



VISION OF COUNCIL

"A thriving and friendly community that recognises our history and embraces cultural diversity and economic opportunity, whilst nurturing our natural and built environment."

AGENDA

BUSINESS OF AN URGENT NATURE

FOR THE

ORDINARY MEETING OF COUNCIL

21 NOVEMBER 2019

OUR VISION

"A thriving and friendly community that recognises our history and embraces cultural diversity and economic opportunity, whilst nurturing our natural and built environment."

OUR MISSION

"To deliver affordable and quality Local Government services."

CORE VALUES OF THE SHIRE

The core values that underpin the achievement of the mission will be based on a strong customer service focus and a positive attitude:

Communication

Integrity

Respect

Innovation

Transparency

Courtesy

DISCLAIMER

The purpose of Council Meetings is to discuss, and where possible, make resolutions about items appearing on the agenda. Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting.

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SHIRE OF BROOME
ORDINARY MEETING OF COUNCIL
THURSDAY 21 NOVEMBER 2019
INDEX – BUSINESS OF AN URGENT NATURE

8.	MATTERS FOR WHICH THE MEETING MAY BE CLOSED	4
12.	BUSINESS OF AN URGENT NATURE	5
12.1	MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD 18 NOVEMBER 2019	5

8. MATTERS FOR WHICH THE MEETING MAY BE CLOSED

UNDER SECTION 5.23 (2)(D) OF THE LOCAL GOVERNMENT ACT 1995 COUNCIL MAY RESOLVE TO MOVE THE MEETING BEHIND CLOSED DOORS.

12. BUSINESS OF AN URGENT NATURE

12.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD 18 NOVEMBER 2019

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	FRE02
AUTHOR:	Manager Financial Services
CONTRIBUTOR/S:	Nil
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTEREST:	Nil
DATE OF REPORT:	19 November 2019

SUMMARY: This report presents to Council the outcomes of the Audit and Risk Committee's meeting held 18 November 2019 and seeks adoption of the recommendations pertaining to the 2019 Financial Management Review, Quarter 1 Finance and Costing Review (FACR) 2019-20 and the Risk Management Biannual Update Report.

BACKGROUND

Previous Considerations

2019 Financial Management Review

OMC 26 May 2016 – Item 10.3

The *Local Government (Financial Management) Regulations 1996* (the Regulations) prescribe the requirement for an extensive review of a local government's financial management systems and processes. It requires the Chief Executive Officer (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 3 financial years) and report to the local government the results of those reviews. In June 2019 the CEO engaged auditor AMD Chartered Accountants to conduct a comprehensive review.

The objective of the engagement was to test the financial management system of the Shire of Broome and receive a report on the appropriateness and effectiveness of the control environment within, as required by regulation 5(2)(c).

This report summarises the factual findings and observations of the review examination and includes recommendations from the auditors that are considered appropriate for the Shire to improve any weaknesses in systems and controls.

1st Quarter Finance and Costing Review 2019-20

OMC 27 June 2019 Item 9.4.2

OMC 17 October 2019 Item 12.1

The Shire of Broome has carried out its 1st Quarter Finance and Costing Review (FACR) for the 2019/20 Financial Year. This Review of the 2019/20 Annual Budget is based on actuals

and commitments for the first 3 months of the year from 1 July 2019 to 30 September 2019, and forecasts for the remainder of the financial year.

This process aims to highlight over and under expenditure of funds and over and under achievement of income targets for the benefit of Executive and Responsible Officers to ensure good fiscal management of their projects and programs.

Once this process is completed, a report is compiled identifying budgets requiring amendments to be adopted by Council. Additionally, a summary provides the financial impact of all proposed budget amendments to the Shire of Broome's adopted end-of-year forecast, to assist Council to make an informed decision.

It should be noted that the 2019/20 annual budget was adopted at the Ordinary Meeting of Council on 27 June 2019 as a balanced budget. There have been further amendments adopted by Council as part of the Annual Financial Statements for the use of additional carried forward surplus. The result of all amendments prior to the first quarter FACR is a nil impact upon the Shire of Broome's forecast end of year position.

Risk Management Biannual Update Report

Audit Regulation 17 came into effect in 2013.

It requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- (a) risk management;
- (b) internal control; and
- (c) legislative compliance.

The Risk Profiles Register developed by Local Government Insurance Services (LGIS) were designed to allow local governments to be compliant with Audit Reg 17.

However, the long-term appropriateness of this tool has recently been questioned as the use of risk profiles creates a siloed approach to risk management that has the potential to cause:

- risk events to not be identified or managed;
- significant duplication;
- significant control gaps and lack of assurance.

Put another way, the risk profiles demonstrate that the Shire is doing risk management rather than managing risk.

COMMENT

2019 Financial Management Review

The financial management systems review covered the period 1 July 2018 to 30 June 2019 and considered the following financial systems and procedures of Council:

- Proper collection of all money owing to the Shire;
- Safe custody and security of all money collected or held by the Shire;
- Proper maintenance and security of the financial records of the Shire;
- Proper accounting for municipal or trust;

- Proper authorisation for the incurring of liabilities and the making of payments;
- Maintenance of payroll, stock control and costing records; and
- Preparation of budgets, budget reviews, accounts and reports required by the *Local Government Act 1995* (the Act) or the regulations.

The auditors did not necessarily examine compliance with provisions of the Act or Regulations, which were not financial in nature.

It should be noted that this examination was not an assurance engagement, audit or review in accordance with the Framework for Assurance Engagements, Australian Auditing Standards, Auditing Standards on Review Engagements or Standards on Assurance Engagements.

The role of expressing assurance on balances rests with the external audit function and those procedures have been carried out separately from this examination. The final external audit was completed in September 2019 and presented to the Audit and Risk Committee (the Committee) on 15 October 2019 and tabled at the October OMC.

The objective of the FMR was to examine the appropriateness and effectiveness of the financial management systems and procedures of the Shire on behalf of the CEO, with the report intended solely to assist the CEO prepare their review for presentation to Council as required by r5 (2)(c). It is not intended to express or imply any assurance.

The FMR has taken the form of an agreed procedures engagement in accordance with Australian Auditing Standards.

The audit examination and this report should be considered on this basis.

In reporting the results of the review to the local government, the report summarises exceptions and provides auditor recommendations to address the issues raised.

Officers have noted responses and actions against each recommendation in order to address the specific issues:

Focus Area	Findings	Management Response
Cash count variances	Minor variances identified when completing cash counts during site visits.	The float count was not undertaken on the day of examination. Required procedures needs to be completed prior to the first transaction of the day.
Daily Banking Reconciliation- Library	The daily banking sheet prepared each morning by Library staff as part of the balancing process is not signed by the preparer nor is there evidence of independent review by a Library staff member.	Cash count to be performed in the presence of two staff and will evidence segregation of preparation and review.
Physical Security of Cash	Broome Recreation Aquatic Centre does not utilise Council's engaged security company, and instead complete their own banking. Cash takings and floats are taken home by Waste Management Officers.	The security pick-up is a new trial initiative and is not standard operating practice. Management will explore the possibility of extending the security cash pick-up at the Broome Recreation and Aquatic Centre.

	Monies from the Waste Management Facility be provided to the Shire at the end of each week day.	Waste Management Facility closes at 3:30 and should be able to drop the monies to the Administration Building.
Security of Keys	<p>Suggestions for enhancement to restrictions for plant and vehicle keys at the Depot.</p> <p>Keys cabinet at the Shire Administration Office left unlocked.</p> <p>Keys not stored in the lockable cabinet at the time of inspection.</p>	Management reviewing key security requirements and procedures in line with operational activities.
Information Technology	<p>Consideration be given to further enhancements of the Shire's ICT Framework.</p> <p>Updated Business Continuity Plan.</p> <p>Review of system backup maintenance.</p> <p>Issues were raised in relation to user access requests for access, password management process and the connection of private devices to the network.</p>	<p>Management acknowledged the comments raised and action plans will be implemented as soon as possible.</p> <p>Business Continuity Plan is currently being reviewed.</p> <p>Cloud backup implemented with full backup hosted in data centre in Perth.</p> <p>Access and Password Policy developed and implemented.</p> <p>ICT security practices will be a focus over the next 6 months.</p>
Municipal Bank Reconciliation	At the time of the review there were unresolved reconciling differences within municipal bank reconciliations prepared subsequent to January 2019.	Management review of April bank reconciliation identified items requiring investigation and restatement of prior months reconciliation. Reconciling item resolved at the date of response.
Credit Cards	<p>Independent reviewer to sign off both the consolidated credit card statement and individual card's statement.</p> <p>Cardholders to sign off their own statement.</p> <p>Consistent process when substantiation of expenditure.</p>	<p>Management acknowledges all comments and will implement controls to address the findings.</p> <p>Revised Credit Card procedures have been drafted for approval.</p>
Tenders	<p>Lack of overarching tender checklist and instead completed on a case by case basis.</p> <p>Formal post project review report is not prepared for projects post completion.</p>	<p>Issue due to process not being undertaken following staff turnover. Tender checklist now captured in ProMapp.</p> <p>Electronic tender register to be placed on the Shire's website.</p>

		Once posted it is proposed that this will be used for all tenders.
Petty Cash	Instances whereby petty cash expenditure did not adhere to the Shire's stated procedures.	Management acknowledges the comments made and will implement controls to address the findings.
Review of Payroll	Recommend a checklist be developed to clearly document the preparation and review process undertaken in relation to payroll.	A payroll review checklist setting out the review procedures implemented and in use since 11 July payday.
Maintenance of payroll, stock control and costing records: Fuel Usage Analysis	Further enhancement to the Shire's fuel usage analysis is recommended.	Management utilises the Plant Costing Report which summarises all costs charged to individual plant items and facilitates review and identification of plant items with unusually high costs. Management will ensure that this report is reviewed and actioned for any notable observations.
Non-Compliance with Regulations	<p>A contract was awarded from a request for quote however the value of the work subsequently performed exceeded the tender threshold.</p> <p>On 3 occasions the advertisements for tenders did not include the contact person at the Shire.</p> <p>Unspent borrowings in the 2018/19 annual budget adopted for 2018/19 had no details of when the borrowing occurred.</p> <p>Details required for waivers or concessions were not included in the annual budget adopted for 2018/19.</p>	<p>Work underway to enter contracts and tenders for supplies that have the potential to exceed purchasing thresholds.</p> <p>Senior Procurement and Risk Officer is now the contact person for all new Tenders.</p> <p>Unspent borrowings in the future will include information on the year in which the money was borrowed.</p> <p>Future budget documents will disclose the details for waivers or concessions not included in the adopted annual budget and, if applicable, the objects and reasons for the discount.</p>
Investment Policy	Consideration be given to specifying the number of quotes required prior to reinvestment of funds to ensure a competitive rate of return is received.	Policy 2.2.3 Investment of Surplus Funds will be updated to formalise the Shire's customary practice of obtaining competitive quotes.
Risk Management Strategies and Procedures	The Shire's Risk Management Strategies and Procedures refers to former and now outdated Australia/New Zealand Guideline	Framework is currently being updated.

	ISO 31000:2009.	
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1st Quarter Finance and Costing Review 2019-20

The Quarter 1 FACR commenced on 30 October 2019. The results from this process indicate a deficit forecast financial position to 30 June 2020 of \$187,617 should Council approve the proposed budget amendments.

Officers make every effort to ensure that the net impact of each FACR is as minimal as possible. However, the net deficit forecasted mainly relates to:

- \$160,000 in additional rates due to the omission of 5 properties from the GRV roll provided by Landgate;
- \$106,000 in additional Chinatown project management costs including shade lighting design, and predicted expenses for ongoing Defects Period and Dispute resolution;
- \$70,000 for improvements to Ranger and Health business systems to increase efficiencies and payment methods;
- \$50,000 for the recruitment of a 6-month ICT Project Officer to progress the backlog of ICT projects due to staff vacancies, and assist with business system improvements;
- \$42,000 decrease in actual Federal Assistance Grants (FAGS) received.

The above figure represents a budget forecast should all expenditure and income occur as expected. It does not represent the actual end-of-year position which can only be determined as part of the normal annual financial processes at the end of the financial year.

A comprehensive list of accounts (refer to Attachment 1) has been included for perusal by Council and summarised by Directorate.

A summary of the results follows:

SHIRE OF BROOME SUMMARY REPORT						
BUDGET IMPACT						
	2019/20 Adopted Budget (Inc) / Exp	FACR Q1 Overall (Inc) / Exp	FACR Q1 Org. Exp/ (Org Savings) (by Dept)	FACR Q1 Impact (Inc) / Exp (less Org Savings)	YTD Adopted Budget Amend. (Inc) / Exp	YTD Impact (less Org Savings)
Executive	0	82,000	65,000	17,000		17,000
Corporate Services	0	-221,461	-202,461	-19,000		-19,000
Development and Community	0	84,355	15,986	68,369		68,369
Infrastructure	0	162,141	40,893	121,248		121,248
Impact of Council approved budget amendments	0	0	0	0		0
Net impact of Org Savings/Expenditure	0	0	0	0		0
	0,000*	107,035	-80,582	187,617	0,000†	187,617

Risk Management Biannual Update Report**Biannual Report on Risk Improvement initiatives**

The following activities have been undertaken over the period May 2019 – October 2019.

Risk Action	Status
Insurance Strategy or Policy to be developed	<p>LGIS have been engaged to complete a comprehensive Insurance Risk Profiling exercise. The field work has been completed with the full report and recommendations expected by the end of November.</p> <p>This will inform the 2020/21 insurance renewal process as well as documenting the Shire's current insurance status, listing known uninsurable infrastructure/events and commencing the discussion on the Shire's appetite for self insurance in certain areas such as excesses applied to policies and workers compensation.</p>
Workforce Plan	Consultant has commenced update with full report expected by February 2020.
Risk Management Training	Manager of Governance, Strategy and Risk completing Advanced Diploma of Governance, Risk and Compliance.
Business Continuity Plan	<p>Desktop review completed and LGIS engaged to undertake full review including training workshops and exercises with relevant staff in December.</p> <p>Cloud backup implemented with full backup now hosted in Data Centre in Perth.</p>
ICT Security	Access Policy developed and implemented including password policy and access authorisation process.
Statement of Business Ethics	Adopted by Council at the August 2019 Ordinary Meeting of Council.
Contract Management Training	<p>LGIS have conducted a Contract Risk Management workshop for 12 staff heavily involved in contract management and procurement.</p> <p>WALGA will be completing 3 days of contract management training for approximately 20 people at the end of November covering:</p> <ul style="list-style-type: none"> • Planning & Specification Development • Evaluation, Supplier Selection & Contract Establishment; and • Managing Contracts in Local Government.
RelianSys – Compliance Software	FACR1 has a recommendation to implement RelianSys which is a specialised software package to provide greater legislative compliance assurance. This is a focus area of the OAG.

New Risk Management Framework Approach

The Shire's existing Risk Management Policy, Strategy and Procedures are due for review.

Research and a referral from the City of Bunbury have led to an investigation of a risk management framework approach developed by a Risk Management expert based in Canberra. The approach is rapidly gaining popularity and being implemented by federal, state and local government agencies on the east coast.

This growth is being driven out of frustration that traditional approaches to risk management have led to questionable improvements in risk management practices and have not provided the control assurance nor prioritisation of effort that AS/NZS/ISO 31000 Risk Management – Principles and Guidelines aims to deliver.

Risk Events

The majority of risk registers and risk profile registers detail a substantial amount of causes and consequences. However, the focus should be on defining the much smaller number of events/incidents that, if they occur will have a material impact on the Shire's objectives.

Local governments on a whole have the same core risks with some variability due to different service delivery. Why is it then that local governments have all developed different risk registers with different risk contexts?

The Canberra consultant is currently developing a series of common risk libraries for various industries. The Shire of Broome has been asked to participate in the consultation process to develop the common risk library for local government. It is envisaged that this will lead to a risk library of 30 – 40 initial events/incidents that local governments will focus on.

Example risk events might include:

- disruption to the collection of rubbish,
- explosion at bulk fuel storage facility at depot
- member of staff or elected member accepting benefits for approval of works.

Strategic vs Operational Risks

The new risk management framework will look to create separate risk registers for Strategic and Operational Risks as they require a different management approach. Typically, strategic risks would be managed by the Council whereas operational risks are managed by the CEO and reported to the Council as required.

In essence, strategic risks are events beyond the control of the Shire however require strategies to mitigate should an event occur.

Ultimately, the primary benefit to be obtained from risk management is to facilitate the making of risk informed decisions.

CONSULTATION

2019 Financial Management Review

AMD Chartered Accountants

1st Quarter Finance and Costing Review 2019-20

All amendments have been proposed after consultation with Executive and Responsible Officers at the Shire.

Risk Management Biannual Update Report

The existing R-TAG have discussed the need to reset the risk management context within the R-TAG, so that focus is applied to control effectiveness and assurance for identified high risk events.

STATUTORY ENVIRONMENT

Local Government Act 1995

Section 6.5 Accounts and records

The CEO has a duty —

- (a) to ensure that there are kept, in accordance with regulations, proper accounts and records of the transactions and affairs of the local government; and*
- (b) to keep the accounts and records up to date and ready for inspection at any time by persons authorised to do so under this Act or another written law.*

Local Government (Financial Management) Regulations 1996

Regulation 5. Financial management duties of the CEO

- (1) Efficient systems and procedures are to be established by the CEO of a local government —*
 - (a) for the proper collection of all money owing to the local government;*
 - (b) for the safe custody and security of all money collected or held by the local government;*
 - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);*
 - (d) to ensure proper accounting for municipal or trust —*
 - (i) revenue received or receivable;*
 - (ii) expenses paid or payable; and*
 - (iii) assets and liabilities;*
 - (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;*
 - (f) for the maintenance of payroll, stock control and costing records; and*
 - (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*
- (2) The CEO is to —*
 - (a) ensure that the resources of the local government are effectively and efficiently managed;*
 - (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
- (c) 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 3 financial years) and report to the local government the results of those reviews.*

7.13 Regulations as to audits

- (1) Regulations may make provision –
- (i) requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are –
 - (i) of a financial nature or not; or
 - (ii) under this Act or another written law.

Local Government (Audit) Regulations 1996**13. Prescribed statutory requirements for which compliance audit needed (Act s. 7.13(1)(i))**

For the purposes of section 7.13(1)(i) the statutory requirements set forth in the Table to this regulation are prescribed.

Table

Local Government Act 1995		
s. 3.57	s. 3.58(3) and (4)	s. 3.59(2), (4) and (5)
s. 5.16	s. 5.17	s. 5.18
s. 5.36(4)	s. 5.37(2) and (3)	s. 5.42
s. 5.43	s. 5.44(2)	s. 5.45(1)(b)
s. 5.46	s. 5.67	s. 5.68(2)
s. 5.70	s. 5.73	s. 5.75
s. 5.76	s. 5.77	s. 5.88
s. 5.89A	s. 5.103	s. 5.120
s. 5.121	s. 7.1A	s. 7.1B
s. 7.3	s. 7.6(3)	s. 7.9(1)
s. 7.12A		
Local Government (Administration) Regulations 1996		
r. 18A	r. 18C	r. 18E
r. 18F	r. 18G	r. 19
r. 19C	r. 19DA	r. 22
r. 23	r. 28	r. 34B
r. 34C		
Local Government (Audit) Regulations 1996		
r. 7	r. 10	

Local Government (Elections) Regulations 1997		
r. 30G		
Local Government (Functions and General) Regulations 1996		
r. 7	r. 9	r. 10
r. 11A	r. 11	r. 12
r. 14(1), (3) and (5)	r. 15	r. 16
r. 17	r. 18(1) and (4)	r. 19
r. 21	r. 22	r. 23
r. 24	r. 24AD(2), (4) and (6)	r. 24AE
r. 24AF	r. 24AG	r. 24AH(1) and (3)
r. 24AI	r. 24E	r. 24F
Local Government (Rules of Conduct) Regulations 2007		
r. 11		

[Regulation 13 inserted in Gazette 23 Apr 1999 p. 1722-4; amended in Gazette 1 Jun 2004 p. 1917; 31 Mar 2005 p. 1042-3; 30 Sep 2005 p. 4418-20; 21 Dec 2010 p. 6758-61; 30 Dec 2011 p. 5579-80; 18 Sep 2015 p. 3813; 26 Jun 2018 p. 2386.]

14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
 - (a) presented to the council at a meeting of the council; and
 - (b) adopted by the council; and
 - (c) recorded in the minutes of the meeting at which it is adopted.

[Regulation 14 inserted in Gazette 23 Apr 1999 p. 1724-5; amended in Gazette 30 Dec 2011 p. 5580-1.]

15. Compliance audit return, certified copy of etc. to be given to Executive Director

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - (b) any additional information explaining or qualifying the compliance audit,

is to be submitted to the Executive Director by 31 March next following the period to which the return relates.

- (2) In this regulation —
certified in relation to a compliance audit return means signed by —
 (a) the mayor or president; and
 (b) the CEO.

[Regulation 15 inserted in Gazette 23 Apr 1999 p. 1725.]

Local Government (Financial Management) Regulation 1996

r33A. Review of Budget

- (1) Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.
- (2A) The review of an annual budget for a financial year must —
- (a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and
 - (b) consider the local government's financial position as at the date of the review; and
 - (c) review the outcomes for the end of that financial year that are forecast in the budget.
- (2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.
- (3) A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review.

*Absolute majority required.

- (4) Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

Local Government Act 1995

6.8. Expenditure from municipal fund not included in annual budget

- 1) A local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure —
- a) is incurred in a financial year before the adoption of the annual budget by the local government;
 - b) is authorised in advance by resolution*; or
 - c) is authorised in advance by the mayor or president in an emergency.
- (1a In subsection (1) —
 “additional purpose” means a purpose for which no expenditure estimate is included in the local government's annual budget.

Local Government (Audit) Regulations 1996

16. Audit committee, functions of

An audit committee —

- (a) is to provide guidance and assistance to the local government —

- (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
 - (ii) as to the development of a process to be used to select and appoint a person to be an auditor;
- and
- (b) may provide guidance and assistance to the local government as to —
 - (i) matters to be audited; and
 - (ii) the scope of audits; and
 - (iii) its functions under Part 6 of the Act; and
 - (iv) the carrying out of its functions relating to other audits and other matters related to financial management; and
- (c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council.

17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
- (3) The CEO is to report to the audit committee the results of that review.

Local Government (Financial Management) Regulation 1996

r33A. Review of Budget

- (1) Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.
- (2A) The review of an annual budget for a financial year must —
 - (a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and
 - (b) consider the local government's financial position as at the date of the review; and
 - (c) review the outcomes for the end of that financial year that are forecast in the budget.
- (2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.
- (3) A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review.

*Absolute majority required.

- (4) Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

Local Government Act 1995

6.8. Expenditure from municipal fund not included in annual budget

- 1) A local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure —
- (a) is incurred in a financial year before the adoption of the annual budget by the local government;
 - (b) is authorised in advance by resolution*; or
 - (c) is authorised in advance by the mayor or president in an emergency.
- (1a) In subsection (1) —
- “additional purpose” means a purpose for which no expenditure estimate is included in the local government’s annual budget.

POLICY IMPLICATIONS

2019 Financial Management Review

2.2.3 Investment of Surplus Funds

1st Quarter Finance and Costing Review 2019-20

2.1.1 Materiality in Financial Reporting

It should be noted that according to the materiality threshold set in Policy 2.1.1 Materiality in Financial Reporting, should a deficit achieve 1% of Shire’s operating revenue (\$422,176) the Shire must formulate an action plan to remedy the over expenditure.

Risk Management Biannual Update Report

2.1.1 Legislative Compliance

2.1.4 Risk Management

2.2.1 Internal Control

FINANCIAL IMPLICATIONS

2019 Financial Management Review

The conduct of the three yearly Financial Management Review, is a separate and additional cost to Council’s audit which is conducted by the appointed auditors.

1st Quarter Finance and Costing Review 2019-20

The **net result** of the Quarter 1 FACR estimates indicate that there will be a budget deficit position of \$187,617 to 30 June 2020.

Risk Management Biannual Update Report

RISK

2019 Financial Management Review

The three-year Financial Management Review is a risk mitigation process in itself and identifies areas for improvement. A management response has been provided for each issue raised and action will continue to address outstanding matters as a priority.

1st Quarter Finance and Costing Review 2019-20

The Finance and Costing Review (FACR) seeks to provide a best estimate of the end-of-year position for the Shire of Broome at 30 June 2019. Contained within the report are recommendations of amendments to budgets which have financial implications on the estimate of the end-of-year position.

The review does not, however, seek to make amendments below the materiality threshold unless strictly necessary. The materiality thresholds are set at \$10,000 for operating budgets and \$20,000 for capital budgets. Should a number of accounts exceed their budget within these thresholds, it poses a risk that the predicted final end-of-year position may be understated.

In order to mitigate this risk, the CEO enacted the FACRs to run quarterly and Executive examine each job and account to ensure compliance. In addition, the monthly report provides variance reporting highlighting any discrepancies against budget.

It should also be noted that should Council decide not to adopt the recommendations, it could lead to some initiatives being delayed or cancelled in order to offset the additional expenditure associated with running the Shire's operations.

Risk Management Biannual Update Report

The Shire has funds budgeted in 2019/20 to redevelop the organisational risk framework.

STRATEGIC IMPLICATIONS

Our People Goal – Foster a community environment that is accessible, affordable, inclusive, healthy and safe:

Effective communication

Affordable services and initiatives to satisfy community need

Accessible and safe community spaces

A healthy and safe environment

Our Prosperity Goal – Create the means to enable local jobs creation and lifestyle affordability for the current and future population:

Affordable and equitable services and infrastructure

Our Organisation Goal – Continually enhance the Shire's organisational capacity to service the needs of a growing community:

An organisational culture that strives for service excellence

Sustainable and integrated strategic and operational plans

Responsible resource allocation

Effective community engagement

Retention and attraction of staff

Improved systems, processes and compliance

VOTING REQUIREMENTS

Absolute Majority

COMMITTEE RECOMMENDATION 1:

That Council:

1. *Receives the Quarter 1 Finance and Costing Review Report for the period ended 30 September 2019;*
2. *Adopts the operating and capital budget amendment recommendations for the year ended 30 June 2020 as attached;*
3. *Notes a forecast end-of-year position to 30 June 2020 of a \$187,617 deficit position; and*
4. *Approves a budget transfer to the Public Open Space Reserve of \$80,582 to quarantine potential surplus funds at the end of the financial year.*

(ABSOLUTE MAJORITY REQUIRED)

VOTING REQUIREMENTS

Simply Majority

COMMITTEE RECOMMENDATION 2:

That Council:

1. *Receives the Financial Management Review Report - August 2019 as attached; and*
2. *Notes the Management Responses and requests the Chief Executive to continue to progress finalisation of any outstanding matters.*

VOTING REQUIREMENTS

Simply Majority

COMMITTEE RECOMMENDATION 3:

That Council Receives the Risk Management Biannual Update Report.

Attachments

1. Minutes - Audit and Risk Committee Meeting 18 November 2019



UNCONFIRMED MINUTES

OF THE

AUDIT AND RISK COMMITTEE MEETING

18 NOVEMBER 2019

OUR VISION

"A thriving and friendly community that recognises our history and embraces cultural diversity and economic opportunity, whilst nurturing our natural and built environment."

OUR MISSION

"To deliver affordable and quality Local Government services."

CORE VALUES OF THE SHIRE

The core values that underpin the achievement of the mission will be based on a strong customer service focus and a positive attitude:

Communication

Integrity

Respect

Innovation

Transparency

Courtesy

DISCLAIMER

The purpose of Council Meetings is to discuss, and where possible, make resolutions about items appearing on the agenda. Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting.

Persons should be aware that the provisions in section 5.25 of the *Local Government Act 1995* establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person. The Shire of Broome 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 resolution of Council, or any advice or information provided by a Member or Officer, or the content of any discussion occurring, during the course of the Council meeting.

Should you require this document in an alternative format please contact us.

SHIRE OF BROOME
AUDIT AND RISK COMMITTEE MEETING
MONDAY 18 NOVEMBER 2019
INDEX – MINUTES

1.	OFFICIAL OPENING.....	5
2.	ATTENDANCE AND APOLOGIES	5
3.	DECLARATIONS OF FINANCIAL INTEREST / IMPARTIALITY	5
4.	CONFIRMATION OF MINUTES	5
5.	REPORTS OF OFFICERS	6
	5.1 2019 FINANCIAL MANAGEMENT REVIEW	6
	5.2 1ST QUARTER FINANCE AND COSTING REVIEW 2019-20.....	36
	5.3 RISK MANAGEMENT BIENNIAL UPDATE REPORT	46
6.	MATTERS BEHIND CLOSED DOORS	52
7.	MEETING CLOSURE	52

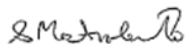
Chairperson.....Date.....

NOTICE OF MEETING

Dear Council Member,

The next Audit and Risk Committee of the Shire of Broome will be held on Monday, 18 November 2019 in the Council Chambers, Corner Weld and Haas Streets, Broome, commencing at 4:31pm.

Regards,



S MASTROLEMBO
Chief Executive Officer

15/11/2019

**MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING OF THE SHIRE OF BROOME,
HELD IN THE COUNCIL CHAMBERS, CORNER WELD AND HAAS STREETS, BROOME,
ON MONDAY 18 NOVEMBER 2019, COMMENCING AT 4:30PM.**

1. OFFICIAL OPENING

The Chairman welcomed Councillors and Officers and declared the meeting open at 4:31pm.

2. ATTENDANCE AND APOLOGIES

Attendance:	Cr D Male	Chairperson
	Cr C Mitchell	Deputy Chairperson
	Cr B Rudeforth	Councillor
Leave of Absence:	Nil	
Apoloiges:	Cr H Tracey	Shire President
Officers:	Mr S Mastrolembo	Chief Executive Officer (from 4:51pm)
	Mr J Watt	Director Corporate Services
	Mr A Graffen	Director Infrastructure Services
	Mr A Santiago	Manager Financial Services
	Mr D Kennedy	Manager Governance Strategy & Risk

3. DECLARATIONS OF FINANCIAL INTEREST / IMPARTIALITY

Committee Member	Item No	Item	Nature of Interest
Nil.			

4. CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION:

Moved: Cr C Mitchell

Seconded: Cr B Rudeforth

That the Minutes of the Audit and Risk Committee held on 15 October 2019, as published and circulated, be confirmed as a true and accurate record of that meeting.

CARRIED UNANIMOUSLY 4/0

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW

5. REPORTS OF OFFICERS**5.1 2019 FINANCIAL MANAGEMENT REVIEW**

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	ADM03
AUTHOR:	Manager Financial Services
CONTRIBUTOR/S:	Nil
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTEREST:	Nil
DATE OF REPORT:	10 November 2019

SUMMARY: The Audit and Risk Committee is presented the results of the three yearly Financial Management Review in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

BACKGROUNDPrevious Considerations

OMC 26 May 2016 – Item 10.3

The *Local Government (Financial Management) Regulations 1996* (the Regulations) prescribe the requirement for an extensive review of a local government's financial management systems and processes. It requires the Chief Executive Officer (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 3 financial years) and report to the local government the results of those reviews. In June 2019 the CEO engaged auditor AMD Chartered Accountants to conduct a comprehensive review.

The objective of the engagement was to test the financial management system of the Shire of Broome and receive a report on the appropriateness and effectiveness of the control environment within, as required by regulation 5(2)(c).

This report summarises the factual findings and observations of the review examination and includes recommendations from the auditors that are considered appropriate for the Shire to improve any weaknesses in systems and controls.

COMMENT

The financial management systems review covered the period 1 July 2018 to 30 June 2019 and considered the following financial systems and procedures of Council:

- Proper collection of all money owing to the Shire;
- Safe custody and security of all money collected or held by the Shire;
- Proper maintenance and security of the financial records of the Shire;
- Proper accounting for municipal or trust;
- Proper authorisation for the incurring of liabilities and the making of payments;
- Maintenance of payroll, stock control and costing records; and

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW

- Preparation of budgets, budget reviews, accounts and reports required by the *Local Government Act 1995* (the Act) or the regulations.

The auditors did not necessarily examine compliance with provisions of the Act or Regulations, which were not financial in nature.

It should be noted that this examination was not an assurance engagement, audit or review in accordance with the Framework for Assurance Engagements, Australian Auditing Standards, Auditing Standards on Review Engagements or Standards on Assurance Engagements.

The role of expressing assurance on balances rests with the external audit function and those procedures have been carried out separately from this examination. The final external audit was completed in September 2019 and presented to the Audit and Risk Committee (the Committee) on 15 October 2019 and tabled at the October OMC.

The objective of the FMR was to examine the appropriateness and effectiveness of the financial management systems and procedures of the Shire on behalf of the CEO, with the report intended solely to assist the CEO prepare their review for presentation to Council as required by r5 (2)(c). It is not intended to express or imply any assurance.

The FMR has taken the form of an agreed procedures engagement in accordance with Australian Auditing Standards.

The audit examination and this report should be considered on this basis.

In reporting the results of the review to the local government, the report summarises exceptions and provides auditor recommendations to address the issues raised.

Officers have noted responses and actions against each recommendation in order to address the specific issues:

Focus Area	Findings	Management Response
Cash count variances	Minor variances identified when completing cash counts during site visits.	The float count was not undertaken on the day of examination. Required procedures needs to be completed prior to the first transaction of the day.
Daily Banking Reconciliation- Library	The daily banking sheet prepared each morning by Library staff as part of the balancing process is not signed by the preparer nor is there evidence of independent review by a Library staff member.	Cash count to be performed in the presence of two staff and will evidence segregation of preparation and review.
Physical Security of Cash	Broome Recreation Aquatic Centre does not utilise Council's engaged security company, and instead complete their own banking. Cash takings and floats are taken home by Waste Management Officers. Monies from the Waste Management Facility be provided to the Shire at the end of each week day.	The security pick-up is a new trial initiative and is not standard operating practice. Management will explore the possibility of extending the security cash pick-up at the Broome Recreation and Aquatic Centre. Waste Management Facility closes at 3:30 and should be able to drop the monies to the Administration Building.

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW

Security of Keys	<p>Suggestions for enhancement to restrictions for plant and vehicle keys at the Depot.</p> <p>Keys cabinet at the Shire Administration Office left unlocked.</p> <p>Keys not stored in the lockable cabinet at the time of inspection.</p>	<p>Management reviewing key security requirements and procedures in line with operational activities.</p>
Information Technology	<p>Consideration be given to further enhancements of the Shire's ICT Framework.</p> <p>Updated Business Continuity Plan.</p> <p>Review of system backup maintenance.</p> <p>Issues were raised in relation to user access requests for access, password management process and the connection of private devices to the network.</p>	<p>Management acknowledged the comments raised and action plans will be implemented as soon as possible.</p> <p>Business Continuity Plan is currently being reviewed.</p> <p>Cloud backup implemented with full backup hosted in data centre in Perth.</p> <p>Access and Password Policy developed and implemented.</p> <p>ICT security practices will be a focus over the next 6 months.</p>
Municipal Bank Reconciliation	<p>At the time of the review there were unresolved reconciling differences within municipal bank reconciliations prepared subsequent to January 2019.</p>	<p>Management review of April bank reconciliation identified items requiring investigation and restatement of prior months reconciliation. Reconciling item resolved at the date of response.</p>
Credit Cards	<p>Independent reviewer to sign off both the consolidated credit card statement and individual card's statement.</p> <p>Cardholders to sign off their own statement.</p> <p>Consistent process when substantiation of expenditure.</p>	<p>Management acknowledges all comments and will implement controls to address the findings.</p> <p>Revised Credit Card procedures have been drafted for approval.</p>
Tenders	<p>Lack of overarching tender checklist and instead completed on a case by case basis.</p> <p>Formal post project review report is not prepared for projects post completion.</p>	<p>Issue due to process not being undertaken following staff turnover. Tender checklist now captured in ProMapp.</p> <p>Electronic tender register to be placed on the Shire's website. Once posted it is proposed that this will be used for all tenders.</p>
Petty Cash	<p>Instances whereby petty cash expenditure did not adhere to the Shire's stated procedures.</p>	<p>Management acknowledges the comments made and will implement controls to address the</p>

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW

		findings.
Review of Payroll	Recommend a checklist be developed to clearly document the preparation and review process undertaken in relation to payroll.	A payroll review checklist setting out the review procedures implemented and in use since 11 July payday.
Maintenance of payroll, stock control and costing records: Fuel Usage Analysis	Further enhancement to the Shire's fuel usage analysis is recommended.	Management utilises the Plant Costing Report which summarises all costs charged to individual plant items and facilitates review and identification of plant items with unusually high costs. Management will ensure that this report is reviewed and actioned for any notable observations.
Non-Compliance with Regulations	<p>A contract was awarded from a request for quote however the value of the work subsequently performed exceeded the tender threshold.</p> <p>On 3 occasions the advertisements for tenders did not include the contact person at the Shire.</p> <p>Unspent borrowings in the 2018/19 annual budget adopted for 2018/19 had no details of when the borrowing occurred.</p> <p>Details required for waivers or concessions were not included in the annual budget adopted for 2018/19.</p>	<p>Work underway to enter contracts and tenders for supplies that have the potential to exceed purchasing thresholds.</p> <p>Senior Procurement and Risk Officer is now the contact person for all new Tenders.</p> <p>Unspent borrowings in the future will include information on the year in which the money was borrowed.</p> <p>Future budget documents will disclose the details for waivers or concessions not included in the adopted annual budget and, if applicable, the objects and reasons for the discount.</p>
Investment Policy	Consideration be given to specifying the number of quotes required prior to reinvestment of funds to ensure a competitive rate of return is received.	Policy 2.2.3 Investment of Surplus Funds will be updated to formalise the Shire's customary practice of obtaining competitive quotes.
Risk Management Strategies and Procedures	The Shire's Risk Management Strategies and Procedures refers to former and now outdated Australia/New Zealand Guideline ISO 31000:2009.	Framework is currently being updated.

CONSULTATION

AMD Chartered Accountants

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW

STATUTORY ENVIRONMENT

Local Government Act 1995

Section 6.5 Accounts and records

The CEO has a duty —

- (a) to ensure that there are kept, in accordance with regulations, proper accounts and records of the transactions and affairs of the local government; and
- (b) to keep the accounts and records up to date and ready for inspection at any time by persons authorised to do so under this Act or another written law.

Local Government (Financial Management) Regulations 1996

Regulation 5. Financial management duties of the CEO

- (1) Efficient systems and procedures are to be established by the CEO of a local government —
 - (a) for the proper collection of all money owing to the local government;
 - (b) for the safe custody and security of all money collected or held by the local government;
 - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);
 - (d) to ensure proper accounting for municipal or trust —
 - (i) revenue received or receivable;
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities;
 - (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;
 - (f) for the maintenance of payroll, stock control and costing records; and
 - (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.
- (2) The CEO is to —
 - (a) ensure that the resources of the local government are effectively and efficiently managed;
 - (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
 - (c) 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 4 financial years) and report to the local government the results of those reviews.

POLICY IMPLICATIONS

2.2.3 Investment of Surplus Funds

FINANCIAL IMPLICATIONS

The conduct of the three yearly Financial Management Review, is a separate and additional cost to Council's audit which is conducted by the appointed auditors.

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW

RISK

The three-year Financial Management Review is a risk mitigation process in itself and identifies areas for improvement. A management response has been provided for each issue raised and action will continue to address outstanding matters as a priority.

STRATEGIC IMPLICATIONS

Our People Goal – Foster a community environment that is accessible, affordable, inclusive, healthy and safe:

Effective communication

Our Organisation Goal – Continually enhance the Shire's organisational capacity to service the needs of a growing community:

An organisational culture that strives for service excellence

Sustainable and integrated strategic and operational plans

Responsible resource allocation

Effective community engagement

Improved systems, processes and compliance

VOTING REQUIREMENTS

Simple Majority

COMMITTEE RESOLUTION:
(REPORT RECOMMENDATION)

Moved: Cr B Rudeforth

Seconded: Cr C Mitchell

That the Audit and Risk Committee recommends that Council:

- 1. Receives the Financial Management Review Report - August 2019 as attached; and**
- 2. Notes the Management Responses and requests the Chief Executive to continue to progress finalisation of any outstanding matters.**

CARRIED UNANIMOUSLY 3/0

Attachments

1. Financial Management Review - August 2019



Shire of Broome
2019 Financial Management
System Review

The graphic consists of a large, stylized arrow pointing to the right. The arrow is composed of several overlapping, semi-transparent geometric shapes in shades of yellow, green, and blue. The text "Shire of Broome 2019 Financial Management System Review" is centered within the arrow.

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



2 August 2019

Mr Sam Mastrolembro
Chief Executive Officer
Shire of Broome
PO Box 44
BROOME WA 6725

Dear Sam

2019 FINANCIAL MANAGEMENT SYSTEMS REVIEW

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

This report relates only to procedures and items specified within the 2019 Financial Management System Review Services Proposal and does not extend to any financial report of the Shire.

We would like to thank Alvin, Yan and the finance team for their co-operation and assistance whilst conducting our review.

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

Yours sincerely
AMD Chartered Accountants

A handwritten signature in black ink, appearing to read 'M Cavallo', with a horizontal line underneath.

MARIA CAVALLO CA
Director

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Table of Contents

1. Executive Summary	5
1.1. Background and Objectives	5
1.2. Summary of Findings	5
2. Collection of money	7
2.1. Scope and approach	7
2.2. Detailed findings and recommendations	7
2.2.1. Cash Count Variances	7
2.2.2. Daily Banking Reconciliation- Library	9
3. Custody and security of money	10
3.1. Scope and approach	10
3.2. Detailed findings and recommendations	10
3.2.1. Physical Security of Cash	10
4. Maintenance and security of the financial records	11
4.1. Scope and approach	11
4.2. Detailed findings and recommendations	11
4.2.1. Security of Keys	11
4.2.2. Information Technology	12
5. Accounting for municipal or trust transactions	14
5.1. Scope and approach	14
5.2. Detailed findings and recommendations	14
5.2.1. Municipal Bank Reconciliations	14
6. Authorisation for incurring liabilities and making payments	15
6.1. Scope and approach	15
6.2. Detailed findings and recommendations	15
6.2.1. Credit Cards	15
6.2.2. Tenders	16
6.2.3. Petty Cash	17
7. Maintenance of payroll, stock control and costing	18
7.1. Scope and approach	18
7.2. Detailed findings and recommendations	18
7.2.1. Review of Payroll	18
7.2.2. Fuel Usage Analysis	19
8. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations	20
8.1. Scope and approach	20
8.2. Detailed findings and recommendations	20
8.2.1. Non-Compliance with Regulations	20
8.2.2. Investment Policy	22
8.2.3. Risk Management Strategy and Procedures	23
9. Guidance on Risk Assessment	24

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



Inherent limitations

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

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

Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use by management of the Shire of Broome. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for Shire of Broome's information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review report has been prepared at the request of Shire of Broome's Chief Executive Officer or its delegate in connection with our engagement to perform the review as detailed in the 2019 Financial Management System Review Services Proposal. Other than our responsibility to the Council and management of the Shire of Broome, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Shire of Broome external auditor, on this review report. Any reliance placed is that party's sole responsibility.

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



1. Executive Summary

1.1. Background and Objectives

The primary objective of our Financial Management System Review (FMSR) was to assess the adequacy and effectiveness of systems and controls in place within the Shire in accordance with the 2019 Financial Management System Review Services Proposal.

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

Our findings included within this report are based on the site work completed by us on 10 to 14 of June 2019. Findings are based on information provided and available to us during and subsequent to this site visit.

1.2. Summary of Findings

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

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

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

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

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

	Extreme Risk	High Risk	Moderate Risk	Low Risk
Number of new issues reported	-	1	5	8

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

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



Ref	Issue	Risk Rating
2. Collection of money		
Cash Count Variances		
2.2.1	Minor variances identified when completing cash counts during site visits.	Low
Daily Banking Reconciliation- Library		
2.2.2	The daily banking sheet prepared each morning by Library staff as part of the balancing process is not signed by the preparer nor is there evidence of independent review by a Library staff member.	Low
3. Custody and security of money		
Physical Security of Cash		
3.2.1	Broome Regional Aquatic Centre does not utilise Council's engaged security company, and instead complete their own banking. Cash takings and floats are taken home by Waste Management Officers.	Low
4. Maintenance and security of financial records		
Security of Keys		
4.2.1	Suggestions for enhancement to restrictions for plant and vehicle keys at the Depot. Keys cabinet at the Shire Administration Office left unlocked. Keys not stored in the lockable cabinet at the time of inspection.	Moderate
Information Technology		
4.2.2	Consideration be given to further enhancements of the Shire's IT Framework.	Moderate
5. Accounting for municipal or trust transactions		
Municipal Bank Reconciliation		
5.2.1	At the time of our June 2019 review there were unresolved reconciling differences within municipal bank reconciliations prepared subsequent to January 2019.	Moderate
6. Authorisation for incurring liabilities and making payments		
Credit Cards		
6.2.1	Suggestions for enhancement regarding the process for compiling supporting information and the documentation of the review process undertaken.	Moderate
Tenders		
6.2.2	Suggestions for enhancement to the tender process. Detailed review of two tenders identified instances where documentation was incomplete.	Moderate
Petty Cash		
6.2.3	Instances whereby petty cash expenditure did not adhere to the Shire's stated procedures.	Low
7. Maintenance of payroll, stock control and costing records		
Review of Payroll		
7.2.1	Recommend a checklist be developed to clearly document the preparation and review process undertaken in relation to payroll.	Low
Fuel Usage Analysis		
7.2.2	Further enhancement to the Shire's fuel usage analysis is recommended.	Low
8. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations		
Non-Compliance with Regulations		
8.2.1	4 Matters of non-compliance identified during our review (two of these previously identified by the Shire within the annual Compliance Audit Return for 2018).	High
Investment Policy		
8.2.2	Consideration be given to specifying the number of quotes required prior to reinvestment of funds to ensure a competitive rate of return is received.	Low
Risk Management Strategies and Procedures		
8.2.3	The Shire's Risk Management Strategies and Procedures refers to former and now outdated Australia/New Zealand Guideline ISO 31000:2009.	Low

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



2. Collection of money

2.1. Scope and approach

We completed site visits to the following locations operated by the Shire:

- Broome Administration Office;
- Broome Library;
- Broome Regional Aquatic Centre;
- Broome Waste Facility; and
- Broome Depot.

During the visits to each site we:

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

2.2. Detailed findings and recommendations

2.2.1. Cash Count Variances

Finding Rating: Low

We completed a count of cash on hand and petty cash at each location we visited and noted the following variances:

Location	Cash Counted (\$)	Purchase or (receipts) (\$)	Total (\$)	Correct Float (\$)	Variance (\$)
Broome Regional Aquatic Centre- Till 1	214.00	(7.00)	207.00	200.00	7.00
Broome Regional Aquatic Centre- Till 2	329.65	(122.00)	207.65	200.00	7.65

Discussions indicate that the \$7.00 variances were likely caused by group fitness attendances not being recorded correctly through the POS system. The remaining \$0.65 variance for Till 2 was likely caused by the float being miscounted the previous night, (we noted the end of shift balancing report from the previous day had not been signed by the preparer or by a second officer as "checked").

Implications / Risks

Risk of misstatement or omission.

Recommendation

We recommend any variances identified when balancing tills or reconciling petty cash be investigated in a timely manner and rectified accordingly.

Management Comment

Our procedures required staff to count the float prior to a shift to ensure correctness and investigate any differences. It appears that on the day of examination, the float count was not undertaken. Staff will be reminded that this procedure needs to be completed prior to the first transaction of the day.

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



Group fitness variances – At peak times there can be 10 – 12 people at the counter at one time. At times of low staffing, operator error can sometimes occur. Management staff will ensure that two people are available to work at the front counter to assist in keeping up with demand.

Tills are reconciled at the midpoint through the day (change of shift) and again at the end of the day (9.00pm). They are then checked over the next day by administrative staff so have three levels of oversight.

Responsible Officer:
Manager Sport and Recreation

Completion Date:
On-going

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



2.2.2. Daily Banking Reconciliation- Library
Finding Rating: Low

During our review of processes undertaken at the Library in relation to cash handling and banking, we identified the daily banking sheet prepared each morning by Library staff is not signed by the preparer nor is there evidence of independent review.

Implication / Risks

If the daily banking reconciliation is not independently reviewed, there is an increased risk of fraud or error being undetected, which in turn could lead to misstatements in the Shire's financial report.

Recommendation

We note there is generally two staff present each morning when the cash count is performed at the Library and further acknowledge banking is reviewed and signed off by customer service officers when banking is provided to the front counter of the Shire office. However to further increase controls, we recommend the two Library officers sign the counts as evidence of preparation and review.

Management Comment

We will continue the current practice of performing the cash count in the presence of two staff and ensure we require signatures to be done consistently to evidence segregation of preparation and review.

Responsible Officer:
Library Coordinator

Completion Date:
July 2019 - ongoing



3. Custody and security of money

3.1. Scope and approach

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

3.2. Detailed findings and recommendations

3.2.1. Physical Security of Cash

Finding Rating: Low

We noted the following in respect to the physical security of cash at the following Shire managed locations:

- The Broome Regional Aquatic Centre is the only location which completes their own banking (i.e. does not utilise Council's engaged security company); and
- Cash takings and the float for the Waste Management Facility is taken home by Waste Management Officers with banking provided to the Shire Administration Office the following morning.

Implications / Risks

Reduced security of cash collected resulting in an increased risk of theft.

Recommendation

We suggest consideration be given to the following:

- Banking for the Broome Regional Aquatic Centre be subject the same process as other monies collected across other locations managed by the Shire, with monies provided to the Administration Office and then taken to the bank weekly by the security company which has been engaged by the Shire to perform banking; and
- Monies from the Waste Management Facility be provided to the Shire at the end of each week day (we note this site closes to the public from 3:30pm daily). Further consideration be given to the security of monies received over the weekend, for example implementation of a safe at the site or monies taken to the Aquatic Centre to be maintained in the sites safe over the weekend.

Management Comment

The security pick-up is a new trial initiative and is not standard operating practice. It is a trial and will be assessed for suitability following the trial period. If suitable, Management will explore the possibility of extending the security cash pick-up at the Broome Recreation and Aquatic Centre (BRAC). Waste Management Facility closes at 3:30 and should be able to drop the monies to the Administration Building on weekdays given that Finance Staff are available until 5pm and should be able to assist in the turnover of cash. Weekend collections can be dropped off at BRAC. Extending the cash collection services by security companies can also be considered.

Responsible Officer:

Manager Governance and Manager Financial Services

Completion Date:

September 2019



4. Maintenance and security of the financial records

4.1. Scope and approach

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

4.2. Detailed findings and recommendations

4.2.1. Security of Keys

Finding Rating: Moderate

We noted the following in relation to the security of keys managed by the Shire:

- Keys to plant and vehicles maintained at the Depot are maintained in an accessible area. Although keys are required to be signed in and out, there is no restricted access or person ensuring security;
- Keys to buildings maintained at the Shire Administration Office are kept in a lockable cabinet however at the time of our inspection we noted the key to the box was left in the lock; and
- When inspecting the lockable key box we noted there were various keys which were left on the responsible officer's desk, and at the time of inspection the officer was not at their work station.

Implications / Risks

Reduced security over keys resulting in increased risks of theft, damage and unauthorised use of Council property.

Recommendation

We recommend:

- Security regarding keys maintained at the Depot is increased and access to keys is physically restricted. Requests and access to keys should be monitored and the responsibility for this function be delegated to an appropriate Depot staff member to ensure all keys are signed in and out and keys are only allocated for valid reasons;
- The key cabinet maintained at the Shire be locked at all times when not in use; and
- When keys are returned they be immediately returned to the locked cabinet and registers updated accordingly.

Management Comment

Management will secure the storage location of the vehicle keys. We however believe that the risk of loss for vehicles is low given that vehicles left in the yard during weekends are trucks and large plant. An electric gate is an option that we are currently looking at. This will also provide better controls over portable items such as power tools, office furniture, etc.

Responsible Officer:

Depot Supervisor and Asset and Building Coordinator

Completion Date:

September 2019



4.2.2. Information Technology

Finding Rating: Moderate

We noted the following in relation to Information Technology:

- The Business Continuity Plan, encompassing the Disaster Recovery Plan, is in the process of being updated due to the current version being outdated;
- Offsite server backups are maintained at the Civic Centre, in close proximity to the shire's Administration Office;
- Requests for user access restrictions to be amended are generally informal and do not require formal approval from Supervisor/ Directors;
- Formal requests are not required for employees to utilise their own devices (phones for emails, personal laptops for remote access via a VPN etc.) and there is a lack of documented policies and procedures relating to the use of personal devices; and
- There is currently no requirement for user passwords to be routinely changed.

Implications / Risks

- Risk of significant delays and business interruption in the event of unforeseen circumstances;
- Lack of documentation to support validity of requests to amend access restrictions;
- Increased risk of unauthorised access to systems;
- Existing procedures and practices in respect to personally owned devices are not formally documented nor are requirements of users formally acknowledged; and
- Reduced security in respect to passwords.

Recommendation

We recommend:

- Updates to the Business Continuity Plan be finalised and endorsed. Once updated the Disaster Recovery Plan should be tested to ensure procedures are adequate;
- Review and consideration be given to the Shire's current process for maintaining system backups. Due to the close proximity of the offsite backup currently maintained at the Civic Centre, events should be considered which would potentially affect both Shire Administration and the Civic Centre. We acknowledge that a proposal has been raised to manage backups via the cloud;
- Requests for amendments to user access restrictions be formally documented and evidence of approval for the changes by Supervisors/Directors is maintained;
- Requests for users to utilise their own devices for work purposes be formally documented and approved by Supervisors/Managers. Policies and procedures should also be developed in relation to the use of personal devices such as the reporting of devices when they are lost or compromised, minimum restrictions for phones to have passcodes to prevent unauthorised access etc. and any users of personal devices should formally acknowledge the policies and/or procedures which are developed; and
- Policy and/or procedure be developed and implemented which requires users to frequently change their passwords to increase security over user accounts. We suggest changes are made every 90 days or as otherwise determined appropriate.

Management Comment

Management acknowledged the comments raised and action plans will be implemented as soon as possible. The following are the summary of on-going activities in relation to the matters raised:

- The Disaster Recovery Plan is under development with estimated completion date of December 2019. We are completing a cloud backup project over the next month and once complete, we will have backups hosted in a Perth Datacentre.

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



- Our network is secured via VPN which mitigates the risk associated with staff member using their own laptop/home computer. In the event of lost/stolen private devices, our network cannot be accessed without their username/password. However, we agree in controlling staff devices connecting to our Wi-Fi network. Procedures to be developed and implemented by Dec 2019.

Responsible Officer:
Manager Information Services

Completion Date:
December 2019



5. Accounting for municipal or trust transactions

5.1. Scope and approach

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

5.2. Detailed findings and recommendations

5.2.1. Municipal Bank Reconciliations

Finding Rating: Moderate

At the time of our June 2019 site visit we were advised that there were unresolved reconciling differences within the municipal bank reconciliations prepared subsequent to January 2019. Action was yet to be taken to resolve these items.

Implications / Risks

Risk of material misstatement or omission within accounting records.

Recommendation

We recommend the reconciling differences are investigated and appropriate action taken to resolve.

Management Comment

The bank reconciliations for all the months up to May have all been prepared and completed. However independent reviews of the April bank reconciliation identified the need for further investigation of reconciling items dating back to February leaving January 2019 as the last bank reconciliation without unresolved differences and completed final sign-off. Nevertheless, the bank reconciliations are prepared and reviewed immediately upon the close of each month, with differences investigated on a timely manner. At the date of management response, these differences have all been reconciled and resolved.

Responsible Officer:
Coordinator Financial Services

Completion Date:
July 2019



6. Authorisation for incurring liabilities and making payments

6.1. Scope and approach

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

6.2. Detailed findings and recommendations

6.2.1. Credit Cards

Finding Rating: Moderate

We noted the following in respect to credit card transactions:

- The reviewer of credit card statements currently signs the synergy report (itemising each transaction) and a transaction report from online banking displaying the overall payment as evidence of review rather than signing the 'actual' credit card statement;
- Cardholders do not consistently sign their associated credit card statement, acknowledging expenditure has been incurred in accordance with stated policy; and
- We identified inconsistencies whereby not all cardholders print and attach purchase orders to support expenditure.

Implications / Risks

- Lack of documentation to support credit card expenditure the review process undertaken; and
- Risk that error of fraud may not be detected on a timely basis.

Recommendation

We recommend:

- Independent reviewer signs off on the consolidated credit card statement as well as each individual card's statement;
- Cardholders sign off on their own statement, acknowledging all expenses are compliant with Council policy; and
- A consistent process is followed by all cardholders when attaching supporting documentation for credit card expenditure.

Management Comment

Management acknowledges all other comments above and will implement controls in place to address the findings.

Responsible Officer:
Manager Financial Services

Completion Date:
July 2019

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



6.2.2. Tenders

Finding Rating: Moderate

Our inquiries identified that there is no overarching tender checklist utilised, rather the Shire completes tenders on a case by case basis.

Our detailed review of two tenders also identified that a formal post project review report is not prepared for projects post completion and identified the following instances where tender documentation was incomplete:

Tender 18_03

- Confidentiality declaration identified as not being witnessed, with the evaluation worksheet panel not signed by the relevant employee; and
- Tender summary provided was incomplete at the time of the review.

Tender 18_04

- Tender summary was not provided at the time of the review.

Implications / Risks

- No holistic view of all tenders undertaken by the Shire; and
- Risk the Shire is unable to demonstrate compliance with the Local Government Regulations.

Recommendation

We recommend consideration be given to developing and implementing an overarching tender checklist, to ensure all requirements for each tender process are completed and documentation is retained.

We also recommend all relevant tender documentation is correctly completed, authorised and retained in a single location to ensure available on request.

We further recommend a procedure be documented whereby projects of medium to high risk or those exceeding a predetermined value are required to be subsequently reviewed, with a formal post project review report prepared.

Management Comment

Since the review we have found a tender checklist that was in draft format. This will be used for all future tenders. An electronic tender register is to be created similar to the City of Canning and placed on the Shire's website. It is proposed that this will be used for all tenders commencing 1 July 2019. Tender register for previous years will also be uploaded to the Shire website.

Contract Monitor which is a cloud-based application is to be implemented to assist with contract management post tender being awarded.

Responsible Officer:
Manager Governance

Completion Date:
December 2019 - Ongoing

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



6.2.3. Petty Cash

Finding Rating: Low

Our testing of petty cash identified the following:

- Petty cash purchases exceeding \$100 were identified at the Depot and BRAC;
- The Depot does not utilise petty cash vouchers as documented in the petty cash procedure;
- Instances of purchases being made at Bunnings and Coles where alternative purchasing methods are available (shire account at Bunnings and store cards for Coles); and
- The petty cash balance maintained at the administration office is \$700 and is recouped infrequently, inquiries indicate recoupment may be as infrequent as quarterly.

Implications / Risks

- Non-compliance with the Shire's documented procedures; and
- Risk that fraud or error may not be detected on a timely basis.

Recommendation

We recommend:

- Petty cash purchases for all locations adhere to the established petty cash procedure including purchases do not exceed \$100 and petty cash vouchers are to be utilised;
- Petty cash is not used where alternative purchasing methods are available, e.g. a store accounts or store cards; and
- Consideration be given to reducing the value of petty cash held at the Shire Administration Office as a result of infrequent recoupment.

Management Comment

Management acknowledges the comments made and will implement controls in place to address the findings.

Responsible Officer:
Manager Financial Services

Completion Date:
September 2019



7. Maintenance of payroll, stock control and costing

7.1. Scope and approach

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

7.2. Detailed findings and recommendations

7.2.1. Review of Payroll

Finding Rating: Low

Observation and enquiry with the Manager of Financial Services indicate the payroll review process encompasses several steps which are not fully documented, this includes generating variance analysis reports and other statistical analysis which is completed in excel with no records printed or saved and signed to evidence this process being undertaken consistently. We also noted some inconsistency in the documentation of the review which is evidenced via physical sign off on pay run reports produced from synergy.

Implication

Lack of documentation to support consistent review of payroll.

Recommendation

We recommend all steps which form part of the review of pay run details prior to authorisation are documented and followed consistently. We suggest this process could be more effectively documented by the production of an overall checklist incorporating aspects undertaken by both the payroll department when preparing payroll payments and the Manager of Financial Services when reviewing and approving payroll which requires sign off by both payroll in preparation and the Manager of Financial Services during review.

Management Comment

A payroll review checklist to set out the review procedures carried out by the Manager Financial Services had been implemented from 11 July payday onwards.

Responsible Officer:
Manager Financial Services

Completion Date:
July 2019 – on-going

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



7.2.2. Fuel Usage Analysis
Finding Rating: Low

The Shire is currently not holistically analysing fuel usage by asset for inappropriate use i.e. there is no analysis to review fuel usage on an overall basis for each asset, on a periodic or sample basis. We acknowledge GPS tracking has been implemented and could be utilised to complete such an analysis.

Implications / Risks

Risk of fuel misappropriation.

Recommendation

We recommend the following the Shire investigate an appropriate method to analyse the use of fuel holistically, i.e. create a spreadsheet that combines the fuel purchased on fuel cards and fuel issued from the Depot. This spreadsheet should capture each Shire motor vehicle and detail every transaction in a chronological order. Once established, the fuel usage per asset could be analysed to determine whether the employee is fuelling up several times a day, over the weekend, late at night or if excessive fuel purchased against the expected route the employee is travelling etc.

Management Comment

Management utilises the Plant Costing Report which summarises all costs charged to individual plant items and facilitates review and identification of plant items with unusually high costs. Management will ensure that this report is reviewed and actioned for any notable observations.

Responsible Officer:

Completion Date:

Page 19 of 24



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

8.1. Scope and approach

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

8.2. Detailed findings and recommendations

8.2.1. Non-Compliance with Regulations

Finding Rating: High

We noted the following matters of non compliance:

- As reported in the Shire's Annual Compliance Audit Return:
 - An occasion whereby a contract was awarded from a request for quote however the value of the work subsequently performed exceeded the tender threshold; and
 - On 3 occasions the advertisements for tenders did not include the contact person at the shire.
- The details required relating to the unspent balance of money borrowed in the previous financial year were not included in the annual budget adopted for 2018/19; and
- The details required relating to waivers or concessions were not included in the annual budget adopted for 2018/19.

Implication

- Non-compliance with Regulation 11 and 12 of the Local Government (Function and General) Regulations 1996;
- Non-compliance with Regulation 14(3)(b) of the Local Government (Functions and General) Regulations 1996;
- Non-compliance with Regulation 29(a)(iii) of the Local Government (Financial Management) Regulations 1996; and
- Non-compliance with Regulation 26(c) of the Local Government (Financial Management) Regulations 1996.

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



Recommendation

We recommend:

- The value of all potential contracts be accurately forecast to ensure tenders are completed where required in accordance with Regulation 11 of the the Local Government (Function and General) Regulations 1996 and the Shire's established purchasing policy;
 - The notice for all requests for tenders includes "particulars identifying a person from whom more detailed information as to tendering may be obtained" as required by Regulation 14(3)(b) of the Local Government (Functions and General) Regulations 1996;
 - All information required for borrowings is included in the budget, including the unspent balance of monies borrowed in the previous year, "the year in which the money was borrowed" as required by Regulation 29(a)(iii) of the Local Government (Financial Management) Regulations 1996; and
 - The following details be included in the annual budget in relation to a waiver or concession:
 - A brief description of the waiver or concession;
 - A statement of the circumstances in which it will be granted;
 - Details of the persons or class of persons to whom it is available; and
 - The objects of, and reasons for, the waiver or concession.
- as required by Regulation 26(c) of the Local Government (Financial Management) Regulations 1996

Management Comment

In relation to recommendation 1, significant work is currently underway to identify opportunities to enter contracts & tenders for supplies that have the potential to exceed purchasing thresholds.

In relation to recommendation 2, the Senior Procurement and Risk Officer is now the contact person for all new Tenders.

In relation to recommendation 3, we will ensure that any unspent borrowings in the future will include information on the year in which the money was borrowed.

In relation to recommendation 4, the statutory budget document already provided brief description of the discount provided and circumstances in which it was granted. We will ensure that future budget documents will disclose the details of the persons to whom it is available and, if applicable, the objects and reasons for the discount.

Page 21 of 24

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



8.2.2. Investment Policy

Finding Rating: Low

Our review of the Investment Policy identified that it does not specify a minimum number of quotes to be obtained prior to reinvesting funds with financial institutions.

Implication / Risk

Risk Council may not receive a competitive rate of return on invested funds.

Recommendation

We recommend Council consider whether this requirement be included within the Shire's investment policy.

Management Comment

We have been obtaining quotes from various banks including NAB, CBA, Bankwest and Westpac as a matter of practice. Policy 2.2.3 Investment of Surplus Funds will be updated to formalise this customary practice of obtaining competitive quotes.

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



8.2.3. Risk Management Strategy and Procedures

Finding Rating: Low

We noted the Shire's *Risk Management Strategy and Procedures* makes references to Australia/New Zealand ISO 31000:2009 Risk Management which has been updated and replaced by Australia/New Zealand ISO 31000:2018, with an effective date of January 2019.

Implications/Risks

Risk the Shire's Risk Management policies and procedures are out of date.

Recommendation

We recommend the Shire review and update the *Risk Management Strategy and Procedures* accordingly.

Management Comment

Noted. Framework is currently being updated.

Item 5.1 - 2019 FINANCIAL MANAGEMENT REVIEW



9. Guidance on Risk Assessment

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

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

Our guidance to risk classification in accordance with Risk Management- Principles and Guidelines Standard AS ISO 31000-2018 and are based on the Shire of Broome's Risk Management Framework.

Risk is the probability that an event or action may adversely affect the organisation. Risk is assessed based on the relationship between consequence and likelihood.

- Likelihood is the chance that the event may occur given knowledge of the organisation and its environment.
- Consequence is the severity of the impact that would result if the event were to occur.

The risk rating for each finding was based on the following table which has been extracted from the Shire of Broome's *Risk Management Strategy and Procedures*:

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

Any compliance breaches identified have been communicated within our report.

5.2 1ST QUARTER FINANCE AND COSTING REVIEW 2019-20

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	FRE02
AUTHOR:	Manager Financial Services
CONTRIBUTOR/S:	Nil
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTEREST:	Nil
DATE OF REPORT:	11 November 2019

SUMMARY: The Audit Committee is requested to consider results of the 1st Quarter Finance and Costing Review (FACR) of the Shire's budget for the period ended 30 September 2019, including forecast estimates and budget recommendations to 30 June 2020.

BACKGROUNDPrevious Considerations

OMC 27 June 2019 Item 9.4.2
 OMC 17 October 2019 Item 12.1

Quarter 1 Finance and Costing Review

The Shire of Broome has carried out its 1st Quarter Finance and Costing Review (FACR) for the 2019/20 Financial Year. This Review of the 2019/20 Annual Budget is based on actuals and commitments for the first 3 months of the year from 1 July 2019 to 30 September 2019, and forecasts for the remainder of the financial year.

This process aims to highlight over and under expenditure of funds and over and under achievement of income targets for the benefit of Executive and Responsible Officers to ensure good fiscal management of their projects and programs.

Once this process is completed, a report is compiled identifying budgets requiring amendments to be adopted by Council. Additionally, a summary provides the financial impact of all proposed budget amendments to the Shire of Broome's adopted end-of-year forecast, to assist Council to make an informed decision.

It should be noted that the 2019/20 annual budget was adopted at the Ordinary Meeting of Council on 27 June 2019 as a balanced budget. There have been further amendments adopted by Council as part of the Annual Financial Statements for the use of additional carried forward surplus. The result of all amendments prior to the first quarter FACR is a nil impact upon the Shire of Broome's forecast end of year position.

COMMENT

The Quarter 1 FACR commenced on 30 October 2019. The results from this process indicate a deficit forecast financial position to 30 June 2020 of \$187,167 should Council approve the proposed budget amendments.

Chairperson.....Date.....

Officers make every effort to ensure that the net impact of each FACR is as minimal as possible. However, the net deficit forecasted mainly relates to:

- \$160,000 in additional rates due to the omission of 5 properties from the GRV roll provided by Landgate;
- \$106,000 in additional Chinatown project management costs including shade lighting design, and predicted expenses for ongoing Defects Period and Dispute resolution;
- \$70,000 for improvements to Ranger and Health business systems to increase efficiencies and payment methods;
- \$50,000 for the recruitment of a 6-month ICT Project Officer to progress the backlog of ICT projects due to staff vacancies, and assist with business system improvements;
- \$42,000 decrease in actual Federal Assistance Grants (FAGS) received.

The above figure represents a budget forecast should all expenditure and income occur as expected. It does not represent the actual end-of-year position which can only be determined as part of the normal annual financial processes at the end of the financial year.

A comprehensive list of accounts (refer to Attachment 1) has been included for perusal by the committee and summarised by Directorate.

A summary of the results follows:

SHIRE OF BROOME SUMMARY REPORT						
BUDGET IMPACT						
	2019/20 Adopted Budget (Inc) / Exp	FACR Q1 Overall (Inc) / Exp	FACR Q1 Org. Exp/ (Org Savings) (by Dept)	FACR Q1 Impact (Inc) / Exp (less Org Savings)	YTD Adopted Budget Amend. (Inc) / Exp	YTD Impact (less Org Savings)
Executive	0	82,000	65,000	17,000		17,000
Corporate Services	0	-221,461	-202,461	-19,000		-19,000
Development and Community	0	84,355	15,986	68,369		68,369
Infrastructure	0	162,141	40,893	121,248		121,248
Impact of Council approved budget amendments	0	0	0	0		0
Net impact of Org Savings/Expenditure	0	0	0	0		0
	0,000*	107,035	-80,582	187,617	0,000†	187,617

CONSULTATION

All amendments have been proposed after consultation with Executive and Responsible Officers at the Shire.

STATUTORY ENVIRONMENT

Local Government (Financial Management) Regulation 1996

Chairperson.....Date.....

r33A. Review of Budget

- (1) Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.
- (2A) The review of an annual budget for a financial year must —
 - (a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and
 - (b) consider the local government's financial position as at the date of the review; and
 - (c) review the outcomes for the end of that financial year that are forecast in the budget.
- (2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.
- (3) A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review.
*Absolute majority required.
- (4) Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

Local Government Act 1995

6.8. Expenditure from municipal fund not included in annual budget

- 1) A local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure —
 - (a) is incurred in a financial year before the adoption of the annual budget by the local government;
 - (b) is authorised in advance by resolution*; or
 - (c) is authorised in advance by the mayor or president in an emergency.
- (1a) In subsection (1) —
"additional purpose" means a purpose for which no expenditure estimate is included in the local government's annual budget.

POLICY IMPLICATIONS**2.1.1 Materiality in Financial Reporting**

It should be noted that according to the materiality threshold set in Policy 2.1.1 Materiality in Financial Reporting, should a deficit achieve 1% of Shire's operating revenue (\$422,176) the Shire must formulate an action plan to remedy the over expenditure.

FINANCIAL IMPLICATIONS

The **net result** of the Quarter 1 FACR estimates indicate that there will be a budget deficit position of \$187,617 to 30 June 2020.

RISK

The Finance and Costing Review (FACR) seeks to provide a best estimate of the end-of-year position for the Shire of Broome at 30 June 2019. Contained within the report are recommendations of amendments to budgets which have financial implications on the estimate of the end-of-year position.

Chairperson.....Date.....

The review does not, however, seek to make amendments below the materiality threshold unless strictly necessary. The materiality thresholds are set at \$10,000 for operating budgets and \$20,000 for capital budgets. Should a number of accounts exceed their budget within these thresholds, it poses a risk that the predicted final end-of-year position may be understated.

In order to mitigate this risk, the CEO enacted the FACRs to run quarterly and Executive examine each job and account to ensure compliance. In addition, the monthly report provides variance reporting highlighting any discrepancies against budget.

It should also be noted that should Council decide not to adopt the recommendations, it could lead to some initiatives being delayed or cancelled in order to offset the additional expenditure associated with running the Shire's operations.

STRATEGIC IMPLICATIONS

Our People Goal – Foster a community environment that is accessible, affordable, inclusive, healthy and safe:

Effective communication

Affordable services and initiatives to satisfy community need

Our Prosperity Goal – Create the means to enable local jobs creation and lifestyle affordability for the current and future population:

Affordable and equitable services and infrastructure

Key economic development strategies for the Shire which are aligned to regional outcomes working through recognised planning and development groups/committees

Our Organisation Goal – Continually enhance the Shire's organisational capacity to service the needs of a growing community:

An organisational culture that strives for service excellence

Sustainable and integrated strategic and operational plans

Responsible resource allocation

Improved systems, processes and compliance

VOTING REQUIREMENTS

Absolute Majority

**COMMITTEE RESOLUTION:
(REPORT RECOMMENDATION)**

Moved: Cr D Male

Seconded: Cr C Mitchell

That the Audit and Risk Committee recommends that Council:

Chairperson.....Date.....

1. *Receives the Quarter 1 Finance and Costing Review Report for the period ended 30 September 2019;*
2. *Adopts the operating and capital budget amendment recommendations for the year ended 30 June 2020 as attached;*
3. *Notes a forecast end-of-year position to 30 June 2020 of a \$187,617 deficit position; and*
4. *Approves a budget transfer to the Public Open Space Reserve of \$80,582 to quarantine potential surplus funds at the end of the financial year*

CARRIED UNANIMOUSLY BY ABSOLUTE MAJORITY 3/0

Attachments

1. 2019/20 Q1 FACR Review

Chairperson.....Date.....

Item 5.2 - 1ST QUARTER FINANCE AND COSTING REVIEW 2019-20

SHIRE OF BROOME FINANCE & COSTING REVIEW QUARTER 1 2019-20

30/09/2019									
Account	Job	Description	2019/20 Current Budget	2019/20 YTD Actuals	Proposed Budget Amendment	Proposed Budget	Reserve Movement	Amendment Description	Org. Savings / Expense
OFFICE OF THE CEO									
ADMIN1 - Chief Executive Officer - S Mestrombo									
22124		Contribution to Kimberley Zone Secretariat	65,000	0	-15,000	50,000		\$15K saving from designated project contribution no longer required and reduced member annual contribution for 19/20.	-15,000
					-15,000				
ADMIN2 - Personal Assistant To CEO - L Bertney									
24010		Conferences Travel & Accom Op Exp - Members	42,000	14,330	20,000	62,000		\$20k for recently legislated Council Essentials Training	20,000
					20,000				
CB3 - Manager People and Culture - R Sharland									
142006		Salary - Op Exp - Human Resources	305,031	64,346	-12,000	293,031		Saving to cover relief staff cost	-12,000
142008		Relieving Staff Exp - HR	0	11,053	12,000	12,000		Short term Labour Hire Contract to cover vacancy in team	12,000
142046		Recruitment Expenses - Op Exp - General Admin O'heads	120,000	13,303	-25,000	95,000		Savings identified to date. Noting Exec recruitment being undertaken internally.	
142048		HRM Consultancy - Op Exp	20,000	0	42,000	62,000		\$10k saving identified in external investigations. Additional expense for Outside EBA consultant (\$15K). Workforce planning (\$20K). Staff culture survey (\$17K).	
					17,000				
ES7 - Special Projects Coordinator - J Macmath									
1367303		Other Income Received - Op Inc - Economic Services Special Pr	-60,000	0	60,000	0		No external funding contributions expected.	60,000
					60,000				

OVERALL OFFICE OF THE CEO - DEPT. SAVINGS/EXPENSE

82,000

OFFICE OF THE CEO - ORG. SAVINGS/EXPENSE

66,000

RESERVE MOVEMENT - OFFICE OF THE CEO

0

OFFICE OF THE CEO - NET IMPACT (EXC. ORG.SAVINGS/EXPENSE)

17,000

DEVELOPMENT & COMMUNITY

D61 - Director Development & Community - A Blayt									
106106	106123	Project - LPS & LPS6 - Op Exp - Development Services	0	6,020	6,020	6,020		Final invoice for Hames Sharley building heights review in 18/19 that was only received in 19/20.	
					6,020				
BRAC1 - Manager Sport & Recreation - C Zapnick									
113317		CSRFF & RDAF Grants & Non Operating Other Income for Park	-25,000	0	25,000	0		CSRFF application not successful for Skate Park Design. Proposed to be fully self funded.	
113708		Grant Funded Operational Expense - Rec Serv	20,000	0	-20,000	0		Kidsport now managed/administered centrally by DLGSC.	
113751		Operating Grants & Contributions Rec'd - Recreation Services - C	-30,000	0	20,000	-10,000		Kidsport now managed/administered centrally by DLGSC.	
117081	117082	General Building & Facility Maint - BRAC Dry - Op Exp	64,417	6,746	-44,417	20,000	-44,417	Tennis court fencing project budget created twice (117318). Transferred back to BRAC reserve	
117720		Transfer From BRAC Reserve - Cap Inc - BRAC Aquatic	-44,417	0	44,417	0		Tennis court fencing project budget created twice (117318). Transferred back to BRAC reserve	

Item 5.2 - 1ST QUARTER FINANCE AND COSTING REVIEW 2019-20

117294		Grant Income - Non-Op Inc - BRAC Dry	-2,554,889	-511,850	488,000	-2,066,889	Reduce by \$500k for unsuccessful federal government grant for outdoor courts. Projected variation request for DFES grant of \$12500 for stadium fans.		
117300	117365	Building New Construction Expense - BRAC Dry - Cap Exp	2,579,869	17,320	-500,000	2,079,869	BRAC Multiport Courts - Reduce the budget for the amount expected to be received from Federal Government but no longer to be received.		
117372	117373	Furniture & Equip - New - BRAC Dry	105,959	8,516	25,000	130,959	Projects have commenced. Fans RFQ undertaken. Over budget by \$25k.		
					38,000				
B51 - Manager Planning & Building Services - K Wood									
106030	106055	Planning General Project Consult - Op Exp Town Planning/Reg C	140,000	0	10,000	150,000	RFQ responses received for the local planning scheme review and the Town Beach Erosion Study. Need additional \$10K.		
					10,000				
CM54 - Venue Supervisor - S Bown									
116483		Broome Civic Centre Operational Grants & Contributions - Op Inc	-104,000	0	104,000	0	Unsuccessful Audience Engagement Grants from Lotterywest of \$24k due to level of funding already allocated to other Shire of Broome projects. \$80K Raise the Roof funding was budgeted as grants rather than transfer from reserves. \$80K already received in advance and sitting in restricted cash reserve.		
116473		Transfer From Restricted Cash Reserve - Broome Civic Centre Grants - Cap Inc	0	0	-80,000	-80,000	\$80K of Raised the Roof grants already received in the past years and budgeted as grants rather than transfer from reserve.		
					24,000				
REQ54 - Place Development and Activation Coordinator - J Mikhlik									
82675		Grants For Community Programs - Op Inc - Community Services	-17,000	-10,455	-10,500	-27,500	Incoming grants from Community Crime Prevention Fund for Operation Bounce Back Community Engagement (\$10,000) and Marna Jarndu Women's Refuge as contribution towards Purple Bench (\$500)		
136723		Economic Development Program Expense - Place Making Officer Activation -Op Exp - Other Economic Services MUN	219,850	5,067	10,500	230,350	Additional grants from Community Crime Prevention Fund for Operation Bounce Back Community Engagement (\$10,000) and Marna Jarndu Women's Refuge as contribution towards Purple Bench (\$500)		
1367301		Grants & Contributions Received - Op Inc - Economic Services S	-65,478	0	32,739	-32,739	Duplicated budget when set up as part of the balanced budget and again as a carryover.	32,739	
					32,739				
H51 - Manager Health & Ranger Services - VACANT									
52119	52101	Emergency Management Response Expenses - Op Exp - Emerg	40,000	0	-20,000	20,000	Confirmed reduction of expense upon engagement of contractors for new compliance program.	-20,000	
74010		Salary - Op Exp - Preventive - Inspection/Admin	434,589	84,524	-18,373	416,216	Additional relief staff covered by salary savings, salary and accommodation.		
74011		Relief Staff Expenses - Op Exp - Preventive - Inspection/Admin	0	10,431	18,373	18,373	Additional relief staff covered by salary savings, salary and accommodation.		
75391		Grants and Contributions Rec'd Op Inc - Prev Svcs - Pest Control	0	0	-5,589	-5,589	CLAG funding from DoH that wasn't determined until Aug and therefore not previously budgeted.	-5,589	
					-25,889				
LB1 - Library Coordinator - S Eaton									
115380		Grant Op - State SLWA Library Grant	-9,842	-733	8,836	-806	Regional funding no longer available for Activity Plan. Late decision by SLWA after budget completed for 19/20. Replaced by applying for travel grant for training.	8,836	
115431		Income Library (photocopier mobile and fax services) - Op Inc - L	0	-4,915	-8,651	-8,651	Services not previously expected to generate income. Budget based on 18/19 actuals.		
					-816				
OVERALL DEVELOPMENT & COMMUNITY - DEPT. SAVINGS/EXPENSE					84,365	DEVELOPMENT & COMMUNITY - ORG. SAVINGS/EXPENSE			15,986
RESERVE MOVEMENT - DEVELOPMENT & COMMUNITY						-124,417			
DEVELOPMENT & COMMUNITY - NET IMPACT (EXC. ORG.SAVINGS/EXPENSE)					68,369				

Item 5.2 - 1ST QUARTER FINANCE AND COSTING REVIEW 2019-20

CORPORATE SERVICES										
CS1 - Director Corporate Services - J Watt										
142232		LGIS Insurance Funded Expenses (Inc in 142393) - Op Exp - Corp Gov	204,640	9,163	-74,000	130,640		Actual costing of projects have been confirmed (\$15K BCP; \$15K RelianSys Project Brief; \$30K Risk Framework Reset (consultancy); \$30K Contractor Induction)	-54,000	
142393		LGIS Insurance Bonus & Funding (Exp in 142232) - Op Inc - Corp Gov	-25,000	-33,462	-41,924	-66,924		17/18 LGIS Insurance rebate and dividend	-41,924	
					-115,924					
CS2 - Manager Financial Services - A Santiago										
22200		Audit Fees Op Exp - Other Governance	110,500	-76,875	-35,500	75,000		OAG External Audit - \$65,000 Various Grant Acquittal Audits - \$10,000	-35,500	
30105		Rates Broome - Op Inc - Rates	-22,798,521	-23,135,661	-160,924	-22,959,445		GRV for 5 properties not included on the valuation roll and were subsequently rated additional \$160,924.	-160,924	
30146		Interest - Rates Instalments - Op Inc - Rates	-140,000	-135,556	-10,000	-150,000		2423 ratepayers who signed up for instalment and payment arrangements compared to 2329 of the same period last year.	-10,000	
30301		Grants Commission - Op Inc - Other General Purpose Funding	-955,818	-233,433	89,839	-865,979		WALGOC confirmed FAGS Grant is \$865,979	89,839	
120305		WALGOC Road Grants Unlied Op Grant Rec'd	-366,107	-86,338	-16,998	-383,105		WALGOC confirmed FAGS Road Grants Grant is \$383,105	-16,998	
121761		Aboriginal Roads Non Op Grant from MRWA - Op Inc - Rd Const	-18,000	-4,800	-30,000	-48,000		WALGOC confirmed FAGS Special Projects Grant is \$30,000	-30,000	
142394		Legal Employee Leave & Other No GST Reimb from Others Op Inc - Corp Gov	0	-16,883	-17,000	-17,000	-17,000	LSL entitlement paid by other shires and to be transferred to reserve.		
141997		Transfer to Leave Reserve - Cap Exp - Corp Gov & Support	38,700	238	17,000	55,700	17,000	RO: BA - Coordinator Financial Services - Y WANG ~ LSL Entitlements transfer from Shire of Toodyay \$9476.88 *Former staff LSL Entitlement transfer from City of Swan \$7136.22	17,000	
					-163,683					
CS4 - Manager Governance - D Kennedy										
23453		Review of Strategies Relating to the Community Strategic Plan - Op Exp - Other Gov	25,000	0	-25,000	0		Phase 2 of SCP included twice under DCS and MG	-25,000	
					-25,000					
CS6 - Manager Information Technology - C Coulson										
146105		Salary - Op Exp - IT MUN	329,980	103,660	30,000	359,980		6 month ICT Project Officer to assist with SynergySoft improvements and backlog of ICT project work behind due to staff vacancies		
146106		Salary - Op Exp - Records MUN	250,190	75,741	-12,000	262,190		Salary savings to offset ICT Project Officer		
146120		Equip & H/Ware > \$5000 Cap Exp - IT	222,954	0	-4,954	218,000		18/19 Safety Grant funds for CCTV received in 19/20. Project fully expended.	-4,954	
146122		Software > \$5,000 Cap Exp - IT MUN	161,000	51,155	70,000	231,000		Altus Infringement and Inspection System to improve operational efficiencies of Ranger, Health and Building teams.	70,000	
					83,046					
OVERALL CORPORATE SERVICES - DEPT. SAVINGS/EXPENSE					-221,481		CORPORATE SERVICES - ORG. SAVINGS/EXPENSE			-202,461
RESERVE MOVEMENT - CORPORATE SERVICES					0					
CORPORATE SERVICES - NET IMPACT (EXC. ORG. SAVINGS/EXPENSE)					-19,000					
INFRASTRUCTURE SERVICES										
IS1 - Director Infrastructure - A Graffen										

Item 5.2 - 1ST QUARTER FINANCE AND COSTING REVIEW 2019-20

121762		State Direct MRWA/RRG Rd Maint Op Grant Rec'd	-198,000	0	-21,242	-219,242		Income was invoiced \$219,242. MRWA/RRG Additional Funding
143038		Consultants Engineering Office	175,000	79,164	15,000	190,000		Future expenses to finalise settlement of CRP
143049		Relief Staff Exp - P&G - Gen Admin	108,000	0		108,000		
143055		Relieving Staff Exp - Works - Gen Admin	43,200	0		43,200		
143621		Vehicle & Plant New - Cap Exp - P&G Operations	60,000	0	-13,000	47,000	-13,000	Actual purchase occurred in October and resulted in savings. Request for saving to be allocated to purchase of New Commercial Scrubber for Cleaning of exposed aggregate in Chinatown and Town Beach.
1367402		Chinatown Revitalisation Project Management - Cap Exp - Economic Services Special Projects	0	357	106,000	106,000		\$42K B3 Consulting, \$40K ACOR, \$7K Shade Lighting Design, \$7K RLB, ACOR predicted expense for ongoing Defects Period and Dispute resolution \$10K
1367504		Grants & Contr. Received Non Op - Cap Inc - Economic Services Special Projects	0	-23,321	-23,321	-23,321		Additional interest received from Chinatown Grant Funding deposited with WATC as the close-out did not occur until 8 August. - transfer to Infra to offset CI costs
123000		Rural Road Maintenance - Op Exp - Rd Maint	1,993,476	386,024	-485,880	1,507,596		Transfer of labour, plant and overhead budgets originally budgeted for Cape Leveque Road to Youth Bike Precinct, Carparks and Cemeteries
118142	YBRA001	Youth Bike Recreation Area - New Construction - Cap Exp	507,360	82,135	140,320	647,680		Transfer of labour, plant and overhead budgets originally budgeted for Cape Leveque Road to Youth Bike Precinct
121990		Carparks Road Reserves-Linemarking Maint & Signs - Op Exp - Mtce Streets Roads Bridges	45,777	4,148	78,040	123,817		Transfer of labour, plant and overhead budgets originally budgeted for Cape Leveque Road to Carparks
107550	107556	Broome Cemetery New Infrastructure Cap Exp	27,514	2,070	66,880	94,394		Transfer of labour, plant and overhead budgets originally budgeted for Cape Leveque Road to Broome Cemeteries
113550	113560	Cemetery Reserve New Infra Const - Cap Exp - Parks & Ovals	76,200	0	200,640	276,840		Transfer of labour, plant and overhead budgets originally budgeted for Cape Leveque Road to Broome Cemeteries
					63,437			
E83 - Manager Works - J Walehman								
143601		Proceeds from Sale of Assets - Cap Inc - Parks & Gardens Operations	-143,727	-6,000	13,000	-130,727		Old plant items to be utilised by the new positions rather than purchasing new vehicle and trailer.
					13,000			
E85 - Works Coordinator - D Greeves								
102202	102202	Drainage - Works Maint	142,830	16,549	10,000	152,830		Kestral outfall repair.
121000	121560	McDaniel Rd - Archer to Ward Stage 1 New Rd Const - Cap Exp	0	54,630	1,000,000	1,000,000		Budget reallocation. Transfer from 121108. Waiting for the confirmation of additional R2R \$327K
121100	121108	McDaniel Rd Upgrade Const - HIA All Streets	1,097,100	0	-1,000,000	97,100		Budget reallocation. Transfer to 121560. Waiting for the confirmation of additional R2R \$327K
121217	121217	Urban Street House Number - Works Maint	30,467	1,065	5,000	35,467		Finish Street House numbering in 19/20 financial year.
122000	121011	Sector 1 Chinatown - Works Maint	152,350	95,732	26,000	178,350		Additional cost of \$5K for cleaning, \$2K oiling, \$10K resal exposed, \$9K concrete crusher dust labour will double
					41,000			
E86 - Senior Project Engineer - Luke McKenzie								
113403		Grants - Non Op - Cap Inc - Other Rec & Sport	-3,216,243	-145,800	-1,214,678	-4,430,921		Additional grant \$1,214,678 for Lotterywest TB Stage 2 on expense account 111814070*
1181407		Town Beach Redevelopment - Greenspace Stage 2 - Cap Exp	0	0	1,214,678	1,214,678		Additional grant \$1,214,678 for Lotterywest TB Stage 2 on expense account 111814070*
					0			
E88 - Waste Coordinator - T Parkinson								
101030	101050	Weighbridge Operations - Op Exp - San Gen Refuse	146,812	96,475	10,000	156,812		Electrical, cameras computer, voice box and timing of licence expenses
101080	101081	WMF - Reactive Maint - Op Exp	4,000	2,430	5,000	9,000		Various minor repairs, lunchroom, air conditioner etc
101285		Minor Assets, Equipment & Consumables - Op Exps - Sanitation Gen Refuse	5,000	2,664	5,000	10,000		Various minor consumables, water, stationary
101423		Sundry Income (Inc. GST) - Op Inc - Sanitation Gen Refuse	-15,000	-92,902	-160,000	-175,000		Forecast additional income from Sanitation from steel recycling.
101080	101082	WMF - Planned Maint & Minor Works - Op Exp	3,500	418	25,000	28,500		RO: PM2 - Asset and Building Coordinator - S Clark various minor repairs, lunchroom, air conditioner etc
101895		Transfer to Regional Resource Recovery Park Reserve - Cap Exp - Reg Res Rec Pk	346,466	3,220	115,000	461,466	115,000	lunchroom refurbish, income from steel crushing - Waste Reserve Transfer to resulting surplus to RRRP reserve

Item 5.2 - 1ST QUARTER FINANCE AND COSTING REVIEW 2019-20

					0				
ES9 - Manager Engineering - P Collins									
121763		Black Spot Non Op Grant (Commonwealth/Federal)	-860,754	-344,301	-10,189	-870,943		First 40% Claim for Herbert/Saville & Gus Winkle/Old Broome Rd. Additional Grants Income	
					-10,189				
PG3 - Parks Coordinator - C Hankinson									
105054	105054	Coastal Management Protect Environment- P&G Maint	38,668	1,034	20,000	58,668		Cable Beach Lookout and stairs repair	
107552	107561	Broome Cemetery Renewal by P & G - Cap Exp	0	3,432	5,000	5,000		Delayed invoices for variations to the 18/19 Fencing Upgrades	
113000	113041	Cable Beach Road - P&G Maint	13,182	4,960	8,000	21,182		Additional cost of pruning and thinning mahogany trees.	
113000	113030	Frederick Street Lookout (R39556)- P&G Maint	7,440	14,293	5,000	12,440		Budgeted to be outsourced, RFQ to be written. Cultural Monitors for construction works in 2018/19	
					38,000				
PM3 - Property and Leasing Senior Officer - A Rowett									
117210	117213	Father McMahon Oval Lighting - Reactive Maint - Op Exp	1,300	40,893	40,893	42,193		Reactive maintenance due to wire damaged by birds.	40,893
134212		Cable Beach Camel Tours (Res 52985) - Rent & Recoup Income - Op Inc	-24,000	-16,000	-24,000	-48,000		Income increased with rent and recoup from both camel leases now going into this account	
					16,893				

OVERALL INFRASTRUCTURE SERVICES - DEPT. SAVINGS/EXPENSE	162,141	INFRASTRUCTURE - ORG. SAVINGS/EXPENSE	40,893
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RESERVE MOVEMENT - INFRASTRUCTURE	102,000
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INFRASTRUCTURE SERVICES - NET IMPACT (EXC. ORG.SAVINGS/EXPENSE)	121,248
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5.3 RISK MANAGEMENT BIENNIAL UPDATE REPORT

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	COA01
AUTHOR:	Manager Governance, Strategy and Risk
CONTRIBUTOR/S:	Nil
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTEREST:	Nil
DATE OF REPORT:	4 November 2019

SUMMARY:

The Shire of Broome Risk Profiles Register incorporates a list of risk categories currently used to report to the Audit and Risk Committee (ARC) on the Shire's risk management framework.

This report provides an update on;

- risk improvement initiatives over the last 6 months;
- research into a new risk management framework approach; and
- a high-level outline of steps required to implement the new risk management framework approach.

BACKGROUND

Audit Regulation 17 came into effect in 2013.

It requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- (a) risk management;
- (b) internal control; and
- (c) legislative compliance.

The Risk Profiles Register developed by Local Government Insurance Services (LGIS) were designed to allow local governments to be compliant with Audit Reg 17.

However, the long-term appropriateness of this tool has recently been questioned as the use of risk profiles creates a siloed approach to risk management that has the potential to cause:

- risk events to not be identified or managed;
- significant duplication;
- significant control gaps and lack of assurance.

Put another way, the risk profiles demonstrate that the Shire is doing risk management rather than managing risk.

COMMENT**Biannual Report on Risk Improvement initiatives**

The following activities have been undertaken over the period May 2019 – October 2019.

Risk Action	Status
Insurance Strategy or Policy to be developed	<p>LGIS have been engaged to complete a comprehensive Insurance Risk Profiling exercise. The field work has been completed with the full report and recommendations expected by the end of November.</p> <p>This will inform the 2020/21 insurance renewal process as well as documenting the Shire's current insurance status, listing known uninsurable infrastructure/events and commencing the discussion on the Shire's appetite for self insurance in certain areas such as excesses applied to policies and workers compensation.</p>
Workforce Plan	Consultant has commenced update with full report expected by February 2020.
Risk Management Training	Manager of Governance, Strategy and Risk completing Advanced Diploma of Governance, Risk and Compliance.
Business Continuity Plan	<p>Desktop review completed and LGIS engaged to undertake full review including training workshops and exercises with relevant staff in December.</p> <p>Cloud backup implemented with full backup now hosted in Data Centre in Perth.</p>
ICT Security	Access Policy developed and implemented including password policy and access authorisation process.
Statement of Business Ethics	Adopted by Council at the August 2019 Ordinary Meeting of Council.
Contract Management Training	<p>LGIS have conducted a Contract Risk Management workshop for 12 staff heavily involved in contract management and procurement.</p> <p>WALGA will be completing 3 days of contract management training for approximately 20 people at the end of November covering:</p> <ul style="list-style-type: none"> • Planning & Specification Development • Evaluation, Supplier Selection & Contract Establishment; and • Managing Contracts in Local Government.
RelianSys – Compliance Software	FACR1 has a recommendation to implement RelianSys which is a specialised software package to provide greater legislative compliance assurance. This is a focus area of the OAG.

New Risk Management Framework Approach

The Shire's existing Risk Management Policy, Strategy and Procedures are due for review.

Research and a referral from the City of Bunbury have led to an investigation of a risk management framework approach developed by a Risk Management expert based in Canberra. The approach is rapidly gaining popularity and being implemented by federal, state and local government agencies on the east coast.

This growth is being driven out of frustration that traditional approaches to risk management have led to questionable improvements in risk management practices and have not provided the control assurance nor prioritisation of effort that AS/NZS/ISO 31000 Risk Management – Principles and Guidelines aims to deliver.

Risk Events

The majority of risk registers and risk profile registers detail a substantial amount of causes and consequences. However, the focus should be on defining the much smaller number of events/incidents that, if they occur will have a material impact on the Shire's objectives.

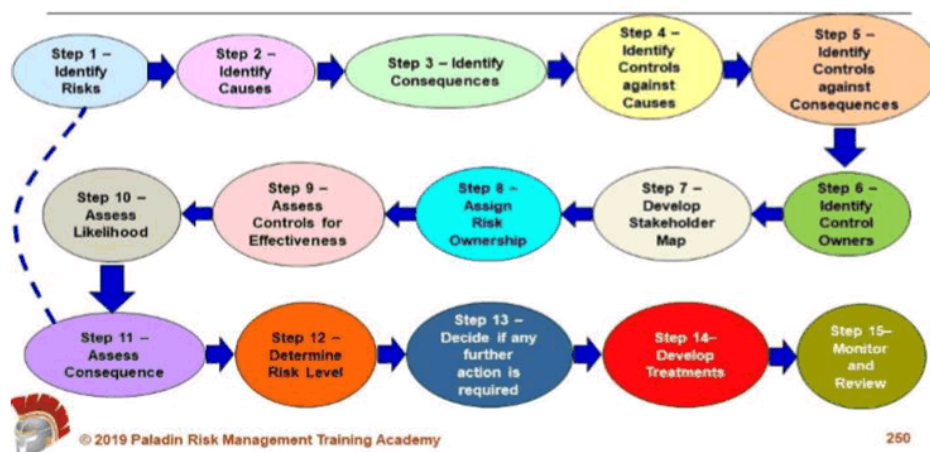
Local governments on a whole have the same core risks with some variability due to different service delivery. Why is it then that local governments have all developed different risk registers with different risk contexts?

The Canberra consultant is currently developing a series of common risk libraries for various industries. The Shire of Broome has been asked to participate in the consultation process to develop the common risk library for local government. It is envisaged that this will lead to a risk library of 30 – 40 initial events/incidents that local governments will focus on.

Example risk events might include:

- disruption to the collection of rubbish,
- explosion at bulk fuel storage facility at depot
- member of staff or elected member accepting benefits for approval of works.

The Risk Management Process will then be applied to the Risks as follows:



As the risk management process is applied it will enable the Shire to prioritise its focus and scarce resources to those risk events with the highest probable consequence and consciously accept those risks that do not need any further controls or treatments to comply with Council's approved risk appetite.

Strategic vs Operational Risks

The below diagram defines in simple terms the difference between Strategic vs Operational risks

The new risk management framework will look to create separate risk registers for Strategic and Operational Risks as they require a different management approach. Typically, strategic risks would be managed by the Council whereas operational risks are managed by the CEO and reported to the Council as required.

In essence, strategic risks are events beyond the control of the Shire however require strategies to mitigate should an event occur.

Strategic vs Operational Risks

Strategic Risks

Risks where the causes are external to the organisation that, if they were to occur, would be serious enough that a change in *strategic direction* may be required. Managed by the Board.

Operational Risks

Risks where the causes are internal or external to the organisation that, if they were to occur, would impact the achievement of the *current strategy*. Managed within the business but reported to the Board

Strategic Risks = Threats (SWOT Analysis)

To transition the Shire's Risk Management Framework the focus areas over the next 6 – 12 months will be on:

Updating current documentation.

This will involve revising the current Risk Management Policy, developing a Risk Management Plan and updating Risk Management Procedures.

Integral to updating the Risk Management Procedures will be getting Council to review its risk appetite. The current risk appetite was defined through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria with the help of LGIS in 2016.

Currently the Shire has 7 consequence or impact categories that risk assessments are assessed against:

- Health
- Financial Impact
- Service Interruption
- Compliance
- Reputational
- Property
- Environment.

In reality, service interruption, property and environmental are risks events Therefore it is envisaged that impact categories can be simplified to four categories below. This will improve the efficiency and understandability of the Risk Assessment Process:

- Financial impact
- Health/Safety impact
- Reputational impact
- Compliance impact.

Risk Register Development

A Consultant will be engaged to assist with the initial creation of the Strategic and Operational Risk Registers. This will involve workshops and training with both elected members, the executive and managers. At an operational level, each risk will be assigned to a member of the Executive Management Group and accountability for controls will predominately fall to managers and supervisors who will form the Shires Risk Tactical Advisory Group (R-TAG)

This approach will assist to embed risk management into the Shire's normal business processes as risk management should not be seen as a separate function or a compliance activity. Risks are already being managed on a daily basis and therefore should be part of business as usual as depicted below:



Ultimately, the primary benefit to be obtained from risk management is to facilitate the making of risk informed decisions.

CONSULTATION

The existing R-TAG have discussed the need to reset the risk management context within the R-TAG, so that focus is applied to control effectiveness and assurance for identified high risk events.

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996 16.

Audit committee, functions of

An audit committee —

- (c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
 - (i) report to the council the results of that review; and (ii) give a copy of the CEO's report to the council.

17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
- (3) The CEO is to report to the audit committee the results of that review.

POLICY IMPLICATIONS

- 2.1.1 Legislative Compliance
- 2.1.4 Risk Management
- 2.2.1 Internal Control

FINANCIAL IMPLICATIONS

The Shire has funds budgeted in 2019/20 to redevelop the organisational risk framework.

STRATEGIC IMPLICATIONS

Our Organisation Goal – Continually enhance the Shire's organisational capacity to service the needs of a growing community:

Outcome 4.4.3 Ensure all governance and compliance tasks are adhered to.

VOTING REQUIREMENTS

Simple Majority

COMMITTEE RESOLUTION:
(REPORT RECOMMENDATION)

Moved: Cr C Mitchell

Seconded: Cr B Rudeforth

That the Audit and Risk Committee recommends that Council receive the Risk Management Biannual Update Report.

CARRIED UNANIMOUSLY 3/0

Attachments

There are no attachments for this report.

6. MATTERS BEHIND CLOSED DOORS

Nil

7. MEETING CLOSURE

There being no further business the Chairman declared the meeting closed at 5:45pm.

These minutes were confirmed at a meeting held (DD Month Year),
and signed below by the Presiding Person, at the meeting these minutes were confirmed.

Signed: