



18 October 2022

## **NOTICE OF MEETING**

Dear Committee Member,

The next Audit and Risk Committee meeting will be held at 4.00 pm on Tuesday, 25 October 2022 in the Committee Room, 7000 Great Eastern Highway, Mundaring.

The attached agenda is presented for your consideration.

Yours sincerely

**Jonathan Throssell**  
**CHIEF EXECUTIVE OFFICER**

### **Please Note**

If an Elected Member has a query regarding a report item or requires additional information in relation to a report item, please contact the senior employee (noted in the report) prior to the meeting.

**AGENDA**  
**AUDIT AND RISK COMMITTEE MEETING**  
**25 OCTOBER 2022**

**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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**AUDIT AND RISK COMMITTEE MEETING**  
**COMMITTEE ROOM, 7000 GREAT EASTERN HIGHWAY, MUNDARING – 4.00 PM**

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## **1.0 OPENING PROCEDURES**

### 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**

## **1.2 Attendance/Apologies**

<b>Staff</b>	Mr Craig Wilkinson (Presiding Person)	External Member
	Mr Tony Wittcomb	External Member
	Ms Rachael Green	External Member
	Cr James Martin	South Ward
	Cr Paige McNeil	Central Ward
	Cr Doug Jeans	Central Ward
	Cr Karen Beale	West Ward
	Cr John Daw	East Ward
<b>Staff</b>	Jonathan Throssell	Chief Executive Officer
	Garry Bird	Director Corporate Services
	Stan Kocian	Manager Finance and Governance
	Liz Nicholls	Governance Coordinator
	Amanda Gradisen	WHS Advisor
	Andrea Douglas	Minute Secretary

### **Apologies**

### **Guests**

## **1.3 Election of Deputy Presiding Person**

Since the resignation of Cr Simon Cuthbert from the Audit and Risk Committee in April 2022, the position of Deputy Presiding person has been vacant.

The Presiding Person will invite nominations for the position of Deputy Presiding Person of the Audit and Risk Committee.

## **2.0 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION**

## **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*).

### **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*).

## **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.

## **6.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

<b>RECOMMENDATION</b>
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That the Minutes of the Audit and Risk Committee Meeting held 23 August 2022 be confirmed.

## **7.0 PRESENTATIONS**

### **7.1 Deputations**

- (1) Members of the public may, during the deputations segment of the order of business and with the consent of the Presiding Member, make a public statement on any matter that appears on the agenda for that meeting provided that –
  - a) the deputation is limited to a maximum of 3 minutes, unless otherwise determined by the Presiding member;
  - b) the deputation is not offensive or defamatory in nature, providing that the Presiding Member has taken all reasonable steps to assist the member of the public to phrase the statement in a manner that is not offensive or defamatory; and
  - c) no discussion or questions relating to the deputation are permitted, unless otherwise determined by the Presiding Member.

- (2) Fifteen minutes is to be allocated for deputations.
- (3) Once all statements have been made, nothing prevents the unused part of the deputation time period from being used for other matters.
- (4) If the 15 minute period set aside for deputations is reached, Council may resolve by resolution that statement time be extended for no more than two 15 minute extensions.

## **7.2 Petitions**

- (1) A petition is to –
  - a) be addressed to the President;
  - b) be made by electors of the district;
  - c) state the request on each page of the petition;
  - d) contain the legible names, addresses and signatures of the electors making the request;
  - e) contain a summary of the reasons for the request;
  - f) state the name of the person to whom, and an address at which, notice to the petitioners can be given; and
  - g) not contain offensive or insulting language.
- (2) On the presentation of a petition –
  - a) the member presenting it or the CEO is confined to reading the petition; and
  - b) the only motion that is in order is that the petition be received and that it be referred to the CEO for action.
- (3) At any meeting, the Council is not to vote on any matter that is the subject of a petition presented to that meeting, unless –
  - a) The matter is the subject of a report included in the agenda; and
  - b) The Council has considered the issues raised in the petition.

## **7.3 Presentations**

## 8.0 REPORTS OF EMPLOYEES

### 8.1 Presentation of WHS Action Plan and WHS Management Plan

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<b>File Code</b>	HR.WHS
<b>Author</b>	Amanda Gradisen, OSH Officer
<b>Senior Employee</b>	Garry Bird, Director Corporate Services
<b>Disclosure of Any Interest</b>	Nil
<b>Attachments</b>	1. WHS Action Plan <a href="#">↓</a> 2. WHS Management Plan <a href="#">↓</a>

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#### SUMMARY

This paper presents the Shire's Work Health and Safety (WHS) Action Plan (**Attachment 1**) and WHS Management Plan 2022/23 – objectives and targets (**Attachment 2**).

#### BACKGROUND

In September 2021, the Shire's insurance provider, LGIS, undertook a safety and health review with the Shire. This Report was presented to the Audit and Risk Committee at the 26 April 2022 meeting.

After considering the report, the Audit and Risk Committee determined that an independent audit of the Shire's WHS policies, practices and processes be undertaken.

It was further determined that the agreed WHS Management Plan – objectives and targets and WHS Action Plan will be presented to the Committee at the August 2022 meeting.

#### STATUTORY / LEGAL IMPLICATIONS

- *Work Health and Safety Act 2020*
- *Work Health and Safety (General) Regulations 2022*

The current legislation has a greater focus on the risk management process and consultation.

In addition, it is important to note that in July 2022 Worksafe WA up-dated most of its existing Codes of Practice and also introduced some new Codes. This includes the introduction of the 'How to Manage Work Health and Safety Risks' Code and codes relating to psychosocial wellbeing.

#### POLICY IMPLICATIONS

Review of the Shire's -Occupational Safety and Health Policy, OSH-01, has been included as part of the WHS Action Plan.

#### FINANCIAL IMPLICATIONS

Financial resources of \$70,000 have been allocated to undertake the independent audit and assist with the implementation of the WHS Action Plan. The final scope of work for the

audit is yet to be determined. The scope of work that has been identified in the WHS Action Plan is substantial and requiring additional human resources. Therefore an effective use of the funding is to allocate part of it to additional support to the existing Work Health and Safety Advisor to allow them to focus on undertaking the Audit and the Workplace Health and Safety Action Plan.

With the introduction of the WHS Action Plan and the rolling out of the WHS Management Plan 2022/23 there will be an increase in demand on management and workers' time with respect to consultation, training and continuously improving and managing work, health and safety risks processes and practices.

## 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

Work, health and safety is an essential part of maintaining organisational and workforce sustainability.

## RISK IMPLICATIONS

<b>Risk:</b> Compliance, Financial, People and Reputational		
Not meeting work, health and safety responsibilities puts the Shire or individuals at risk to potential harm, legislative non-compliance and / or litigation, financial loss, loss / damage of Shire property and reputational damage.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Possible	Extreme	High
<b>Action / Strategy</b>		
Ensure: <ul style="list-style-type: none"> <li>• The approach to work, health and safety is strategic, integrated and methodical.</li> <li>• Consultation and communication with Health and Safety Representatives, workers, WHS Advisor, Management.</li> <li>• Commitment and accountability of both workers and management.</li> <li>• Management of work, health and safety risks.</li> </ul>		

## EXTERNAL CONSULTATION

Nil

## COMMENT

The WHS Action Plan covers a two year period and the WHS Management Plan 2022/23 – objectives and targets cover the current financial year. However both documents are living documents and information can be added or up-dated based on identified needs.



The WHS Action Plan is a substantial piece of work and in the development of this Plan it highlighted that the Shire is a complex organisation. Therefore in order to achieve an integrated approach in health and safety, key stakeholders, which include management, workers, WHS Advisor and Health and Safety Representatives, should be consulted and adopt an integrated and common approach.

Consequently allocation of time and management of workload of people involved in safety-related activities; identifying and setting realistic time-frames for work to be undertaken has been taken into consideration.

A major focus of the WHS Management Plan 2022/23 – objectives and targets is Hazard Management. This is because, overall, this was the lowest scoring criteria in the 2021 Audit and demonstrated the greatest gap. It also addresses some of the recommendations provided by LGIS from the OSH Audit Report 2021: please refer to the table that follows for the recommendations that are being addressed.

<b>4.0 Hazard Management</b>	<b>Recommendations</b>	<b>Status</b>
Insufficient – Element 4.3 Work activities are analysed and hazards identified	The Shire should develop methods to ensure that workers are completing tasks safely, and have identified or have the tools to identify all hazards associated with an activity.	Commenced implementation of the Manual Task Risk Assessment Tool & Sources of Risk Forms August/September 2022, as per the WHS Management Plan. As identified in the WHS Action Plan SWMS available for high risk work. Commenced implementation of SWMS. Work observation form/s to be actioned August 2023.
Insufficient 4.4 Risk assessments are undertaken on identified hazards.	The Shire should develop hazard registers for its sites, and ensure that workplace hazards that are not associated with specific tasks are formally risk assessed.	As identified in the WHS Action Plan. Hazard Register – October 2022. Risk Assessments, ongoing.
Insufficient 4.5 Hazards are prioritised and controlled using the hierarchy of controls regard to the identified level of risk.	The Shire should develop hazard registers, and identify controls for the hazards in the register.	As identified in the WHS Action Plan. Hazard Register – October 2022. As identified in the WHS Management Plan - Hazard Register monitored monthly.

The Leadership Team, Supervisors and Co-ordinators have undertaken training to equip them in the Manual Task Risk Assessment Tool & Sources of Risk Forms.

Preparation of the WHS Management Plan 2022/23 and WHS Action Plan has highlighted that the development of work, health and safety objectives and targets, initiatives,

processes and practices will be ongoing and potentially require finessing as items are implemented and legislation up-dated.

In summary, the development of the WHS Action Plan and roll-out of the WHS Management Plan 2022/23 objectives targets and objectives will enable the Shire to proactively addressing WHS priorities, risks and gaps.

### **VOTING REQUIREMENT**

Simple Majority

<b>RECOMMENDATION</b>
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That the Committee:

1. Notes the WHS Action Plan approved by CEO as recommended by the WHS Committee (**Attachment 1**); and
2. Notes the WHS Management Plan 2022/23 – objectives and targets approved by CEO (**Attachment 2**);

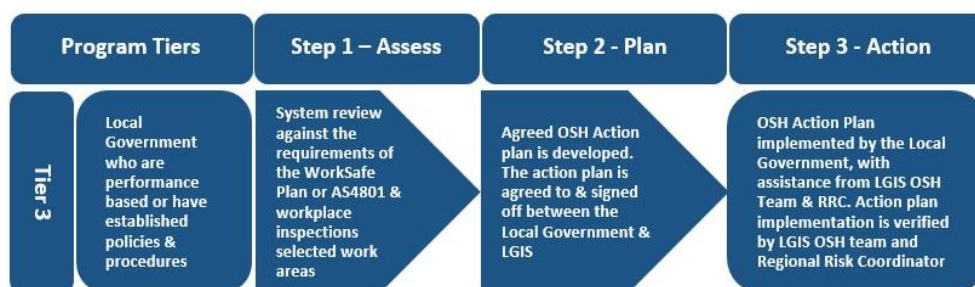


## WHS ACTION PLAN

**Purpose:** This plan has been developed in response to step 1 of the 3 steps to safety program that was undertaken in September 2021 and outlines the actions to be taken by the Shire of Mundaring to address areas for improvement. This plan should be read in conjunction with the Assessment Report.

**Background:** The 3 steps to safety program was developed to recognise the diversity in WA local government. Encompassing 3 steps; assess, plan and act, the program uses progressive safety practices to drive safety performance. This OSH action plan fulfils step 2 of the program. Step 3 is the implementation of this plan.

### Tier 3 Program Summary



**Review:** This plan should be reviewed at the Executive Leadership Team meetings to ensure actions are closed out.

**Responsibility:** Jonathan Throssell, Chief Executive Officer

**Scoring methodology:** The following scoring methodology was used in the assessment

Finding	Score	Definition
<b>Satisfactory</b>	3	The Shire satisfies the requirements of the criterion and has not gone significantly beyond it
<b>Insufficient</b>	2	Documentation exists however there are gaps in the OHS Management System documentation, their implementation and/or the evidence that shows the criteria hasn't quite been met
<b>Ad Hoc</b>	1	The Shire has not met the criteria due to evidence being sporadic and ad hoc
<b>Unsatisfactory</b>	0	The Shire cannot provide any evidence to support compliance with the criteria

## Section One- Management Commitment

Action Item N°.	Element N°. (from checklist)	Finding (Score) &/or Level of Priority	Requirements (taken from criteria)	Action to be taken	Responsibility (determined by LG)	Potential Resources Required	Due Date (determined by LG)
1	1.1	Ad Hoc (1) / High	<i>There is a documented safety and health policy that is reviewed on a regular basis</i>	Create a 12 monthly cycle for review of the OSH Policy.  Review current OSH Policy.  Have the CEO sign and date the OSH Policy following each review. To be further explored based on up-dated process.	CEO / Council  CEO	ELT; LT; OSH Committee	Dec 2022
2	1.3	Insufficient (2) / Medium	<i>The Shire identifies and monitors safety and health legislation, codes of practice, guidance notes, agreements and guidelines relevant to its operations</i>	Implement a legislation register    Review legislation register every three months  Register with Dept. of Mines and WorkSafe to receive their legislation updates	Amanda   Amanda  Amanda	Admin. support  May need input from: Ops. Rep.; Building Assets; Design Services; Human Resources; Community; & Health	June 2023  3 monthly  11 April 2022
3	1.6	High	<i>Financial and physical resources are provided for all aspects of safety management</i>	Explore the option of implementing a safety management software system and write a business case.	Amanda	Financial	December 2022

## Section Two – Planning

Action Item N°.	Element N°. (from checklist)	Finding (Score) &/or Level of Priority	Requirements (taken from criteria)	Action to be taken	Responsibility (determined by LG)	Potential Resources Required	Due Date (determined by LG)
4	2.1	Insufficient (2) / High	<i>The Shire's approach to safety and health management is planned and reviewed</i>	Develop an OSH Management Plan	OSH Officer		December 2023
				Include long term commitments or objectives in the OSH Management Plan	Executive Leadership Team	ELT & LT	15 May 2022
5	2.3	Ad Hoc (1) / Medium	<i>Arrangements are in place for people with special needs</i>	Review current procedure/s to address identified gaps for assessing the suitability of roles for workers who have special needs. Include training requirements for managers and supervisors in this review.	HR	Working Group	May 2023 (75 hrs)
				Processes for ensuring persons with special needs are made aware of their OSH rights, roles and responsibilities are to be put in place (ie form part of workplace induction).	Amanda		July 2023
6	2.5	Insufficient (2) / Medium	<i>Policies and procedures for engaging and managing contractors are in place</i>	Review and include a section in the Contractor Management Procedure that outlines requirements for supervision and monitoring	OSH Officer work with Manager Finance & Governance or the Contract Management Officer	Input from Building Assets; Operations Rep.; Rec. & Leisure Rep.; The Lake Rep.	April 2023
				Review processes for Contractor Management, which should include and capture WHS information and documentation	Manager Finance & Governance / Infrastructure / Amanda		April 2024
7		Low		Review the Shire's Purchasing procedure or related, and fleet procurement procedures to ensure it includes WHS component (details hazard identification, risk assessment and risk control of new products).	Infrastructure / Contract Management Officer		August 2023

8	2.6	Medium	Potential emergency situations have been identified and relevant emergency procedures are in place	Determine a process for Emergency Management / Response Plan.	Amanda	Consult Adrian Dyson, clarify scope	December 2024
		Low		Review and up-date Emergency Management / Response Plans for identified locations.	Refer to Attachment: Document Review Table	Input from OSH Committee; and a Rep. from location  Various Working Groups. Including input from applicable Supervisors, Managers, H&S Rep. and employees at the location	
				Ensure Evacuation diagrams at all facilities/workplaces are up to date and prominently displayed at all Shire facilities. Identify any gaps.		Potentially External Consultant  Funding for purchase and installation of frames including diagrams on site	
		Medium	Review if a dangerous good inventory is required and maintained (eg Operations and Pools). And if required there needs to be a time line and responsibility for actioning this.	Amanda / Clinton / Chris Blankley			

9	2.7	Insufficient (2) / High	<i>The Shire's procedures, work instructions and work practices reflect current safety and health legislation, standards, codes of practice, guidance notes, agreements and guidelines</i>	<p>The Shire must review all SWMS annually at a minimum.</p> <p>Review other plans, procedures, work instructions and practices on a three year cycle at a minimum.</p>	<p>Refer to Attachment: Document Review Table</p> <p>Refer to Attachment: Document Review Table</p>	<p>Refer to Attachment: Document Review Table</p> <p>Refer to Attachment: Document Review Table</p> <p>Additional resources will be required</p>	<p>Refer to Attachment: Document Review Table (High Risk JSAs and Control documents to become SWMS)</p> <p>Refer to Attachment: Document Review Table</p>
10	2.7	Insufficient (2) / High	<i>The Shire's procedures, work instructions and work practices reflect current safety and health legislation, standards, codes of practice, guidance notes, agreements and guidelines</i>	<p>Review what WHS documents and tools exist across the Shire. Identify other plans, procedures, work instructions, checklists, and tools are required for Shire / Service areas (Children Services; Libraries, Mundaring Arena, Lake Leschenaultia, Pools, Health; Community Safety). Add to the attached table if not already listed.</p> <p>Creation of electronic forms (will later need to be linked to the WHS management system if purchased).</p>	Amanda / relevant Service area	<p>H&amp;S Reps.; Workers &amp; other representatives</p> <p>Admin. support</p>	<p>Review of Table of Documents created. Ongoing as needs identified</p> <p>Included above</p>
11	2.7	High	<i>The Shire's procedures, work instructions and work practices reflect current safety and health legislation, standards, codes of practice, guidance notes, agreements and guidelines</i>	<p>Review Volunteers WHS information and identify gaps.</p> <p>Develop and implement remedies.</p>	To be determined	<p>In consultation with various Service areas (Community Capacity Building Officer; Friends Group; Library Volunteers; Fire</p>	<p>June 2023</p> <p>June 2024</p>

						brigade; Friends Group etc.)	
12		Medium	<i>The Shire's procedures, work instructions and work practices reflect current safety and health legislation, standard, codes of practice, guidance notes, agreements and guidelines</i>	Review, improve and streamline the OSH Intranet site.  Including ensuring only current documents are available on intranet or other site/s, remove obsolete or duplicated documentation from circulation, make sure links are working and version control is in place.	Amanda	Admin. Support; IT support; input from Monika Thomas and other H & S Reps; and various workers	Ongoing



## Section Three - Consultation &amp; Reporting

Action Item N°.	Element N°. (from checklist)	Finding (Score) &/or Level of Priority	Requirements (taken from criteria)	Action to be taken	Responsibility (determined by LG)	Potential Resources Required	Due Date (determined by LG)
13	3.1	Insufficient (2) / Medium	<i>There are agreed procedures for involvement and consultation with workers on safety and health issues</i>	Review the OSH Committee Terms of Reference and OSH – OSH Representatives procedure annually. It is recommended to do this alongside the review of the OSH Policy  OSH Committee meetings are to have minutes recorded and retained.	Amanda  Secretary	OSH Committee & LT	Refer to Attachment: Document Review Table  Ongoing
14	3.5	Insufficient (2) / Medium	<i>Workers or their representatives are consulted regarding management of hazards in the workplace</i>	The Hazard Identification and Management Procedure should be altered to include provisions for providing workers who submit hazard reports with feedback on controls implemented.	OSH Officer	Input from OSH Committee, LT  Determine who provides the feedback	Refer to Attachment: Document Review Table
15	3.6	Low	<i>There are arrangements in place for the acquisition, provision and exchange of safety and health information with external parties, including customers, suppliers, contractors and relevant public authorities</i>	Develop and implement a process to effectively communicate with external parties (i.e. Contractors, customers and suppliers) and this is documented.	Amanda / Relevant Service areas		March 2024
16	3.7	Ad Hoc (1) / High	<i>Consultative and reporting arrangements are regularly evaluated and modified where required</i>	Survey workers annually about consultation arrangements, and ensure results of survey are discussed and actioned if required at the OSH Committee meeting.	Amanda	Admin. support	August 2022 & October 2022 OSH Committee meeting

## Section Four - Hazard Management

Action Item N°.	Element N°. (from checklist)	Finding (Score) &/or Level of Priority	Requirements (taken from criteria)	Action to be taken	Responsibility (determined by LG)	Potential Resources Required	Due Date (determined by LG)
17	4.1	Medium	<i>Requirements for reducing risks are understood by management and workers</i>	<p>Schedule and organise workers, managers and supervisors to undertake risk management training (safety related).</p> <p>Include risk management process (safety related) in induction. Confirm information is included on the Induction Checklist.</p> <p>At all team meeting include WHS on the Agenda. Include as part of the discussion at team meetings and Tool Box meetings – including Hazard Identification &amp; Correction.</p>	<p>Amanda</p> <p>Amanda</p> <p>Managers / Supervisors</p>	Financial	<p>Identify on the WHS Training &amp; Wellbeing calendar.</p> <p>May 2022 October 2022</p> <p>Commence July 2022</p>
18	4.2	Insufficient (2) /High	<i>Work environments are regularly inspected and hazards identified</i>	<p>Develop a hazard register that has hazards from all sites around the Shire. <i>Note: a register is in place. However review information and process.</i></p> <p>Increase the frequency of the workplace inspections. The recommendation is to monthly. Frequency of inspections to be determined</p>	Amanda / Relevant area	Working Group  Determine which staff will be responsible for the hazard register	October 2022
19	4.3	Insufficient (2) / High	<i>Work activities are analysed and hazards identified</i>	Ensure SWMS are available for all high risk work activities.	<p>Operations Clinton Kleynhans</p> <p>Other locations:</p>	<p>Input from applicable Operations Workers</p> <p>Input from Chris Blankley &amp;</p>	Refer to Attachment: Document Review Table

		Medium  Medium		Work observation form/s to be developed and supervisors given KPIs for completing a target number of observations (suggestion 1 per month or alternate arrangement. To be confirmed).  Explore option for developing a process for work observations / job safety observations or include information in existing procedure/s (where risk is identified).	Amanda Gradisen  Amanda / Relevant Service Area/s	team; Craig Cuthbert & team & Health; Building Assets; and as identified  Admin. support	Refer to the OSH Committee Minutes  August 2023
20	4.3	High	<i>Work activities are analysed and hazards identified</i>	Review if / what SWP are required for various work areas or activities (eg Lake, Fire Protection & Rangers, Arena, Waste, Health etc.) and develop documents (documents may be required / used when undertaking ongoing work observation/s).	Amanda / Relevant Service Area/s	Admin. support	Initial review to complete by October 2023.  Ongoing as needs identified
21	4.4	Insufficient (2)	<i>Risk assessments are undertaken on identified hazards</i>	See actions item numbers 18 and 19.			
22	4.4	High	<i>Risk assessments are undertaken on identified hazards</i>	Confirm and review all sites' hazardous substances / chemical registers and associated SDS to ensure currency and compliancy.  Review that Risk Assessments are current and completed for identified hazardous according to the SDS (record identified hazards, associated risks and current and future control measures).  Review labelling and storage of hazardous substances on all sites. Also review disposal and transportation of hazardous substances, if required.	Amanda / Children Services – Gabrielle Cross  Arena – Steve Blankley		January 2023  February 2023  February 2023

				Review sites hazardous substances practices and Shire's procedure and processes align. This includes how and where information and register are maintained.	The Lake – Neil Fletcher & worker Pools – Chris Blankley Ops. – Clinton Craig Cuthbert Amanda / Relevant Service area	Working Group	March 2023
23	4.5	Insufficient (2)	<i>Hazards are prioritised and controlled using the hierarchy of controls and having regard to the identified level of risk</i>	Once the hazard register has been created, controls should be implemented for all identified hazards and recorded alongside the hazard in the register.			October 2022 and ongoing
24	4.7	Medium	<i>Incidents, injuries and diseases are reported and investigated</i>	Workers to undertake refresher training in how to effectively complete the reporting an incident process, completing Incident Report forms and records to be appropriately maintained.	Amanda		Identify as part of the WHS Training & Wellbeing calendar. Schedule during Tool-box or Team Meetings Dates

## Section Five - Training &amp; Supervision

Action Item N°.	Element N°. (from checklist)	Finding (Score) &/or Level of Priority	Requirements (taken from criteria)	Action to be taken	Responsibility (determined by LG)	Potential Resources Required	Due Date (determined by LG)
25	5.3	Medium	<i>All management and supervisory personnel have received training in health and safety management principles and practices appropriate to their roles and responsibilities</i>	Gap analysis. Identify safety and health training needs and education suitable for managers and supervisors for role. E.g. hazard / risk assessment; completing incident and hazard forms, accident / incident investigation and applying appropriate corrective actions etc.	Amanda	Financial	Gap analysis - May 2023  Ongoing Action – Include as part of the WHS Training & Wellbeing calendar or other training.
26	5.3	Medium	<i>The Shire has identified the training needs of all workers</i>	Develop an organisational level matrix that identifies training requirements (legislative or job requirements etc.) or instruction or supervision, as identified.	Amanda	Input from OSH Committee; Management	May 2024
27	5.5	Insufficient (2) / Medium	<i>Training is delivered by people with appropriate knowledge, skills and experience</i>	Develop a procedure for assessing the suitability of external WHS training providers.  Develop a feedback form for workers to complete and give to the Shire after completing external training.	Amanda	Input from Human Resources; Health and Safety Reps.	November 2023  July 2022
28	5.6	Insufficient (2) / Medium	<i>The training program is evaluated and reviewed</i>	Review the Learning and Development procedure at least every 2 years	Human Resources / Amanda	Input from To be determined based on the Learning & Development related Framework	July 2023

## Australian Standard Occupational health and safety management systems

Action Item N°.	Element N°. (from checklist)	Finding (Score) &/or Level of Priority	Requirements (taken from criteria)	Action to be taken	Responsibility (determined by LG)	Potential Resources Required	Due Date (determined by LG)
29		Medium	Documentation and data control	Review or implementation of a document control procedure / process that details provisions for version control that ensure employees are always accessing the most current version of WHS policies, procedures, forms and registers etc.  Also take into consideration in the process obsolete and archived documents or data. Note: if an OSH program /system is implemented, it may resolves some of these issues. However, it depends on the system / program implemented.	Amanda / Records Management / Governance		November 2023
30		Medium	Documentation and data control	Review where documents and information are filed and stored across services area and implement a file structure that is consistent and accessible.	Amanda / Relevant Service area		Review to complete by December 2023. File Structure to be complete by April 2024

Please note; this document is a living document and will be reviewed and up-dated as identified.

## WHS Management Plan 2022/23

This plan sets our vision and key focus areas for 2022/23 and applies to all areas of the business. Endorsed by our Executive Leadership Team (ELT), it is key in our WHS strategy and will be reviewed through the ELT and OSH Committee to ensure we remain on track.

**Our vision is to promote positive safety behaviours to provide workplace free from injury and illness.** Our key focus areas for 2022/23 are leadership; manual tasks and ergonomic tasks; contractor management; and hazard identification and corrective actions.

Objective – what we want to achieve	Performance Measure – how we will measure our success	Target – what will satisfy us
<b>Focus area 1 - Leadership</b> To ensure that all Managers and Supervisors demonstrate active leadership in safety	Meaningful Work Health and Safety KPI's in performance reviews	Included in all management and supervisors performance reviews
	Work health and Safety as a standard agenda item at management meetings and team meetings	100% meetings
	Leadership Team undertake inspections	Scheduled Workplace Inspection with Health & Safety Representative's inspection, at least 2 times / year.  Recorded safety conversation with 1 person in Directorate or Service Team by 30 May 2023 and documented as a KPI in the mid-year review 2023.
	Each Supervisor / Coordinator undertake a safety conversation	Recorded safety conversation (August, October, & December 2022; February & April 2023) with 1 different person from their team (5 in total). If the team is small and a safety conversation has been held with each team member, then a safety conversation/s can be undertaken with a member of the Directorate. Document as a KPI in the mid-year review 2023.
	Implementation and / or review of hazard risk register/s at site / departmental level	Ensure all foreseeable Work Health and Safety hazards are identified; ranked and effective controls are in place  Hazard risk register monitored monthly and reviewed annually
<b>Focus area 2 - Manual tasks and ergonomic tasks</b>	All Supervisors and Coordinators undertake Manual tasks assessments of their workers	Recorded on the Manual Task Risk Assessment Tool & Sources of Risk Forms:

To increase risk reduction strategies associated with manual tasks and ergonomic tasks		<ul style="list-style-type: none"> <li>• Depot and Community Safety &amp; Emergency Management – Each Supervisor / Coordinator undertakes 1 assessment of a different team member for September, November 2022; January &amp; March 2023 (4 in total for each Supervisor).</li> <li>• All other Supervisors / Coordinators undertakes 1 assessment of a different team member for August &amp; November 2022; and February 2023 (3 in total for each).</li> </ul>
	Ergonomic assessments	100% of workers who work from home have the required set-up and are approved/signed off
<b>Focus Area 3 - Contractor management</b> To ensure the Shire has contractor Work Health and Safety management practices in place	Contractor General and Site Specific Work Health & Safety (WHS) inductions	<p>Contractor General Induction – 100% all new RFT &amp; RFQ contractors from July 2022 and current RFT &amp; RFQ contractors whom have been with the Shire more than two (2) years as at July 2022.</p> <p>Contractor Site Specific Induction - 100% new RFT &amp; RFQ contractors.</p> <p>Both Contractor General and Site Specific Inductions pilot for 6 months and review Dec 2022.</p>
	Contractor post contract Work Health & Safety evaluation	<p>100% for all high and medium risk jobs.</p> <p>100% low risk jobs for new contractors.</p>
<b>Focus area 4 - Hazard identification and corrective actions</b> To take a proactive approach to prevent or reduce workplace incidents	Increase hazard and near miss reporting	Increase reporting by at least 5% compared to the 2021/22 financial year total figure (WHS Committee reporting)
	Corrective actions completed within allocated time frames and with consultation of worker/s	100% suitable corrective action implemented, bimonthly reporting to WHS Committee
	Identify and discuss a relevant hazard (including risk assessment and the extent to which corrective action is taken to address identified issue/s)	At toolbox or team meetings (minimum of six (6) per 2022/23 year)

Endorsed by the Chief Executive Officer:  \_\_\_\_\_ Date: 29 June 2022\_\_\_\_\_

\*Please note: The WHS Action Plan 2022 references this Plan.



## 8.2 Office of the Auditor General Report - 2020-21 Financial Audits of Local Governments

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<b>File Code</b>	FI AUD2021
<b>Author</b>	Stan Kocian, Manager Finance and Governance
<b>Senior Employee</b>	Garry Bird, Director Corporate Services
<b>Disclosure of Any Interest</b>	Nil
<b>Attachments</b>	1. OAG Report - Local Government Financial Audit Results 2020-21 <a href="#">↓</a>

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### SUMMARY

The Office of the Auditor General (OAG) is responsible for the annual financial audits of all local governments. In August 2022 the OAGs report into its 2020-21 financial audits of local governments was tabled in parliament.

This report presents the OAGs report to the Committee and also provides commentary around the OAGs recommendations specific to local governments.

### BACKGROUND

The OAG is responsible for the annual financial audits of all local governments. In August 2022 the OAGs report into its 2020-21 financial audits of local governments was tabled in parliament. The OAGs report included commentary on the following matters:

- Timeliness and quality of financial reporting;
- A summary of audit opinions;
- Control weaknesses;
- Issues impacting financial reporting;
- Impact of emergencies (Covid-19 and Cyclone Seroja); and
- Opportunities Department of Local Government, Sport and Cultural Industries (DLGSC);

### STATUTORY / LEGAL IMPLICATIONS

Part 7 of the *Local Government Act 1995* sets out the requirements for external audits of local governments.

### 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

<b>Risk:</b> The Shire's financial processes and controls are inadequate to the extent that there is a risk that the Shire's annual financial report contains material mis-statements.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Possible	Moderate	Moderate
<b>Action / Strategy</b>		
An audit of the Shire's financial processes and controls is undertaken by the OAG each financial year.		

## EXTERNAL CONSULTATION

Nil

## COMMENT

As the Shire was subject to the OAGs financial audit process in 2020-21 there has been no detailed self-assessment undertaken against the OAGs report. The Shire's 2020-21 audit results have been considered and noted by the committee previously.

The Shire's 2020-21 interim audit results were presented to the committee at its meeting held 17 August 2021 (**ARC7.08.21**). The Shire's 2020-21 unqualified audit report was presented to the committee at its meeting held 25 January 2022 (**ARC2.01.22**). The unqualified report:

- Did not highlight any matters of non-compliance with legislation. 75 other local governments had a total of 193 matters of non-compliance highlighted in their audit reports.
- Did not highlight any adverse trends in financial position. 109 other local governments had adverse trends highlighted in their audit reports.

The OAG's report contains two recommendations which relate specifically to local governments. No comment has been provided on recommendations that relate to the Department of Local Government Sport and Cultural Industries. The table below provides comment against each of the relevant OAG recommendations.

OAG Recommendation	Comments
We encourage entities to make use of our <i>WA Public Sector Financial Statements – Better Practice Guide</i> (available at <a href="http://audit.wa.gov.au">audit.wa.gov.au</a> ) to improve their financial management and reporting practices, processes and procedures.	Relevant staff regularly attend financial reporting and budgeting workshops provided by local government industry specialists. The resources provided at these workshops (templates and guidance notes) align with much of the content contained within the <i>WA Public Sector Financial Statements – Better Practice Guide</i> .
<p>Local government entities should ensure they maintain the integrity of their financial control environment by:</p> <ol style="list-style-type: none"> <li>periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to staff</li> <li>conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments</li> <li>regularly monitoring compliance with relevant legislation</li> <li>promptly addressing control weaknesses brought to their attention by our audits and other audit and review mechanisms</li> <li>ensuring they consider new and revised accounting standards for their impact on financial operations to prepare a compliant financial report at year end.</li> </ol>	<p>The Shire currently has all of the recommended practices and processes in place. One example is relevant finance staff attend financial reporting workshops on an annual basis to ensure staff are aware of any changes to relevant accounting standards and financial reporting requirements.</p> <p>In recent years the OAG annual audits and the Financial Management Reviews (undertaken every three years) have not highlighted any significant weaknesses in the Shire's financial control environment. The most recent Financial management review was considered by Council in January 2022 (C5.01.22).</p> <p>This can be considered to be a fair indication that the Shire's practices and processes are appropriate in maintaining the integrity of the financial control environment.</p>

## VOTING REQUIREMENT

Simple Majority

## RECOMMENDATION

That the Committee notes the Office of the Auditor General's report into its 2020/21 financial audits of local governments.



Report 5: 2022-23 | 17 August 2022

**FINANCIAL AUDIT RESULTS**

# Local Government 2020-21



**Office of the Auditor General  
Western Australia**

**Audit team:**

Grant Robinson  
Lyndsay Fairclough  
Financial Audit teams

National Relay Service TTY: 133 677  
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for  
those with visual impairment.

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***The Office of the Auditor General acknowledges the traditional custodians throughout  
Western Australia and their continuing connection to the land, waters and community. We  
pay our respects to all members of the Aboriginal communities and their cultures, and to  
Elders both past and present.***

Image credit: Tyler Olson/shutterstock.com

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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**Financial Audit Results –  
Local Government 2020-21**

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Report 5: 2022-23  
17 August 2022

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**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

#### **FINANCIAL AUDIT RESULTS – LOCAL GOVERNMENT 2020-21**

Under section 24 of the *Auditor General Act 2006*, this report covers the final year of a four year transition for my Office to conduct the annual financial audits of the local government sector, following proclamation of the *Local Government Amendment (Auditing) Act 2017*.

This report on the 2020-21 financial audits of 132 of the applicable 148 local government entities includes:

- results of the audits of local government entities' annual financial reports and their compliance with applicable legislation for the financial year ending 30 June 2021
- issues identified during these annual audits that are significant enough to bring to the attention of the Parliament.

I wish to acknowledge the assistance provided by the councils, chief executive officers, finance officers and others, including my staff and contract audit firms, throughout the financial audit program and in finalising this report.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER  
AUDITOR GENERAL  
17 August 2022



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## Auditor General's overview

The 2020-21 financial year marked the end of a four-year transition of local government financial auditing to my Office. The transition has brought many challenges as local governments and regional councils (entities) adjusted to our robust audits and we have learnt about the intricacies of the sector. Despite the challenges, it has been rewarding to facilitate financial reporting improvements and increase transparency of this important layer of government which impacts all West Australians. I have included a brief review of the transition at the beginning of this report.



For the 2020-21 audit cycle, we have completed 132 of 148 audits by 30 June 2022, with 16 outstanding. We have seen a demonstrated effort by the sector to improve the quality and timeliness of their annual financial reports and pleasingly reported a 15% decrease in weaknesses in financial management controls. This follows a 12% decrease the year before. To see this reduction in management control issues, across a larger number of audited entities, shows a comprehensive response by the sector to improve their current practices and strengthen the integrity of their financial reporting environment.

However, two entities received a qualified opinion on their financial reports and there may be further qualifications on the opinions not yet issued. We also reported a higher rate of material non-compliance and information system control weaknesses than previously.

In this report I have also included previously unreported outstanding opinions from 2019-20 for the Shires of Wiluna and Yalgoo. For both entities I issued a disclaimer of opinion as I was unable to obtain sufficient appropriate audit evidence on their books and records because of deficiencies in their internal controls and record keeping. A disclaimer of opinion is a serious matter for my Office as there is a missed opportunity for assurance over financial accountability and continuous improvement. This leads to a lack of confidence in the appropriate use of public monies.

To support continuous improvement in the local government sector, I encourage entities to review the findings of their audits, as well as this audit results report. Each entity should consider our recommendations in the context of their own operating environments and governance frameworks.

I note the newfound willingness and leadership of the Department of Local Government, Sport and Cultural Industries to enhance financial reporting, reduce complexity and cost, and enable improved governance for the sector. This report also outlines its progress on our previous recommendations.

Finally, I wish to acknowledge my incredibly hardworking staff, our contract audit firm partners and staff in the audited entities for their dedication to this year's audit process. Your professionalism and cooperation in working through uncommon challenges to complete the audits is appreciated.

## Executive summary

### Review of the four-year transition

The 2020-21 financial audit was the first year the Auditor General had responsibility for all 148 local government audits, marking the end of the four-year transition provided in the *Local Government Amendment (Auditing) Act 2017*.

#### A challenging transition

The transition has not been easy for the Office of the Auditor General (OAG) or entities, but Parliament was correct to acknowledge that change and improvement was needed for the sector. In too many cases, the quality of both financial reporting and audit was not what ratepayers and communities would rightly expect.

Our audits have brought greater rigour, scrutiny and sector-wide oversight. While challenging for many local governments and regional councils (entities), they have responded positively, particularly when they have understood that this helps them provide better transparency, accountability and financial management.

How challenging entities have found it to adapt to our requirements and approach was not predictable. Many smaller entities, who we might have expected to struggle, have adapted relatively easily while some of the larger ones with greater capacity have found it difficult. This has been particularly interesting given that all entities, regardless of size and complexity have to comply with the same legislative and regulatory framework.

#### Setting the baseline

As is often the case, the initial stages of reform have revealed many of the issues that need fixing. For the local government sector this includes the quality and timeliness of financial reporting and the need to aim for better practice, not just meet minimum levels of compliance. Our office has prepared guidance on preparing financial statements<sup>1</sup> and other topics<sup>2</sup> which entities have been encouraged to use.

Achieving consistency in some key areas underpins ongoing improvement. One area we continue to report on each year<sup>3</sup> is inconsistencies in property and asset valuation methodologies. Entities can see significant valuation swings depending on the valuer they appoint and the assumptions the valuer makes. While regulation changes mean a formal valuation is no longer required each year, entities still need to ensure their assets are recorded at fair value. Forthcoming guidance from the Australian Accounting Standards Board and in turn the Department of Local Government, Sport and Cultural Industries (DLGSC) may help.

Through the transition we have come to understand much better the extent of reporting and compliance required of entities, in some cases exceeding that required of the State government sector. We have advocated to, and worked with, the DLGSC for a reduction in these requirements and are pleased new model financial statements, with decreased reporting but without a loss of key disclosures, will be available for entities in 2022-23. We will continue to liaise with the DLGSC on other proposed reforms that aim to increase accountability, transparency and efficiency for the sector.

<sup>1</sup> Office of the Auditor General, [Western Australian Public Sector Financial Statements – Better Practice Guide](#), OAG, Perth, 2021.

<sup>2</sup> Office of the Auditor General, [‘Better Practice Guidance’](#), OAG, accessed August 2022.

<sup>3</sup> Office of the Auditor General, [Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities](#), OAG, Perth, 2019, p. 20.

The transition has also identified areas of improvement for our Office. Specifically, we have had to increase the training of our employees and contract audit firms to adequately understand the local government environment, which differs in some significant ways to the State and tertiary sectors. We also intend to increase the time our auditors spend onsite to further improve the engagement, efficiency and timeliness of audits.

We are also determined not to allow any overruns from our State sector audits to impact our delivery of local government audits, as it did for the 2020-21 audit cycle (due to a record number of State government entity audit qualifications). This means if State entities are not audit-ready or we encounter delays undertaking their audits, our teams will move on to the local government program as scheduled, even if State entities are not finalised. Our resolve on this matter will be tested during the 2021-22 audits, but we look forward to reporting back to the Parliament and all our audited entities on how this approach unfolds.

### Seeing results

While the timeliness and quality of annual financial reports have been significant issues through the transition, there are signs of improvement. The reduction since 2018-19 in financial management control weaknesses shows a clear effort by entities to improve their current practices and strengthen the integrity of their financial reporting environment. Although the upward trend in material matters on non-compliance indicates there is still improvement needed. The following table shows entities' audit results over the past four years.

Audit year	2017-18	2018-19	2019-20	2020-21
Number of entities subject to OAG audit	46	112	132	148
Clear audit opinions	44	107	129	130*
Qualified opinions	2	5	1	2*
Disclaimers of opinion	0	0	2	0*
Material matters of non-compliance	36	93	101	193*
Management control issues	198	802	704	601*

Source: OAG

\* Some 2020-21 audits are still ongoing and therefore these results are for 132 entities only.

**Table 1: Audit results for four year transition period**

Understanding of the significant role of audit committees in the annual reporting and audit process has also improved. Better informed and active audit committees are now more suitably equipped to quality review the financial report and assess the accountability and integrity of entities' reporting, control environment and risk management practices.

### Where to from here

There is still a long way to go but we are committed to working with entities, the DLGSC and sector associations<sup>4</sup> to continue improving the sector and our own processes to aid timely reporting to the community and Parliament.

From the 2021-22 financial year audits we will recognise the top entities who demonstrate best practice in the sector, as we do for the State and tertiary sectors. Our best practice assessment criteria include:

<sup>4</sup> Western Australian Local Government Association (WALGA) and Local Government Professionals Australia WA.

- clear opinions on financial reports and controls
- the number and significance of control weaknesses raised in management letters
- good quality financial reports, supported by reliable working papers and submitted for audit within the agreed timeframe
- management resolution of accounting standards and presentation issues
- availability of key staff during the audit process.

For 2020-21, OAG staff performed 21 audits in-house, with the other 127 performed by contract audit firms on our behalf. We expect to increase the number of audits we perform in-house over time. However, a large proportion will continue to be performed by our accredited contract audit firms. These are periodically re-tendered to provide open and fair competition and to ensure value for money.

## Introduction

This report contains findings from our 2020-21 financial audits of the local government sector. It includes the results for 132 of the 148 entities (Appendix 1), with the remaining 16 entities' results to be tabled in Parliament once their audits are completed.

Our annual financial audits focus on providing assurance over an entity's financial report. The Auditor General provides an opinion on the report which can be:

- clear – this indicates satisfactory financial controls and that the financial report is based on proper accounts, presented fairly, complies with relevant legislation and applicable accounting standards, and fairly represents performance during the year and the financial position at year end
- clear with an emphasis of matter – this brings attention to a matter disclosed in the entity's financial report but is not significant enough to warrant a qualified opinion
- qualified – these opinions are given when the audit identifies that the financial report is likely to be misleading to users, controls were inadequate or there was a material conflict with applicable financial reporting frameworks
- disclaimer of opinion – issued when the auditor is unable to form an opinion due to insufficient evidence being available. This is the most serious audit opinion and is only issued after we have exhausted our efforts to achieve the desired audit objectives.

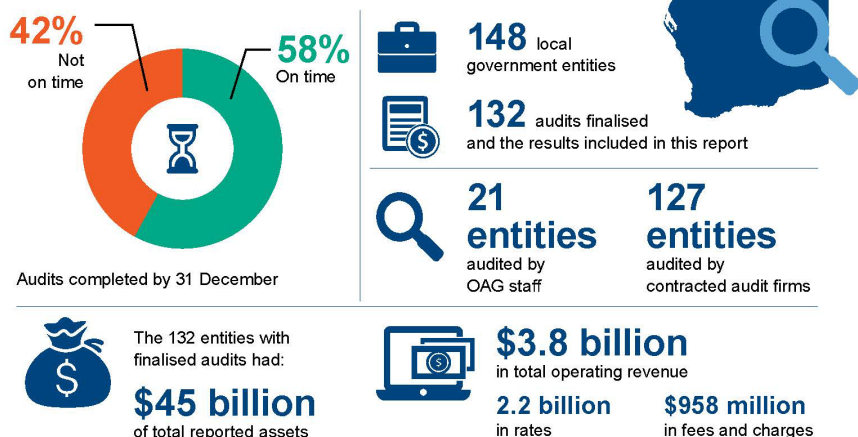
During an audit we also make recommendations to entities on relevant matters of compliance, financial management and information system controls. A summary of our findings is included in this report.

Also included are matters we have noted which have or may impact an entity's financial report. This year this includes how entities account for the rehabilitation of landfill sites, changes to the accounting treatment for cash in lieu of public open space from developer contributions, inconsistencies in how entities value assets and changes to accounting standards.

The appendix includes other opinions and certifications issued for the State government sector since 18 November 2021.

## Year at a glance

### Auditing local government



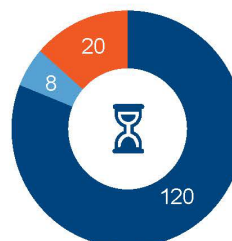
### Quality and timeliness of financial reports (page 14)

#### Quality

Roughly half of the entities submitted financial statements for audit that were of a reasonable standard and required minimal revisions or adjustments. However, the remaining half were found to have numerous errors and disclosure requirements were unmet.

#### Timeliness

- Submitted to OAG by 30 September
- Received an extension and met deadline
- Did not meet 30 September or extension deadline



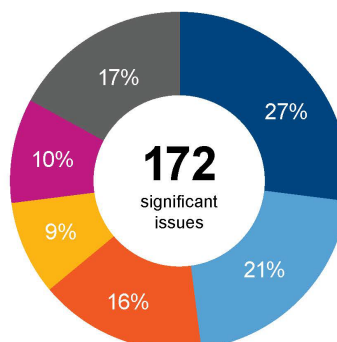
### Audit results



**601** management control issues  
(page 22)

During 2020-21, we alerted 126 entities to control weaknesses that needed their attention. One hundred and seventy-two were rated as significant, 359 moderate and 70 minor.

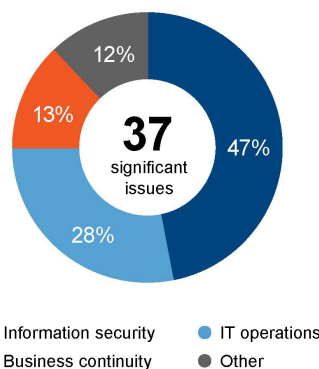
- Expenditure
- Financial management
- Payroll and human resources
- Asset management
- Revenue
- Other



**193** Material matters of non compliance with legislation (page 19)



**358** information system control weaknesses (page 28)



## Issues impacting entity reporting



Rehabilitation  
of landfill sites  
(page 29)



Valuation of assets (page 30)



Developer contributions –  
Accounting for cash in lieu of  
public open space (page 31)



Accounting  
standard changes  
(page 32)



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## Recommendations

1. We encourage entities to make use of our *WA Public Sector Financial Statements – Better Practice Guide* (available at [audit.wa.gov.au](http://audit.wa.gov.au)) to improve their financial management and reporting practices, processes and procedures (page 16).
2. Local government entities should ensure they maintain the integrity of their financial control environment by:
  - a. periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to staff
  - b. conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments
  - c. regularly monitoring compliance with relevant legislation
  - d. promptly addressing control weaknesses brought to their attention by our audits and other audit and review mechanisms
  - e. ensuring they consider new and revised accounting standards for their impact on financial operations to prepare a compliant financial report at year end (page 27).
3. The Department of Local Government, Sport and Cultural Industries should provide guidance to assist entities with understanding the requirements of and interpreting the Australian Accounting Standards Board (AASB) accounting requirements to ensure greater accounting consistency across the sector, including recognising provisions for the rehabilitation of landfills and other contaminated sites (page 30).
4. The Department of Local Government, Sport and Cultural Industries should continue to work with local government stakeholders towards the introduction of model financial statements for the 2022-23 financial year (page 41).

## Timeliness and quality of financial reporting

### Reporting requirements

Each entity is required to prepare an annual financial report that includes:

- a Statement of Financial Position, Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows
- a Rate Setting Statement
- seven financial ratios required under section 50(1) of the Local Government (Financial Management) Regulations 1996 (FM Regulations)
- other note disclosures such as trading undertakings and major land transactions.

We have previously recognised that the quantity of detail reported in some aspects is onerous and exceeds that reported by most Western Australian (WA) State government entities and by local governments in other jurisdictions. From page 38 we have summarised DLGSC's progress with some reforms in this regard including the recent changes to the Local Government Regulations Amendment (Financial Management and Audit) Regulations 2022, gazetted on 17 June 2022.

### Review of financial reports submitted for audit

#### Timeliness

Under section 6.4(3) of the *Local Government Act 1995* (LG Act), entities must submit their annual financial reports to the OAG for audit by the statutory deadline of 30 September. Of the 148 entities:

- 120 met the 30 September deadline
- 13 did not
- 17 received approval from the Minister to extend their submission deadline, of these:
  - 8 met the extended deadline
  - 7 did not
  - 2 did not require the extension as they met the 30 September deadline and are included in the 120 figure above.

Further details of entities' timeliness are provided in Appendix 1. Failure to provide good quality financial statements in a timely manner causes delays in the start and therefore the finalisation of audits.

We completed 86 of 148 audits (58%) by 31 December 2021 (compared to 65 of 132 audits (49%) by the same time last year) as required by section 7.9 of the LG Act. While this is an improvement from the previous year, we again encountered issues with the quality and timeliness of information provided by entities. Some entities experienced problems with insufficient evidence to support the financial report and numerous errors requiring correction. We also noted resourcing constraints impacting the sector, most notably in regional entities, which undoubtedly added to the challenge. Finally, we acknowledge the impact of delayed audit completions in numerous State sector entities on our ability to commence some local government entity audits.

### Quality

We rate the quality of entities' financial statements that they submit for audit. Roughly half had statements that were of a reasonable standard and required minimal revisions or adjustments.

However, the remaining entities:

- had poor record keeping practices which delayed providing the necessary information for audit
- had numerous errors in their financial statements and disclosure requirements were not met
- experienced finance staff turnover and attrition during crucial times in the financial year, or key personnel were not available to respond to the auditors at key times as they had taken leave.

We identified numerous errors that were corrected by the entities during the audit process. These errors included:

- incorrect valuation method used
- incorrect revenue recognition of funds received in advance
- bank reconciliations for the municipal account not reconciled, resulting in back dated payments not being identified in a timely manner
- incorrect recognition of borrowings and cash and cash equivalents
- land assets not held at their fair value with revaluation recognised through revaluation reserve
- not correctly accounting for their share of investment in associate
- overstatement of employee benefits and misclassification between the current and non-current portion of long service leave provisions.

Also disappointing was the number of entities submitting many versions of their financial statements to us during the audit process. This results in significant additional work for both the entity and the auditor, and delays the finalisation of the audit. For example, one entity submitted 21 versions of its financial statements.

To ensure timely and accurate financial reports it is important that management in each reporting entity keeps proper accounts and records. Management should undertake appropriate oversight reviews of systems and processes throughout the financial year and after year end to improve the quality of their financial reporting.

To assist public sector entities to assess their financial management and reporting practices, our Office tabled the *Western Australian Public Sector Financial Statements – Better Practice Guide*. This practical guide and toolkit set out better practice principles which, when applied, support a strong governance framework and an efficient and effective financial statement preparation process. While the guide is not prescriptive or obligatory, it should assist entities to implement better practices, processes and procedures, and achieve more efficient and timely financial reporting for their entity.

Each year when we table our annual audit results report of State government entities, we assess them on their financial reporting and financial controls. We then recognise those State entities that achieve good practice by assessing the number and significance of control

weaknesses, the quality of their financial statements, audit readiness, management resolution of accounting standards and the availability of key staff during the audit process.

In 2021-22, we will examine the local government sector and recognise the top best practice entities in our annual audit results report. On page 10 we have outlined our assessment criteria. We hope that reporting top achieving entities from across the sector will increase the effectiveness and efficiency of the financial statement preparation process and contribute to improving the quality of financial reports submitted for audit.

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## Recommendation

1. We encourage entities to make use of our *WA Public Sector Financial Statements – Better Practice Guide* to improve their financial management and reporting practices, processes and procedures.

## Summary of audit opinions

For the financial year ending 30 June 2021 we issued clear auditor's reports for 130 entities by 30 June 2022. Two audit opinions were modified (qualified), while we included emphasis of matter paragraphs in the audit reports of 24 entities.

The auditor's report includes:

- the audit opinion on the annual financial report
- any significant non-compliance in relation to the financial report or other financial management practices
- any material matters that indicate significant adverse trends in the financial position of the entity
- other matters the auditors deem necessary to highlight.

Under the LG Act, an entity's chief executive officer (CEO) is required to publish its annual report, including the audited financial report and the auditor's report, on the entity's website within 14 days of the annual report being accepted by the entity's council. Appendix 1 outlines the date we issued each entity's 2020-21 auditor's report.

We also finalised the 2019-20 auditor's report for two entities.

## Two disclaimers of opinion for 2019-20

On 16 June 2021, we tabled the results of 117 entities' 2019-20 financial audits in Parliament. On 24 November 2021, we reported a further 13 entities' results in our State government entities audit report. At that time, results remained outstanding for the Shires of Wiluna and Yalgoo. We were unable to express an opinion on their financial audit reports and have now issued them a disclaimer of opinion.

For both entities, we were unable to obtain sufficient appropriate audit evidence on the books and records of the Shires. This was due to numerous significant deficiencies in the Shires' internal controls and in some cases, records not being adequately maintained. See Appendix 2 for the full details of the disclaimers.

The absence of sufficient appropriate evidence is a significant impediment for the auditor and a serious matter for both the auditor and those who rely on the auditor's opinion. If an auditor is unable to obtain the required evidence, they have few options. One option is to issue a disclaimer of opinion.

Such an opinion is only issued after we have exhausted our efforts to achieve the desired audit objectives. It is the first time this Office has issued such an opinion for a local government entity since becoming responsible for auditing the sector in 2017. It is also the first issued by our Office on a financial report for any WA government entity in 25 years.

A disclaimer of opinion on financial statements is a serious matter as we were unable to provide assurance over financial accountability. This can lead to a lack of confidence in the appropriate use of public monies.

Given the nature and timing of these disclaimers of opinion it is, regrettably, our expectation that issues requiring these disclaimed audit opinions may continue into 2021 and 2022 in some manner. However, we are aware that both entities have been working to address these concerns since the matters were first raised.

### Response from Shire of Yalgoo

The Shire acknowledges the effort of the OAG in undertaking the 2019-2020 audit. We also confirm that we recognise the seriousness of the issues raised by the audit and give our assurance that a plan of action has already been implemented. We continue to do work under that plan. The Shire would also like to identify a number of factors which influenced the audit result, including:

- resourcing constraints
- changes of CEO
- communication between Shire and audit team
- timing of release of audit report.

We are conscious that the existence of these factors does not amount to an excuse for the deficiencies identified. On the other hand, we hope their existence will go some way to helping explain how those factors, rather than a culture of disregard for the need to ensure proper controls and compliance, contributed to the audit result.

17 June 2022

### Two qualified audit opinions for 2020-21

We issue a qualified opinion in our auditor's report on an annual financial report if we consider it is necessary to alert readers to material inaccuracies or limitations in the financial report that could mislead readers.

In 2020-21, two entities received a qualified audit opinion. This is an improvement from four qualifications issued in 2019-20 and six in 2018-19.

The Shires of Goomalling and Sandstone received qualified opinions because their infrastructure assets had not been valued with sufficient regularity and therefore, we were unable to determine if they were fairly stated. For the full details of the qualified opinions see Appendix 3.

### Audits in progress

The 16 audits still being finalised may result in modified opinions. Generally, audits in progress relate to:

- entities having more significant or complex issues to be resolved from a financial reporting and auditing perspective
- entities not having the in-house expertise needed to manage their financial reporting.

While some entities collaborate and seek help to overcome these issues, this is often informal and ad-hoc.

### Twenty-four entities received emphasis of matter paragraphs

Under Australian Auditing Standards, if a matter is appropriately presented or disclosed in the financial report, but in our judgement is of such importance that it should be drawn to the

attention of readers, we may include an emphasis of matter (EoM) paragraph in our auditor's report.

In 2020-21, 25 EoM paragraphs have been included to bring to the reader's attention to:

- restatements of comparative figures or balances (11 entities)
- restatements and guarantee payments (four entities)
- changes to the basis of accounting used by the entity (six entities)
- the recording of a joint venture (two entities)
- a contingent liability (one entity)
- an event occurring after the end of the reporting period (one entity).

A full description of these matters is at Appendix 4.

In previous years, we included an EoM in all entities' auditor's reports to draw attention to their previous recognition of some categories of land, including land under roads, at zero cost.

### **Seventy-five entities had 193 material matters of non-compliance with legislation**

We reported 193 matters of non-compliance to 75 entities. Under Regulation 10(3)(b) of the Local Government (Audit) Regulations 1996 (LG Audit Regulations), we are required to report any matters indicating that an entity is non-compliant with:

- part 6 of the LG Act
- FM Regulations
- applicable financial controls in any other written law.

The matters may relate to the financial report or to other financial management matters.

The most commonly reported matters related to:

- financial ratios not being reported (28 entities)
- a lack of evidence that enough quotations were obtained to test the market or documentation to explain why other quotes were not sought (22 entities)
- no evidence of independent review and approval of journal postings to the financial ledger (13 entities)
- a financial management review was not completed every three years as required (13 entities)
- changes made to the supplier master files were not independently reviewed and approved (12 entities)
- bank reconciliation processes were incomplete (12 entities).

Other matters included procurement without purchase orders, incomplete monthly reconciliations of fixed assets, payroll and employment non-compliance, and purchase orders raised, approved and paid by the same person. For the convenience of Parliament and the public, we have summarised the noteworthy matters in more detail at Appendix 5.

In determining which matters to examine through audit procedures (on a risk-based sample and rotational basis) and report, we apply the principles of materiality, as required by Auditing Standard ASA 320 *Materiality in Planning and Performing an Audit*. Factors that we consider include the extent and frequency of the non-compliance, and its effect or potential effect.

We also consider Regulation 5(1) of the FM Regulations to be particularly important because failure to effectively apply those requirements can result in significant financial loss, inefficiency, financial misreporting or fraud.

If we find matters of non-compliance at an entity, we will report this in the auditor's report which becomes part of their annual report published on their website. There was no discernible trend regarding the type or size of entity to which these findings relate.

### **Adverse trends in the financial position of 109 entities**

We conducted a high-level assessment of whether the seven financial ratios reported in each entity's financial report achieved the standards set by the DLGSC. This year, we reported that 156 ratios at 109 entities indicated adverse trends of which the asset sustainability and the operating surplus ratios were the most commonly reported as adverse. Last year, for the 2019-20 audits, the comparative figures were 139 ratios with adverse trends at 89 entities. Entities report their ratios for the current year and the preceding three years. Our trend analysis is therefore limited to these four years.

We are required by Regulation 10(3)(a) of the LG Audit Regulations to report 'any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government'. When determining if a trend was significant and adverse, in some instances we allowed for a ratio to be slightly lower than the DLGSC standard. We allowed this in recognition that failing to meet some standards is more significant and representative of an entity's financial position than failing to meet others.

Our financial audit assessments of the ratios are conducted objectively on the audited figures from the financial report on a comparable and consistent basis. Our assessments do not consider other aspects of the entity's finances or the inter-relationships between the ratios. These considerations are outside the scope of the legislative audit requirement of Regulation 10(3)(a) and more relevant to a performance audit into adverse trends.

### **We issued 275 audit certifications**

In addition to the auditor's reports on annual financial statements, we also conduct audit work to certify other financial information produced by entities. These audit certifications enable entities to meet the conditions of State or Commonwealth funding or specific grant requirements or legislation (acquittals). Our audit certification of these statements may be required to enable entities to receive ongoing funding under existing agreements or to apply for new funding.

For the 2020-21 audit cycle we are responsible for conducting 139 certifications for the Local Roads and Community Infrastructure Program (LRCI Program). The \$3 billion Commonwealth-funded program supports entities to deliver priority local road and community infrastructure projects across Australia.

Under the LRCI Program, entities who are eligible for funding must provide the Commonwealth Department of Infrastructure, Transport, Regional Development, Communications and the Arts with an audited 2020-21 annual report by 31 October 2021. This must be audited by an appropriate auditor.



As defined by the *National Land Transport Act 2014*, our Office is the appropriate auditor given entities' accounts are required by law to be audited by the Auditor General of a State.

Appendix 6 lists the 275 certifications we have issued for 2020-21 and the date of issue including:

- 11 claims by administrative authorities for pensioner deferments under the *Rates and Charges (Rebates and Deferments) Act 1992*
- 136 statements acquitting Roads to Recovery funding under the *National Land Transport Act 2014*
- 125 statements acquitting the LRCI Program funding (14 certifications outstanding)
- three other certifications for projects by entities.

## Control weaknesses

### Management controls

We report to entity CEOs on all control weaknesses relating to expenditure, revenue, financial management, asset management and human resources. Control weaknesses that represent matters of material non-compliance form part of the overall auditor's report that we provide under section 7.12AD of the LG Act to the mayor, president or chairperson, the CEO and the Minister for Local Government.

Our management letters provide a rating for each matter reported. We rate matters according to their potential impact and base our ratings on the audit team's assessment of risks and concerns about the probability and/or consequence of adverse outcomes if action is not taken. We consider the:

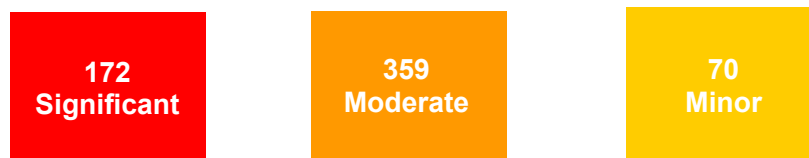
- quantitative impact – for example, financial loss from error or fraud
- qualitative impact – for example, inefficiency, non-compliance, poor service to the public or loss of public confidence.

Risk category	Audit impact
<b>Significant</b>	Finding is potentially a significant risk if not addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit opinion, it should be addressed promptly.
<b>Moderate</b>	Finding is of sufficient concern to warrant action being taken by the entity as soon as practicable.
<b>Minor</b>	Finding is not of primary concern, but still warrants action being taken.

Source: OAG

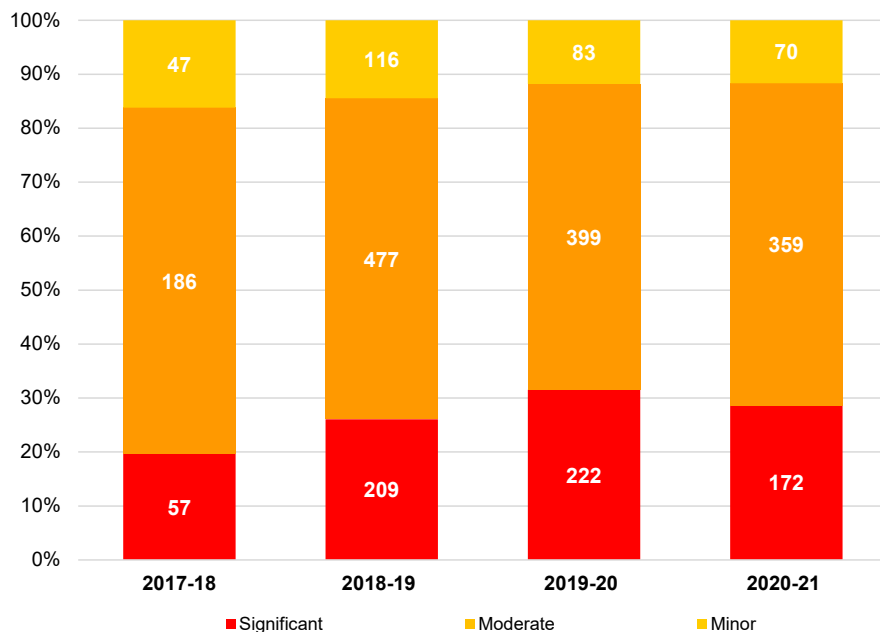
**Table 2: Risk categories for matters reported to management**

During 2020-21, we alerted 126 entities to control weaknesses that needed their attention. In total we reported 601 control weaknesses across the three risk categories as shown in Figure 1. This is a decrease compared to the figures from 2019-20 where we reported 704 control weakness of which 222 were significant, 399 moderate and 83 were minor findings.



Source: OAG

**Figure 1: Number of financial and management control findings by risk category for 2020-21**



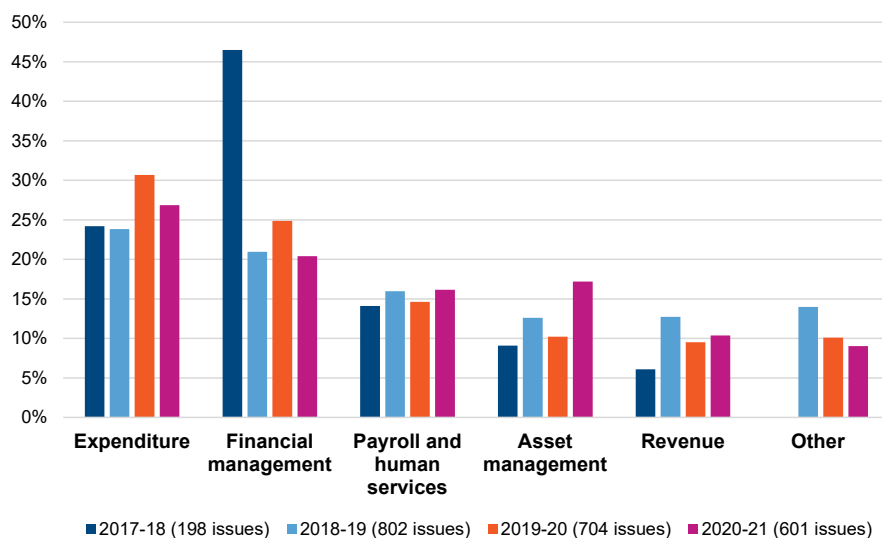
Source: OAG

**Figure 2: Proportion of control weaknesses reported to management in each risk category and comparative ratings of the control weaknesses**

Figure 2 shows the number of weaknesses in each risk category for the differing number of entities we audited during our first four years of local government auditing and the comparative proportion of weaknesses in each risk category. The chart shows that the number of control weaknesses across all ratings has decreased for 2020-21, noting that each year's figures represent findings across an increasing population of audited entities during the transition period.

However, we found that 95 control weakness (15.8%) at 39 entities were unresolved from the prior year. This proportion compares with 2019-20 where 15% of issues were unresolved from the prior year. It is important that these issues are addressed promptly and requires entities to improve policies, practices and procedures to maintain or enhance the integrity of financial reporting.

The 601 control weakness identified in 2020-21 are presented in their different financial management control categories in Figure 3. This figure also shows that expenditure and financial management controls continue to represent the highest proportion of weaknesses across the financial control environment. However, it was pleasing to see that the control weaknesses relating to expenditure, financial management, and payroll and human resources have decreased for 2020-21. This is a positive trend. An increase in audit findings related to asset management suggests greater focus may also be required by entities on the controls around this aspect of financial management.



Source: OAG

Note: In 2017-19, no control weaknesses were reported in the Other category.

**Figure 3: Financial and management control weaknesses reported to entities**

Following are examples of control weaknesses identified in the major categories of audit findings.

### Expenditure

We reported that good procurement procedures, such as obtaining quotes and completing purchase orders to start the ordering process and accountability trail, were not routinely practiced. In summary:

- We found purchase order control weaknesses at 33 entities. Purchase orders were often raised after the goods had been supplied or after the supplier's invoice had been received. The lack of adequate controls over purchase ordering increases the risk of inappropriate purchases or the entity being committed to pay for purchases made by officers who do not have authority or who have exceeded their delegated purchase limits.
- At 22 entities we continued to find instances where quotes were not obtained as required by the entities' policy guidelines. There were also instances where evidence of quotes was not kept. This increases the risk of favouring specific suppliers and/or not obtaining value for money.
- At 15 entities we reported that changes were made to the supplier master file without appropriate evidence of authorisation or there was no independent review to confirm checking for related party interests, authorisation, completeness and accuracy. These review procedures are essential as technology has increased the risk of fraud.
- We identified credit card control weaknesses at 14 entities. These included instances such as:

- transactions not listed separately in the payments submitted to council each month
- certain staff allocated a credit card who had not signed a credit card holder agreement
- no evidence of independent review for staff credit card monthly expenditure
- receipts not available for certain credit card transactions.
- In some entities there was not adequate separation of tasks between ordering and receiving goods. Without this segregation, the entity needs other controls to ensure that all payments for goods are reviewed and authorised by an independent officer.

### Financial management

The accounting procedures and practices of the financial management team should include appropriate controls for preparing the entity's financial report and mandatory annual reporting requirements.

- At 27 entities we found that bank reconciliations were either not routinely prepared on a monthly basis or were not reviewed by a second officer. The bank reconciliation is a key control. If not performed regularly and independently reviewed, there is a risk of erroneous or unusual (including fraudulent) reconciling items not being detected and investigated in a timely manner.
- At 17 entities we found instances where journal entries were made without supporting documentation or were not reviewed by an independent officer. These can represent significant adjustments to previously approved accounting transactions. Unauthorised journals could result in errors in financial reports or fraud. They should therefore be clearly explained and subject to independent review.
- At 15 entities we found a lack of review of policies and procedures.
- At 11 entities we found that access to the financial management, payroll and human resources systems was not restricted to appropriate staff. In some instances, we considered more staff than necessary had passwords to access key systems. Access privileges need to be monitored on a regular basis by a senior staff member.

### Payroll and human resources

Payroll and human resource management are essential elements of any employer's business. During our interim and final audits of entities we reported:

- Across 20 entities we found some employees were not taking their annual and long service leave entitlements and therefore accumulating excessive leave balances. Entities should have a leave management plan to ensure suitable staff can undertake the roles of key staff while they are on leave and to continue to deliver the entity's required services. Infrequent taking of leave and associated rotation of staff roles increase the likelihood of fraud remaining undetected.
- At 12 entities we found commencement and termination processes were not completed promptly to ensure timely and accurate processing and payment of staff. Evidence needs to be retained of all employment contracts, which should be signed by both parties on execution.
- At 12 entities we found monthly payroll reconciliations were not prepared in a timely manner and independently reviewed, increasing the risk of errors and/or potential fraud remaining undetected and misstated financial statements.

- At 11 entities we found instances where changes made to employee master files were either not supported by appropriate authorisation from the employee or not independently reviewed for accuracy and completeness. This is important to reduce the risk of payroll errors or fraud.

### Asset management

We identified several weaknesses in the controls over assets. These included:

- a lack of evidence of review of fixed asset reconciliations at 14 entities
- asset management plans not completed or sufficiently updated at eight entities. This may impact the strategic planning process and is likely to result in misstatement of the asset renewal funding ratio in the financial report
- no asset stocktake policy or procedures in place at seven entities. The absence of a periodic asset stocktake means that discrepancies between the accounting and physical records will not be detected and corrected on a timely basis. This could result in failure to detect theft or loss and/or a misstatement of asset balances in the annual financial report
- a lack of comprehensive asset management procedures to manage non-current assets at six entities. Good policies and procedures provide essential guidance for staff to manage an entity's assets in accordance with management's expectations. Lack of formal and comprehensive policies and procedures that are readily available to staff increases the risk of mismanagement and recording of assets.

Other asset issues we found included:

- the entity not performing an assessment to determine the correct classification of vested improvements on vested land required to be separately classified as right-of-use assets
- asset revaluations not completed in a timely manner
- no documented inventory control policy and procedure for employees to follow to ensure that inventory is physically safeguarded and all movements are recorded accurately and completely in the accounting records
- incorrect application of the useful life of assets in depreciation calculations which could result in an over/understatement of the depreciation and hence of the carrying value of the assets in the financial statements.

### Revenue

Good controls over revenue help to ensure that all monies due to the entity are accurately charged, collected and reported in the financial statements. During our interim and final audits, we reported:

- charges being raised prior to a completed review of the rates billing verification register
- fees were not correctly recorded in the financial system and customers were charged the incorrect fee
- no register of infringements issued by the entity
- interim rate notices had not been issued throughout the year by the entity
- rateable values reconciliation not completed

- a lack of a formal process to assess the revenue recognition criteria for new grant funding received
- revenue not recognised in accordance with AASB 15 or AASB 1058. As application of these standards may result in delayed income recognition, the entity's revenue may be overstated for the 2020-21 financial year.

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## Recommendation

2. Local government entities should ensure they maintain the integrity of their financial control environment by:
  - a. periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to staff
  - b. conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments
  - c. regularly monitoring compliance with relevant legislation
  - d. promptly addressing control weaknesses brought to their attention by our audits, and other audit and review mechanisms
  - e. maintain currency with new and revised accounting standards for their impact on financial operations in order to prepare a compliant financial report at year end.

## Information system controls

In 2020-21, we reported 358 information system control weaknesses to 45 entities, with 10% (37) of these rated as significant and 71% (254) as moderate. Last year we reported 328 control weaknesses to 50 entities. As these weaknesses could significantly compromise the confidentiality, integrity and availability of information systems, entities should act promptly to resolve them.

Entities rely on information systems to prepare their financial statements and to deliver a wide range of services to their communities. It is important that entities implement appropriate controls to maintain reliable, secure and resilient information systems.

Audits of general computer controls help entities measure and improve the effectiveness and reliability of services and financial reporting. These audits are performed as an integral part of, and inform, our financial audit program

Our capability assessments at 12 of the 45 entities show that none met our expectations across all six control categories and 68% of the audit results were below our minimum benchmark. Information and cyber security remain significant risks again this year and need urgent attention. Compared to 2019-20, there have been some improvements in change control but very little progress in management of information technology (IT) risks, physical security and IT operations. Entities need to improve in all six control categories.

Of the weaknesses identified in 2020-21:

- 47% related to information security issues. These included system and network vulnerabilities, and unauthorised and inappropriate access
- 28% related to IT operations issues. In particular, there were issues in inadequate monitoring and logging of user activity, poor handling of information and lack of review of user access privileges
- 13% related to business continuity. For example, disaster recovery and business continuity plans were lacking or out-of-date
- 12% related to inappropriate IT risk management, poor environmental controls for the server room and a lack of change management controls.

The information provided above is included in our *Information Systems Audit Report 2022 – Local Government Entities*, tabled on 28 June 2022. Further details of the information systems audit work and case studies are included in that report.



## Issues impacting entity reporting

### Rehabilitation of landfill sites

#### Issue

Many entities have landfill sites which they manage. Depending on the size and scale of these sites, there are different requirements to rehabilitate them. Where entities have an obligation to remediate the landfill site, they should include the rehabilitation costs as a provision in their financial report. The absence of a rehabilitation plan and cost estimate does not remove the need to record a provision.

From the time it is evident that recognising a liability is required, to actually reporting one, a process of planning is needed, and this can take a while. In the meantime, readers should be alerted to the fact that a liability will be created by the entity showing a contingent liability in their financial reports. This is shown in the example below.

#### What we found

We've found that some entities are not including these provisions for rehabilitation and others that are, are accounting for them differently. There is a possible role for the DLGSC to provide guidance in this area to ensure entities are correctly accounting for rehabilitation provisions.

#### Example: City of Kalgoorlie-Boulder

The City has operated the Yarri Road Refuse Facility in east Kalgoorlie since 1993. The site operates under a Class II landfill license under Part V of the *Environmental Protection Act 1986* which requires licensing.

The City has never previously recognised a provision for landfill rehabilitation. It has disclosed a contingent liability for at least the three previous annual financial reports to fully restore the site at the end of its useful life. The City was also undertaking work to establish the scope and estimate the cost of the restoration, which was unable to be reliably estimated in previous financial reports.

During the 2020-21 period, the City engaged a third-party expert to prepare a closure and post-closure management plan and provide a comprehensive estimation of the future costs for the site closure, capping, restoration and monitoring activities. The plan was finalised in March 2021 and a landfill rehabilitation provision of \$28.8 million was recognised.



Source: OAG

Figure 4: Broome landfill

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## Recommendation

3. The Department of Local Government, Sport and Cultural Industries should provide guidance to assist entities with understanding the requirements of and interpreting the AASB accounting requirements to ensure greater accounting consistency across the sector, including recognising provisions for the rehabilitation of landfills and other contaminated sites.

## Valuation of assets

### Issue

As reported in previous years, we have concerns about inconsistencies in the valuation of property and infrastructure in the local government sector, including the variety of valuation methods used, especially for land assets with restricted use.

Valuation concerns arise from entities engaging different valuers who use different methods or interpret some principles of the Australian Accounting Standards differently. Consequently, entities can see significant valuation swings when they change their valuer, depending on which assumptions the valuer uses. Most entities revalued their restricted land assets in 2017 or 2018 in accordance with the FM Regulations. Their next three to five yearly valuations are due at the latest by 2022 or 2023.

As mentioned last year, the AASB and the International Public Sector Accounting Standards Board have projects underway relating to fair value of public assets. Our Office will work with other audit offices to prepare a submission to these fair value projects and with the DLGSC on the audit impacts of any changes.

Even though a formal valuation is not required to be undertaken every year, the requirement for such assets to be at fair value remains. Thus, each entity needs to do enough, at a minimum, to be able to conclude that the carrying value at the reporting period approximates its fair value. This would entail, amongst other things, condition assessments, assessing recent pricing movements in materials and labour, and other relevant material factors.

### What we found

A few examples of entities experiencing some valuation issues were:

- City of Albany – the City has no formal process for assessing the valuation of infrastructure assets, land and buildings in financial years between the formal valuation assessments required by the FM Regulations. Without this, an asset may not be correctly recorded at fair value in accordance with AASB 116 and AASB 13. The City was notified of the finding during an interim audit and completed an assessment as part of its end of financial year procedures.
- City of Subiaco – the City's investment property increased by \$12.3 million (11%) compared to the prior year due to a revaluation to fair value at 30 June 2021 based on an independent valuation of \$125 million, which resulted in a net gain of \$29 million. The City also reported an increase to Revaluation Surplus of \$35.8 million (28%) compared to the prior year.
- Town of Cottesloe – during 2020-21, an independent valuation of land and buildings resulted in a decrease in fair value of \$20.5 million compared to the prior year. This related to an interest the Town has in the Wearne Hostel (refer below).

- Four entities hold an equal share in the Wearne Hostel site at 1 Gibney Street, Cottesloe but value it differently. We found one valuation almost double that of the other. The Towns of Claremont and Mosman Park have valued their respective interests separately without restrictions, while the Shire of Peppermint Grove and Town of Cottesloe have valued with restrictions (i.e. title showing zoning for use only as an aged care facility), resulting in a much lower valuation. We acknowledged the inconsistency in financial reporting for the same asset but accepted both valuations (restricted and unrestricted) as they are currently permissible under the relevant accounting standard and DLGSC financial reporting framework.

## Developer contributions – Accounting for cash in lieu of public open space

### Issue

When subdividing residential land in WA, a minimum of 10% of the gross subdivisible area must be given up free of cost by the landowner for public open space. The landowner can make a cash payment to an entity in lieu of all or part of the public open space contribution, which must be agreed by the entity and approved by the Western Australian Planning Commission.

Amendments to section 154 of the *Planning and Development Act 2005* (PD Act) changed the accounting treatment for cash in lieu of public open space contributions received on or after 12 September 2020. Entities receiving any cash in lieu funds should now place them in a reserve account for each subdivision within the municipal account, in accordance with section 6.11 of the LG Act.

The account should clearly set out the purpose for which the money is held, the landholding from which it was obtained and the date on which it was paid to the entity. Section 154(3) of the PD Act also requires interest earned on any invested funds to be applied to the respective reserve account.

The DLGSC provided guidance to entities on the accounting treatment for cash in lieu received on or after 12 September 2020, from 10 April 2006 until 11 September 2020, and prior to 10 April 2006. One entity sought its own legal advice.



Source: bmphotographer/shutterstock.com

**Figure 5: Park and playground in a suburban area of Perth**

### What we found

While some entities were not prepared, the majority of affected entities accounted for the funds appropriately and complied with revised legislative requirements.

Some entities had differing treatments, for example:

- We noted that money paid to the City of Albany in lieu of open space, post 12 September 2020 and amounting to \$30,000, was not placed in a reserve account in accordance with section 6.11 of the LG Act. On being notified of the finding during the interim audit, the City rectified this as part of their annual procedures, had a newly created public open space reserve account endorsed by Council and correctly reported the received funds in the annual financial statements for the year ended 30 June 2021.
- The City of Cockburn, on obtaining legal advice, chose to adopt a different accounting treatment than recommended by the DLGSC. It accounted for all cash in lieu of public open space in the municipal fund, rather than some in trust and some in the municipal fund.
- We found the accounting for cash in lieu by the City of Greater Geraldton is classified in accordance with the PD Act, with an exception that funds amounting to \$378,000 should have been classified as trust rather than in reserves, as it was received between 10 April 2006 and 11 September 2020. We accepted this as reasonable and agreed with management on the classification of the funds.

## Implementation of Service Concession Grantors Standard AASB 1059

### Issue

Entities were required to apply a new standard, AASB 1059 *Service Concession Arrangements: Grantors*, for years beginning on or after 1 January 2020 (the 2020-21 reporting year). This standard is applicable to entities (grantors) that enter service concession arrangements with generally private sector operators.

It requires grantors to recognise a service concession asset and, where applicable, a service concession liability on the balance sheet. Alternatively, a service concession asset may result from the reclassification of an existing item of property, plant and equipment.

An arrangement within the scope of this standard typically involves an operator constructing the assets used to provide a public service or upgrading the assets (for example, by increasing their capacity) and operating and maintaining the assets for a specified period. Such arrangements are often referred to as public-private partnerships.

An example of a major service concession arrangement for WA local government is the Resource Recovery and Facility Agreement involving the Mindarie Regional Council, a regional entity, and its constituent member entities - the Cities of Perth, Stirling, Joondalup, Wanneroo and Vincent, and the Towns of Victoria Park and Cambridge.

Under this agreement the operator constructed and has the responsibility to manage the facility for the purpose of waste processing activities on behalf of the Mindarie Regional Council. The agreement was entered into for a 20-year term ending June 2030. On termination of the agreement, the Mindarie Regional Council would assume all rights and responsibilities in relation to the assets and liabilities of the Service Concession Arrangement.

### What we found

For most entities there was no material impact to the financial statements in 2020-21.

## Other changes to accounting standards

### What we found

As we reported in November 2021<sup>5</sup>, the reporting of revenue and income by not-for-profit entities under AASB 15 and AASB 1058, which were applied from 1 July 2019, has brought challenges in interpretation and implementation. It is expected that the AASB will propose further guidance and examples in 2022 that have the potential to change current accounting practice.

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<sup>5</sup> Office of the Auditor General, [Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities](#), OAG, Perth, 2021, p 43.

## Impact of emergencies

### COVID-19

We have continued to note the impact of COVID-19 responses on entities' financial reporting processes and control environments. Part of our 2020-21 audits considered the impact faced by entities, given State and international border restrictions were in place during the financial year and in February, April and May 2021 the WA Government announced lockdowns and other restrictions in response to managing COVID-19 community transmission. Some of the impacts are summarised below.

#### Disruption of services and reduced revenue

Entities were faced with venue closures and restrictions for public and private gatherings resulting in event cancellations and reduced capacity. A few examples identified during our audits are listed below where entities experienced an impact to the community and disruption of services:

- City of Greater Geraldton – reported that Recreation and Culture income was down from \$4.2 million in the prior year to \$1.6 million in 2020-21 (62%). This decrease is mainly due to the recreation and culture sector being heavily impacted by COVID-19 restrictions including the stand down of theatre and events staff. The Queens Park Theatre was completely closed for the nine months to March 2021 with partial reopening from April to June 2021. All events and cultural projects at the City were either scaled back or not held due to State mandated restrictions.
- City of Melville — the City reported a 10% decrease in rates revenue for 2020-21 compared to the prior year. Rates concessions (approved by the Council in April 2020) applied in the 2020-21 budget under the COVID-19 Stimulus package amounted to approximately \$10 million. The City also reported a 56% decrease in interest earnings from \$4.4 million in the prior year to \$1.9 million in 2020-21. As part of section 6.45 of the LG Act modified under the Local Government (COVID-19 Response) Order 2020 to cushion ratepayers from the adverse economic effects of COVID-19, the City reduced interest rates to 2% on:
  - unpaid rates subject to an instalment program (previously 4%)
  - all unpaid rates and services (previously 8%)
  - unpaid underground power and streetscape charges (previously 4%).

This also led to a decrease in rates receivable balances at year end.

- The City of Rockingham – committed to a rate freeze for 2020-21 due to the COVID-19 pandemic. In addition, the City provided a concession totalling \$846,773. The concession was to ensure that residential properties were not charged more rates than they would have paid in 2019-20 due to the statutory Gross Rental Value revaluation the City was required to apply. The City also reduced interest rate charges on unpaid rates and other service charges and therefore reported a \$2.2 million (67%) decrease in interest earnings compared to the prior year. Payments by residents however have continued to be repaid in 2021 with a resulting effect of lower receivable balances compared to the prior year.
- City of Stirling – as part of the City's COVID-19 response in 2020-21, the Council committed to a one-off concession to ensure no ratepayer was asked to pay more than the previous year. The City also introduced rates smoothing in addition to its one, two

and four instalment options. In accordance with the Local Government (COVID-19 Response) Order 2020, the City did not charge

- interest where an owner selected to pay rates and service charges through an instalment option
- overdue interest to ratepayers with overdue rates and service charges.
- Shire of Harvey – reported a reduction in interest earnings from \$1.3 million in the prior year to \$395,000 in 2020-21 (69%) mostly due to the decrease in interest rates paired with a decrease in interest earnings from rates revenue due to rate relief from COVID-19.
- Shire of Ngaanyatjaraku – statutory environmental health functions such as food inspections were delayed as they were not deemed to be an essential service by the WA Police Force and G2G passes were not approved for the visiting environmental health officer. Indoor sport and recreation activities were cancelled and program changes were made to enable limited activities to provide food and essential services in compliance with COVID-19 directions.

#### **Entities' expenses for directly managing the impact of COVID-19**

Differentiating between COVID-19 specific expenditure and normal expenditure was difficult as entities generally did not separately account for these expenses. In general, entities did not report incurring any significant expenditure as potential extra expenses were offset by savings elsewhere. Some interesting examples are noted below:

- Shire of Broome – the Shire's current three year COVID-19 recovery plan focuses on significant infrastructure projects. The State and Commonwealth Governments have co-invested in most of these projects. The intent of the projects is to reinvigorate the region and stimulate the local economy (e.g. jobs and tourism) which will assist in COVID-19 recovery.
- Shire of Denmark – the Shire experienced challenges in securing contractors and equipment from interstate and intrastate due to COVID-19 restrictions. Cost of contractors, materials and supplies has risen on average 20% over the past 12 months. Due to significant increases in available State and Commonwealth funding, it is increasingly difficult to secure available contractors to complete works within funding condition timeframes. The impact of COVID-19 has fast-tracked the Shire to implement more services and application processes online for the community to access.
- Shire of Dowerin – while the financial impact of COVID-19 on the Shire was minimal throughout 2020-21, additional resources were allocated including:
  - staff resources to keep up-to-date with relevant information and mandates
  - preparing and implementing the Shire's COVID-19 plan and working-from-home processes
  - increased community communication and engagement
  - additional cleaning.

The Shire had also experienced delays in completion of road construction and building projects due to contractors not being available and an increased cost of materials, freight and contractors.

- Shire of Gnowangerup – the main impact for the Shire includes significantly reduced availability of contractors, particularly building-related trades, and reduced availability of



vehicles. This has impacted the Shire's ability to complete projects within timeframes and budgets. Some capital expenditure items in the current year budget will carry over to the new financial year as a result.

#### **Stimulus or initiatives administered by entities**

Below are some examples where entities played a role in distributing funds and providing relief to their communities in 2020-21:

- City of Gosnells – the City reported \$1.4 million in COVID-19 concessions for ratepayers and relief for lessees.
- City of Greater Geraldton – the City offered rent relief to some tenants who were badly affected by the pandemic. The rent relief was in line with the *Commercial Tenancies (COVID-19 Response) Act 2020* and was available to tenants that had experienced a reduction of revenue of at least 30% over the previous year. The relief was in two parts: a portion of the rent was to be waived and another portion was to be deferred.
- City of Kalamunda – a COVID-19 Crisis Relief Fund reserve was established by the City at the beginning of the financial year of \$1 million to provide innovation grants of up to \$5,000 and \$1,000 rate relief to each eligible ratepayer. However, only \$216,000 was paid out during the year to 30 June 2021. The balance of the fund was returned to the City's bank account and the Crisis Relief Fund reserve was closed with the Council's approval. The City also offered a total of \$22,000 in rates exemptions under its COVID-19 financial hardship policy for the year ended 30 June 2021.
- City of Karratha – the City received a one-off contribution of \$1 million from Rio Tinto for COVID-19 recovery which was used to support the City's business and community funding packages. This included Try Local Vouchers, sporting group grants, tourism operator incentives, health fee waivers, business grants and Meet the Street funding. In addition, the City provided a number of other COVID-19 business and community support initiatives such as a freeze on rate and fee increases, deferral of rate collection, financial hardship support and lease fee relief.
- City of Subiaco – in response to the pandemic, the City resolved through its annual budget 2020-21 to provide a one-off contribution of \$2 million against total rates levied. This contribution was funded through a transfer from the Capital Investment Reserve. The \$2 million contribution to rates was applied proportionately to the number of rates levied per property, including properties paying minimum rates.
- Shire of Dalwallinu – the Shire adopted a financial hardship policy during 2019-20 to assist the community members who may have been affected by the COVID-19 pandemic. This policy was amended during 2020-21 to also include other unexpected items that may result in payment difficulties.
- Shire of Dandaragan – the Shire implemented a range of measures to respond to the challenges of COVID-19 including removing or heavily discounting interest charges on rates and debts, deferring community group loans and providing \$5,000 cash grants to community groups to enhance their facilities. A significant increase in infrastructure investment was undertaken targeting civil works that could employ the local workforce, in particular deckhands, who were impacted by disruption to the crayfishing industry. A COVID-19 community building program was established to support those at high risk including seniors, people with a disability or underlying health issue, people from culturally and linguistically diverse backgrounds, and indigenous people. The Shire also developed a COVID-19 webpage providing information and tools for its community such as the COVID-Readiness Household Plan.



### Future potential effect of COVID-19

As responses to COVID-19 continue to impact well beyond this reporting period and constrain the functions and responsibilities of entity operations, the risk increases that other critical areas may not receive the focus or priority they deserve. We encourage staff and management to be mindful of gaps where more visible financial and operational controls may cease to operate effectively, including in altered work arrangements such as staff working from home.

### Cyclone Seroja

On 11 April 2021, Cyclone Seroja intensified into a category 3 tropical cyclone and crossed the WA coast just south of Kalbarri. Impacts to Kalbarri and the nearby town of Northampton were severe, with many locations recording maximum wind gusts more than 170 km/h. Many buildings and roads sustained significant structural damage or were destroyed. An emergency situation was declared at 3.50 pm on 11 April for 45 local government areas. Services were disrupted, facilities were closed and significant damage occurred to critical infrastructure. Secondary impacts included loss of power and communications for an extended period, and a primary focus for affected communities on repair and recovery.

Examples of the financial implications arising from this emergency event in the region are as follows:

- Shire of Mingenew – at its May 2021 Ordinary Council Meeting, Council voted unanimously to waive a range of building and planning application fees to assist those impacted to rebuild, and waived some planning requirements for temporary buildings at its August 2021 Ordinary Meeting.
- Shire of Northampton – cyclone damage led to a write-down of Property, Plant and Equipment of \$1.1 million and Infrastructure of \$178,000 for the 2020-21 financial year. Additional funding of \$500,000 was received from the Local Government Insurance Scheme for operational repairs, and materials and contracts costs increased by \$1 million from \$2.3 million in the prior year to \$3.3 million in 2020-21 due to additional work required to restore the Shire's townsites.
- Shire of Chapman Valley – damages to the Shire's assets were not extensive. However, the cyclone impacted staff resources due to time taken away from core business to attend to local recovery initiatives. During the financial year the Shire restored some properties and certain work had to be carried forward to financial year 2021-22.
- City of Greater Geraldton arranged additional resources immediately following the cyclone to aid clean-up efforts. The City also spent more than \$500,000 on clearing vegetation and concentrated on rural road maintenance and removing and mulching fallen vegetation.
- Shire of Morawa experienced 202 requests for emergency welfare assistance, with 104 homes damaged and 23 primary producer properties impacted. The council spent \$141,962 in the immediate response to the cyclone with the majority being for the clearing of roads, removing fallen trees and town clean-up.

## Opportunities for the DLGSC to improve the efficiency of financial reporting

Our audits have once again highlighted the need for the DLGSC to provide centralised professional support to assist entities to fulfil their financial reporting requirements. We have previously raised the need for the DLGSC to provide professional advice on preparing for changes in accounting standards and legislation. This would be both financially beneficial and time efficient for all entities. This section includes updated information on the steps the DLGSC is taking to enhance financial reporting, reduce complexity and costs, and enable improved governance. It is important to note that while some of these issues may relate to all entities, others may only be applicable to some.

### Quality and timeliness

In 2019-20, and in prior reports, we reported that many entities would benefit from centralised support from the DLGSC similar to that provided to State government entities by the Department of Treasury through the Treasurer's Instructions. This would help to improve the overall quality of the sector's financial reports and also reduce the reporting burden on smaller entities. We identified the need for actions such as:

- decluttering entities' financial reports
- implementing tiered reporting for entities that differ in the size or complexity of their operations
- providing a model financial report with current sample notes
- providing technical and accounting standards support to entities through a help desk.

Further, we suggested the DLGSC's support should pursue timely regulation amendments and provide suitable guidance to assist entities to update their accounting practices. This would help ensure that their future reporting is compliant with all current accounting standards and improve the financial report framework.

While our Office produced the *Western Australian Public Sector Financial Statements – Better Practice Guide* to assist entities to implement better practices for more efficient and timely financial reporting, centralised assistance offered by the DLGSC will achieve consistency, improve financial reporting standards and could offer practical accounting assistance.

## Response from the DLGSC

DLGSC has made significant progress towards addressing the recommendations via its local government model financial statements project which commenced in September 2021. DLGSC expects to fully address all recommendations by the end of financial year 2022-23. This has been largely driven by DLGSC's commitment to deliver efficiencies and better financial reporting outcomes for the local government sector. As a result, DLGSC has met and is on track to meet several critical milestones, including:

- delivery of the first tranche of decluttered financial reports for 2021-22 by 1 July 2022. The required amendments to the FM Regulations and LG Audit Regulations were gazetted on 17 June 2022
- delivery of a further second tranche of decluttered financial reports for 2022-23 by 28 April 2023
- implementing reduced financial reporting for smaller entities for the financial year 2022-23, onwards
- providing model financial statements templates with guidelines for the financial year 2022-23, onwards
- providing technical and accounting standards support from June 2022 via a dedicated email support line.

## Review of financial ratios

We are required by Regulation 10(3)(a) of the LG Audit Regulations to report 'any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government'.

It has been our view since becoming the auditor for the sector that the annual financial report audit does not provide the opportunity for a thorough assessment of any adverse trends that may be apparent from the ratios. We have also previously supported the need for the DLGSC to develop more thorough and balanced performance assessment criteria to replace the existing reporting and audit of seven financial ratios and any adverse trends in these ratios.

In 2019-20, we also reported that the Western Australian Local Government Association (WALGA) had recommended changes to the ratios in its Local Government Financial Ratios Report provided to the WALGA State Council Meeting on 5 May 2021. The report included recommendations for prescribed ratios and other financial reporting related matters. Along with ratio changes, the group also recommended the DLGSC prepare a model set of financial statements and annual budget statements in consultation with the local government sector.

## Response from the DLGSC

The DLGSC has taken on board the OAG's views and recognised the contributions of key stakeholders in respect of the financial ratios and their intended purpose and outcomes. The DLGSC's approach to financial reporting of ratios has been largely underpinned by the OAG recommendations and the need to bring local government financial reporting in line with better practice frameworks.

While the DLGSC has taken action to remove the reporting of financial ratios from the 2021-22 annual financial report, and the audit reporting of significant adverse trends and attestation of ratios, it is still committed to ensuring reliable information on local government financial and sustainability measures is available.

The DLGSC is undertaking a comprehensive review of the current financial health indicator, taking into consideration WALGA's Financial Ratios Working Group recommendations. The review will assess the appropriateness of the current financial ratios and recommend a set of financial and sustainability measures that are evidence based and fit for purpose. This will then inform the information reported via the MyCouncil website.

The Western Australian Treasury Corporation (WATC) was engaged in late March 2022 to undertake a review of the financial health indicator to identify the most appropriate ratios to underpin it. A stakeholder group consisting of WATC, the DLGSC, WALGA, LG Professionals WA and a local government finance consultant has been established to help inform the review. Targeted stakeholder engagement is to be undertaken in due course for input and feedback on the proposed ratios and methods used to underpin the new financial health indicator.

The scope prepared for WATC requests that a report and new financial health indicator product is provided to the DLGSC by 31 August 2022. The DLGSC will then review the outcomes of the report before implementing the changes for the MyCouncil website in 2023.

## Reduced disclosure reporting by entities

The quantity of information that is reported in the annual financial reports of entities is onerous and exceeds that reported by most State government entities. Entities also include several disclosures that are not common practice in other Australian states. This contributes to the time and cost to prepare and audit annual financial reports.

In 2019-20, we reported that opportunities still exist to introduce a tiered reporting structure and reduce the amount of detail in entity financial reports without impacting the usefulness and completeness for users. While the FM Regulations do not provide entities as much opportunity to reduce financial report disclosures as State government entities, we continue to encourage efforts to streamline financial framework obligations, particularly for small and medium sized entities, wherever it does not impair accountability and transparency.

## Response from the DLGSC

The DLGSC fully recognises the need for tiered reporting based on complexity and size of entities, while still meeting the needs of the users of financial reports. The DLGSC has developed model financial statement templates based on Salaries and Allowances Tribunal banding.

The model financial statement template for Band 1 and 2 entities significantly reduces the existing level of disclosures required to be audited. Our recommendations to the Parliamentary Select Committee into Local Government have largely guided the DLGSC in the removal of the disclosures.

The Band 3 and 4 entity model financial statement template is also streamlined and removes further disclosures without compromising the accountability and transparency of financial reporting. The DLGSC has been working closely with the OAG to ensure critical information and compliance with Accounting Standards is retained. After sector consultation, it was agreed that the model financial statements for both Band 1 and 2, and Band 3 and 4 should be introduced from the 2022-23 financial year onwards.

## Local Government Regulations Amendment (Financial Management and Audit) Regulations 2022

The first component of regulatory amendments to enable the model financial statements, the *Local Government Regulations Amendment (Financial Management and Audit) Regulations 2022*, were gazetted on 17 June 2022.

Key changes which are welcomed by our Office include the removal of the requirement for an annual financial report by an entity to include:

- financial ratios
- an auditor's opinion on financial ratios, significant adverse trends and matters of non-compliance.

The changes made to the FM Regulations will reduce local government reporting requirements and the scope of audit reports and come into effect from 1 July 2022. As some 2021-21 audits are still in train, transitional provisions apply to financial reports in relation to 30 June 2021 whose audits are yet to be finalised.

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## Recommendation

4. The Department of Local Government, Sport and Cultural Industries should continue to work with local government stakeholders towards the introduction of model financial statements for the 2022-23 financial year.

## Appendix 1: Status and timeliness of 2020-21 audits

We completed 132 of the 148 audits for 2020-21 by 30 June 2022. All entities are listed in alphabetical order below, as well as the type of audit opinion they received, when they received it and the timeliness of providing their financial statement to us for audit.

Timeliness of financial statements does not indicate quality. Roughly half of the entities' financial statements submitted to us for audit were not of a reasonable standard and required revisions or adjustments due to errors or disclosure requirements not being met. In some cases more than a dozen versions of financial statements were submitted to our audit teams, with changes or availability of staff or information also impacting timelines. More information on issues around quality and timeliness is provided on pages 14 and 15.

### Key

Type of audit opinion		Financial statement (FS) timeliness	
Clear opinion	✓	Received by the statutory deadline of 30 September 2021	🕒
Clear opinion with emphasis of matter	✓	Extension to the statutory deadline was granted and met	🕒
Qualified or a disclaimer of opinion	✗	Extension or statutory deadline was not met	🕒

Entity	Type of opinion	Opinion issued	FS timeliness
Bunbury-Harvey Regional Council	✓	14/12/2021	🕒
City of Albany	✓	3/12/2021	🕒
City of Armadale	✓	15/03/2022	🕒
City of Bayswater	Audit in progress		🕒
City of Belmont	✓	17/02/2022	🕒
City of Bunbury	✓	7/12/2021	🕒
City of Busselton	✓	15/11/2021	🕒
City of Canning	✓	30/11/2021	🕒
City of Cockburn	✓	30/11/2021	🕒
City of Fremantle	Audit in progress		🕒
City of Gosnells	✓	10/12/2021	🕒
City of Greater Geraldton	✓	9/12/2021	🕒
City of Joondalup	✓	14/12/2021	🕒
City of Kalamunda	✓	22/11/2021	🕒
City of Kalgoorlie-Boulder	✓	4/05/2022	🕒
City of Karratha	✓	8/03/2022	🕒
City of Kwinana	✓	9/12/2021	🕒
















Entity	Type of opinion	Opinion issued	FS timeliness
City of Mandurah	✓	17/12/2021	🕒
City of Melville	✓	9/12/2021	🕒
City of Nedlands	✓	30/11/2021	🕒
City of Perth	✓	23/03/2022	🕒
City of Rockingham	✓	23/11/2021	🕒
City of South Perth	✓	19/11/2021	🕒
City of Stirling	✓	23/12/2021	🕒
City of Subiaco	✓	17/11/2021	🕒
City of Swan	✓	24/11/2021	🕒
City of Vincent	✓	15/12/2021	🕒
City of Wanneroo	✓	17/12/2021	🕒
Eastern Metropolitan Regional Council	✓	17/11/2021	🕒
Mindarie Regional Council	✓	14/01/2022	🕒
Murchison Regional Vermin Council	✓	22/11/2021	🕒
Pilbara Regional Council	✓	28/04/2022	🕒
Rivers Regional Council	✓	30/09/2021	🕒
Shire of Ashburton	Audit in progress		🕒
Shire of Augusta-Margaret River	✓	6/12/2021	🕒
Shire of Beverley	✓	22/02/2022	🕒
Shire of Boddington	✓	7/04/2022	🕒
Shire of Boyup Brook	Audit in progress		🕒
Shire of Bridgetown-Greenbushes	✓	23/11/2021	🕒
Shire of Brookton	✓	30/03/2022	🕒
Shire of Broome	✓	3/12/2021	🕒
Shire of Broomehill-Tambellup	Audit in progress		🕒
Shire of Bruce Rock	✓	16/12/2021	🕒
Shire of Capel	✓	3/03/2022	🕒
Shire of Carnamah	✓	12/04/2022	🕒
Shire of Carnarvon	Audit in progress		🕒
Shire of Chapman Valley	✓	7/12/2021	🕒

Entity	Type of opinion	Opinion issued	FS timeliness
Shire of Chittering	✓	18/02/2022	🕒
Shire of Christmas Island	✓	14/03/2022	🕒
Shire of Cocos (Keeling) Islands	✓	8/04/2022	🕒
Shire of Collie	✓	16/02/2022	🕒
Shire of Coolgardie	✓	17/12/2021	🕒
Shire of Coorow	✓	10/03/2022	🕒
Shire of Corrigin	✓	16/12/2021	🕒
Shire of Cranbrook	✓	9/12/2021	🕒
Shire of Cuballing	✓	22/12/2021	🕒
Shire of Cue	✓	6/05/2022	🕒
Shire of Cunderdin	✓	18/02/2022	🕒
Shire of Dalwallinu	✓	16/12/2021	🕒
Shire of Dandaragan	✓	16/12/2021	🕒
Shire of Dardanup	✓	8/12/2021	🕒
Shire of Denmark	✓	2/12/2021	🕒
Shire of Derby-West Kimberley	Audit in progress		🕒
Shire of Donnybrook-Balingup	✓	23/02/2022	🕒
Shire of Dowerin	✓	17/02/2022	🕒
Shire of Dumbleyung	✓	17/03/2022	🕒
Shire of Dundas	✓	6/04/2022	🕒
Shire of East Pilbara	✓	30/03/2022	🕒
Shire of Esperance	✓	10/11/2021	🕒
Shire of Exmouth	✓	17/11/2021	🕒
Shire of Gingin	✓	29/06/2022	🕒
Shire of Gnowangerup	✓	22/12/2021	🕒
Shire of Goomalling	Qualified ✖	22/12/2021	🕒
Shire of Halls Creek	✓	18/03/2022	🕒
Shire of Harvey	✓	20/12/2021	🕒
Shire of Irwin	✓	28/03/2022	🕒
Shire of Jerramungup	✓	14/12/2021	🕒
Shire of Katanning	✓	21/12/2021	🕒



Entity	Type of opinion	Opinion issued	FS timeliness
Shire of Kellerberrin	✓	8/12/2021	🕒
Shire of Kent	✓	15/03/2022	🕒
Shire of Kojonup	✓	17/06/2022	🕒
Shire of Kondinin	✓	21/12/2021	🕒
Shire of Koorda	✓	25/02/2022	🕒
Shire of Kulin	✓	23/02/2022	🕒
Shire of Lake Grace	✓	18/03/2022	🕒
Shire of Laverton	✓	17/02/2022	🕒
Shire of Leonora	✓	8/12/2021	🕒
Shire of Manjimup	✓	29/11/2021	🕒
Shire of Meekatharra	✓	3/12/2021	🕒
Shire of Menzies	✓	15/12/2021	🕒
Shire of Merredin	Audit in progress		🕒
Shire of Mingenew	✓	10/12/2021	🕒
Shire of Moora	Audit in progress		🕒
Shire of Morawa	✓	21/12/2021	🕒
Shire of Mount Magnet	✓	4/03/2022	🕒
Shire of Mount Marshall	✓	6/12/2021	🕒
Shire of Mukinbudin	✓	17/12/2021	🕒
Shire of Mundaring	✓	10/12/2021	🕒
Shire of Murchison	Audit in progress		🕒
Shire of Murray	✓	15/02/2022	🕒
Shire of Nannup	✓	18/02/2022	🕒
Shire of Narembeen	✓	15/12/2021	🕒
Shire of Narrogin	✓	22/12/2021	🕒
Shire of Ngaanyatjaraku	✓	30/11/2021	🕒
Shire of Northam	✓	7/12/2021	🕒
Shire of Northampton	✓	17/12/2021	🕒
Shire of Nungarin	✓	16/12/2021	🕒
Shire of Peppermint Grove	✓	22/12/2021	🕒
Shire of Perenjori	✓	7/04/2022	🕒

Entity	Type of opinion	Opinion issued	FS timeliness
Shire of Pingelly	✓	17/12/2021	🕒
Shire of Plantagenet	✓	16/12/2021	🕒
Shire of Quairading	✓	17/02/2022	🕒
Shire of Ravensthorpe	Audit in progress		🕒
Shire of Sandstone	Qualified ✗	31/05/2022	🕒
Shire of Serpentine-Jarrahdale	✓	22/12/2021	🕒
Shire of Shark Bay	✓	5/04/2022	🕒
Shire of Tammin	✓	7/12/2021	🕒
Shire of Three Springs	✓	22/03/2022	🕒
Shire of Toodyay	Audit in progress		🕒
Shire of Trayning	✓	23/11/2021	🕒
Shire of Upper Gascoyne	✓	11/11/2021	🕒
Shire of Victoria Plains	✓	23/03/2022	🕒
Shire of Wagin	✓	10/11/2021	🕒
Shire of Wandering	✓	22/12/2021	🕒
Shire of Waroona	✓	22/12/2021	🕒
Shire of West Arthur	✓	2/03/2022	🕒
Shire of Westonia	✓	16/12/2021	🕒
Shire of Wickpin	✓	9/03/2022	🕒
Shire of Williams	✓	18/11/2021	🕒
Shire of Wiluna	Audit in progress		🕒
Shire of Wongan-Ballidu	✓	21/12/2021	🕒
Shire of Woodanilling	Audit in progress		🕒
Shire of Wyalkatchem	✓	19/11/2021	🕒
Shire of Wyndam-East Kimberley	✓	22/02/2022	🕒
Shire of Yalgoo	Audit in progress		🕒
Shire of Yilgarn	✓	16/12/2021	🕒
Shire of York	✓	16/12/2021	🕒
Southern Metropolitan Regional Council	✓	15/12/2021	🕒
Tamala Park Regional Council	✓	14/10/2021	🕒
Town of Bassendean	✓	15/12/2021	🕒

Entity	Type of opinion	Opinion issued	FS timeliness
Town of Cambridge	Audit in progress		
Town of Claremont		22/12/2021	
Town of Cottesloe		16/12/2021	
Town of East Fremantle		14/12/2021	
Town of Mosman Park		3/12/2021	
Town of Port Hedland		9/12/2021	
Town of Victoria Park		20/01/2022	
Western Metropolitan Regional Council		18/10/2021	

Source: OAG

## Appendix 2: 2019-20 disclaimers of opinion

Entity and opinion	Opinion issued
<p><b>Shire of Wiluna</b> – Disclaimer of opinion</p> <p>It has not been possible to obtain sufficient appropriate audit evidence on the books and records of the Shire. This lack of evidence arises from numerous significant deficiencies in the internal controls implemented by the Shire and, in some cases, the necessary records not being adequately maintained.</p> <p>As a result of this matter, we are unable to determine if any adjustments might have been found necessary to the elements making up the Statement of Financial Position as at 30 June 2020, Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended and related notes and disclosures.</p> <p>A qualified opinion was also issued for the year ended 30 June 2019 on the completeness of bank accounts for that year because we were unable to obtain a bank confirmation from a financial institution where at least one account was held for that year.</p>	22/12/2021
<p><b>Shire of Yalgoo</b> – Disclaimer of opinion</p> <p>We were unable to obtain sufficient appropriate audit evidence on the books and records of the Shire. This lack of evidence arises from numerous significant deficiencies in the internal controls implemented by the Shire and in some cases the necessary records not being maintained.</p> <p>As a result of this matter, we are unable to determine if any adjustments might have been found necessary to the elements making up the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, related notes and disclosures and the Statement by the Chief Executive Officer.</p>	3/03/2022

Source: OAG

### Appendix 3: 2020-21 qualified opinions

Entity and opinion	Opinion issued
<p><b>Shire of Goomalling</b> – Qualified opinion</p> <p>The Shire of Goomalling was issued a qualified opinion as the Shire's infrastructure assets were last valued in June 2015 for roads, drainage and footpaths and June 2016 for sewerage and other infrastructure. Because these infrastructure assets have not been revalued with sufficient regularity or in accordance with Regulation 17A(4)(b) of the FM Regulations, we were unable to determine if infrastructure assets reported in Note 9 of the annual financial report at \$43,394,718 and \$38,841,166 at 30 June 2021 and 30 June 2020 respectively are stated at fair value in the Statement of Financial Position.</p> <p>Additionally, we were unable to determine where there may be any consequential impact on the related balances, amounts and disclosures of depreciation on non-current assets, revaluation surplus in the Statement of Financial Position and Statement of Comprehensive Income and Note 19 Total Assets Classified by Function and Activity, or if any adjustments to these amounts are necessary.</p> <p>We also issued a qualified opinion for the year ended 30 June 2020 in relation to this matter.</p>	22/12/2021
<p><b>Shire of Sandstone</b> – Qualified opinion</p> <p>The Shire of Sandstone was issued a qualified opinion as the Shire's roads and footpaths infrastructure, reported at values as at 30 June 2021 of \$37,755,629 (2020: \$36,803,492) and \$71,845 (2020: \$75,711) respectively in Note 9 of the annual financial report, were last valued in June 2014. Because the assets have not been revalued with sufficient regularity or in accordance with Regulation 17A(4)(b) of the FM Regulations, we were unable to determine if infrastructure as at 30 June 2021 of \$39,718,887 (2020: \$38,820,445) in the Statement of Financial Position is fairly stated. Additionally, we were unable to determine if any adjustments are necessary to the related balances and disclosures of revaluation surplus in the Statement of Financial Position and Statement of Changes in Equity and Note 11, Other Comprehensive Income in the Statement of Comprehensive Income and Note 17 Total Assets Classified by Function and Activity, as it was impracticable to do so.</p> <p>We also issued a qualified opinion for the year ended 30 June 2020 in relation to this matter.</p>	31/05/2022

Source: OAG

## Appendix 4: Emphasis of matter paragraphs included in auditor's reports

The following list describes the matters that we highlighted through EoM paragraphs in 2021 audit reports:

Entity	Description of emphasis of matter paragraphs
<b>City of Bunbury</b>	Recording of joint venture – The City's opinion draws attention to Note 25 to the financial statements which states that the City's equity share in the Investment in Associate is still being negotiated and therefore cannot be reliably estimated at this time. Consequently, the investment is not currently reflected in the financial statements. The opinion is not modified in respect of this matter.
<b>City of Busselton</b>	Restatement of comparative balances – Our EoM draws attention to the City's Note 33 to the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>City of Joondalup</b>	Associate entity restatement and guarantee payment – Note 23 of the financial report (a) discloses the 2020 financial impact of the initial application of accounting standards AASB 1059 from the associate entity and (b) discloses a guarantee payment made by the City subsequent to the reporting date. The opinion is not modified in respect of this matter.
<b>City of Kalgoorlie-Boulder</b>	Restatement of comparative balances – The opinion draws attention to Note 34 to the financial report which states that the amounts reported in the previously issues 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>City of Perth</b>	Associate entity restatement and guarantee payment – Note 32 of the financial report which (a) discloses the 2020 financial impact of the initial application of accounting standards AASB 1059 from the associated entity and (b) discloses a guarantee payment made by the City subsequent to reporting date. The opinion is not modified in respect of this matter.
<b>City of Stirling</b>	Associate entity restatement and guarantee payment – The City's opinion draws attention to Note 26 of the financial report which (a) discloses the 2020 financial impact of the initial application of accounting standards AASB 1059 from the associate entity and (b) discloses a guarantee payment made by the City subsequent to reporting date. The opinion is not modified in respect of this matter.
<b>City of Vincent</b>	Events occurring after the end of the reporting period – The City's opinion included an EoM drawing attention to Note 30 of the financial report, which discloses a payment made by the City subsequent to the reporting period. The opinion is not modified in respect of this matter.  Restatement of comparative balances – The City's Opinion also includes an EoM drawing attention to Note 32 of the financial report which states that the amounts reported in the

Entity	Description of emphasis of matter paragraphs
	previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>City of Wanneroo</b>	Associate entity restatement and guarantee payment – The City's opinion draws attention to Note 38 of the annual financial report, which discloses (a) the 2020 financial impact of the initial application of accounting standard AASB 1059 from the associate and (b) a guarantee payment made by the City subsequent to reporting date. The opinion is not modified in respect of this matter.
<b>Mindarie Regional Council</b>	Contingent liability – The Council's opinion included an EoM drawing attention to Note 34 which disclosed a contingent liability relating to the Tamala Park Waste Management Facility site. The opinion is not modified in respect of this matter.
<b>Pilbara Regional Council</b>	Basis of accounting – The Council's opinion draws attention to Note 1(a) of the annual financial report, which discloses that the Council has decided to wind up. Consequently, the annual financial report has been prepared on a liquidation basis. The opinion is not modified in respect of this matter.
<b>Rivers Regional Council</b>	Basis of accounting – The Council's opinion draws attention to Note 1(a) of the annual financial report, which discloses that the Council has decided to wind up after ministerial approval is received for the formation of a regional subsidiary. Consequently, the annual financial report has been prepared on a liquidation basis. The opinion is not modified in respect of this matter.
<b>Shire of Carnamah</b>	Restatement of comparative balances – The Shire's opinion draws attention to Note 24 (correction of error) and subsequently Note 27 (financial ratios) to the financial report which states that the amounts reported in the previously issued 30 June 2020 (including comparative figures) financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Christmas Island</b>	Restatement of comparative balances – The Shire's opinion draws attention to Note 29 of the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Cocos (Keeling) Islands</b>	Restatement of comparative balances – The Shire's opinion draws attention to Note 25 of the financial report which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Coorow</b>	Restatement of comparative figures – The Shire's opinion draws attention to Note 31 to the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.

Entity	Description of emphasis of matter paragraphs
<b>Shire of East Pilbara</b>	Restatement of comparative figures – The Shire's opinion draws attention to Note 29 of the financial report which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Gingin</b>	Restatement of comparative figures – The EoM paragraph draws attention to Note 30 to the financial statements which states that the amounts reported in the previously issued 30 June 2020 annual financial report have been restated and disclosed as comparatives in this annual financial report. The opinion is not modified in respect of this matter.
<b>Shire of Halls Creek</b>	Restatement of comparative balances – The Shire's opinion draws attention to Note 26 to the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Harvey</b>	Recording of joint venture – The EoM paragraph draws attention to Note 26 to the financial statements which states that the Shire's equity share in the Investment in Associate is still being negotiated and therefore cannot be reliably estimated at this point of time. Consequently, the investment is not currently reflected in the financial statements. The opinion is not modified in respect of this matter.
<b>Shire of Meekatharra</b>	Basis of accounting – The EoM paragraph draws attention to Note 1 to the financial report, which describes the basis for accounting. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 17A of the FM Regulations requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 Leases which would have required the entity to measure the vested improvements also at zero cost. The opinion is not modified in respect of this matter.
<b>Shire of Mingenew</b>	Basis of accounting – The Shire's opinion included an EoM drawing attention to Note 28 of the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Plantagenet</b>	Restatement of comparative balances – The Shire's opinion draws attention to Note 29 to the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Tamala Park Regional Council</b>	Basis of accounting – The Council's opinion draws attention to Notes 1 and 10 to the financial report, which describes the basis for accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Act. Regulation 17A of the



Entity	Description of emphasis of matter paragraphs
	FM Regulations requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 Leases which would have required the entity to measure the vested improvements also at zero cost. The opinion is not modified in respect of this matter.
<b>Town of Victoria Park</b>	Basis of accounting – The Town's opinion draws attention to Note 36 of the annual financial report, which (a) discloses the 2020 financial impact of the initial application of accounting standards AASB 1059 from the associate entity and (b) discloses a guarantee payment made by the Town subsequent to reporting date. The opinion is not modified in respect of these matters.

Source: OAG

## Appendix 5: Material matters of non-compliance with legislation

Issue	Finding
<b>Financial ratios not reported</b>	<p>Twenty-eight entities did not report the Asset Renewal Funding Ratio, mostly for the three years, 2020, 2019 and 2018, in their annual financial report as required by FM Regulation 50(1)(c). Reasons for non-reporting included:</p> <ul style="list-style-type: none"> <li>management had not updated the asset management plan for a number of years</li> <li>planned capital renewals and required capital expenditures were not estimated as required to support the long term financial plan and asset management plan respectively</li> <li>management could not confirm the reliability of the available information on planned capital renewals and required capital expenditure</li> <li>information on planned capital renewals and required capital expenditure over a 10 year period was not available.</li> </ul>
<b>Quotes not obtained or no evidence retained</b>	<p>At 22 entities there was inadequate or no evidence that enough quotations were obtained to test the market and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement and/or favouritism of suppliers.</p>
<b>Controls over accounting journal entries</b>	<p>At 13 entities we found that accounting journal entries were often posted to the financial ledger with no evidence of independent review and approval by another person. Accounting journals can represent significant adjustments to previously approved accounting transactions and could result in, for example, one type of expenditure being re-coded to another type of expenditure. If not closely controlled, unauthorised journals could result in errors in financial reports or fraud. Journals should therefore be subject to independent review.</p>
<b>Financial management review not completed</b>	<p>At 13 entities the Financial Management Review was not completed every three years as required by Regulation 5(2)(c) of the FM Regulations.</p> <p>This regulation requires the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report those reviews to the local government.</p>
<b>Masterfile changes and access</b>	<p>At 12 entities changes made to the supplier master files were not independently reviewed and approved by a staff member. This increases the risk of unauthorised changes to key information and may make fraud or error more difficult to detect.</p>
<b>Bank reconciliation process incomplete</b>	<p>At 12 entities bank reconciliation processes of their municipal, reserve and/or trust account were not prepared, had long</p>

Issue	Finding
	outstanding unreconciled items and/or there was no independent review by management.
<b>Procurement without purchase orders</b>	At seven entities purchase orders were not prepared or were prepared after the suppliers' invoices were received.
<b>No fixed asset reconciliation</b>	At seven entities monthly reconciliations of fixed assets were not completed for the majority of the financial year. This increased the risk of misstatements, fraud and errors not being detected in a timely manner.
<b>Payroll and human resources findings</b>	<p>Several findings of payroll and employment non-compliance were also reported at seven entities. Some examples include:</p> <ul style="list-style-type: none"> <li>• a lack of segregation of duties as the staff member preparing the payroll and entering new employees into the system is also the first authoriser of payroll payments through the shire's bank account, increasing the risk of unauthorised or fraudulent transactions</li> <li>• payroll reconciliations not performed regularly to reconcile the payroll report to the general ledger</li> <li>• no formal policy or procedure in place to remove user access on termination of staff. This could lead to inappropriate access to shire information and possible financial loss to the shire if not addressed.</li> </ul>
<b>Procurement without appropriate segregation of duties</b>	At five entities we identified the same officer requisitioned, approved and raised the purchase order then also approved the associated invoice payment for a significant proportion of sampled purchase transactions.
<b>Review not performed of risk management, internal control and legislative compliance</b>	At four entities a review of systems and procedures in relation to risk management, internal control and legislative compliance was not completed at least once every three years as required by LG Audit Regulation 17.
<b>Depreciation</b>	Three entities did not have adequate controls to determine if depreciation was being correctly calculated and recorded for certain infrastructure assets. This increased the risk of expenses being understated and assets being overstated.
<b>Accessed monies in reserve to fund operations</b>	At one entity, a review of the cash and cash equivalents account revealed that the entity has accessed monies in reserve accounts to fund its operations. This is a breach of section 6.11(2)(a) of the LG Act, which requires the entity to give one month's local public notice if the money in a reserve account is proposed to be used for another purpose.
<b>Procurement without tender</b>	At one entity, we identified no public tenders were invited for a contract with the value above \$250,000 as required by section 11(1) of the Local Government (Functions and General) Regulations 1996. This increases the likelihood of not receiving value for money in procurement, and/or favouritism of suppliers.
<b>Records not presented to Council meetings as required by FM Regulations</b>	At one entity the statements of financial activity for the months of October and December 2020 were not prepared and presented to Council as required by section 6.4 of the LG Act and Regulation 34(1) of the FM Regulations.

Issue	Finding
<b>Other procurement and miscellaneous findings</b>	<p>We reported other instances of non-compliance with procurement policies and procedures such as:</p> <ul style="list-style-type: none"> <li>credit card transactions were not separately listed in the payments submitted to council each month as required by Regulation 13(1) of the FM Regulations. We also found an instance where staff allocated a credit card did not sign the credit card acknowledgement form prior to using the card</li> <li>insufficient documentation to demonstrate and evidence the on-going management of contract progress and supplier performance from contract award through to completion for its infrastructure projects</li> <li>at one entity the purchasing policy is silent on declaring conflicts of interest in relation to open tenders. It has also not been reviewed since 2011. This entity's buying goods and service's manual, supporting the purchasing policy, has not been reviewed since 2012</li> <li>non-compliance with the <i>Unclaimed Money Act 1990</i> that requires monies over \$100 be transferred to the Department of Treasury if they have been held for six years without being returned to owners.</li> </ul>
<b>General computer control findings</b>	<p>In depth findings of our information system audits at a selection of 45 entities are detailed in our <i>Information Systems Audit Report 2022 - Local Government Entities</i>, Report 22, tabled on 28 June 2022.</p> <p>In 2020-21, we reported 358 control weaknesses to 45 entities. Ten percent (37) of these rated as significant and 71% (254) as moderate. As these weaknesses could significantly compromise the confidentiality, integrity and availability of information systems, the entities should act promptly to resolve them.</p>

Source: OAG

## Appendix 6: Certifications issued

In addition to annual auditor's reports, some entities needed to acquit moneys received from other sources under grant agreements or other legislation. We issued the following 275 certifications on statements of income and expenditure of entities, to help them discharge their financial reporting obligations, some being for Commonwealth grants.

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
City of Albany	28/10/2021	29/10/2021
City of Armadale	16/11/2021	16/11/2021
City of Bayswater	29/10/2021	In progress
City of Belmont	26/10/2021	26/10/2021
City of Bunbury	29/10/2021	29/10/2021
City of Busselton	25/10/2021	26/10/2021
City of Canning	28/10/2021	28/10/2021
City of Cockburn	28/10/2021	29/10/2021
City of Fremantle	27/10/2021	In progress
City of Gosnells	29/10/2021	29/10/2021
City of Greater Geraldton	28/10/2021	28/10/2021
City of Joondalup	25/10/2021	26/10/2021
City of Kalamunda	26/10/2021	29/10/2021
City of Kalgoorlie-Boulder	21/03/2022	23/02/2022
City of Karratha	27/10/2021	27/10/2021
City of Kwinana	28/10/2021	29/10/2021
City of Mandurah	5/11/2021	5/11/2021
City of Melville	19/11/2021	19/11/2021
City of Nedlands	29/10/2021	In progress
City of Perth	26/10/2021	29/10/2021
City of Rockingham	29/10/2021	29/10/2021
City of South Perth	29/10/2021	1/11/2021
City of Subiaco	29/10/2021	29/10/2021
City of Stirling	8/10/2021	18/01/2021
City of Swan	29/10/2021	29/10/2021
City of Vincent	29/10/2021	28/10/2021
City of Wanneroo	28/10/2021	29/10/2021
Shire of Ashburton	7/12/2021	13/12/2021
Shire of Augusta-Margaret River	28/10/2021	18/02/2022
Shire of Beverley	28/10/2021	18/11/2021

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Boddington	2/02/2022	2/02/2022
Shire of Boyup Brook	29/10/2021	In progress
Shire of Bridgetown-Greenbushes	5/11/2021	22/11/2021
Shire of Brookton	5/11/2021	31/01/2022
Shire of Broome	26/10/2021	26/10/2021
Shire of Broomehill-Tambellup	In progress	In progress
Shire of Bruce Rock	27/10/2021	27/10/2021
Shire of Capel	8/12/2021	8/12/2021
Shire of Carnamah	29/10/2021	29/10/2021
Shire of Carnarvon	12/11/2021	16/11/2021
Shire of Chapman Valley	25/10/2021	28/10/2021
Shire of Chittering	26/05/2022	29/04/2022
Shire of Christmas Island	28/10/2021	18/11/2021
Shire of Cocos (Keeling Islands)	1/12/2021	7/12/2021
Shire of Collie	16/11/2021	18/11/2021
Shire of Coolgardie	14/12/2021	8/02/2022
Shire of Coorow	1/12/2021	16/11/2021
Shire of Corrigin	27/10/2021	27/10/2021
Shire of Cranbrook	26/10/2021	30/09/2021
Shire of Cuballing	28/10/2021	4/11/2021
Shire of Cue	11/11/2021	17/12/2021
Shire of Cunderdin	2/05/2022	2/03/2022
Shire of Dalwallinu	28/10/2021	8/03/2022
Shire of Dandaragan	29/10/2021	29/10/2021
Shire of Dardanup	27/04/2022	27/04/2022
Shire of Denmark	28/10/2021	29/10/2021
Shire of Derby-West Kimberley	30/03/2022	17/06/2022
Shire of Donnybrook-Balingup	9/11/2021	15/12/2021
Shire of Dowerin	11/11/2021	15/12/2021
Shire of Dumbleyung	26/10/2021	28/10/2021
Shire of Dundas	3/12/2021	6/05/2022
Shire of East Pilbara	3/05/2022	In progress
Shire of Esperance	23/03/2022	23/03/2022
Shire of Exmouth	25/10/2021	28/10/2021
Shire of Gingin	31/10/2021	22/11/2021

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Gnowangerup	29/10/2021	29/10/2021
Shire of Goomalling	29/10/2021	22/04/2022
Shire of Halls Creek	19/11/2021	29/10/2021
Shire of Harvey	1/11/2021	26/11/2021
Shire of Irwin	29/10/2021	26/10/2021
Shire of Jerramungup	12/10/2021	23/12/2021
Shire of Katanning	3/11/2021	22/12/2021
Shire of Kellerberrin	26/10/2021	23/08/2021
Shire of Kent	29/10/2021	26/10/2021
Shire of Kojonup	26/10/2021	28/10/2021
Shire of Kondinin	28/10/2021	29/10/2021
Shire of Koorda	5/11/2021	31/03/2022
Shire of Kulin	9/12/2021	6/12/2021
Shire of Lake Grace	29/10/2021	26/11/2021
Shire of Laverton	29/10/2021	13/12/2021
Shire of Leonora	26/10/2021	3/11/2021
Shire of Manjimup	28/10/2021	17/02/2022
Shire of Meekatharra	25/10/2021	27/10/2021
Shire of Menzies	21/12/2021	17/02/2022
Shire of Merredin	28/06/2022	29/06/2022
Shire of Mingenew	27/10/2021	29/10/2021
Shire of Moora	22/12/2021	In progress
Shire of Morawa	28/10/2021	28/10/2021
Shire of Mount Magnet	28/10/2021	29/10/2021
Shire of Mount Marshall	27/10/2021	27/10/2021
Shire of Mukinbudin	25/02/2022	25/02/2022
Shire of Mundaring	29/10/2021	13/12/2021
Shire of Murchison	22/03/2022	21/03/2022
Shire of Murray	28/10/2021	29/10/2021
Shire of Nannup	8/12/2021	In progress
Shire of Narembeen	28/10/2021	28/10/2021
Shire of Narrogin	26/10/2021	26/10/2021
Shire of Northam	3/11/2021	3/11/2021
Shire of Northampton	26/10/2021	1/12/2021
Shire of Nungarin	29/10/2021	29/10/2021

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Ngaanyatjaraku	28/10/2021	29/10/2021
Shire of Peppermint Grove	In progress	In progress
Shire of Perenjori	28/10/2021	28/10/2021
Shire of Pingelly	29/10/2021	29/10/2021
Shire of Plantagenet	26/10/2021	27/10/2021
Shire of Quairading	8/11/2021	25/03/2022
Shire of Ravensthorpe	21/12/2021	21/12/2021
Shire of Sandstone	3/11/2021	In progress
Shire of Serpentine-Jarrahdale	1/11/2021	1/11/2021
Shire of Shark Bay	25/10/2021	26/10/2021
Shire of Tammin	26/10/2021	29/10/2021
Shire of Three Springs	29/10/2021	2/11/2021
Shire of Toodyay	29/10/2021	29/10/2021
Shire of Trayning	27/10/2021	29/10/2021
Shire of Upper Gascoyne	27/10/2021	27/10/2021
Shire of Victoria Plains	17/11/2021	17/11/2021
Shire of Wagin	29/10/2021	31/03/2022
Shire of Wandering	3/11/2021	5/11/2021
Shire of Waroona	28/10/2021	28/10/2021
Shire of West Arthur	29/10/2021	29/10/2021
Shire of Westonia	27/10/2021	25/02/2022
Shire of Wickepin	29/10/2021	16/05/2022
Shire of Williams	29/10/2021	23/12/2021
Shire of Wiluna	In progress	In progress
Shire of Wongan-Ballidu	29/10/2021	In progress
Shire of Woodanilling	23/02/2022	13/05/2022
Shire of Wyalkatchem	26/10/2021	28/10/2021
Shire of Yalgoo	22/03/2022	22/03/2022
Shire of Yilgarn	24/11/2021	23/11/2021
Shire of York	27/10/2021	27/10/2021
Shire of Wyndham-East Kimberley	6/05/2022	In progress
Town of Bassendean	29/10/2021	29/10/2021
Town of Cambridge	28/10/2021	1/11/2021
Town of Claremont	3/11/2021	10/11/2021
Town of Cottesloe	26/10/2021	21/12/2021



Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Town of East Fremantle	8/10/2021	Deferred*
Town of Mosman Park	29/10/2021	29/10/2021
Town of Port Hedland	4/04/2022	28/02/2022
Town of Victoria Park	30/10/2021	30/10/2021

Source: OAG

\* Approval obtained from the Commonwealth to defer certification of financial statements

Entity	Date certification issued	
	Claims by administrative authorities – Pensioner deferments under the <i>Rates and Charges (Rebates and Deferments) Act 1992</i>	
City of Belmont	2/03/2022	
City of Busselton	1/11/2021	
City of Joondalup	2/11/2021	
City of Kalamunda	8/12/2021	
City of South Perth	2/11/2021	
City of Vincent	10/11/2021	
Shire of Dandaragan	17/01/2022	
Shire of Narrogin	25/02/2022	
Shire of York	21/12/2021	
Town of Cambridge	4/01/2022	
Town of Mosman Park	15/12/2021	

Source: OAG

Entity certification	Date certification issued
Other certifications	
City of Kalamunda – Development Contribution Area 1 – Forrestfield Light Industrial Area Stage 1	8/12/2021
Shire of Brookton – Drought Communities Programme - Extension	17/09/2021
Shire of Dandaragan – Jurien Bay Civic Centre Outgoings	20/01/2022

Source: OAG

## Appendix 7: Other opinions and certifications issued since 18 November 2021

### State government entity opinions

Entity	Opinion relates to	Opinion issued
Albany Cemetery Board	Audit report on the Statement of Financial Position at 30 June 2021	15/12/2021
Bunbury Cemetery Board	Audit report on the Statement of Financial Position at 30 June 2021	4/02/2022
Kalgoorlie-Boulder Cemetery Board	Audit report on the Statement of Financial Position at 30 June 2020	21/12/2021
Kalgoorlie-Boulder Cemetery Board	Audit report on the Statement of Financial Position at 30 June 2021	21/02/2022

Source: OAG

### State government entity certifications

The following certifications were for the year ended 30 June 2021. The statements prepared by management were confirmed and no adverse reports were issued.

Entity	Certification relates to	Date issued
Commissioner of Main Roads	Statement of amounts expended or retained for expenditure under the Land Transport Infrastructure Projects ( <i>National Land Transport Act 2014</i> ).	10/12/2021
Commissioner of Main Roads	Statement of amounts expended or retained for expenditure under the National Partnership on Infrastructure Projects in Western Australia.	10/12/2021
Department of Local Government, Sport and Cultural Industries	Statement of payments made to Local Governments under the <i>Local Government (Financial Assistance) Act 1995</i> .	26/11/2021

Source: OAG

### Royalties for Regions certifications

Entity	Royalties for Regions approved project	Date issued
Department of Primary Industries and Regional Development	Gascoyne Foodbowl Land Release	3/02/2022
Department of Treasury	Governance of Royalties for Regions Program	3/12/2021
WA Country Health Service	Albany Radiation Oncology	29/11/2021
	Bunbury Hospital Redevelopment	29/11/2021
	Carnarvon Residential Aged Care Facility	29/11/2021
	Collie Hospital Upgrade	29/11/2021

Entity	Royalties for Regions approved project	Date issued
	Derby Community Health Service	29/11/2021
	Digital Innovation, Transport and Access to Care	29/11/2021
	Dongara Aged Care	29/11/2021
	Country Health Innovation – Emergency and Acute Workforce	29/11/2021
	Expand the Ear Bus Program	29/11/2021
	Geraldton Health Campus Redevelopment	29/11/2021
	Kalgoorlie Health Campus Magnetic Resonance Imaging Suite	29/11/2021
	Karratha Health Campus	29/11/2021
	Kimberley Mobile Dialysis Unit	29/11/2021
	Meet and Greet Unit	29/11/2021
	Newman Health Service Redevelopment Project	29/11/2021
	Nickol Bay Hospital Site	29/11/2021
	Onslow Health Service Redevelopment Project	29/11/2021
	Pilbara Health Initiative Phase 3	29/11/2021
	Remote Indigenous Health Clinics	29/11/2021
	Renal Dialysis Services	29/11/2021
	Renal Hostels	29/11/2021
	Residential Aged and Dementia Care Investment Program	29/11/2021
	Southern Inland Health Initiative – Stream 2a, 3 and 4	29/11/2021
	Tom Price Hospital Redevelopment	29/11/2021

Source: OAG

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### Auditor General's 2022-23 reports

Number	Title	Date tabled
4	Payments to Subcontractors Working on State Government Construction Projects	11 August 2022
3	Public Trustee's Administration of Trusts and Deceased Estates	10 August 2022
2	Financial Audit Results – Universities and TAFEs 2021	21 July 2022
1	Opinion on Ministerial Notification – Wooroloo Bushfire Inquiry	18 July 2022

**Office of the Auditor General  
Western Australia**

7<sup>th</sup> Floor Albert Facey House  
469 Wellington Street, Perth

T: 08 6557 7500  
E: [info@audit.wa.gov.au](mailto:info@audit.wa.gov.au)

[www.audit.wa.gov.au](http://www.audit.wa.gov.au)



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### 8.3 Operating Risk Register - Inadequate Overall Control Ratings

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<b>File Code</b>	RM.RAS 1
<b>Author</b>	Elizabeth Nicholls, Governance Co-ordinator
<b>Senior Employee</b>	Garry Bird, Director Corporate Services
<b>Disclosure of Any Interest</b>	Nil
<b>Attachments</b>	1. Operational Risks - Overall Inadequate Rating <a href="#">↓</a>

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#### SUMMARY

The Audit and Risk Committee has requested that a timeline be presented to address operational risks with inadequate control ratings.

#### BACKGROUND

At the Audit and Risk Committee Meeting held 17 May 2022 it was resolved (in part) that *“a timeline to address inadequate control items be brought back to the October 2022 Audit and Risk Committee meeting”*.

#### STATUTORY / LEGAL IMPLICATIONS

Nil

#### POLICY IMPLICATIONS

Risks are considered and measured in accordance with the Shire’s Risk Management Policy.

#### 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

<b>Risk:</b> Reputation: The Shire does not review and address risks appropriately.
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Likelihood	Consequence	Rating
Possible	Moderate	Moderate
<b>Action / Strategy</b>		
That Officers review the Shire's operational risks (including risks with inadequate control ratings) regularly advising the Audit and Risk Committee for noting.		

## EXTERNAL CONSULTATION

Nil

## COMMENT

The Risk Dashboard is a 'living' operational document. Service areas review their top five operational risks on an annual basis relative to the Shire's Risk Management Policy. These risk are then presented to the internal Risk Management Committee for discussion.

An excerpt of the Risk Dashboard has been provided (**Attachment 1**) listing risks with 'inadequate' as their overall control rating, actions to be undertaken by the Shire (where possible) and the status of the risk.

It should be noted that some risks with an overall inadequate control rating are ongoing. This can be due to a range of factors but generally, it is because the risk is beyond the control of the Shire. For example, the risk is due to climate change, or dependent on the outcomes of State Government decisions or based on staffing skill / resources that are not anticipated to be available.

## VOTING REQUIREMENT

Simple Majority

## RECOMMENDATION

That the Committee notes the operational risks listed in the Risk Dashboard with inadequate overall control ratings, the actions to be undertaken by the Shire (where possible) and their status as included in **Attachment 1**.

**Risks with Inadequate Overall Control Rating**

as at October 2022

Control Owner	Risk	Actions to be Undertaken	Status
Manager Building Assets	Increased building construction and operational costs to respond to climate change (including community pressures to air condition buildings with poor energy efficiency standards)	<ul style="list-style-type: none"> <li>Monitor ongoing price increases within the construction and maintenance industry and adjust estimates and budgets accordingly.</li> <li>Review buildings for which air conditioning is requested, and provide advice on cost and practicality.</li> <li>Encourage users (via Rec &amp; Leisure Services) to use buildings already fitted with air conditioning.</li> </ul>	Last reviewed: April 2022 Ongoing risk
Manager Building Assets	Increased building operational costs because of climate change	<ul style="list-style-type: none"> <li>Monitor costs and develop forecasts based on best estimates.</li> </ul>	Last reviewed: November 2020 Ongoing risk
Manager Operation Services	Failing to provide continuity of waste collection and containers for change services. Ensuring the ongoing uninterrupted of contracted services, with sufficient internal staff resources to oversee operations. Establishing a sites with adequate levels of security to prevent break-ins. Implementing an E-pass system ensuring fit for purpose internet/ Wi-Fi connectivity at sites.	<ul style="list-style-type: none"> <li>Officers in discussion with contracted services to ensure continuity of this services is maintained.</li> <li>Mobile CCTV towers have been installed, until such time a permanent fixed system is in place. Request for quotation process to be undertaken.</li> </ul>	Last reviewed: April 2022 Next review: April 2023
Manager Building and Health	Full private building certification resulting in sub-standard practices that consequently lead to the Shire having to intervene to rectify the matter	This risk will be reconsidered at a later stage, when State Government plans are more advanced	Last reviewed: May 2022 Ongoing risk dependent on State Government
Manager Operation Services	Non-compliance with the changes to Bush Fire Regulations 1954 in relation to the requirement to have a fire detection person at hand on Total Fire Ban days for works near bush areas	Works have been identified to crew to move onto in the event of a total fire ban. Electric / battery powered equipment has been purchased in preparation of the coming fire season.	Last reviewed: November 2020 Next review: October 2023
Impacts whole of organisation	Inadequate documented workflows, processes and document management causing confusion, a loss of productivity and disruption to services. Process documentation (i.e. forms and templates) not effectively controlled, resulting in documents being circulated, used and referenced, which are out of date, inconsistent, display the Shire's old Logo, or have not been vetted by key services area's or end users prior to release	<ul style="list-style-type: none"> <li>Encourage use of templates instead of saving previously used templates and forms which are then amended.</li> <li>Encourage use of watermarks to indicate draft/ working documents with version control included in footer.</li> <li>Investigate changes to Intranet search function as search currently provides multiple or superseded versions of documents.</li> </ul>	Last reviewed: April 2022 Ongoing risk
Impacts whole of organisation	Lack of strategic alignment between business priorities, approved service levels and staffing allocation	<ul style="list-style-type: none"> <li>New initiatives and expanded services, particularly those initiated by council members often do not adequately consider staffing impacts during the planning phase.</li> </ul>	Last reviewed: June 2022 Ongoing risk
Impacts whole of organisation	Failure to have appropriately qualified or experienced people in leadership roles to cover for leave and long term absences.	<ul style="list-style-type: none"> <li>Development of Tier 4 leaders (Co-ordinators) needs greater emphasis/ attention by Service Managers during induction and through performance and development reviews.</li> <li>Greater engagement with LT activities throughout the year.</li> </ul>	Last reviewed: November 2020 Ongoing risk
Manager Operations Services	Theft or damage to equipment or buildings within the Operations Centre	Additional sensor beams have been installed, further camera being investigated.	Last reviewed: November 2020 Next review: October 2023
Manager Recreation and Leisure	Death or permanent injury at Hudman Reserve Quarry	<p>Review undertaken in 2015.</p> <p>Actions considered:</p> <ul style="list-style-type: none"> <li>Fencing along quarry faces to protect from falls</li> <li>Fences at base of quarry to create safe zone</li> <li>Undertake engineering works to make faces of quarries safe for use</li> <li>Rescind management order and return quarry to State Government</li> <li>Install gates on access roads do stop people from accessing the quarry for recreation and rock climbing.</li> <li>Known use of quarry faces for rock climbing (routes listed in the Crag website <a href="https://www.thecrag.com/climbing/australia/boya-quarry">https://www.thecrag.com/climbing/australia/boya-quarry</a>)</li> </ul>	Last reviewed: September 2022 Ongoing risk
Manager Design Services	Failure to adequately investigate and document project charters for new and renewal capital works. This could result in inappropriate budget allocations (too high or low) or unexpected additional work requirements. There is further risk of the Shire's reputation could be damaged due to delays in delivery or reduction in scope or number of projects delivered.	Superseded. Risk to be removed from register at next review.	Last reviewed: April 2022 Superseded. To be removed at next review.
Manager Operation Services	Failure to effectively deliver Outcomes, Key Projects and Service Levels as identified in the Corporate Business Plan, due to not having detailed project delivery plans/ programs, accurate budget estimates, and effective reporting mechanisms in place	Detailed programs have now been developed and implemented using Smartsheets. Processes being developed to allow detail costing of future works.	Last reviewed: April 2022 Next review: October 2023
Manager Design Services	Lack of appropriate forward planning and/or inadequate resourcing for new and renewal capital works resulting in inappropriate budget allocations or unexpected additional work requirements	Superseded. Risk to be removed from register at next review.	Last reviewed: November 2020 Superseded. To be removed at next review.
Manager People and Culture	The Shire might not meet its obligations under the WA Work Health and Safety Act 2020	The WHS Management Plan and Action Plan are currently addressing identified gaps in the WHS Management System.	Last reviewed: June 2022 In progress.

Control Owner	Risk	Actions to be Undertaken	Status
Manager People and Culture	Risk of lost time, injury/ permanent disability/ fatality to Community Safety Rangers from motor vehicle accident, large animal handling, assault (e.g. by disgruntled customer)	Required training has been identified and existing employees have undertaken the required training. The Service Manager and Team Co-ordinator need to ensure new Rangers are properly inducted (service level induction) and that all Rangers undertake refresher training as needed.	Last reviewed: June 2022 Initial actions completed
Manager People and Culture	Workers (employees, contractors and volunteers) working in isolation may be at risk of harm	The WHS Management Plan and Action Plan are currently addressing identified gaps in contractor management. In relation to volunteer management, Manager People and Culture is facilitating discussions with Service areas that utilise volunteers to identify gaps and other required actions to be addressed by the relevant Service area.	Last reviewed: June 2022 In progress

## 8.4 Audit and Risk Committee Action Items - Status Report

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

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### SUMMARY

An update on the status of Audit and Risk Committee action items is provided for the information 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 listed. 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 listed. Please refer to the minutes of the meeting at which the matter was considered for further information.

### FINANCIAL IMPLICATIONS

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

### RISK IMPLICATIONS

<b>Risk:</b> That action items from the Committee are not completed and expose Council to the
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risks being addressed by the item.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Possible	Moderate	Moderate
<b>Action / Strategy</b>		
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 – 25 October 2022
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.  The initial recruitment process failed to attract a suitable candidate. The position description has been reviewed and a second recruitment process was to be undertaken in July/August 2022. However this has not occurred due to priority being given to filling vacancies in the Finance team and recruiting a dedicated project resource for the chart of accounts project.  Deadline will be revised once the second recruitment process has been undertaken

			and a successful candidate is appointed to the position.
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 2022.	To be completed by 31 December 2022.
8.12.21 Item 8.1 Review of CD-02 Community Funding Policy	Director Strategic and Community Services	Policy to be re-presented to the Audit and Risk Committee in April 2022.	<p>Complete.</p> <p>Policy reviewed by Committee 8 December 2021 and recommended to Council.</p> <p>Council considered the policy at the January 2022 Council Meeting and resolved:</p> <p><i>That the Policy CD-02 Community Funding be referred back to the Audit &amp; Risk Committee to review the structure and intent of the Policy with specific regards to the multi-year funding agreements.</i></p> <p>Policy reviewed and re-presented to the June 2022 Committee meeting. Adopted by Council at the August Ordinary Council Meeting.</p>
25.01.2022 Item 8.2 Internal Audit Report - Infringements	Director Statutory Services	<p>An Infringements Procedures Manual will be created and maintained focused on the three stages of the process:</p> <ul style="list-style-type: none"> <li>• Issue of infringements, including authorised employees;</li> <li>• Maintenance and management of</li> </ul>	The manual is being developed and is currently on track to be completed by the due date.

		<p>infringements; and</p> <ul style="list-style-type: none"> <li>• Referral to FER.</li> </ul> <p>This Manual will be available to all sections of Statutory Services (Rangers, Fire, Health, Planning and Building including Swimming Pools).</p> <p>Due date: 31 December 2022.</p>	
<p>25.01.2022 Item 8.2</p> <p>Internal Audit Report - Infringements</p>	<p>Director Statutory Services</p>	<p>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).</p> <p>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 spreadsheet is used as an interim measure pending implementation of point 2 below; and</p> <p>2. Improvements to the infringement's module in Authority (the Shire's accounting software) will be investigated.</p> <p>Due date: 31 December 2022.</p>	<p>Meetings have been scheduled with IT to design and develop a centralised application to track Infringements and their status. Consideration will also be given to integrating this application with the Community Portal which is currently being developed with a view of allowing infringements to be paid through via a payment gateway.</p> <p>It is apparent that there is no opportunity, due to current software constraints, to enhance Authority's infringements module.</p>

25.01.2022 Item 8.2 Internal Audit Report - Infringements	Director Statutory Services	An update to the legislation section of the compliance policy document will be actioned.  Due date: 31 December 2022.	This action will be incorporated when the policy is reviewed as part of Shire's review of all policies.
25.01.2022 Item 8.2 Internal Audit Report - Infringements	Director Statutory Services	Infringement Reports - 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.	As per the status update for the Compliance Register above.
25.01.2022 Item 8.2 Internal Audit Report - Infringements	Director Statutory Services	Timing of the issue of infringements- The timeframe for issuing infringement notices depends on the legislation under which the infringement notice is issued. 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: 31 December 2022.	This action item will be addressed as part of the development of the Infringements Register.
17.05.2022 Item 8.2 Operating Risk Register	Director Corporate Services	1. The Operating Risk Register is reformatted in a way that provides the Committee with the assurances that supports the ratings provided by staff.  2. A timeline to address inadequate control items be brought back to the October 2022	1. The format of the register is currently under review. A revised format will be considered by ELT in July/August. Once ELT has approved the format, the revised format will be used when the register is presented to the Committee next in



		Audit and Risk Committee meeting	2023. 2. A timeline will be developed for the Committee's consideration in October 2022.
28.06.2022 Item 8.3 Review of WALGA Contestable Energy Supply.	Director Infrastructure Services	Give further consideration and clarity in a future revision of the Purchasing Policy in regards to the use of the tender exempt procurements for goods or services supplied or obtained through the government of the State or the Commonwealth or any of its agencies, or by a local government or a regional local government.	No timeline for review of Purchasing Policy. The new Governance Committee at their first meeting in early November 2022 will determine this timeline.

## VOTING

Simple Majority

## RECOMMENDATION

That the Committee receives the Action Items Status Report as at 25 October and notes the status of the actions items.

**9.0 URGENT BUSINESS (LATE REPORTS)**

**10.0 CLOSING PROCEDURES**

**10.1 Date, Time and Place of the Next Meeting**

**10.2 Closure of the Meeting**