



**SHIRE OF MORAWA**

**AUDIT & RISK COMMITTEE MEETING**

**ATTACHMENTS**

**Thursday, 10 August 2023**



# Agenda Attachments

Shire of Morawa

Audit and Risk Management Committee Meeting

10 August 2023

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## List of Attachments

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**11.1 2022-2023 Regulation 17 Actions Update**

*Attachment 1 – 11.1a Shire of Morawa Reg 17 Action Items – August 2023 Update*

**11.3 Financial Management Review 2022 – Status Report Update**

Attachment 1 – 11.3a Financial Management Review Status Report Update

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## Audit & Risk Committee Meeting

10 August 2023

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***Attachment 1***      *11.1a Shire of Morawa Reg 17 Action  
Items – August 2023 Update*

***Item 11.1***            **2022-2023 Regulation 17 Actions  
Update**

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Risk Management		Risk Management			
System or procedure	Civic Legal Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update August 2023
Risk management framework	<p>Ensure the <i>Project and Event Risk Register</i> within the <i>Project Template Spreadsheet</i> is completed in a timely manner for all projects.</p> <p>Review and continue to develop the <i>Risk Register</i>.</p>	The development of a improved risk management framework, risk registers, and risk reporting processes is underway. Project and event risk assessment templates were introduced over the last 12 months and it is expected that it needs to be further embedded in the organisation.	Develop risk framework and supporting registers, as well as monitoring processes.	November 2023 (aligns with CEO KRA)	Updated Management Framework adopted in March 2023 - Register updates in progress.
Risk reporting	<p>Create a formal risk reporting procedure for employees and visitors to the Shire, for risks outside of the work health and safety framework.</p> <p>Formalise the employee risk reporting structure through written systems and procedures.</p>	It appears as though officers and processes have matured well in terms of WHS practices. Risk reporting for non-employees is likely a much higher maturity level and not a high priority at this stage.	Enhance risk and WHS processes to ensure clear reporting options for non-employees and employees	Jan-26	No Change
Business Continuity Plan	<p>Ensure the <i>IT Disaster Recovery Plan</i> is resourced and budgeted for.</p>	IT DR Planning is already underway as part of strategic ICT improvements and ICT Planning commenced in 2022	Complete ICT body of work currently underway including ICT DR Plan	Jun-23	ICT Disaster Recovery Plan has been drafted as an Executive Policy and is under final review.
	<p>Draft a new <i>Business Continuity Plan</i> or expand the scope of the current <i>IT Disaster Recovery Plan</i> to ensure all necessary considerations are addressed.</p>	Business continuity has been more of a undertake than document with things such as Covid, Cyclone etc. being unplanned for. However given the Shire has a well functioning ICT cloud system it allows great flexibility in terms of administrative officer movements. Depot operations need to to be thought about in more detail.	Develop a Shire Business Continuity Plan	Dec-23	No Change
Addressing incorrect accounting estimates	Draft a written procedure to guide the investigation and correction of incorrect accounting estimates.	The Shire has moved from 1 budget review per year to 3 which has substantially improved the attention paid to estimates etc. Given accounting misstatement is usually minor and timing related would say this is low priority.	Review budget review procedures	Dec-25	No Change
Dealing with insurance claims and legal litigation	<p>Develop a procedure for dealing with insurance claims, both from the Shire and from third parties.</p> <p>Develop a procedure for dealing with litigious claims.</p>	The Shire is generally guided by LGIS in terms of these processes.	Develop internal guide document supported by LGIS to ensure key staff are aware of processes.	Dec-23	No Change
Preventing and uncovering misconduct, fraud and theft		Documenting segregations that must be maintained is probably the key requirement.	Document financial segregation of duty requirements.	Mar-24	Note, Shire auditors flagged the need for ERP system segregation of duties in Interim report

Risk Management		Risk Management			
System or procedure	Civic Legal Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update August 2023
Environmental risk management	Develop environmental management plans for all high-risk sites (e.g. depot, landfill site, airport and orphan landfill sites). It would be prudent to include the small, unregulated sites as well in such plans.	This area was also highlighted as part of end of year audit and will be a focus over the next 12 months.	Develop Environment Management Plans	Dec-23	No Change
	Review the <i>Asbestos Policy</i> , if not already done.	Underway	Complete review of asbestos and other hazardous material processes, policies and registers	Dec-23	Shire Asbestos register reviewed. Other documentation pending
	Develop plans and procedures to support the disposal of hazardous waste.				
Work health & safety (WHS) procedures	<p>Develop an overarching program or procedural document which captures the various WHS practices undertaken by the Shire.</p> <p>Review the <i>Operational Health and Safety Policy</i> to ensure it is consistent with the Shire's obligations under the recently introduced WHS legislation. Amend the title to '<i>Work Health and Safety Policy</i>'.</p>	Over the last 12-18 months the Shire has significantly enhanced its WHS processes. Much of the time has been spent undertaking tasks. It is agreed that now is a good time for relection, documentation, and consolidation so all processes are clear. Majority of WHS related policies need to be Executive Policies with a overarching Council commitment to good practice.	Review WHS Council Policies and Develop Executive Policies	Dec-23	WHS Framework under development to document current processes and practices.
Addressing control weaknesses identified by the external auditor	Draft procedure for responding to the auditor and reporting to the Audit Committee (action monitoring and closing out).	These processes should be fairly simple and common sense but having an overarching Exec Policy or Procedure will provide clarity. Not seen as high risk.	Develop Exec Policy or Procedure to meet overarching ARC requirements	Mar-24	No Change
Controls for unusual types of transactions or high-risk transactions	Draft a procedure for considering how best to manage high-risk projects. This may include guidance regarding when a project manager should be engaged.	This review process generally occurs at the Executive Level and once the risk framework is in place the need for external assistance should be aligned to risk and control. A procedure seems unnecessary and hard to apply given variations in projects.	Nil		
Procurement Framework	Draft an overarching procedure to guide the entire procurement process. This should make reference to the <i>Purchasing Policy</i> and WALGA Procurement Toolkit where appropriate.	Operational level guidance and training is needed. Shire generally has very few people undertaking purchasing so low risk but the processes needs to be better understand by all levels.	Develop Better Practice Purchasing Executive Policy and accompanying procedures	Dec-23	No Change
	Ensure all officers with authority to undertake purchases on behalf of the Shire are aware of, and are following, the approved procedure.		Develop and implement basic training when purchasing authorisation is given	Dec-23	No Change
Use of corporate credit cards	Review the <i>Corporate Credit Card Policy</i> , if not already done.	All Council Policies are due for review.	Review all Council Policies	Jun-23	In progress

Risk Management		Risk Management			
System or procedure	Civic Legal Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update August 2023
Communicating changes to the Shire's control environment to relevant employees	Conduct a review of all council policies and ensure they are of a strategic focus. Council policies that are operational in nature should be converted to 'executive policies'.	A lot of progress in employee communication and process improvement has been made to date and now is a good time to conduct an overarching review of policies and their relevance at a strategic or operational context.	Review all Council Policies	Jun-23	In progress
	Introduce a procedure to standardise how employees are to be informed about changes to the Shire's control environment.		Develop an Executive Policy around SDLT, Staff Meetings and general all of staff communication	Dec-23	No alert system incorporated into payroll system.
Induction procedures	Draft an operational induction procedure to guide supervisors conducting inductions. Cultural considerations should be considered.	Inductions and onboarding were highlighted as a deficiency in the workforce plan and whilst early work has been on a improved system for onboarding. The next stage will be around improving inductions and a procedure and training around this will be key.	Draft an operational induction procedure to guide supervisors conducting inductions. Cultural considerations should be considered.	Dec-23	No Change
	Training should be provided to supervisors to reinforce the procedure.		Training should be provided to supervisors to reinforce the procedure.	Dec-23	No Change
IT management plan and data recovery procedure	Complete the <i>5 Year ICT Plan</i> .	Both the ICT Plan and ICT DR planning are well progressed and are expected to be completed shortly.	Complete the 5 Year ICT Plan.	Jun-23	Completed - adopted by CEO in May 23
	Ensure that the review of the <i>IT Disaster Recovery Plan</i> occurs and is progressed.		Ensure that the review of the IT Disaster Recovery Plan occurs and is progressed.	Jun-23	Completed
Cyber security	Draft written procedures regarding the Shire's cyber security protocols. This is an area of critical importance in the <i>5 Year ICT Plan</i> .	The Shire has come a long way over the last 12 months, with staff training, phishing tests, basic policy development, and a new ICT Plan. Documenting more intricate ICT components is needed but is at a higher maturity level and will likely occur in 2024 once a new managed service contract is in place.	Draft written procedures regarding the Shire's cyber security protocols	Jun-24	Underway with Virtual CIO as suite of ICT executive policies
Emergency evacuation procedures	Ensure evacuation drills are conducted periodically. This may be managed for example, by setting a calendar reminder or including it as a task in the <i>RelianSys</i> program.	Evacuations testing has not been a common occurrence over the last few years probably due to the low risk work areas.  EHO services have been hit and miss over the last few years with the arrangement with Town of Victoria Park still in its infancy. Current EHO has developed a simple checklist and process.	Ensure at least one evacuation drill is conducted each year.	Dec-23	No Change
	Consider maintaining an internal checklist or procedure to capture the work of the Environmental Health Officer. This would help to ensure tasks/inspections are undertaken in a regular and timely manner. It would also minimise corporate knowledge loss should the officer leave.		Document EHO duties and activities to ensure actions are taken in a timely manner and corporate knowledge is maintained.	Dec-23	Documentating has commenced with EHO working with Planning Officer to structure processes.

Internal Control					
System or procedure	Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update August 2023
Delegation register review	Establish a register of delegations from the CEO including all on-delegations.	The Shire has very few on delegations and letters of delegation are provided as required but a full register needs to be established	Establish a register of delegations from the CEO including all on-delegations.	Jun-23	Completed
Recording use of delegations	<p>Ensure letters notifying officers of their delegations include details regarding recording requirements.</p> <p>Develop a procedure to capture how the use of delegations is to be recorded. This may need to be reinforced by staff training and internal checks/audits.</p>	Most uses of delegation align to statutory documents, planning approvals, or authorisations and as such are recorded as a matter of course. Recording requirements should be covered in the register and will depend on the delegation.	Ensure recording requirements are included in delegation register and letters	Jun-23	Completed
Policy manual review	<p>Consider retitling the 'executive policies' to 'CEO directives' to ensure they are clearly distinguishable from council policies.</p> <p>Continue to encourage a culture of compliance through onboarding procedures and regular reinforcement and reminders from senior employees.</p> <p>Develop a system to ensure policies are reviewed in a timely manner and prioritise those that are overdue (e.g. <i>Bush Fire Policy</i> (July 2020)).</p> <p>Develop a written procedure to guide the review process for both council, and executive policies.</p>	The whole Council Policy manual needs a full review as per risk findings. Executive Policies are a fairly new thing for the Shire and establishing as a policy framework helps provide weight to the documents so suggest not changing the name. A review procedure/policy should be developed.	<p>Review Council Policy Manual</p> <p>Develop a written procedure to guide the review process for both council, and executive policies.</p>	<p>Jun-23</p> <p>Jun-23</p>	<p>In progress</p> <p>In progress</p>
Internal audits/reviews	Consider conducting periodic internal reviews (e.g. that the <i>Tender Register</i> is completed, the correct number of quotes are secured for purchases, that keys are signed out and back in).	Internal audits are something that will require a higher level of maturity in the organisation. As a sector it tends to be the Band 1 Local Governments looking at Internal Audit due to resource constraints. Potentially the Shire could pick the top 5 risks and see if Town of Victoria Park could develop a testing regime.	Investigate key risk areas for monitoring and discuss interim review requirements	Dec-23	No Change
Liaising with legal advisors	<p>Review the <i>Legal Proceedings Policy</i>, if not already done.</p> <p>Draft an executive policy for engaging legal advisors.</p>	There is a big difference between advice and expenses relating to legal proceedings and pre-emptive or regulatory advice. The Shire has not had a need for advice relating to proceedings but does contact legal support for leasing, contracts, processing related to the Act such as rates recovery, and other areas where it is better to ensure the job is done correctly. Agree an executive policy is needed but not a high priority/risk area.	<p>Review Council Policy Manual</p> <p>Draft an executive policy for engaging legal advisors.</p>	<p>Jun-23</p> <p>Dec-24</p>	<p>In progress</p> <p>No Change</p>

Internal Control					
System or procedure	Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update August 2023
Authorising documents, letters, emails and financial records	<p>Review position descriptions to ensure that levels of authority are clearly defined (e.g. authorisation to communicate with different levels of stakeholders on the Shire's behalf).</p> <p>Draft an executive policy addressing authorisation of documents and digital signatures.</p>	<p>Most officers other than senior employees have very little authority. With the rise of technology the use of digital signatures has increased.</p>	<p>Draft an executive policy addressing authorisation of documents and digital signatures.</p>		
Separation of roles and functions	<p>Proactively raise employees' awareness of their obligations under the <i>Employee Code of Conduct</i> as one measure to reduce the risk of related employees influencing each other in the workplace. This could be in team meetings or training sessions.</p>	<p>Given authority is very centralised at the CEO and Senior Management level it doesn't allow much scope for misuse. Separation of roles is difficult and to maintain efficiency there is often cross over. Do not see this as a major risk area. Code of Conduct will be part of HR items under Workforce Plan.</p>	<p>Nil</p>		
Restricting access to physical assets and records	<p>Create a procedure and a control register for hard-copy records/files. This would record staff details, and dates when individual records are accessed, removed, and returned.</p>	<p>The Shire's record keeping system and procedures is in need of review. Inconsistency driven by high employee turnover and limited local government experience of employees. Record keeping is not well grasped even at bigger Local Governments but it is important that core documents and functions are well managed and recorded. And new employees receive basic training.</p>	<p>Undertake a full record keeping review, develop enhanced procedures, and develop staff training.</p>	<p>Dec-23</p>	<p>Commenced - consultant engaged to document and enhance</p>
	<p>Ensure there is a formal process/register for recording keys and swipe cards that are allocated to employees.</p>	<p>Keys and facility hire processes are in need of review but generally are low risk and lower priority.</p>	<p>Ensure there is a formal process/register for recording keys and swipe cards that are allocated to employees.</p>	<p>Jun-23</p>	<p>In progress</p>
	<p>Ensure all procedures, including for example, the <i>Hiring of Facilities/ Equipment Procedure</i>, are dated and include a review period/date.</p> <p>Review the <i>Key/Swipe Card Policy</i>, if not already done.</p>		<p>Ensure all procedures, including for example, the <i>Hiring of Facilities/ Equipment Procedure</i>, are dated and include a review period/date.</p>	<p>Dec-23</p>	<p>No change</p>
Electronic records management procedures	<p>Conduct an audit of the Shire's record-keeping systems to ensure that they meet relevant records' management standards, and ensure that all files/data are being appropriately classified and saved in the Shire's IT system.</p> <p>Draft a procedure identifying the appropriate allocation of access to electronic files for the various officers and how this is to be managed and reviewed over time.</p>	<p>See record keeping review above</p>	<p>Undertake a full record keeping review, develop enhanced procedures, and develop staff training.</p>	<p>Dec-23</p>	<p>Commenced as per above</p>



Internal Control					
System or procedure	Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update August 2023
Updating computer applications and information systems	<p>Ensure regular meetings are conducted with the Shire's IT contractor in accordance with contractual obligations.</p> <p>Create an agenda template to guide these meetings including topics such as physical attendance at Morawa, cyber security, software updates, hardware replacement and the <i>5 Year ICT Plan</i>.</p> <p>Ensure the next IT consultant contract requires the contractor to provide the Shire with a schedule of IT changes and suggested updates.</p>	<p>With the completion of the ICT Plan the next stage of the ICT review is to develop a new scope of works and go to market for a managed service provider. All of the actions will form part of this new contract.</p>	Undertake new managed service provider scope of works and implement ICT Plan recommendations.	Dec-23	Full ICT review underway with consultant.
Authorising changes to data files and systems	Provide staff training to support the rollout of the written procedures. This training should also be included as part of the new staff induction process. Follow-up training should also be offered periodically.	In general staff don't have access to or change data files or systems. They generally change files that are being used for work. ICT identified as a lower priority item.	Use ICT system to control staff access and edit opportunities	Dec-24	No change
Ensuring (arithmetical) accuracy of records	<p>Draft a procedure that stipulates how records are to be assessed and recorded so this process meets relevant standards and complies with legislation. Ensure regular reminders and training are provided to employees to emphasise the importance of record keeping.</p> <p>Consider making accuracy in record keeping a key performance indicator for employees. Ensure the required functions of the Administration Officer are captured in procedural documents and supported by appropriate training.</p>	<p>A full review of record keeping is needed. See previous action.</p>	Actioned elsewhere		
Comparing physical cash and inventory counts with accounting records.	Ensure all facilities receiving cash have written procedures to support cash handling, reconciliation and delivery to the administration building for receipting/banking.	Exec Policy on cash handling is on the list to be developed. The Shire only handles very small amounts of cash.	Develop Executive Policy for Cash Handling	Dec-23	No change
Asset management plan	<p>Complete the <i>Integrated Asset Management Plan</i>.</p> <p>Review the <i>Asset Management Policy</i> and <i>Road Management Policy</i>, if not already done.</p>	Asset Management planning is a key focus of the new EMWA. A comprehensive suite of useable plans will take time but the Shire aims to develop plans for critical items within the next 12 months.	Complete critical asset planning and review associated policies.	Dec-23	No change

**Legislative Compliance**

System or procedure	Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update August 2023
Ensuring compliance with legislation, regulations, industry standards and internal policies	<p>Consider amending the <i>Service Delivery Leadership Team agenda template</i> to include 'legislative compliance' as a standing item.</p> <p>Consider amending/creating a new staff meeting agenda template to ensure policy/ legislation/ governance is included as a standing item.</p>	Regulatory and legislative compliance is unlikely to interest most employees and in most circumstances employees will look to the CEO for clear direction in this area. Suggest developing communication document/protocol as opposed to bringing into meetings.	Develop Executive Policy to drive what and how the CEO distributes information across the organisation	Dec-24	No Change
Reviewing the annual Compliance Audit Return (CAR) and reporting the results to council	Draft a procedure for completing the annual CAR. This should include standards expected in regard to, for example, sampling and the provision and recording of evidence.	Agree with suggested action. CEO is generally key driver and reviewer of CAR.	Draft a procedure for completing the annual CAR. This should include standards expected in regard to, for example, sampling and the provision and recording of evidence.	Dec-24	Commenced - draft procedure developed, will review with next CAR process
Receiving, recording and addressing complaints	Review the <i>Complaints Management Policy</i> , if not already done.	Full review of Council Policies is needed.	Review Council Policies	Jun-23	In Progress
	Draft a procedure for dealing with internal complaints. This may refer to the WALGA industrial relations guidance documents where appropriate.	Internal Grievance procedure or executive policy is needed.	Draft a procedure for dealing with internal complaints. This may refer to the WALGA industrial relations guidance documents where appropriate.	Jun-24	No Change
Identifying and managing adverse trends	Amend/draft a new Executive Team agenda template to include 'adverse trends' as a standing item.	The redevelopment and growth of the risk framework should provide a mechanism to identify adverse trends in terms of the risk to the Shire.	Finalise risk framework and associated registers and processes.	Dec-23	Risk Framework update completed
Ensuring the Audit Committee understands and complies with all relevant requirements	Review the <i>Audit Committee Terms of Reference</i> .	Agree with all actions. Some items are being driven by LG Reform.	Review the Audit Committee Terms of Reference.	Oct-23	Completed
	Reduce the membership of the Audit Committee to ensure differentiation between the Audit Committee and the council.		Reduce the membership of the Audit Committee to ensure differentiation between the Audit Committee and the council.	Oct-23	In progress
	Consider advertising for a suitably qualified or experienced independent member to join the Audit Committee.		Consider advertising for a suitably qualified or experienced independent member to join the Audit Committee.	Oct-23	In progress

Legislative Compliance					
System or procedure	Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update August 2023
all relevant requirements	Consider amending the title of the 'Audit Committee' to the 'Audit and Risk Committee'. If this is done, amend the functions specified in the committee's <i>Terms of Reference</i> .		Consider amending the title of the 'Audit Committee' to the 'Audit and Risk Committee'. If this is done, amend the functions specified in the committee's Terms of Reference.	Oct-23	Completed
	Ensure all councillors complete their mandatory training and annual financial returns in a timely manner.		Ensure all councillors complete their mandatory training and annual financial returns in a timely manner.	Oct-23	In progress
Reviewing local laws	Ensure automated reminders to conduct local law reviews are programmed into the <i>RelianSys</i> . Note that reviewing local laws is often a time-consuming process. Therefore, the initial reminders should be sent at least a year before the review deadline.	Local Laws will be incorporated within Reliansys if they aren't already.	Ensure Local Law reviews are scheduled in Reliansys	Jun-23	Completed

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## Audit & Risk Committee Meeting

10 August 2023

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***Attachment 1***      *11.3a Financial Management Review  
Status Report Update*

***Item 11.1***            **Financial Management Review 2022  
– Status Report Update**

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# SHIRE OF MORAWA – STATUS REPORT – FINANCIAL MANAGEMENT REVIEW 2022

## Monitoring Activities (MA):

Risk area	Monitoring activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed
Fixed Assets	Management regularly reviews valuation of fixed assets (i.e. methodology and useful lives of assets) to ensure that assets' valuation is appropriate and in accordance with Australian Accounting Standards. (Exception 2)		Unable to obtain evidence of management's review of fixed assets (methodology & Useful lives).	Development and implementation of year end procedures that ensure asset depreciation rates and useful lives are reviewed and evidence retained.	EMCCS & CCSO	Jun-23	These procedures have not yet been started but will be part of the year end process.	
	Management reviews depreciation rates and methodology (at least annually) to ensure that rates and remaining useful lives are reasonable. (Exception 2)		Unable to obtain evidence of management's review of depreciation rates and methodology.		EMCCS & CCSO	Jun-23	Depreciation rates have been reviewed as part of the budget process and the revaluation of assets.	Jun-23

## Key control (KC) activities

Risk area	Monitoring activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed
Revenue	Documented procedures are in place to ensure the VGO is informed of any building works approved. (Exception 5)		The Shire does not have documented procedures to ensure the VGO is informed of any building works approved.	Ensure that a procedure is written and followed when a permit is issued and is reportable	EMCCS & Rates Officer	Jun-23	This has not been started at this time	

## Risk Matrix

Controls in place satisfactory	Minor	Moderate	Significant