected member training and appointments to boards and committees were covered. • Local Matters August 2021: This example included 'Governance update — Key dates for local governments'. • Procurement News August 2021: This example included 'eQuotes (VendorPanel) Training'. • Ref. 17(1)(c) - Folder 37. Monitoring Compliance with Legislation and Regulations.
Has the Shire actioned/responded to amendments in legislation and regulations that affected the Shire with the appropriate area of the Shire?	✓		Yes. Tests conclude the latest updates were taken into consideration.
Does the Shire have tools that can effectively monitor compliance (for example a Compliance Calendar or system such as ATTAIN)?	✓		No, the Shire does not currently have a Compliance calendar or ATTAIN Software. Given the size of the Shire they have not considered this to be a requirement.
Are changes to legislation understood and implemented in an effectively and timely manner?	✓		All changes to legislation have been understood and implemented in an effective and timely manner. Examples of the most recent updates included: - Code of conduct for elected members has been updated recently including behaviour complaints by elected members. - CEO election and appointment. - Code of conduct for employees

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38 Compliance Audit Return

Audit Specifics	Observation		Commentary
Local Government (Audit) Regulations 1996 s14. Did the Shire carry out a compliance audit return (CAR) for the period 1 January to 31 December in each year?	✓		Yes, as discussed with the Governance Coordinator, the Shire has submitted a CAR each year. Council decisions noted as 10 March 2020; 13 March 2019; 13 March 2018; 14 March 2017; 8 March 2016; 10 February 2015 etc. The Council decided to have the CAR reviewed internally for 3 consecutive years and then the fourth year have it audited by an external auditor. This is scheduled to occur next in 2022.
s14(2). After carrying out that CAR did the Shire prepare a compliance audit return in a form approved by the Minister?	✓		Yes, see above.
s14(3A). Did the Shire report the results to the Audit and Risk Committee?	✓		Yes, the review of '2021.03.09 - Council Decision - Item 9.1 - Ordinary Council Meeting - ARC2.02.21 - Compliance Audit Return 2020' confirmed this. The attachments to the council meeting refer to the report of the Audit & Risk Committee 16 February 2021, of which the Compliance Audit Return was an Agenda Item.
s14(3). After the audit committee reported to Council (as above(3A), was the CAR (a) presented to the Council at a meeting of the Council; and (b) adopted by the Council; and (c) recorded in the minutes of the meeting at which it is adopted?	✓		Yes, refer above.
s15(1). After the CAR was presented to Council was a certified copy of the return together with (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and (b) any additional information explaining or qualifying the compliance audit, submitted to the Departmental (DLGSCI) CEO by 31 March next following the period to which the return relates?	✓		Yes, was submitted on the completed on the DLGSC portal.
s15(2). Was the CAR certified by the Shire President and CEO?	✓		Yes signed by the Mayor/President and the CEO, refer to the last page of the 'Compliance Audit Return 2020 - Adopted and Signed_15-3-2021-16-5-49'..

39 Governance Framework

Audit Specifics	Observation		Commentary
Does the Shires current Governance Framework include principles and practices of good governance with clear definition of roles, responsibilities and relationships of Council, the CEO and employees?	✓		The Shire's Governance Framework (available online on the Shire of Mundaring's website and in folder 17(1)(c) 39. Governance Framework) was revised in February 2019. It clearly discusses the roles, responsibilities and relationships of Council, the CEO and employees under Principle 2 - Roles and Relationships (pp 21 to 26). ALSO REFER TO ITEM 41 BELOW.
Does the Shire have established procedures for elected member and staff training and inductions with ongoing training?	✓		As per Manager Human Resources, the Shire has established procedures in place for **staff training and inductions**, and ongoing training. The following policies were reviewed to support that assertion: - OP-03 Induction and Onboarding April 2020; HR-14 Procedure Performance and Development Reviews - includes expectations for staff for their own learning and development; and - HR-16 Guidelines Promoting Employee Engagement 2017 'promotes and supports structured and unstructured learning opportunities – workshops, conferences, seminars, e-learning, blogs, relevant articles, books and DVDs, lunch and learn sessions, feedback from participants on learnings.' Elected Member Training & Inductions are managed by Director, Corporate Services where there is an induction manual used for training. Policy 'OR-30 Continuing Professional Development' and 'Induction Manual for Elected members' was reviewed for relevancy and accuracy. The induction was completed with current elected members after the last election (October 2019). A review of the 'Training Report 2020-21' identified that some Councillors had not completed training where Covid 19 was noted as a limiting factor in delivery of more training to elected members.
Does the Shire have appropriate mechanisms in place to effectively recruit and retain appropriately experienced, trained and qualified personnel?	✓		Yes. Discussions with the Manager Human Resources identified: Recruitment: There are a number of operating procedures and administrative guidelines in relation to recruitment. (Ref: *HR-07 Recruitment Selection and Appointment December 2020 - Final, OP-03 Induction and Onboarding April 2020, OP-19 Recruitment Selection and Appointment November 2019* in the 17(1)(c) 39. Governance Framework Folder). HR-07 Recruitment Operating Procedure ensures there is sufficient 'guidance to recruitment panel members to ensure legislative requirements are met and the most suitable people are appointed to positions within the Shire of Mundaring'. Per discussion with Maureen, it is encouraged for teams to look for diversity on the recruitment panel, and the Shire is about to introduce a checklist to ensure there are no conflicts on the panel. There are standard pre-employment screening checks utilised; medical reviews, referee checks, national police clearance and working with children as required, review identity and qualifications and also checking of visa status if required. Retention: The Shire has had a culture of focusing on providing a workplace of choice, with a Workplace of Choice Strategy (July 2014 - Ref: in the 17(1)(c) 39. Governance Framework Folder). This is due to be refreshed, however, it is noted through the Shire's policy that there has been a focus on retention of staff through the following (all available - Ref: 17(1)(c) 39. Governance Framework Folder): - HR-16 Guidelines Promoting Employee Engagement 2017 - HR-04 Guidelines Management of Workplace Performance - HR-14 Procedure Performance and Development Reviews - HR-22 - Employee Recognition Program - Nov 19 - OP-13 Performance Management Framework - OP-18 Flexible Working Arrangements 2021 - OP-33 Employee Recognition Program - Nov19 - OP-49 Health and Wellbeing April 2019 The above demonstrate the focus of the Shire of ensuring there are documented expected ways of working when promoting retention of their staff. Over and above this the Shire also has an active Social Committee who focus on fun ways to bring the team together such as monthly birthday morning teas.

40 Declaration of Interests

Audit Specifics	Observation		Commentary
Local Government (Rules of Conduct) Regulations 2007 s11(2). Did council members provide written notice of interests to the CEO prior to the relevant meetings occurring or at the meeting immediately before the relevant matter was discussed?	✓		Yes, according to the Governance Coordinator this occurs regularly. A review of the 11 May 2021 Council Meeting confirmed this along with a review of the Financial Interests Register for the disclosure of interest forms completed to provide to the CEO.
Local Government Act 1995 s5.66(a). Did the CEO, on all occasions, where a council member gave written notice of a disclosure of interest before a meeting, cause that notice to be given to the person who presided at the meeting?	✓		Yes, per discussion with the Governance Coordinator and review of documents.
s5.66(b). Did the person presiding at a meeting, on all occasions, when given a member's written financial interest disclosure by the CEO, bring its contents to the attention of persons present immediately before any matters to which the disclosure relates were discussed?	✓		Yes, per Governance Coordinator, the Presiding Person reads out the declarations he has received at the commencement of the meeting, at point 3.1 and 3.2 of the agenda.
s5.71(a). Did the CEO disclose to the Mayor or President the nature of the interest as soon as practicable after becoming aware that he or she had an interest in the matter to which the delegated power or duty related?	✓		Yes, per the Governance Coordinator, the CEO has declared an interest in meetings of the CEO Performance Review Committee as well as in the Council meeting dealing with those CEO Performance Review Committee recommendations.
s5.71(b). Did an employee disclose to the CEO the nature of the interest as soon as practicable after becoming aware that he or she had an interest in the matter to which the delegated power or duty related?	✓		Yes, the Shire has a process in place for Employee Conflicts of Interest to be disclosed to the CEO.

Audit Specifics	Observation		Commentary
Good Governance Has the Shire informed elected members as to how to determine an indirect/direct financial or proximity interest? i.e. via induction processes or training in particular WALGA's Online Declarations/Conflicts of Interest Training for Elected Members?	✓		Yes, AAG has reviewed the 'Elected Member Induction Manual - October 2019.pdf' and noted section 7.2 included specific information on disclosure of financial and other interests, specifically financial interest and proximity interest. A declaration of interest is required to be submitted in advance of the meeting and there a specific prescribed form. Further it is noted that there is compulsory training that newly elected and re-elected Councillors are required to complete which includes conflicts of interest. Councillors will have to complete the Council Member Essentials course unless, in the previous five years, they have passed the Diploma of Local Government 52756WA (Elected Member) or the course titled LGASS00002 Elected Member Skill Set.

41 Elected Member Relations with Shire Employees

Audit Specifics	Observation		Commentary
Local Government (Rules of Conduct) Regulations 2007 s10(1). Did Council members refrain from (a) directing or attempting to direct a Shire employees to do or not to do anything in that person's capacity as an employee and refrain from attempting to influence, by means of a threat or the promise of a reward, the conduct of Shire employees in that person's capacity as an employee?	✓		Yes, there were no instances noted. Discussions with the Governance Coordinator identified the Shire's Governance Framework (available online on the Shire of Mundaring's website) specifically refers to the relationship between elected members and employees in section 7.2.5. Herein, the framework stipulates that 'elected members should focus on strategy, policy and outcomes, while the administration's role is to focus on advice, implementation and operations.'
s10(3). Did council members, when attending a council meeting, committee meeting or other organised event where members of the public were present, refrained (either orally, in writing or by any other means) from (a) making statements that a Shire employee was incompetent or dishonest; or (b) use offensive or objectionable expressions in reference to a Shire employee?	✓		Yes, there were no instances noted.

42 Annual Report, Strategic Community Plan and Corporate Business Plan

Audit Specifics	Observation		Commentary
Local Government (Administration) Regulations 1996s19B. Did the Shire's annual report for the financial year contain (a) the number of employees of the Shire entitled to an annual salary of $100,000 or more; (b) the number of those employees with an annual salary entitlement that falls within each band of $10,000 over $100,000?	✓		Yes, the review of the 'Shire of Mundaring Annual Report 2019/20' and noted this is disclosed on Page 46. The Annual Report is available online on the Shire's website.
s19CA(2). If a modification was made during the financial year to the strategic community plan, did the annual report contain information about that modification?	✓		The Strategic Community Plan for the Shire has been refreshed for the period 2020-2030. This is aligned with the Annual Report reviewed for the year ended 30 June 2020.
s19CA(3). If a significant modification was made during a financial year to the corporate business plan, did the annual report contain information about that significant modification?	✓		Yes, it was noted in the annual report that the Corporate Business Plan was re-aligned to focus on Covid-19 relief and recovery efforts.
s19C(1)&(2)&(3). Did the Shire ensure that a strategic community plan was made in accordance with this regulation and did it cover the period specified in the plan, to which is to be at least 10 financial years and did it set out the vision, aspirations and objectives of the community in the Shire?	✓		The Strategic Community Plan for the Shire has been refreshed for the period 2020-2030. This is aligned with the Annual Report reviewed for the year ended 30 June 2020. The Strategic Community Plan included the Shire's community vision, aspirations as detailed by the 4 year and 10 year priorities and progress on objectives.
s19C(4)&(5). Has the Shire reviewed the current strategic community plan at least once every 4 years giving regard to matters prescribed between (a) to (c) of this regulation?	✓		As above, the last Strategic Plan review was conducted in 2016. The refreshed plan covers the period 2020 to 2030.

Audit Specifics	Observation		Commentary
s19C(7)&(8)&(9)&(10). Were the electors and ratepayers consulted during the development or modification of the Shires strategic community plan and did Council consider the plan or modifications and adopt by absolute majority?	✓		The Community Engagement section of the Strategic Community Plan clearly stipulated engagement with the community as part of the development. This was through a variety of mechanisms including online a sundowner and workshops. Council adopted the draft Plan for consultation on 10 December 2019. Council adopted the final Plan on 10 March 2020 after incorporating community feedback. The Plan will be reviewed by 2022 and then two yearly. AAG have reviewed the council minutes for 10 March 2020 (available online Shire of Mundaring Website) and noted that this was passed by an absolute majority.

Appendix A - Management Response and Action Plan

No.	Recommendation Title	Management Response / Actions Required	Directorate(s)	Responsible Officer(s)	Estimated Completion Date
1	An Inventory should be performed for all portable attractive assets and evidenced by inventory sheets.	Accepted. The Manager Finance and Governance will liaise with the Asset Management Officer to develop/implement a process and documents for an inventory stock-take.	Corporate Services and Infrastructure Services.	Manager Finance and Governance.	30 June 2022.
2	Serial numbers be sourced and added to the Portable and Attractive Asset Register for individual assets.	Whilst it is acknowledged that this would be best practice, the implementation of this recommendation has budget resource (human and monetary) implications. The implementation of bar codes and bar code readers will be considered as part of the Corporate Business Planning process for 2022/23.	Corporate Services.	Manager Finance and Governance.	30 June 2022.
3	The CEO Authorise multiple officers with the ability to exercise powers restricted to when acting in a substantive position and/or have a check box added to the Higher Duties form related to authorisation requirements.	Accepted. Higher Duties checklist form to be amended to include a check box titled "additional authorisations required".	Corporate Services.	Manager Finance and Governance/Manager Human Resources.	30 November 2021.
4	Each delegated authority maintain a register of how and when they exercised their delegated authority including date, details and outcome. The source or mechanism to register could be included within each Delegated Authority form.	Noted. The Shire is confident that all instances of officers exercising their delegated power are being recorded in writing and filed, whether it be via the delegated authority form, letter, signed cheque, approved EFT etc. The implementation of this recommendation would be administratively onerous for those employees with delegated authority.	Corporate Services.	Manager Finance and Governance.	N/A.
5	The Conflicts of Interest Policy detail how each section is currently managing conflicts of interest under delegated authority and each section ensure they register conflicts when they arise, even if the management strategy is to avoid or transfer.	Noted. The Shire is of the view that its current guidelines are appropriate for all services areas and should be applied by all service areas on a consistent basis. The primary issue here is that in some instances, whilst potential conflicts of interest are being managed appropriately, those conflicts of interest are not actually being declared in writing on the declaration form. The Shire will provide more in-house training across all service areas, and continue to reinforce the importance of documenting all potential conflicts of interest and how they are managed.	Corporate Services.	Manager Finance and Governance.	31 March 2022.

Appendix B - Risk and Maturity Assessment Methodology

Shire of Mundaring Risk Assessment Framework was utilised for this audit.

MEASURES OF CONSEQUENCE

RATING	PEOPLE	INTERRUPTION TO SERVICE	REPUTATION (Social / Community)	COMPLIANCE	PROPERTY (Plant, Equipment, Buildings)	NATURAL ENVIRONMENT	FINANCIAL IMPACT	PROJECT TIME	PROJECT COST
Insignificant (1)	Near-Miss	No material service interruption. Less than 1 hour	Unsubstantiated, localised low impact on community trust, low profile or no media item	No noticeable regulatory or statutory impact	Inconsequential damage.	Contained, reversible impact managed by on site response	Less than $10,000	Exceeds deadline by 5% of project timeline	Exceeds project budget by 2%
Minor (2)	First Aid Treatment	Short term temporary interruption – backlog cleared < 1 day	Substantiated, localised impact on community trust or low media item	Some temporary non compliances	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	$10,000 - $100,000	Exceeds deadline by 10% of project timeline	Exceeds project budget by 5%
Moderate (3)	Medical treatment / Lost time injury <30 Days	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Substantiated, public embarrassment, moderate impact on community trust or moderate media profile	Short term non-compliance but with significant regulatory requirements imposed	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	$100,001 to $350,000	Exceeds deadline by 15% of project timeline	Exceeds project budget by 7.5%
Major (4)	Lost time injury >30 Days / temporary disability	Prolonged interruption of services – additional resources; performance affected < 1 month	Substantiated, public embarrassment, widespread high impact on community trust, high media profile, third party actions	Non-compliance results in termination of services or imposed penalties to Shire / Officers	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	$350 000 to $2.0M	Exceeds deadline by 20% of project timeline	Exceeds project budget by 15%
Extreme (5)	Fatality, permanent disability	Indeterminate prolonged interruption of services non- performance > 1 month	Substantiated, public embarrassment, widespread loss of community trust, high widespread multiple media profile, third party actions	Non-compliance results in litigation, criminal charges or significant damages or penalties to Shire / Officers	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact	>$2.0M	Exceeds deadline by 25% of project timeline	Exceeds project budget by 20%

MEASURES OF LIKELIHOOD

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

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

Risk acceptance criteria guide

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

Maturity Level Definitions.

Initial	Repeatable	Defined	Managed	Optimising
Absent/Unpredictable controls, reactive.	Informally characterised, mostly reactive	Tailored moving towards active management	Well documented, managed and controlled	Continuously improved, measurable

Appendix C - Scope Exclusions

Area	Audit Specifics
Codes of Conduct	**Local Government Act 1995**
	s5.103(1). Has the Shire prepared and adopted a code of conduct to be observed by council members, committee members and employees?
	s6.3. If a review of the Code of Conduct occurred, was it referred to Council for endorsement?
	Local Government (Administration) Regulations 1996
	s34(B)&(C). Does the Shires Code of Conduct comply with Part 9 of the Act in its dealings relating to gift notifications and impartiality disclosures?
	Good Governance
	Does the Shire provide regular training for employees in relation to the Code of Conduct and also upon commencement of employment (induction) and is there a register (or record) of those who have attended training?
Gifts and Benefits	**Local Government Act 1995**
	s5.103(3). Has the CEO kept a register of all notifiable gifts received by employees?
	Local Government (Rules of Conduct) Regulations 2007
	s14(1)&(7). For transitional periods of Council members - if a gift disclosure was made, was it made in writing to the CEO within 28 days after assent day and did the CEO maintain a register of gifts received during the transitional period in which details of disclosures made under this regulation were recorded?
	s15 (1)&(2)&(3)&(4)&(7). Did council members disclose each travel contribution received during the transitional period to the CEO in writing within 28 days after assent day including a description, name and address of contributor, date received, value, nature of relationship, travel details and travel date and did the CEO enter those details into the register?
	s12(3). Did council members who accepted a notifiable gift from a person who is undertaking or seeking to undertake or who it is reasonable to believe is intending to undertake an activity involving a Shire discretion notify the CEO within 10 days of accepting the gift in accordance with sub regulation (4)?
	s12(4). If so, was it in writing and did it include (a) the name of the person who gave the gift; (b) the date on which the gift was accepted; (c) a description, and the estimated value, of the gift; (d) the nature of the relationship between the person who is a council member and the person who gave the gift; and the description, value and date of acceptance?
	s12(5) s12(5). Did the CEO maintain a register of these gifts?
	Good Governance
	Do declarations form part of the Conflicts of Interests Management Framework? i.e. are they actively managed for the purposes identifying conflicts as they may arise or moving forward?
Local Laws	**Local Government (Functions and General) Regulations 1996 PART 1A and Local Government Act 1995**
	s3.12(2). On each occasion that Council resolved to make a local law, did the person presiding at the Council meeting give notice of the purpose and effect of each proposed local law in the manner prescribed in Functions and General Regulation Three?
	s3.12(4). Have all Council's resolutions to make local laws been by absolute majority?
	s3.12(4). Have all Council's resolutions to make local laws been recorded as such in the minutes of the meeting?
	s3.12(6). After the local law was published in the Gazette, did the Shire give local public notice summarising the purpose and effect of the local law and the day on which it came into operation?
	s3.12(6). After the local law was published in the Gazette, did the Shire give local public notice advising that copies of the local law may be inspected or obtained from its office?
	s3.16(1). Have all reviews of local laws under section 3.16(1) of the Act been carried out within a period of eight years?
	s3.16(1)&(2). If the Shire carried out a review of a local law under section 3.16 of the Act, to determine whether or not the local law should be repealed or amended, did it give Statewide public notice stating that it intended to review the local law?
	s3.16(1)&(2). If the Shire carried out a review of a local law under section 3.16 of the Act, to determine whether or not the local law should be repealed or amended, did it give Statewide public notice advising that a copy of the local law could be inspected or obtained at the place specified in the notice?
	s3.16(1)&(2). If the Shire carried out a review of a local law under section 3.16 of the Act, to determine whether or not the local law should be repealed or amended, did it give Statewide public notice detailing the closing date for submissions about the local law?
	s3.16(3). Did the Shire (after the last day for submissions) prepare a report of the review and have it submitted to Council?
	s3.16(4). Was the decision to repeal or amend a local law determined by absolute majority on all occasions?
Misuse of Local Government Resources	**Local Government Act 1995**
	s7(1). Did a council member make improper use of the person's office as a council member to gain directly or indirectly an advantage for themselves person or any other person; or to cause detriment to the Shire or any other person?
	s8. Did a council member directly or indirectly use the resources of the Shire (a) for the purpose of persuading electors to vote in a particular way at an election, referendum or other poll held under the Act, the *Electoral Act 1907* or the *Commonwealth Electoral Act 1918*; or (b) for any other purpose, unless authorised under the Act, or authorised by the council or the CEO, to use the resources for that purpose?
	s19DA(1)&(2)&(3)&(4)&(6)(Acts.5.56). Has the Shire prepared a 4 year corporate business plan in accordance with this regulation and has it reviewed it each year and once prepared and modified was it adopted by Council as an absolute majority?
RAP and AIP	Has the Shire prepared a Reconciliation Action Plan and an Access and Inclusion Plan for its District?
Local Government Employees (CEO)	**Local Government (Administration) Regulations 1996**
	s18A(1)(Acts.5.36(4)&5.37(3)). If a position of CEO, or of a senior employee, of the Shire became vacant, did the Shire advertise the position in a newspaper circulating generally throughout the State unless it was proposed that the position be filled by (a) a person who is, and will continue to be, employed by another local government and who will fill the position on a contract or contracts for a total period not exceeding 5 years; or (b) a person who will be acting in the position for a term not exceeding one year?

Area	Audit Specifics
	s18A(2). Did the advertisement(s) contain (a) the details of the remuneration and benefits offered; (b) details of the place where applications for the position are to be submitted; (c) the date and time for the closing of applications for the position; (d) the duration of the proposed contract; (e) contact details for a person who can provide further information about the position; and (f) any other information that the Shire considered is relevant?
	If yes-
	s18B (Acts.5.39(3)(c)). Did the contract governing the employment of a person who was a CEO, or a senior employee, provide for a maximum amount of money (or a method of calculating such an amount) to which the person was entitled if the contract is terminated before the expiry date, which amount is not to exceed whichever is the lesser of (a) the value of one year's remuneration under the contract; or (b) the value of the remuneration that the person would have been entitled to had the contract not been terminated?
	s18C. Did Council approve a process to be used for the selection and appointment of a CEO before the position of CEO was advertised?
	s18D. Did Council consider each review on the performance of the CEO carried out under section 5.38 of the Act and accept that review, with or without modification, or reject the review?
	s18F. Did Council ensure that the remuneration and other benefits paid to a CEO on the appointment of the CEO did not differ from the remuneration and benefits advertised for the position under section 5.36(4)?
	Good Governance – Public Sector Commission Evaluation Report
	Does the Shire have a policy or procedure to manage secondary employment arrangements?
Payments in addition to contract or award	**Local Government (Administration) Regulations 1996**
	s19A(1) (Act s. 5.50(3)). Did the Shire ensure that for those employees (not the CEO or Senior Employee) accepting voluntary severance or resignation, that the value of payments made under s5.50(1)&(2) did not to exceed (a) the value of the person's final annual remuneration or (b) in all other cases, $5,000?
External Auditors	**Local Government (Audit) Regulations 1996**
	S8(1). Did the Shire and the External Auditor in the event of termination of the agreement (contract) for external audit, within 30 days of termination, provide the Department (DLGSCI) CEO notice of the termination including the reasons why?
Provision of Goods and Services	**Local Government (Functions and General Regulations) 1996 Part 4**
	11A(1)(2)(3). Has the Shire prepared a purchasing policy for the supply of goods and services where the consideration under the contract is, or is expected to be under $150,000 and is it in the prescribed form and format, including:
	a. ensuring that selection criteria was determined and included in the tender,
	b. providing a description of the goods or services
	c. identifying the particulars of contact persons from whom information can be obtained;
	d. information on how to submit a tender including place and time and methods making sure at least 14 days notice was provided?
	11-24 Did the Shire give State-wide public notice for all Tenders valued $150,000 or more and was that notice in the prescribed form and format?
	Did the Shire obtain goods and services from an Indigenous business registered in the Aboriginal Business Directory of WA through another format other than tendering and if so, was it for goods valued $250,000 or less?
	Does the Shire have procedures in place to ensure that the anti-avoidance is not carried out?
	Were all tenders received kept in a secure and safe place to ensure they remained confidential?
	Does the Shire ensure that there are two officers present when opening tenders and that all openings are public?
	Does the Shire maintain a register of Tenders and is it in the prescribed format?
	Were all accepted Tenders assessed by means of written evaluation to which each tender satisfied the criteria for deciding which tender to accept?
	Where the Shire accepted a tender but did not enter into a contract within six months and instead entered into a contract with another, was it agreed to be the first accepted Tenderer?
	Where all Tenderers notified of the Outcome in Writing?
	Did the Shire ensure that any variations prior to entering into a contract did not significantly depart from the scope of the contract?
	Where the Shire undertook the process of Expressions of Interest instead of a Tender, was it in accordance with the prescribed from, format and timings?
Panels of Prequalified Suppliers	24AA-24AJ. If the Shire established a panel of prequalified suppliers, did they first establish a policy in accordance with the Regulations and if so, were the invitation and contract requirements met?
Regional Price Preferences	24E(1). If the Shire is exercising the use of regional price preferences during procurement evaluations, did they prepare a Policy and give State-wide public notice inviting submissions for a period of four weeks and make a copy of the policy available prior to exercising the giving of a price preference?
Access to Information	**Local Government Administration Regulations 1996**
	s29(1). Did the Shire make information available for public inspection in relation to:
	(a) the information contained in a register to which s5.18 [delegations to committees] of the *Local Government Act 1995* applies?
	(b) the information contained in a register to which s5.46(1) [delegations to CEO and employees] of the *Local Government Act 1995* applies?
	(ba) the information contained in an electoral gift register established and maintained under regulation 30G(1) of the *Local Government (Elections) Regulations 1997*?
	(baa) the information contained in a register maintained under regulation 12(5) [notification of gifts by council members] of the *Local Government (Rules of Conduct) Regulations 2007*?
	(bb) the information contained in a register of notifiable gifts referred to in regulation 34B(5)?
	(bc) details of a regional price preference policy adopted in accordance with Part 4A of the *Local Government (Functions and General) Regulations 1996*?

Area	Audit Specifics
	(c) unconfirmed minutes of council or committee meetings?
	(d) notice papers and agenda relating to any council or committee meeting and reports and other documents which (i) are to be tabled at the meeting; or (ii) have been produced by the Shire or a committee for presentation at the meeting, and which have been made available to members of the council or committee for the meeting?
	(e) the information contained in a tenders register kept under the *Local Government (Functions and General) Regulations 1996*?
Freedom of Information	**Part 5 of the Freedom of Information Act 1992**
	Does/has the Shire prepared and published and Information Statement and does it address the type of documents available and how to access those documents?
Records Management	Does the Shire have a Records Management Plan as per the requirements of the State Records Act 2000?
Thoroughfares	**Local Government (Functions and General) Regulations 1996 Part 2 and Local Government (Uniform Local Provision) Regulations 1996**
	Did the Shire notify the persons prescribed concerning any road closures and if so was it in the prescribed form and format under the F&G Regulations?
	Where the Shire granted permission for a person to obstruct a public thoroughfare, was it in the form required under s6(3) of the ULP Regulations?
	If the Shire imposed conditions, were they in the form prescribed under s6(4) of the ULP Regulations?
	If any penalties were applied, were they the prescribed amounts issued under the Regulations?
Commercial Enterprises	Not applicable for Shire of Mundaring.
Local Elections *NOTE – this relates only to the role of the Shire, not the Electoral Commissioner if so appointed)*	**Local Government (Elections) Regulations**
	Part 2 – Electoral Officers
	Did the Shire appoint electoral officers for the latest local government elections?
	Did all appointed electoral officers behave in accordance with the required codes of conduct?
	Were the fees and expenses of electoral officers compliant?
	Part 3 - Enrolment
	Were all enrolment eligibility claims processed?
	Part 3 - Rolls
	Did a consolidation of residents roll with owners and occupiers roll occur?
	Were the rolls certified?
	Part 5A - Disclosure of Gifts
	Did the CEO maintain a Gifts Register and make that register publicly available for viewing?
	Part 6 - Election Notices
	Did the Shire provide notice of a local government election in the prescribed form and format?
	Did the Shire ensure all candidate signage was in the prescribed form and only in prescribed locations?
	Division 3 - Postal Voting Papers
	Where postal votes checked complying with the appropriate procedures at the appropriate time and in the appropriate place?
Local Government Constitution	Not applicable for district boundaries were amended or abolished over the last three years.
	Office of the Mayor – were there changes to the method of filling the office of mayor or president?
	Was there disqualification for membership given serious local government offences?
Infringement Notices	**Local Government (Functions and General) Regulations 1996 Part 5**
	If the Shire issued or withdrew any infringement notices, were they in the prescribed form and format?
Land Disposal & Major Trading's	**Local Government (Functions and General) Regulations 1996 Part 5**
	If disposing of land or entering into major trading's, did the Shire comply with the amounts prescribed and prepare Business Plans?
Miscellaneous – F&G Regulations	Where the Shire impounded goods, did it comply with Part 6 s29?
	Where the Shire was required to define an abandoned vehicle, was it compliant with Part 6 29A?
	Can the Shire ensure that Part 6 s31. Anti-avoidance for the disposition of property cannot occur?
	Where the Shire entered premises under a warrant in accordance with s3.33(1) or 8.8(1) of the Act, it was in the form prescribed Form 6 in Schedule 1?
Parking for Disabled	**Local Government (Parking for People with Disabilities) Regulations 2014**
	Where applicable, did the Shire clearly display / identify a disabled parking areas? And If so, was it in the prescribed form and location?
	If any infringements were issued by the Shire, were they in the prescribed form for the prescribed amount?
Regional Subsidiaries	**Local Government (Regional Subsidiaries) Regulations 2107**
	Has the Shire or is the Shire in the process of establishing a Regional Subsidiary?
Buildings and Land	**The Shire may choose to introduce other legislation like the Building Acts and Land related Acts if wishing to pursue these items.**
Public Interest Disclosures	**Public Interest Disclosure Act 2003**
	Has the Shire put in place mechanisms to appropriately manage Public Interest Disclosures and has it published its procedure?
	Does the Shire have one or more appointed PID Officers?
Intellectual Property	***IP Laws Amendment Bill 2014*; *IP Laws Amendment Act 2015*; Patents Act 1990; Patents Regulations 1991; Trade Marks Act 1995 except Part 13 which the Australian Customs Service administers; Trade Marks Regulations 1995; Designs Act 2003; *and the* Designs Regulations 2004**

Area	Audit Specifics
	Does the Shire have in place mechanisms to ensure that Intellectual Property Rights are not breached by the Shire?
Misconduct	**Corruption, Crime and Misconduct Act 2003**
	Did the CEO of the Shire report all incidences of minor misconduct to the Public Sector Commissioner?
	Did the CEO of the Shire report all incidences of serious misconduct to the Crime and Corruption Commission?
Planning for the Adoption of Fair Value Accounting	Has the process for Fair Value Accounting been established and is it maintained as per the accounting standards, financial management regulations and the Council policy in relation to Significant Accounting Policies?
Fringe Benefits Tax (FBT) Liability	Was the FBT prepared and lodged as required? Is consideration given to private use implications? Are exempt vehicle declarations in relation to private use signed by employees?
Investments	Does the Council have an Investment Policy which is linked too, or includes delegations of authority?
Liabilities Employee Provisions	Does the Shire have a Liability Register and does it include employee provisions? Where appropriate, are liabilities indemnified or insured?
Superannuation	Did the Shire participate in and comply with the industry superannuation scheme of its employees and was it the minimum amount specified by legislation?
Long Service Leave	Did the Shire have a policy that enables the management and processing of Long Service Leave in accordance with the Local Government (Long Service Leave) Regulations?
Enterprise Bargaining Agreements	Has the Shire sourced independent validation of any outstanding EBA % changes to back-paid salaries, particularly if they were processed manually?

8.4 New Policy OR-36 - Use of Closed Circuit Television (CCTV)

File Code	GV.OPP 1
Author	Elizabeth Nicholls, Governance Co-ordinator
Senior Employee	Garry Bird, Director Corporate Services
Disclosure of Any Interest	Nil
Attachments	1. Draft Policy OR-36 Use of Closed Circuit Television (CCTV) ⇩ 2. Draft Policy OR-36 Use of Closed Circuit Television (CCTV) - with track changes ⇩ 3. Revised - Draft Procedure Admin-49 Purchasing, Operating and Maintaining CCTV ⇩

SUMMARY

A new draft policy on the Use of Closed Circuit Television (CCTV) has been drafted and is presented to the Committee for review and referral to Council for adoption.

BACKGROUND

The Shire does not have a policy articulating the purposes for which it may use Closed Circuit Television (CCTV) or how information captured through such systems is to be managed. The proposed policy addresses these issues.

The Use of Closed Circuit Television (CCTV) Policy was presented to the Audit and Risk Committee at the meeting held 17 August 2021.

The Committee decided:

"*That this item be deferred to the 16 November 2021 Audit and Risk Committee Meeting to allow staff to provide additional details and clarification in the draft policy."*

The Policy has since been updated. The updated Policy for adoption (**Attachment 1**) and a version with track changes (**Attachment 2**) are attached for the Committees consideration.

To support the Policy, a draft Organisation Procedure has been prepared to assist staff in implementing the policy and ensuring CCTV systems are fit for purpose (**Attachment 3**).

STATUTORY / LEGAL IMPLICATIONS

The *Surveillance Devices Act 1998* regulates the use of "optical surveillance devices in respect of private activities".

The *Criminal Investigation Act 2006* is the primary source of police powers in WA.

The Policy outlines the requirements for records management in accordance with the *State Records Act 2000*.

The *Privacy Act 1988* is federal law which does not cover local government agencies, however, the Shire would adhere to its general principles to protect the privacy of individuals.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Mundaring Strategic Community Plan 2020 - 2030

Priority 4 - Governance

Objective 4.4 – High standard of governance and accountability

Strategy 4.4.3 – Risks are well managed

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: Reputation CCTV cameras are installed without due consideration for the privacy of community members going about their lawful, private business.		
Likelihood	**Consequence**	**Rating**
Possible	Moderate	Moderate
Action / Strategy		
Adopt a policy that ensures responsible management of the Shire's CCTV devices or alternatively determine that existing the CCTV will be phased out as cameras reach the end of their useful life.		

EXTERNAL CONSULTATION

Nil

COMMENT

CCTV is one of the surveillance technologies capable of being used to observe or monitor individuals or groups of individuals.

The Victorian Commissioner for Privacy and Data Protection (noting that WA doesn't have an equivalent office) recommends the following twelve guiding principles for the use of surveillance devices by public sector organisations in a way that enhances individuals' privacy:

1. Surveillance use must always be necessary, proportionate and for a legitimate purpose related to the activities of the organisation;
2. Individuals are entitled to a reasonable expectation of privacy in public places;
3. Surveillance operators must assess the impact of the proposed surveillance before it is undertaken;
4. Surveillance use must be consistent with applicable laws and standards;
5. Surveillance activities should be governed by policies, operating procedures and agreements;

6. Surveillance operators should undergo privacy training prior to use;
7. Surveillance operators must take reasonable steps to inform individuals of the use of surveillance devices;
8. The right of individuals to access their personal information should be respected;
9. Reasonable steps should be taken to secure equipment and protect information gathered through surveillance activities;
10. Disclosure of information gathered through surveillance activities should only occur where necessary for the stated purpose, or for a law enforcement purpose;
11. Information gathered through surveillance activities should be deleted once it is no longer required; and
12. Effective review and audit mechanisms should be in place to ensure legal requirements and policies are complied with, and that the program is meeting its intended objectives.

Shire of Mundaring only uses CCTV devices on Shire managed facilities for asset protection and safety of staff, elected members and the community. At last count 74 cameras are installed across eight locations: the Administration Centre, Shire Operations Centre, Lake Leschenaultia, Boya Community Centre, Bilgoman Aquatic Centre, Mt Helena Aquatic Centre, Mundaring Arena and Brown Park Recreation Centre.

The draft policy is based on the above principles and provides the principal rules for the Shire's use of CCTV equipment and what the Shire aims to achieve using CCTV devices.

The draft policy keeps a balance between deterring undesirable and anti-social behaviour in Shire managed facilities and preserving the privacy of community members going about their lawful normal business.

It clarifies Council's expectations of the Chief Executive Officer in relation to the development of procedures to ensure that CCTV systems are used ethically and lawfully, and outlines how the Shire will deal with requests for access to data captured through the Shire's CCTV network and prevent the misuse of information captured by CCTV cameras.

In developing the policy the Shire reviewed similar policies of other metropolitan local governments, all of which include provisions that ensure police are provided with access to CCTV footage where that footage is required to assist with the investigation of a crime.

The Shire’s Purchasing, Operating and Maintaining CCTV Procedure (**Attachment 3**) provides direction on operational aspects of the implementation of the Policy. The Procedure is attached for information.

VOTING REQUIREMENT

Simple Majority

COMMITTEE DECISION RECOMMENDATION			**ARC6.12.21**
Moved by	Cr Jeans	Seconded by	Cr Martin

That Council adopts Policy OR-36 “Use of Closed Circuit Television (CCTV)” as attached (**Attachment 1**).

CARRIED 7/0

For: Cr Daw, Mr Wilkinson, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil and Cr Jeans

Against: Nil

Shire of Mundaring

POLICY

USE OF CLOSED CIRCUIT TELEVISION (CCTV)

Policy Ref:	**OR-36**
Committee Rec:	**Date:**
Adopted:	**Date:**
Amended:	**Date:**
Reviewed:	**Date:**
Procedure Ref:	Admin-49 "Purchasing, operating and maintaining CCTV"
Legislation Ref:	*Criminal Investigation Act 2006* *Surveillance Devices Act 1998* *Surveillance Devices Act 2004 (Cth)*

PURPOSE

- To define Council's position on the use of CCTV;
- To ensure responsible management of Shire owned CCTV assets; and
- To ensure a consistent approach is taken to all CCTV installations in the Shire of Mundaring.

DEFINITIONS

Monitor means to watch or keep track of, usually for a special purpose.

Surveillance means to watch over someone or something. For the purposes of this Policy surveillance is the use of CCTV.

Incident means an occurrence of an action or situation.

GUIDING PRINCIPLES

1. Surveillance use must always be necessary, proportionate and for a legitimate purpose related to the activities of the organisation;
2. Individuals are entitled to a reasonable expectation of privacy in public places;
3. Surveillance operators must assess the impact of the proposed surveillance before it is undertaken;
4. Surveillance use must be consistent with applicable laws and standards;
5. Surveillance activities should be governed by policies, operating procedures and agreements;
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7. Surveillance operators must take reasonable steps to inform individuals of the use of surveillance devices;

8. The right of individuals to access their personal information should be respected;
9. Reasonable steps should be taken to secure equipment and protect information gathered through surveillance activities;
10. Disclosure of information gathered through surveillance activities should only occur where necessary for the stated purpose, or for a law enforcement purpose;
11. Information gathered through surveillance activities should be deleted once it is no longer required; and
12. Effective review and audit mechanisms should be in place to ensure legal requirements and policies are complied with, and that the program is meeting its intended objectives.

Source: Victorian Commissioner for Privacy and Data Protection (2017) *Guidelines to surveillance and privacy in the Victorian public sector* (V.01)

POLICY

1. Shire of Mundaring acknowledges that when used in isolation and not as part of a broader security and policing strategy, closed circuit television (CCTV) is likely to have a negligible effect on reducing crime and anti-social behaviour.
2. The Shire will only use CCTV to assist in –
    a. Enhancing the safety of Shire staff, elected members and customers at Shire managed facilities;
    b. Deterring behaviour likely to cause damage to Shire managed facilities;
    c. Deterring crimes from being committed at Shire managed facilities; and/or
    d. Investigating offences that have occurred at Shire managed facilities.
3. Shire of Mundaring will not use its CCTV for surveillance purposes other than where an employee, authorised by the Chief Executive Officer to operate the Shire's CCTV, has a reasonable belief that an incident is occurring or is likely to occur and –
    a. It may lead to a breach of the law;
    b. It appears that a person may be in physical distress; and/or
    c. The situation is likely to cause a public disturbance.

    Members of the public going about their lawful business will not be subject to surveillance.
4. Shire of Mundaring will ensure that appropriate signage is installed in areas where CCTV is used to inform members of the public that CCTV is in operation.
5. Where the Shire's CCTV captures reported activity of a criminal nature that activity will be reported to WA Police.
6. The Chief Executive Officer is responsible for the development and implementation of appropriate corporate guidelines for the operation of the Shire's CCTV systems, to ensure that –
    a. CCTV is used ethically at all times;
    b. Data collected using CCTV footage is managed in accordance with the relevant Federal and State legislation; and

c. The risk of CCTV footage being misused is appropriately mitigated.

7. Complaints regarding the Shire's CCTV must be made in writing and will be addressed in accordance with the Shire's Complaints Management policy, procedure and guidelines.

Records Management

1. In accordance with the General Disposal Authority for Local Government Records, general CCTV footage must be retained for 31 days after the footage was taken, after which it can be over-written or destroyed.

   Footage of incidents must be retained for 7 years after provision to an agency or after investigation.

   Records of significant incidents must be retained for 5 years, then transferred to the State Records Office for State archives.

2. Members of the public and media organisations wishing to access CCTV footage are required to make an application under the *Freedom of Information Act 1992*.

3. Where State or Federal law enforcement agencies request a copy of footage captured on the Shire's CCTV for the investigation of possible criminal activity, the request must be made in writing.

   Upon receipt of a written request from State or Federal law enforcement, the Shire will provide the relevant footage wherever possible.

Shire of Mundaring

POLICY

USE OF CLOSED CIRCUIT TELEVISION (CCTV)

Policy Ref:	**OR-36**
Committee Rec:	**Date:**
Adopted:	**Date:**
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    a. Enhancing the safety of Shire staff, elected members and customers at Shire managed facilities;
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    c. Deterring crimes from being committed at Shire managed facilities; and/or
    d. Investigating offences that have occurred at Shire managed facilities.
3. Shire of Mundaring will not use its CCTV for surveillance purposes other than where an employee, authorised by the Chief Executive Officer to operate the Shire's CCTV, has a reasonable belief that an incident is occurring or is likely to occur and –
    a. It may lead to a breach of the law;
    b. It appears that a person may be in physical distress; and/or
    c. The situation is likely to cause a public disturbance.

    Members of the public going about their lawful business will not be subject to surveillance.
4. Shire of Mundaring will ensure that appropriate signage is installed in areas where CCTV is used to inform members of the public that CCTV is in operation.
5. Where the Shire's CCTV captures reported activity of a criminal nature~~, such as graffiti or vandalism,~~ that activity will be reported to WA Police.
6. The Chief Executive Officer is responsible for the development and implementation of appropriate corporate guidelines for the operation of the Shire's CCTV systems, to ensure that –
    a. CCTV is used ethically at all times;
    b. Data collected using CCTV footage is managed in accordance with the relevant Federal and State legislation; and

c. The risk of CCTV footage being misused is appropriately mitigated.

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3. Where State or Federal law enforcement agencies request a copy of footage captured on the Shire's CCTV for the investigation of possible criminal activity, the request must be made in writing.

   Upon receipt of a written request from State or Federal law enforcement, the Shire will provide the relevant footage wherever possible.

Shire of Mundaring

PROCEDURE

PURCHASING, OPERATING AND MAINTAINING CCTV

Guidelines Ref:	Admin-49	File Code: GV.OPP 3

Originating Service/Officer:
Originating Date:
Reviewed by: **Date:**
Responsible Officer:

PURPOSE

To provide Shire of Mundaring employees with a consistent approach and process for the procurement, operation and maintenance of CCTV systems.

To provide considerations for design, responsibilities, purchasing, camera types, footage management and ongoing maintenance.

Application

These procedures are to be read together with Policy OR-36 Use of Closed Circuit Television (CCTV).

The Shire of Mundaring will only use CCTV to assist:

- Safety of staff, elected members and customers at Shire managed facilities; and
- Deterring and investigating offences and anti-social behaviour that can cause damage to Shire managed facilities.

Roles and responsibilities

A number of service areas share responsibilities in the design, procurement and ongoing management and maintenance of hardware, data and services for CCTV.

1. **Director Corporate Services (DCS)**
    - Responsible for approving requests from approved third parties (see Policy) for access to CCTV footage.
    - In the event that DCS is unavailable, the Manager Finance and Governance or Manager Information Technology can consider the request.

2. **Building Assets:**
    - Are responsible for the building infrastructure.
    - At the solution design phase, any infrastructure requirement e.g. wall tracing, additional power or network ports will be requested and signed off by Building Assets.
    - Building assets will be responsible for the procurement process for all new buildings including engaging the vendor.
    - Contractors for works to buildings are to be arranged by Building Assets.
    - Once complete, Building Assets sign off acceptance of the condition of the building.
3. **Information Technology (IT):**
    - Are responsible for all technical aspects of the CCTV solution: bandwidth, lighting, camera types etc.
    - Will be involved in the procurement process, will contribute to the specifications and assess the solutions offered.
    - Will assist in the implementation process to ensure the solution is delivered to specification and tested for the standards, network and security aspects.
    - Will also sign off implementation before concluding the project.
4. **Service Manager**
    - Is the business case, project and process owner.
    - Responsible for the business case, funding, request for quotations (RFQ) and staff training.
    - Responsible for data and footage extract (may request assistance from IT).
    - Responsible for the ongoing support and maintenance, in consultation with Building Assets, IT and the provider/contractor.
    - Will register the details of all new CCTV installations to the Western Australia Police Force Cam-Map WA. Any subsequent amendments to the number and/or locations to the CCTV system will be updated as changed. The contact information included in the registration will be the Shire's generic phone number and email address.
    - Where requests are received from third parties to obtain CCTV footage, Service Managers will liaise with the DCS regarding its release. It should be noted that the related Council Policy outlines "*Where State or Federal law enforcement agencies request a copy of footage captured on the Shire's CCTV for the investigation of possible criminal activity, the request must be made in writing.*"
    - Applications from other parties will generally be refused however they may request to obtain CCTV through other legislation (e.g. *Freedom of Information Act 1992*).

Design and Planning

The design of each installation is driven by the purpose of the CCTV e.g. to address vandalism, theft, crime, safety of individuals. This defines the project scope and specification. The type of camera required will be selected based on the area for accuracy (refer to below for list of cameras).

The RFQ is to include design, camera types, services and installation with consideration of the physical location and suitability for purpose.

The provider and all contractors are to possess the appropriate licenses and certifications.

The products are to meet the current Australian Standard.

Standards and Qualifications

The specification of the type of cameras needs to be according to Australian Standard AS/NZS 62676:2020. When upgrading or installing new, the latest standard at the time is to be referenced.

Qualified and registered contractors:

- The company (and any company they utilise) must possess a Security Agent License.
- All persons engaged to design and quote on any CCTV equipment are to hold a Security Consultant License.
- All persons engaged to install CCTV equipment and security related devices are to hold a Security Installer License.

Procurement and Funding

The Service Manager is responsible for developing the business case and RFQ in consultation with IT and Building Assets. This also applies when applying for grants to ensure the funds adequately provide for quality products.

The RFQ must include purpose and specifications of camera, storage and design if available. Tentative costing may be done however the solution should not be restricted to the funds made available.

A three-year warranty on product maintenance and support is a minimum requirement.

CCTV Footage Management and Retention

As stated in the Policy:

In accordance with the General Disposal Authority for Local Government Records, general CCTV footage must be retained for 31 days after the footage was taken, after which it can be over-written or destroyed.

Footage of incidents must be retained for 7 years after provision to an agency or after investigation.

Records of significant incidents must be retained for 5 years, then transferred to the State Records Office for State archives.

Footage stored for 31 days after being taken, it is to be stored on the Shire's local systems. The footage is not to be outsourced for storage or placed on cloud based storage for privacy purposes.

Where footage of incidents is retained, it is to be in accordance with the *State Records Act 2000.*

Service Managers or nominated persons must be trained in the extraction and use of footage. Access to operate the system is restricted to those trained in the use and governance of the footage data and system.

Implementation and Testing

Before signing off on the installation, the Service Manager, Building Assets and IT must test the cameras to ensure the desired outcome.

The vendor must provide user manuals, as built and training documents prior to project sign off.

Signage to advise the presence of CCTVs is a legislative requirement.

Ongoing Annual Maintenance

Maintenance, health check and testing of the CCTV system is required on an annual basis. This includes:

- cleaning the cameras of cobwebs and dust;
- aligning and adjusting the cameras which may move due to wind or other reasons;
- checking the housing and brackets;
- checking the storage capacity;
- checking the software for updates;
- testing the power supply.

Consideration to negotiate support and maintenance as part of the service with the contractor is important as internal staff may not possess this expertise.

CCTV systems are not an outright purchase without any further relationship with the provider, ensuring sound contractual arrangements will provide ongoing quality.

Refer to

Appendix 1 – Camera types

Appendix 2 - Checklist for CCTV requirements to be Included in RFQ

These guidelines were approved by: **XXXXXXXXXX** **POSITION!!!**	
	Date:

Appendix 1 – Camera types

Dome Camera	Has a small camera body with fixed lens used for shopping centres and public places. It's considered as tamper proof as requires specific tools to gain entry to the camera mechanism. Not to be considered vandal proof due to outer body shell being plastic.	
Vandal Resistant Camera	This type of camera is considered as tamper and vandal resistant. Usually designed as a dome with no sharp edges that allows it not to be attached to a cable or rope. In addition, the outside is reinforced glass.	
Fully Enclosed Units	Used for residential and commercial purpose due to its simplistic design. Common type of camera that can be infrared illuminated and IP protected.	

Covert Cameras	There are laws in Australia that permit the use of covert CCTV within certain guidelines, but there must be a reasonable cause for the purpose of covert surveillance and that is its primary objective. They can be installed at in a variety of places not limited to clocks, Power adaptors, etc	
PTZ Cameras	Pan Tilt Zoom cameras are units which can be fully controlled by the operator.	Harsh Environment PTZ Modular PTZ

Appendix 2 – Checklist for CCTV requirements to be included in RFQ

Camera Installation and Illumination

Is the camera to be mounted on a building?	Yes / No
Are camera poles required to mount cameras or lighting?	Yes / No
Is there existing and adequate lighting at each location?	Yes / No
If yes, what type (LP Sodium, LED etc.)?	_____
What is the maximum wind speed in the area?	_____
What is the maximum temperature at the site?	_____

Recording and Storage

Recording Mode?	Continuous/ Motion
Recording Frame Rate (Images per second)?	_____
Watermarking the data?	Yes / No

Image storage fault tolerance

The Storage capability needs to include the ability to replace the drive without losing any information (images) in the event of a hard disk failure.

User / Operators

Number of concurrent users of the system?	_____
Are the cameras being viewed from more than one location?	Yes / No
How many images per screen simultaneously?	_____

Power

Is Power available at each camera location?	Yes / No
Is power available at a local building?	Yes / No
Is power available within 90 meters of the camera?	Yes / No
Is UPS available?	Yes / No
What is the existing run time on UPS?	_____

Data Network Cabling / Transmission

Is network infrastructure available? Yes / No

What network infrastructure is available? CAT5 / CAT6 / Fibre / Wireless

If wireless, please provide details of manufacturer, type and model

_____

Does network exist between building and camera location? Yes / No

If yes, what is the presently available bandwidth? _____

Switches

Complete table below for available switches or switches to be installed.

Manufacturer	Model	Type – Layer 2/ Layer 3
Router (external access)		

Cameras

Complete table below for requirements of each camera.

Camera Location	Distance and width	Quality and Outcome	Lighting Level	Internal / External and Camera Type

8.5 Internal Audit Report - Infringements

File Code	GV.AUD 4
Author	Stan Kocian, Manager Finance and Governance
Senior Employee	Garry Bird, Director Corporate Services
Disclosure of Any Interest	Nil
Attachments	1. Internal Audit Report - Infringements ⇩

SUMMARY

In November 2020 Paxon Group were engaged by the Shire to undertake an independent audit to test, assess and evaluate whether Shire of Mundaring has adequate controls and strategies in place to manage its infringements and Court imposed fines, including referral processes to Fines Enforcement Registry.

The findings of the Paxon audit report, issued in October 2021, together with agreed management actions (**Attachment 1**), are presented to the Audit and Risk Committee.

The Audit and Risk Committee will be provided with quarterly updates on the progress of the agreed management actions.

BACKGROUND

The Shire of Mundaring issues infringements and/or fines for –

1. Bushfire offences;
2. Dog offences;
3. Parking offences (occasionally);
4. Health offences;
5. Pool offences; and
6. Planning offences.

The issue, monitoring and waiving of infringements is decentralised and is the responsibility of each service area. Processes vary between service areas. The Shire's Finance Service monitors and processes all receipts relating to infringements.

This internal audit covered the period from 1 July 2019 to 30 November 2020, with a broader date range applied where required.

The objective of the "Infringements Audit" was to test, assess and evaluate whether Shire of Mundaring has adequate controls and strategies in place to manage its infringements and Court imposed fines (issue and receipt, including referral to Fines Enforcement Registry).

The specific objectives of this audit were:

1. To review and assess the controls over existing processes for the issuing, reviewing, monitoring and waiving of infringements and Court imposed fines;

2. To perform testing on a sample basis to ensure adequacy and effectiveness of key processes;
3. To assess whether policies, procedures and relevant legislation are complied with and adhered to; and
4. To assess the effectiveness of the Shire's processes for referrals to the Fines Enforcement Registry.

Governance objectives, where relevant, were considered and an assessment was undertaken of whether governance processes are in place, including:

1. Defined roles and responsibilities;
2. Segregation of duties;
3. Appropriate levels of delegated of authority;
4. Transparency and consistency of decision making; and
5. Records management and documented audit trails.

STATUTORY / LEGAL IMPLICATIONS

The Shire has the power issue infringements and fines under a multitude of Acts, Regulations and Local Laws.

POLICY IMPLICATIONS

Compliance Policy PS-10 was adopted by Council in December 2018. This policy sets out the principles that guide the Shire's approach to compliance and enforcement of legislation.

FINANCIAL IMPLICATIONS

The initial timeframes assigned to undertake the agreed management actions take into account that existing staff resources will be utilised to implement and/or investigate these actions. The 2021/22 budget does not include any allocation of additional resources towards implementing recommendations resulting from internal audits. There is also no provision within the 2021/22 budget, or the Long Term Financial Plan, to fund any enhancements to existing software or purchase new software modules.

STRATEGIC IMPLICATIONS

Mundaring Strategic Community Plan 2020 - 2030

Priority 4 - Governance

Objective 4.4 – High standard of governance and accountability

Strategy 4.4.3 – Risks are well managed

SUSTAINABILITY IMPLICATIONS

Nil

RISK IMPLICATIONS

Risk: The Shire does not have effective procedures, processes and systems in place to manage the issue and tracking of infringements.		
Likelihood	**Consequence**	**Rating**

Possible	Moderate	Moderate
Action / Strategy		
The agreed management actions are implemented and progress status reports are presented to the Audit and Risk Committee.		

EXTERNAL CONSULTATION

Paxon Group was engaged to undertake the independent internal Infringements audit following a public request for quotation process.

COMMENT

The findings of the Infringements audit, its recommendations and agreed management actions are summarised below. Further details can be found in the report (**Attachment 1**).

Findings	Recommendations	Agreed Management Actions
1. Operational Procedures for Infringements		
1. The Shire's Rangers Manual focuses on the different types of infringements of the *Dog Act 1976* and not specifically the operational procedures to follow once an infringement has occurred. (Risk : High)	Paxon appreciates the Shire enforces a diverse suite of legislation which all have different stipulations regarding infringements. Consequently, unique criteria may exist across different legislative instruments as to the identification of infringements. However, the management of infringements once issued should be independent from such legislative instruments. Consequently, a standard operational process should be followed for identified infringements irrespective of the legislation from which it originated. As a result, it is recommended the Shire compiles, approves and implements an exclusive procedure manual for infringements which addresses this operational process (Procedure Manual).	An Infringements Procedures Manual will be created and maintained focused on the three stages of the process: • Issue of infringements, including authorised employees; • Maintenance and management of infringements; and • Referral to FER. This Manual will be available to all sections of Statutory Services (Rangers, Fire, Health, Planning and Building including Swimming Pools). Due date: 31 December 2022. To be implemented by: Director Statutory Services supported by Coordinator Community Safety and Emergency Management. In relation to Paxon's comments under finding number 5, the Shire does not agree with the statement
2. The Rangers Manual does not address bush fire management and parking management. The Shire does not have dedicated procedure manuals which address the operational procedures to follow once a bush fire or parking infringement has occurred. (Risk : High)		
3. The Shire refers to the organisational practice entitled: "Enforcement and Prosecution" (known as 'OP-15') to manage infringements issued regarding contraventions of health legislation. OP -15 lists infringements as an enforcement option. However, it provides no		

details as to the operational activities attached to infringements of legislation which the Shire is responsible to enforce. (Risk : High)		*"section 6 of the Building Act 2011 read together with section 69 of the Building Regulation 2012 make it compulsory for the Shire to issue infringements for prescribed offences listed in Schedule 6 to the Building Regulations 2012."* Regulation 69 (1) of the *Building Regulations 2012* states *"The offences specified in Schedule 6 are offences for which an infringement notice <u>may</u> be issued under the Criminal Procedure Act 2004 Part 2."* The use of the word "may" indicates that discretion can be used as whether or not an infringement is issued. The Shire's preferred approach in the first instance is seek an outcome informally rather than issue and infringement or undertake legal proceedings.
4. The Shire refers to the Building Commission (WA)'s "Private Swimming and Spa Pool – Inspector Guidelines" (Inspector Guidelines). The Inspector Guidelines includes a section entitled: "Infringement notices" which focuses exclusively on the provisions of the *Building Regulations 2012.* (Risk : High)		
5. Paxon was informed: "The Shire's Planning Service does not issue 'infringements' under the Planning and Development Act 2005. Where a compliance matter cannot be resolved outside of formal channels, Planning Service will seek prosecution proceedings. The Shires Compliance Policy (PS-10) and Enforcement and Prosecution Organisational Practice (OP-15) are used in determining whether or not to commence prosecution/s." Paxon believes section 6 of the *Building Act 2011* read together with section 69 of the *Building Regulation 2012* make it compulsory for the Shire to issue infringements for prescribed offences listed in Schedule 6 to the Building Regulations 2012.		
2. Compliance Policy		
1. The Shire has a policy entitled: "*Compliance*", dated	The Shire's "*Compliance*" policy should include the	An update to the legislation section of the policy

11/12/2018. The purpose of this policy is stated as being: "*To set out the principles that guide the Shire's approach to compliance and enforcement of legislation*." The issue of infringements is an enforcement instrument specifically provided for in legislation administered by the Shire. Paxon notes the Shire issued a total of 91 infringements during the 2019-2020 financial year in terms of such legislation. Therefore, it is considered appropriate the Shire's "*Compliance*" policy appropriately refers to relevant legislation. However, the Shire's "*Compliance*" policy does not include within the "*Relevant Legislation*" section the: • Fines, Penalties and Infringement Notices Enforcement Act 1994; and • Fines, Penalties and Infringement Notices Enforcement Regulations 1994. (Risk : Low)	afore-mentioned legislation in the "*Relevant Legislation*" section.	document will be actioned. Due date: 31 December 2022. To be implemented by: Director Statutory Services
3. Infringements Registers		
1. Community Safety and Emergency Management (CSEM) maintains a register in which it separately records infringement notices issued for contraventions of the: o *Dog Act 1976*; and o *Bush Fires Act 1954*. (CSEM Register). (Risk : Low)	The Shire should implement and maintain a centralised register for all infringement notices issued for contraventions of legislation the Shire is responsible to enforce (Infringements Register),	1. A Compliance Register, which will show a more comprehensive picture of the Shire's compliance and enforcement actions, compared to an Infringements Register will be implemented across Statutory Services (Rangers, Fire, Health, Planning and Building including Swimming Pools). This will take the form of a centralised spreadsheet with tabs for each service, which will be maintained by a responsible employee from
2. CSEM is also responsible for infringements issued in terms of the Shire's "Parking Local Law 2009". However, such infringements are infrequent, and no specific		

record therefor was included in the CSEM register examined. (Risk : Low)		each service. It is proposed that this spreadsheets are used as an interim measure pending implementation of point 2 below; and 2. Improvements to the infringement's module in Authority (the Shire's accounting software) will be investigated. Due date: 31 December 2021. To be implemented by: Director Statutory Services.
3. The dog infringement record is very basic and does not record details of payments received, final demands issued or registration of unpaid infringements with the Fines Enforcement Registry (FER). (Risk : Low)		
4. The bush fire infringement record is more comprehensive and includes details of the: o Issue of final demands for payment; and o Registration of unpaid infringements with the FER. However, it still does not record details of payments received. Consequently, it is not possible to use this record to determine further action required to obtain payment for infringements issued. Recording details of payments received will enable management to determine whether: o Final demands for payment should be issued to offenders; and o Unpaid infringements should be registered with FER. (Risk : Low)		
5. Based on information provided by responsible employees, no registers are maintained in respect of infringement notices issued for contraventions of the: o Health legislation; and o *Building Act 2011* and the *Building Regulations 2012* (swimming pools). However, based on information provided the scale of infringement notices issued across these areas is		

limited. Consequently, the maintenance of registers may appear not to be justified. However, the lack of registers makes management control challenging. (Risk : Low)		
6. Paxon was informed: o The Shire maintains a "*centralised register*" in Civica Authority (financial software); and o This centralised register's reporting functionality can be improved. (Risk : Low)		
7. Paxon examined a sample of infringements and found detailed information was recorded independently for each individual infringement in Authority (detailed information was not available in a summary – for example in an Excel spreadsheet). Paxon examined a trial balance disclosing outstanding amounts across infringements issued in terms of different legislative instruments. This trial balance provides very limited information regarding individual infringements issued. (Risk : Low)		
4. Infringements Reports		
1. Reporting within CSEM for infringement notices issued regarding contraventions of relevant legislation is verbal. (Risk : High)	1. The Shire should implement and maintain an Infringements Register. Maintenance of this register will facilitate the introduction of regular reporting regarding infringements. 2. The Shire should centralise formal reporting for infringements notices issued regarding contraventions of legislation the Shire is responsible to	Statutory Services staff will liaise with IT and explore whether improvements can be made to the existing reporting facility in Authority. Due date: 31 December 2022. To be implemented by: IT and Director Statutory Services supported by Coordinator Community Safety and Emergency
2. No internal reporting is done for infringement notices issued regarding contraventions of health legislation. (Risk : High)		
3. No specific reporting is done for infringements		

notices issued regarding contravention of *the Building Act 2011* and the *Building Regulations 2012* (swimming pools). (Risk : High) 4. Paxon was informed: **"**The Shire's Planning Service does not issue 'infringements' under the *Planning and Development Act 2005*. Where a compliance matter cannot be resolved outside of formal channels, Planning Service will seek prosecution proceedings. The Shires Compliance Policy (PS-10) and Enforcement and Prosecution Organisational Practice (OP-15) are used in determining whether or not to commence prosecution/s." (Risk : High)	enforce. This reporting should include: o Infringements notices issued and paid; o Final demand notices issued for unpaid fines; o Unpaid fines referred to the FER; and o Court imposed fines referred to the FER by lawyers. 3. Reports should be provided to the Director Statutory Services and the CEO.	Management.
5. Sampled Infringements		
1. Paxon found two sampled Notices were not issued within 28 days after the alleged offence, as stipulated in section 9.16(1) of the *Local Government Act 1995:* o Notice 151421 – 29 days later; and o Notice 151475 – 33 days later. (Risk : Medium) 2. Paxon found three sampled Notices issued for contraventions of the *Dog Act 1976* were issued by Community Safety Rangers and not by the Director Statutory Services. The Director Statutory Services was appointed as an "*authorised person*" in terms of section 9.10(2) of the *Local Government Act 1995* to administer the functions and powers of the	1.The Shire should issue infringement notices within 28 days after the alleged offence, as stipulated in section 9.16(1) of the *Local Government Act 1995*; 2.The Shire should implement and maintain an Infringements Register; and 3. The Shire should produce an age analysis of outstanding infringements on a monthly basis. This age analysis should be used together with the Infringements Register to monitor and assess the collection of issued infringements.	The timeframe for issuing infringement notices depends on the legislation under which the infringement notice is issued. Few if any notices are issued under the *Local Government Act 1995*. Most are issued under the *Dog Act 1976*, *Bush Fires Act 1954*, *Building Act 2011*, *Planning and Development Act 2005* etc. The various timeframes will form part of the Register that will be implemented Age analysis reporting will be considered when exploring improvements to Authority. Due date: as per previous Agreed Management Actions. To be implemented by: Director Statutory Services.

Shire of Mundaring's "*Dogs Local Law 2017* ("*Instrument of Appointment*", signed by the CEO on 18/12/2018). The three sampled Notices are: o Notice 1515475; o Notice 151488; and o Notice 151508. (Risk : Medium)		Paxon's comments under finding number 2 are incorrect. Infringements are issued under the *Shire's Dog's Local Law 2017*. All Rangers have been appointed as an authorised person for the purposes of the Local Law. The letters of authorisation clearly list "*the Shire of Mundaring Dogs Local Law – all functions to be exercised by an authorised person."* Under the Local Law an authorised person is able to issue any infringements prescribed under the Local Law.
3. Paxon found two thirds of the infringement notices issued were not paid within 28 days. Details are as follows: o Notice 151339 - infringement amount plus FER costs were paid off over approximately 2 years and 5 months; o Notice 151421- infringement amount was paid approximately 1 year and ten months after the date of the infringement notice. A balance of $46.50 FER costs is still outstanding; o Notice 151475 - infringement amount plus FER costs were paid approximately 9 months after the date of the infringement notice; o Notice 151508 - infringement amount has been outstanding for approximately 9 months; o Notice 151269 - infringement amount was paid approximately 5 months after the date of the infringement notice. A balance of $292 of FER costs is still outstanding; and o Notice 151279 - infringement amount plus FER costs were paid approximately 8 months after the date of the infringement notice. (Risk :		

Medium)		
4. The Shire produces a "Trial Balance by Infringement Type" (Trial Balance) on a monthly basis. However, the Trial Balance only discloses limited information regarding individual infringements which includes: o Original penalty amount; o Additional costs levied; o Total costs outstanding; o Penalty amounts outstanding; and o Total amount outstanding. (Risk : Medium)		
The Trial Balance does not: o Record the date the infringement notice was issued; and o Provide an age analysis of the total amount outstanding. (Risk : Medium)		

VOTING REQUIREMENT

Simple Majority

RECOMMENDATION

That the Committee:

1. Receives the Paxon Infringements Report 2021 (**Attachment 1**);
2. Notes management comments, actions and associated timeframes relating to each of the findings and recommendations of the audit report; and
3. Notes that reports on the progress towards the agreed management actions will be presented to the Committee until complete.

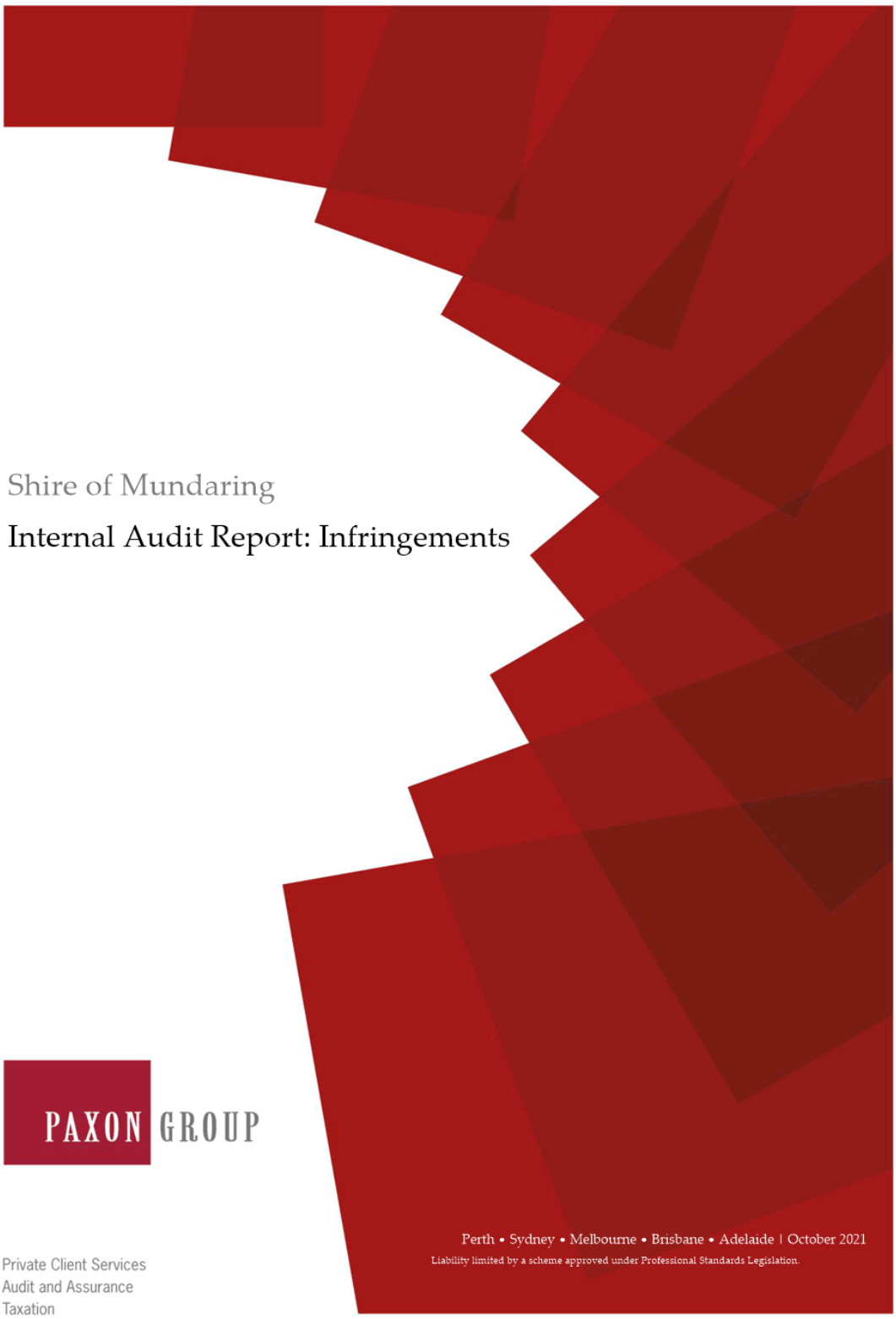
COMMITTEE DECISION MOTION			ARC7.12.21
Moved by	Cr Jeans	Seconded by	Cr McNeil

That this item be deferred to the next available Audit and Risk Committee meeting.

CARRIED 7/0

For: Cr Daw, Mr Wilkinson, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil and Cr Jeans

Against: Nil


Shire of Mundaring
Internal Audit Report: Infringements
PAXON GROUP
Private Client Services
Audit and Assurance
Taxation
Perth • Sydney • Melbourne • Brisbane • Adelaide | October 2021
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Appendix A – Risk Rating Schedule 17

Executive Summary

Paxon completed an internal audit of infringements for the Shire of Mundaring (Shire).

The objective of the internal audit of infringements was to test, assess and evaluate whether the Shire has adequate controls and strategies in place to manage its infringements and Court imposed fines (issue and receipt, including referral to Fines Enforcement Registry).

Weaknesses

As detailed within this report Paxon identified the following weaknesses:

- Shire employees are not provided with adequate guidance regarding operational procedures for issued infringements of several legislative instruments;
- The Shire's *"Compliance"* policy does not provide a holistic perspective of the relevant legislation for infringements;
- Registers which record details of the different types of infringements issued are either incomplete or non-existent and consequently obstructs management control;
- No formal reporting regarding infringements takes place; and
- The late issue of the sampled infringement notices may suggest those notices are not enforceable.

As per Appendix A of this report, Paxon assesses the overall performance of Infringements as:

Rating	Excellent	Very Good	Satisfactory	Needing Improvement	Not Satisfactory
				☆☆	

1 Introduction

1.1 Background

The Fines, Penalties and Infringement Notices Enforcement Amendment Act 2020 (WA) (FPINE Amendment Act) introduces and amends actions to enforce the outstanding payment of fines and infringements. All provisions of the FPINE Amendment Act were in effect from 29 September 2020.

Several sets of regulations, issued in terms of WA Acts, were amended as a result of the FPINE Amendment Act, which includes:

- Health Regulations Amendment (Infringement Notices) Regulations 2020 (cover regulations issued in terms of several Acts);
- Environment Regulations Amendment (Infringement Notices) Regulations 2020 (covers regulations issued in terms of several Acts);
- Local Government Regulations Amendment (Infringement Notices) Regulations 2020 (cover regulations issued in terms of Acts including the Dog Act 1976 and the Cat Act 2011); and
- Transport Regulations Amendment (Infringement Notices) Regulations 2020 (cover regulations issued in terms of several Acts).

The Shire appointed Paxon to test, assess and evaluate whether the Shire has adequate controls and strategies in place to manage its infringements and Court imposed fines (issue and receipt, including referral to Fines Enforcement Registry).

1.2 Internal Audit Objective

The overall objective for the Infringements internal audit was to provide assurance effective and efficient controls are in place for Infringements and are being complied with.

2 Scope

The following process was covered in the internal audit:

Process	Key Risks
Infringements	• Controls over existing processes for the issuing, reviewing, monitoring and waiving of infringements and Court imposed fines are inadequate; • Policies, procedures and relevant legislation are not complied with and adhered to; • Shire's processes for referrals to the Fines Enforcement Registry are ineffective; and • Governance processes for infringements are inadequate.

The internal audit covered the period from 1 July 2019 to 30 November 2020.

3 Methodology

Our methodology for the internal audit comprised:

- Conducting an initial meeting with management to obtain an understanding of processes and potential issues;
- Developing overview documentation of the processes including key controls by discussion with staff and review of the processes;
- Evaluating the adequacy of the controls to cover the identified risks and testing the compliance with the key controls;
- Researching the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes including compliance with key controls;
- Developing appropriate recommendations for improvement for discussion with management;
- Drafting a report of findings and recommendations and obtaining formal responses from management; and
- Finalising the report and issuing it to the Director Corporate Services for distribution to the Audit Committee and relevant management.

4 Inherent Limitations

Due to the inherent limitations in any internal control structure, it is possible errors or irregularities may occur and not be detected. Further, the internal control structure, within which the control procedures that have been reviewed operate, has not been reviewed in its entirety and therefore no opinion is expressed as to the effectiveness of the greater internal control structure.

It should also be noted our internal audit was not designed to detect all weaknesses in control procedures as it was not performed continuously throughout the period subject to review.

The internal audit conclusion and any opinion expressed in this report have been formed on the above basis.

5 Detailed Audit Findings

Each finding detailed in this Section is rated based on the following scale:

Rating	Definition
High	Major contravention of policies, procedures or laws, unacceptable internal controls, high risk for fraud, waste or abuse, major opportunity to improve effectiveness and efficiency, major risk identified. Immediate corrective action is required. A short-term fix may be needed prior to it being resolved properly.
Medium	Significant contravention of policies, procedures or laws, poor internal controls, significant opportunity to improve effectiveness and efficiency, significant risk identified. Corrective action is required. Need to be resolved as soon as resources can be made available, but within six months.
Low	Minor contravention of policies and procedures, weak internal controls, opportunity to improve effectiveness and efficiency, moderate risk identified. Corrective action is required. Need to be resolved within twelve months.

5.1 Operational Procedures for Infringements

5.1.1 Findings

- The Shire's Rangers Manual focuses on the different types of infringements of the Dog Act 1976 and not specifically the operational procedures to follow once an infringement has occurred;
- The Rangers Manual does not address bush fire management and parking management. The Shire does not have dedicated procedure manuals which address the operational procedures to follow once a bush fire or parking infringement has occurred;
- The Shire refers to the organisational practice entitled: *"Enforcement and Prosecution"* (known as 'OP-15') to manage infringements issued regarding contraventions of health legislation. OP -15 lists infringements as an enforcement option. However, it provides no details as to the operational activities attached to infringements of legislation which the Shire is responsible to enforce;
- The Shire refers to the Building Commission (WA)'s *"Private Swimming and Spa Pool – Inspector Guidelines"* (Inspector Guidelines). The Inspector Guidelines includes a section entitled: *"Infringement notices"* which focuses exclusively on the provisions of the Building Regulations 2012; and
- Paxon was informed:

  "The Shire's Planning Service does not issue 'infringements' under the Planning and Development Act 2005. Where a compliance matter cannot be resolved outside of formal channels, Planning Service will seek prosecution proceedings. The Shires Compliance Policy (PS-10) and Enforcement and Prosecution Organisational Practice (OP-15) are used in determining whether or not to commence prosecution/s."

  Paxon believes section 6 of the Building Act 2011 read together with section 69 of the Building Regulation 2012 make it compulsory for the Shire to issue infringements for prescribed offences listed in Schedule 6 to the Building Regulations 2012.

Paxon determined the Risk Rating for these findings as High.

5.1.2 Implications

- Shire employees are not provided with adequate guidance regarding operational procedures for infringements of:
  - Dog legislation;
  - Environmental legislation;
  - Shire's Parking Local Law;
  - Health legislation; and
  - Building legislation.
- This lack of guidance may result in inconsistent treatment of infringements of applicable legislation by different:
  - Employees within the same business unit; and
  - Business units.

5.1.3 Recommendations

Paxon appreciates the Shire enforces a diverse suite of legislation which all have different stipulations regarding infringements. Consequently, unique criteria may exist across different legislative instruments as to the identification of infringements. However, the management of infringements once issued should be independent form such legislative instruments. Consequently, a standard operational process should be followed for identified infringements irrespective of the legislation from which it originated. As a result, it is recommended the Shire compiles, approves and implements an exclusive procedure manual for infringements which addresses this operational process (Procedure Manual). This Procedure Manual should:

- Identify the operational activities subsequent to identification of infringements;
- Allocate responsibility for such operational activities to specific employees – to help establish accountability;
- Stipulate records management procedures – to help establish an audit trial; and
- Compliance with legislation in general terms – to help ensure the legality and collection of infringements issued.

Implementation of such a dedicated Procedure Manual will result in a standard methodology being followed (for identified infringements) within the same business unit and across all business units within the Shire (resulting in consistency and transparency);

- The Procedure Manual should address operational activities subsequent to identification of infringements, being:
  - Issue of infringement notices (including updating of templates currently used therefore);
  - Review of infringement notices;
  - Monitoring of remedial action demanded;
  - Issue of final demand notices for infringements not paid within 28 days from the date of the notice;
  - Waiving of fines;
  - Registration of unpaid fines with the Fines Enforcement Registry;
  - Referrals of unpaid fines to lawyers for prosecution; and
  - Monitoring, receipt and recording of monies received for infringements issued.
- The Procedure Manual should allocate responsibility for specific infringement activities to particular employees (Responsible Employees).
- The Responsible Employees should be duly authorised to represent the Shire in dealings with external persons and organisations – to help establish legality and validity. The stipulations of relevant legislation should be complied with in the delegation of authority to Shire employees. "*Instrument(s) of Appointment*" by the CEO may be used for this purpose;
- The Procedure Manual should clearly establish an audit trail from the issue of an infringement notice to the subsequent payment of the infringement or court allocated costs; and
- The Procedure Manual should allocate oversight for the operational activities subsequent to infringement identification to a specific Shire employee.

5.1.4 Agreed Management Action

An Infringements Procedures Manual will be created and maintained focused on the three stages of the process:

- Issue of infringements, including authorised employees;
- Maintenance and management of infringements; and
- Referral to FER.

This Manual will be available to all sections of Statutory Services (Rangers, Fire, Health, Planning and Building including Swimming Pools).

Due date: 31 December 2022.

To be implemented by: Director Statutory Services supported by Coordinator Community Safety and Emergency Management.

5.2 Compliance Policy

5.2.1 Findings

The Shire has a policy entitled: "*Compliance*", dated 11/12/2018. The purpose of this policy is stated as being:

"*To set out the principles that guide the Shire's approach to compliance and enforcement of legislation.*"

The issue of infringements is an enforcement instrument specifically provided for in legislation administered by the Shire. Paxon notes the Shire issued a total of 91 infringements during the 2019-2020 financial year in terms of such legislation. Therefore, it is considered appropriate the Shire's "*Compliance*" policy appropriately refers to relevant legislation.

However, the Shire's "*Compliance*" policy does not include within the "*Relevant Legislation*" section the:

- Fines, Penalties and Infringement Notices Enforcement Act 1994; and
- Fines, Penalties and Infringement Notices Enforcement Regulations 1994.

Paxon determined the Risk Rating for these findings as Low.

5.2.2 Implications

Readers of the Shire's "*Compliance*" policy, particularly Shire employees responsible for managing infringement activities are not provided with a holistic perspective regarding the relevant legislation for infringements.

5.2.3 Recommendations

The Shire's "*Compliance*" policy should include the above-mentioned legislation in the "*Relevant Legislation*" section.

5.2.4 Agreed Management Action

An update to the legislation section of the policy document will be actioned.

Due date: 31 December 2022.

To be implemented by: Director Statutory Services

5.3 Infringements Registers

5.3.1 Findings

- Community Safety and Emergency Management (CSEM) maintains a register in which it separately records infringement notices issued for contraventions of the:
  - Dog Act 1976; and
  - Bush Fires Act 1954.

  (CSEM Register);
- CSEM is also responsible for infringements issued in terms of the Shire's *"Parking Local Law 2009"*. However, such infringements are infrequent, and no specific record therefor was included in the CSEM register examined;
- The dog infringement record is very basic and does not record details of payments received, final demands issued or registration of unpaid infringements with the Fines Enforcement Registry (FER);
- The bush fire infringement record is more comprehensive and includes details of the:
  - Issue of final demands for payment; and
  - Registration of unpaid infringements with the FER.

  However, it still does not record details of payments received. Consequently, it is not possible to use this record to determine further action required to obtain payment for infringements issued. Recording details of payments received will enable management to determine whether:
  - Final demands for payment should be issued to offenders; and
  - Unpaid infringements should be registered with FER.
- Based on information provided by responsible employees, no registers are maintained in respect of infringement notices issued for contraventions of the:
  - Health legislation; and
  - Building Act 2011 and the Building Regulations 2012 (swimming pools).

  However, based on information provided the scale of infringement notices issued across these areas is limited. Consequently, the maintenance of registers may appear not to be justified. However, the lack of registers makes management control challenging;
- Paxon was informed:
  - The Shire maintains a *"centralised register"* in Civica Authority (financial software); and
  - This centralised register's reporting functionality can be improved.
- Paxon examined a sample of infringements and found detailed information was recorded independently for each individual infringement in Authority (detailed information was not available in a summary – for example in an Excel spreadsheet). Paxon examined a trial balance disclosing outstanding amounts across infringements issued in terms of different legislative instruments. This trial balance provides very limited information regarding individual infringements issued.

Paxon determined the Risk Rating for these findings as Low.

5.3.2 Implication

Current limited centralised reporting for infringements issued in terms of different legislative instruments makes management oversight thereof challenging.

5.3.3 Recommendations

- The Shire should implement and maintain a centralised register for all infringement notices issued for contraventions of legislation the Shire is responsible to enforce (Infringements Register);
- The Infringements Register should provide details of all infringements issued, including:
  - Infringement notice number;
  - Date of alleged offence;
  - Legislation and relevant section(s) contravened;
  - Last day for issue of infringement notice (as legislated);
  - Date the infringement notice was issued;
  - Alleged offender's full name;
  - Issuing officer;
  - Amount of (modified) penalty;
  - Date of payment (if applicable);
  - Amount paid (if applicable);
  - Due date for final demand notice (if applicable);
  - Date the final demand notice was issued (if applicable);
  - Due date for registration with FER (if applicable); and
  - Date registered with FER (if applicable).
- Recording of the above-mentioned dates will enable management to determine the timely issue of infringement notices and final demand notices, and the timely registration of unpaid infringements with the FER;
- If applicable, the Infringements Register should also include:
  - Details of fines waived; and
  - Date of alleged offender's choice to have the matter heard in the Magistrate's Court instead of paying the fine.
- Implementation of an Infringements Register will:
  - Provide evidence infringements are being pro-actively managed; and
  - Make regular reporting regarding infringement notices issued basically effortless.

5.3.4 Agreed Management Action

1. A Compliance Register, which will show a more comprehensive picture of the Shire's compliance and enforcement actions, compared to an Infringements Register will be implemented across Statutory Services (Rangers, Fire, Health, Planning and Building including Swimming Pools).

   This will take the form of a centralised spreadsheet with tabs for each service, which will be maintained by a responsible employee from each service. It is proposed that this spreadsheets are used as an interim measure pending implementation of point 2 below; and

2. Improvements to the infringement's module in Authority (the Shire's accounting software) will be investigated.

Due date: 31 December 2021.

To be implemented by: Director Statutory Services.

5.4 Infringements Reports

5.4.1 Findings

- Reporting within CSEM for infringement notices issued regarding contraventions of relevant legislation is verbal;
- No internal reporting is done for infringement notices issued regarding contraventions of health legislation;
- No specific reporting is done for infringements notices issued regarding contravention of the Building Act 2011 and the Building Regulations 2012 (swimming pools); and
- Paxon was informed:

  "The Shire's Planning Service does not issue 'infringements' under the Planning and Development Act 2005. Where a compliance matter cannot be resolved outside of formal channels, Planning Service will seek prosecution proceedings. The Shires Compliance Policy (PS-10) and Enforcement and Prosecution Organisational Practice (OP-15) are used in determining whether or not to commence prosecution/s."

Paxon determined the Risk Rating for these findings as High.

5.4.2 Implication

The lack of formal reporting regarding infringements makes management oversight challenging.

5.4.3 Recommendations

- The shire should implement and maintain an Infringements Register as recommended above. Maintenance of this register will facilitate the introduction of regular reporting regarding infringements;
- The Shire should centralise formal reporting for infringements notices issued regarding contraventions of legislation the Shire is responsible to enforce. This reporting should include:
  - Infringements notices issued and paid;
  - Final demand notices issued for unpaid fines;
  - Unpaid fines referred to the FER; and
  - Court imposed fines referred to the FER by lawyers.
- Reports should be provided to the Director Statutory Services and the CEO.

5.4.4 Agreed Management Action

Statutory Services staff will liaise with IT and explore whether improvements can be made to the existing reporting facility in Authority.

Due date: 31 December 2022.

To be implemented by: IT and Director Statutory Services supported by Coordinator Community Safety and Emergency Management.

5.5 Sampled Infringements

5.5.1 Findings

- Paxon examined a sample of infringement notices (Notices) issued by the Shire;
- Paxon found two sampled Notices were not issued within 28 days after the alleged offence, as stipulated in section 9.16(1) of the Local Government Act 1995:
  - Notice 151421 – 29 days later; and
  - Notice 151475 – 33 days later.
- Paxon found three sampled Notices issued for contraventions of the Dog Act 1976 were issued by Community Safety Rangers and not by the Director Statutory Services. The Director Statutory Services was appointed as an "*authorised person*" in terms of section 9.10(2) of the Local Government Act 1995 to administer the functions and powers of the Shire of Mundaring's "*Dogs Local Law 2017*" ("*Instrument of Appointment*", signed by the CEO on 18/12/2018). The three sampled Notices are:
  - Notice 1515475;
  - Notice 151488; and
  - Notice 151508.
- Paxon found two thirds of the infringement notices issued were not paid within 28 days. Details are as follows:
  - Notice 151339 - infringement amount plus FER costs were paid off over approximately 2 years and 5 months;
  - Notice 151421- infringement amount was paid approximately 1 year and ten months after the date of the infringement notice. A balance of $46.50 FER costs is still outstanding;
  - Notice 151475 - infringement amount plus FER costs were paid approximately 9 months after the date of the infringement notice;
  - Notice 151508 - infringement amount has been outstanding for approximately 9 months;
  - Notice 151269 - infringement amount was paid approximately 5 months after the date of the infringement notice. A balance of $292 of FER costs is still outstanding; and
  - Notice 151279 - infringement amount plus FER costs were paid approximately 8 months after the date of the infringement notice.
- The Shire produces a "*Trial Balance by Infringement Type*" (Trial Balance) on a monthly basis. However, the Trial Balance only discloses limited information regarding individual infringements which includes:
  - Original penalty amount;
  - Additional costs levied;
  - Total costs outstanding;
  - Penalty amounts outstanding; and
  - Total amount outstanding.
- The Trial Balance does not:
  - Record the date the infringement notice was issued; and

- Provide an age analysis of the total amount outstanding.

For sampling purposes, Paxon was provided with Excel worksheets per individual infringement issued which discloses all transaction for the infringement (penalty levied, further costs added, and payments received). Paxon notes the Trial Balance records a total amount of $123,516.49 as being outstanding across all infringement types as at 28/02/2021.

Paxon determined the Risk Rating for these findings as Medium.

5.5.2 Implications

- The late issue of the sampled Notices may suggest those notices are not enforceable;
- The Shire's *"Instrument(s) of Appointment"* do not include the Shire employees who actually issued sampled Notices for contraventions of legislation regarding dogs; and
- Current record keeping practices do not provide management with a standard age analysis which provides a holistic perspective as to the collection of unpaid infringement debts.

5.5.3 Recommendations

- The Shire should issue infringement notices within 28 days after the alleged offence, as stipulated in section 9.16(1) of the Local Government Act 1995;
- The Shire should implement and maintain an Infringements Register as recommended above. Maintenance of this register will provide management with detailed information regarding the consequential steps in the infringement process. Consequently, management will be able to assess pro-active follow-up of outstanding infringements not yet recorded in the Fines Enforcement Registry; and
- The Shire should produce an age analysis of outstanding infringements on a monthly basis. This age analysis should be used together with the Infringements Register to monitor and assess the collection of issued infringements.

5.5.4 Agreed Management Action

The timeframe for issuing infringement notices depends on the legislation under which the infringement notice is issued. Few if any notices are issued under the *Local Government Act 1995*. Most are issued under the *Dog Act 1976*, *Bush Fires Act 1954*, *Building Act 2011*, *Planning and Development Act 2005* etc. The various timeframes will form part of the Register that will be implemented.
Age analysis reporting will be considered when exploring improvements to Authority.

Due date: as per previous Agreed Management Actions.

To be implemented by: Director Statutory Services.

Appendix A – Risk Rating Schedule

Level	Rank	Stars	Financial Loss	Non-Financial Considerations
1	Not Satisfactory	☆	>$1m	• Several medium rated observations or one or more high rated observations, significant risk for non-compliance with policies and regulations, serious violations of law, significant opportunities for improvement, substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile and third-party actions.
2	Needs Improvement	☆☆	>$100k<$1m	• Several medium rated observations and high rated observations, control weak in one or more areas, non-compliance with policies and regulations, violation of law (not serious), substantial opportunities for improvement, substantiated, public embarrassment, high impact, high news profile and third-party actions.
3	Satisfactory	☆☆☆	>$50k<$100k	• Many low rated observations and/or few medium rated observations, several low rated violations of policy, minor violations of regulations, no violations of law, moderate opportunities for improvement, substantiated, public embarrassment, moderate impact and moderate news profile.
4	Very Good	☆☆☆☆	>$10k<$50k	• Several low rated observations and/or one or two medium rated observations, minor contraventions of policies and procedures, no violations of law, minor opportunities for improvement, substantiated, low impact and low news profile.
5	Excellent	☆☆☆☆☆	<10k	• Few low rated observations, no internal control weaknesses noted, good adherence to laws, regulations and policies, excellent control environment, unsubstantiated, low impact, low profile or no news item.

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8.6 Audit and Risk Committee Action Items - Status Report

File Code	GV.MTG.6.1
Author	Stan Kocian, Manager Finance and Governance
Senior Employee	Garry Bird, Director Corporate Services
Disclosure of Any Interest	Nil
Attachments	Nil

SUMMARY

An update on the status of Audit and Risk Committee action items is provided for the consideration of committee members.

BACKGROUND

A number of matters have previously been considered by the Audit and Risk Committee, several of which required follow up actions.

STATUTORY / LEGAL IMPLICATIONS

There are statutory or legal implications for some of the action items above. Please refer to the minutes of the meeting at which the matter was considered for further information.

POLICY IMPLICATIONS

There are policy implications for some of the action items above. Please refer to the minutes of the meeting at which the matter was considered for further information.

FINANCIAL IMPLICATIONS

There are financial implications for some of the action items above. Please refer to the minutes of the meeting at which the matter was considered for further information.

STRATEGIC IMPLICATIONS

Mundaring Strategic Community Plan 2020 - 2030

Priority 4 - Governance

Objective 4.4 – High standard of governance and accountability

Strategy 4.4.3 – Risks are well managed

SUSTAINABILITY IMPLICATIONS

There are sustainability implications for some of the action items above. Please refer to the minutes of the meeting at which the matter was considered for further information.

RISK IMPLICATIONS

Risk: That action items from the Committee are not completed and expose Council to the risks being addressed by the item.		
Likelihood	**Consequence**	**Rating**

Possible	Moderate	Moderate
Action / Strategy		
That staff update the Committee regularly on progress towards completing the required actions.		

EXTERNAL CONSULTATION

Nil

COMMENT

The following matters have previously been considered by the Audit and Risk Committee, with follow up actions required.

MEETING REFERENCE	**RESPONSIBLE OFFICER**	**ACTION**	**STATUS – 24 NOVEMBER 2021**
26.5.20 Item 8.3 Auditor General's Report – Contract Extensions and Variations Related 17.05.21 Internal Audit Report Contract Management	Director Corporate Services	Draft Contract Management Policy by 30 June 2021 and Guidelines 30 June 2022.	Contract Management Policy adopted by Council 9 March 2021 (C5.03.21). Guidelines still to be drafted. It is envisaged this task will be undertaken by the new Contract Officer position. A recent recruitment process failed to attract a suitable candidate for this position and it will be readvertised in the new year. It is likely that the self-imposed deadline of 30 June 2022 to have the Guidelines completed will not be able to be met.
17.11.20 Item 8.1 Auditor General's Report – Regulation of Consumer Food Safety by Local	Director Statutory Services	New food safety procedures to be drafted and assessment form for food businesses to be reviewed.	Completed.

Government			
16.02.21 Item 8.3 Audit and Risk Committee Self-Assessment	Director Corporate Services	Provide induction for external Audit and Risk Committee members after the October 2021 election.	Implemented post the October 2021 election.
16.02.21 Item 8.3 Audit and Risk Committee Self-Assessment	Director Corporate Services	Provide professional development opportunities to external committee members	Ongoing.
16.02.21 Item 8.3 Audit and Risk Committee Self-Assessment	Director Corporate Services	Present the organisation's Strategic Risks as contained in the Corporate Business Plan to the Committee for review annually in August, prior to commencing the corporate business planning process.	To be presented to a Special Committee Meeting in December.
16.02.21 Item 8.3 Audit and Risk Committee Self-Assessment	Director Corporate Services	Advertise expressions of interest for external Audit and Risk Committee members prior to the October 2021 elections with a view to potentially increasing external membership on the Committee.	Completed. Appointments to the Committee made at the October Special Council Meeting.
17.08.21 Item 8.3 Use of Closed Circuit Television (CCTV)	Director Corporate Services	Defer item to 16 November 2021 Meeting to allow staff to provide additional detail and clarification in the Draft Policy.	Presented to the 8 December 2021 Committee Meeting (see item 8.4)
17.08.21 Item 8.5 WA Auditor General's Report – Local Government Computer Controls	Director Corporate Services	Update OP-02 "IT Usage and Security" by 31 December 2021.	In progress.
17.08.21 Item 8.5 WA Auditor General's Report – Local Government Computer Controls	Director Corporate Services	Ongoing security training and development for staff and IT systems by 31 March 2022.	New cyber security training software subscription has been acquired and will commence in early 2022.
17.08.21 Item 8.5 WA Auditor General's	Director Corporate	Source and implement vulnerability monitoring	Quotations have been obtained and

Report – Local Government Computer Controls	Services	software by 31 December 2021.	are currently being assessed.
17.08.2021 Item 8.7 Internal Audit Plan 2021-22	Director Corporate Services	Review of Financial Management as per Regulation 5 (2) of the Financial Management Regulations. Internal Controls, Legislative Compliance and Risk Management as per Regulation 17 of the Audit Regulations.	Presented to the 8 December 2021 Committee Meeting (see item 8.3).
17.08.2021 Item 8.7 Internal Audit Plan 2021-22	Director Corporate Services	Compliance Audit Return as per Regulation 15 of the Audit Regulations.	No action to date, will commence in early 2022.
17.08.2021 Item 8.7 Internal Audit Plan 2021-22	Director Corporate Services	Review of internal ICT systems for efficiency and cost by June 2022.	No action to date, will commence in early 2022.
17.08.21 Item 8.8 Chart of Accounts Project	Director Corporate Services	Unbudgeted additional funds for the project to be considered at mid-year budget review in February 2022.	No further action pending the Mid-Year Budget Review.

At 6:17 pm, Cr Daw left the meeting.

VOTING REQUIREMENT

Simple Majority

COMMITTEE DECISION RECOMMENDATION			**ARC8.12.21**
Moved by	Cr Jeans	Seconded by	Cr McNeil

That the Committee receives the Action Items Status Report as at 24 November 2021.

CARRIED 6/0

For: Mr Wilkinson, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil and Cr Jeans

Against: Nil

AT 6:19 PM, CR MCNEIL LEFT THE MEETING.

9.0 URGENT BUSINESS (LATE REPORTS)

Nil

10.0 CLOSING PROCEDURES

10.1 Date, Time and Place of the Next Meeting

The next Audit and Risk Committee meeting will be held at a date to be advised.

10.2 Closure of the Meeting

The Presiding Person declared the meeting closed at 6.26pm.