



AGENDA

FOR THE

AUDIT AND RISK COMMITTEE MEETING

17 FEBRUARY 2022

Please Note that this meeting was originally scheduled to occur on 15 February 2022, however was rescheduled to 17 February 2022 after the Agenda was first published.

NOTICE OF MEETING

Dear Council Member,

The next Audit and Risk Committee of Council will be held on Thursday, 17 February 2022 in the Council Chambers, Corner Weld and Haas Streets, Broome, commencing at 12:00PM.

Regards,



S MASTROLEMBO
Chief Executive Officer

11/02/2022

Our Mission

"To deliver affordable and quality Local Government services."

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.

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SHIRE OF BROOME
AUDIT AND RISK COMMITTEE MEETING
THURSDAY 17 FEBRUARY 2022
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1. OFFICIAL OPENING**2. ATTENDANCE AND APOLOGIES****3. DECLARATIONS OF FINANCIAL INTEREST / IMPARTIALITY****4. CONFIRMATION OF MINUTES****RECOMMENDATION:**

That the Minutes of the Audit and Risk Committee held on 13 December 2021, as published and circulated, be confirmed as a true and accurate record of that meeting.

5. REPORT OF OFFICERS**5.1 COMPLIANCE AUDIT RETURN 2021**

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	LCR02
AUTHOR:	Senior Governance & Administration Officer
CONTRIBUTOR/S:	Manager Governance, Strategy & Risk
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTEREST:	Nil

SUMMARY:

The purpose of this report is to present to the Audit and Risk Committee (ARC) the 2021 Compliance Audit Return (CAR) for review, and to request that the ARC recommend that Council adopt the 2021 CAR for submission to the Department of Local Government, Sport and Cultural Industries (DLGSC) by 31 March 2022.

BACKGROUND*Previous Considerations*

Local governments are required to complete a compliance audit for the previous calendar year by the 31 March. The DLGSC provides the questions each year with the compliance audit being an in-house self audit that is undertaken by the appropriate responsible officer.

In accordance with Regulation 14 of the *Local Government (Audit) Regulations 1996* the ARC is to review the CAR and is to report to Council the results of that review. The CAR is to be:

1. presented to an Ordinary Meeting of Council
2. adopted by Council; and
3. recorded in the minutes of the meeting at which it is adopted.

Following the adoption by Council of the CAR, a certified copy of the return, along with the relevant section of the minutes and any additional information detailing the contents of the return are to be submitted to the DLGSC by 31 March 2022.

The return requires the Shire President and the Chief Executive Officer to certify that the statutory obligations of the Shire of Broome have been complied with.

COMMENT

The DLGSC continues to focus on high risk areas of compliance and statutory reporting as prescribed in Regulation 13 of the *Local Government (Audit) Regulations 1996*.

The CAR for the period 1 January to 31 December 2021 comprises a total of 98 questions, down from 102 questions the previous year. Whilst the number of questions is similar, the DLGSC has combined questions of a similar nature. New questions have appeared for the first time to reflect the legislative changes that are occurring, and this trend is expected to continue.

The key focus areas covered in the CAR are as follows:

Focus Area	2020 Q's	2021 Q's	Comments
Commercial Enterprises by Local Governments	5	5	No change.
Delegation of Power/Duty	13	13	No change.
Disclosure of Interest	21	25	Several questions only applicable up until 2 Feb 2021 prior to mandatory code of conduct for council members, committee members and candidates being implemented. New questions relating to the provisions of the adopted code of conduct for council members, committee members and candidates and separate code of conduct for employees.
Disposal of Property	2	2	No change.
Elections	3	3	No change.
Finance	11	7	Questions relating to the appointment of the auditor removed as Office of the Auditor General has taken on this role. Question relating to Audit Reg 7 – Agreements with auditors removed. Amalgamation of questions relating to significant audit matters, s7.12A(4)(a) & (4)(b) into one question.
Integrated Planning and Reporting	7	3	No change.
Local Government Employees	5	6	No change.
Official Conduct	4	3	Amalgamation of questions relating to the complaints register into one question.
Optional Questions	10	9	Amalgamation of questions relating to gift disclosures into one question., Amalgamation of questions relating to the attendance of elected members and the CEO at events policy into one question. New question relating to adopting the budget.
Tenders for Providing Goods and Services	24	22	Amalgamation of questions relating to purchases for \$250,000 or less into one question.

			Amalgamation of questions relating to expression of interests F&G Reg 23(3) & (4) into one question.
Total	102	98	

During 2021, responsible officers monitored compliance in each of the focus areas through the Shire's cloud-based compliance system, RelianSys. This has continued to increase the awareness of compliance obligations and allowed the capture of compliance evidence in one central repository throughout the year. This compliance system reduces the risk of noncompliance and streamlines compilation of the annual return.

A compliance rating of 98% has been achieved for 2021 with 2 minor non compliances identified as follows:

Focus Area	Question	Comments
Disclosure of Interest	(25) – Did the CEO prepare, and implement and publish an up-to-date version on the local government's website, a code of conduct to be observed by employees of the local government?	Code of Conduct for Employees was approved by the CEO on 17 September 2021 however not placed on the Shire website until 9 February 2022.
Local Government Employees	(2) - Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	<p>There were 2 senior employee vacancies filled during 2021. These were extensively advertised on the Shire's website, Facebook page, as well as Seek and LG Assist.</p> <p>Under Admin Regulation 18A, CEO or senior employee vacancies require Statewide public notice.</p> <p>One of the requirements for Statewide public notice is publication in a newspaper circulating generally in the State (The West Australian), that was not completed for these appointments.</p>

The CAR result continues the Shire's strong history of compliance with the requirements of the *Local Government Act (1995)*, with minimal non compliances reported over the last 5 years and none of a significant risk nature.

It is important to emphasise that the CAR is limited in scope.

Local Governments are also required to comply with upwards of 200 other pieces of legislation. The use of the RelianSys Compliance system during 2021 provided the ability to continually improve the monitoring and assurance of other significant pieces of legislation on a prioritised basis.

CONSULTATION

Department of Local Government, Sport and Cultural Industries

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996

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.

15. Compliance audit return, certified copy of etc. to be given to Departmental CEO

- (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 Departmental CEO by 31 March next following the period to which the return relates.

POLICY IMPLICATIONS

Nil.

FINANCIAL IMPLICATIONS

Nil.

RISK

There is a reputational risk with the DLGSC should the CAR not be completed on time or if significant non compliances are reported.

The likelihood of this occurring is rare.

STRATEGIC ASPIRATIONS

Performance – We will deliver excellent governance, service and value, for everyone.

Outcome Eleven – Effective leadership, advocacy and governance:

11.2 Deliver best practice governance and risk management.

VOTING REQUIREMENTS

Simple Majority

REPORT RECOMMENDATION:

That the Audit and Risk Committee recommends that Council:

- 1. Adopt the attached 2021 Compliance Audit Return as the official return for the Shire of Broome; and*
- 2. Requests the Chief Executive Officer to submit the certified return and a copy of the minutes relative to this report to the Department of Local Government, Sport and Cultural Industries prior to 31 March 2022.*

Attachments

1. Compliance Audit Return 2021

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

Broome - Compliance Audit Return 2021

Certified Copy of Return

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

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2021?	N/A	No major land or trading undertakings considered during 2021. SAGO on behalf of MGSR.	Kristen Cookson
2	s3.59(2)(b) F&G Regs 7,8A, 8, 10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2021?	N/A	No major land or trading undertakings considered during 2021. SAGO on behalf of MGSR.	Kristen Cookson
3	s3.59(2)(c) F&G Regs 7,8A, 8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2021?	N/A	No major land or trading undertakings considered during 2021. SAGO on behalf of MGSR.	Kristen Cookson
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2021?	N/A	No major land or trading undertakings considered during 2021. SAGO on behalf of MGSR.	Kristen Cookson
5	s3.59(5)	During 2021, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A	No major land or trading undertakings considered during 2021. SAGO on behalf of MGSR.	Kristen Cookson

Delegation of Power/Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16	Were all delegations to committees resolved by absolute majority?	Yes	New Behavioural Complaints Committee established. Provided with delegated authority by Absolute Majority. No other committees of Council have authority. SAGO on behalf of MGSR.	Kristen Cookson
2	s5.16	Were all delegations to committees in writing?	Yes	Provided at OMC 29 July 2021. SAGO on behalf of MGSR.	Kristen Cookson

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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No	Reference	Question	Response	Comments	Respondent
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	Yes	Behavioural Complaints Committee was given delegated authority under Clause 12 and 13 of the Code of Conduct to Deal with and / or dismiss a complaint. SAGO on behalf of MGSR.	Kristen Cookson
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes	Behavioural Complaints Committee delegated authority added to delegations register. SAGO on behalf of MGSR.	Kristen Cookson
5	s5.18	Has council reviewed delegations to its committees in the 2020/2021 financial year?	Yes	Delegations review for 2020/21 was approved by Council at March 2021 OMC. SAGO on behalf of MGSR.	Kristen Cookson
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes	Completed a detailed delegations review during 20/21 and adopted the WALGA Delegations Template Register at the March OMC. No delegations in breach of s5.43 of LGA or s214 of Planning and Development Act 2005 provided. SAGO on behalf of MGSR.	Kristen Cookson
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes	Annual Delegation Review was presented to Council at the 25 March 2021 OMC and resolved by Absolute Majority. SAGO on behalf of MGSR.	Kristen Cookson
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes	New delegation register in the format provided by WALGA adopted at the March 2021 OMC. SAGO on behalf of MGSR.	Kristen Cookson
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes	Sub delegations approved by CEO and adopted by Council at March OMC 2021. Delegation register now in Attain system for future maintenance and electronic delivery to each officer with delegation. SAGO on behalf of MGSR.	Kristen Cookson

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
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No	Reference	Question	Response	Comments	Respondent
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	Yes	Item 9.4.3 - Annual Review of Delegations of Authority Register 25 March 2021 adopted by Absolute Majority. SAGO on behalf of MGSR.	Kristen Cookson
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes	Delegation register converted to WALGA format and has now been entered into the Attain system for ongoing maintenance. SAGO on behalf of MGSR.	Kristen Cookson
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2020/2021 financial year?	Yes	Council reviewed and approved delegation register at the March 2021 OMC. SAGO on behalf of MGSR.	Kristen Cookson
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	Yes	As far as can be ascertained. All delegations require delegate and sub-delegates to maintain appropriate records in the Shire's Records Management System. SAGO on behalf of MGSR.	Kristen Cookson

Disclosure of Interest

No	Reference	Question	Response	Comments	Respondent
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes	Participation approval was obtained for Councillor Taylor on several occasions and Cr Matsumoto on one occasion. All other times members left the chamber. Recorded in the minutes accordingly. SAGO on behalf of MGSR.	Kristen Cookson
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	Yes	Participation approval obtained for Cr Peter Taylor and Cr Philip Matsumoto Item 9.2.3 27/5/2021 OMC, Cr Peter Taylor Item 9.3.2 and reduced quorum for item 9.1.1. Cr Peter Taylor Item 9.2.1 29/4/2021 OMC. Recorded in the minutes accordingly.	Kristen Cookson
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	Yes	All interest disclosures recorded in minutes and Synergy.	Kristen Cookson

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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No	Reference	Question	Response	Comments	Respondent
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes	Primary Returns recorded in Attain system.	Kristen Cookson
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2021?	Yes	All annual returns recorded in Attain system.	Kristen Cookson
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes	Managed in the Attain system.	Kristen Cookson
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76?	Yes	Managed in the Attain system.	Kristen Cookson
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A, in the form prescribed in Admin Reg 28?	Yes	Recorded to File GOC02 in Synergy.	Kristen Cookson
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?	Yes	Managed in Attain system, removed from File GOC02 to GOC02.3 for retention of 5 years.	Kristen Cookson
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes	Managed in Attain.	Kristen Cookson
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B, in the form prescribed in Admin Reg 28A?	Yes	Recorded in Synergy and available on Shire website. Only one gift declared.	Kristen Cookson
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes	Available for public viewing on website.	Kristen Cookson
13	s5.89A(6)	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	N/A	No gifts were disclosed for any people ceasing to be a person required to disclose.	Kristen Cookson
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A (6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	N/A	No records required to be removed.	Kristen Cookson
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?* *Question not applicable after 2 Feb 2021	Yes	As far as can be ascertained. All impartiality interest declarations received recorded in minutes accordingly. SAGO on behalf of MGSR.	Kristen Cookson

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
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No	Reference	Question	Response	Comments	Respondent
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11(2) was the nature of the interest recorded in the minutes?*	Yes	All interest declarations received recorded in minutes accordingly.	Kristen Cookson
		*Question not applicable after 2 Feb 2021			
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes	Yes. Only employee declaration was from CEO in relation to his annual performance appraisal at the 29/7/21 Ordinary Meeting of Council. SAGO on behalf of MGSR.	Kristen Cookson
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A	Not applicable. No gifts received SAGO on behalf of MGSR.	Kristen Cookson
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	N/A	Not applicable. No gifts received. SAGO on behalf of MGSR.	Kristen Cookson
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?*	Yes	Previous Code of Conduct applying to Council Members, Committee Members and employees was adopted by Council on 26 April 2018. Still applies to Employees. New Code of Conduct for Council Members, Committee Members and Candidates adopted by Council on 29 April 2021 resolution C/0421/009. SAGO on behalf of MGSR.	Kristen Cookson
		*Question not applicable after 2 Feb 2021			
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?*	N/A	No gifts disclosed during the reporting period.	Kristen Cookson
		*Question not applicable after 2 Feb 2021			
22	s5.104(1)	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates within 3 months of the prescribed model code of conduct coming into operation (3 February 2021)?	Yes	Adopted OMC 29 April 2021. Resolution C/0421/009. SAGO on behalf of MGSR.	Kristen Cookson

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
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No	Reference	Question	Response	Comments	Respondent
23	s5.104(3) & (4)	Did the local government adopt additional requirements in addition to the model code of conduct? If yes, does it comply with section 5.104(3) and (4)?	N/A	The Mandatory Code of Conduct as legislated was adopted without any additional requirements. SAGO on behalf of MGSR.	Kristen Cookson
24	s5.104(7)	Did the CEO publish an up-to-date version of the adopted code of conduct on the local government's website?	Yes	Published to Shire Website on 3 May 2021 following adoption at the April Ordinary Meeting of Council.	Kristen Cookson
25	s5.51A(1) & (3)	Did the CEO prepare, and implement and publish an up-to-date version on the local government's website, a code of conduct to be observed by employees of the local government?	No	Code of Conduct for Employees was approved by CEO on 17 Sept 2021 however not placed onto the Shire website until 9 February 2022. SAGO on behalf of Manager People and Culture.	Kristen Cookson

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) (unless section 3.58(5) applies)?	Yes	SAGO on behalf of Property and Leasing Senior Officer.	Kristen Cookson
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	Yes	SAGO on behalf of Property and Leasing Senior Officer.	Kristen Cookson

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
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Elections					
No	Reference	Question	Response	Comments	Respondent
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	Yes	Yes. Gifts were recorded in Synergy and then those declarations for unsuccessful candidates removed post the election. SAGO on behalf of MGSR.	Kristen Cookson
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	Yes	Gifts declared by candidates Smith, Lee and Carpenter were removed from online register and reassigned in Synergy to separate file for disposal in two years. SAGO on behalf of MGSR.	Kristen Cookson
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	Yes	Post election online gift register was updated to remove gifts declared by unsuccessful candidates. SAGO on behalf of MGSR.	Kristen Cookson

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
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and Cultural Industries**

Finance					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes	New Audit Committee members appointed following October 2021 election at SMC held 28/10/21. SAGO on behalf of MFS.	Kristen Cookson
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	N/A	No delegated authority. SAGO on behalf of MFS.	Kristen Cookson
3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2021 received by the local government by 31 December 2021?	Yes	Audit report dated 03/12/2021 Received by Council at OMC 16 Dec 2021. SAGO on behalf of MFS.	Kristen Cookson
4	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	Yes	Audit report dated 03/12/2021 Received by Council at OMC 16/12/2021. SAGO on behalf of MFS.	Kristen Cookson
5	s7.12A(4)(a) & (4)(b)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A	Report not due until 3 March 2022. SAGO on behalf of MFS.	Kristen Cookson
6	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	N/A	Report to Minister on significant matters not due until 3 March 2022. SAGO on behalf of MFS.	Kristen Cookson
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	Yes	Audit report dated 03/12/2021 Received by Council at OMC 16/12/2021. SAGO on behalf of MFS.	Kristen Cookson

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

Integrated Planning and Reporting					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	Adopted by Council on 10/12/2020. No updates during 2021. SAGO on behalf of MGSR.	Kristen Cookson
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	Full review of CBP was adopted by Council on 10/12/2020. This CBP was reviewed with minor updates adopted by Council on 16/12/2021. SAGO on behalf of MGSR.	Kristen Cookson
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes	CBP valid for 4 year period and met requirements of Admin Reg 19DA 3(a) - (c). SAGO on behalf of MGSR.	Kristen Cookson

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve a process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	N/A	No CEO recruitment took place. SAGO on behalf of Manager People and Culture.	Kristen Cookson
2	s5.36(4) & s5.37 (3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	No	Senior Employee vacancies x 2 were both advertised on the Shire website, the Shire's Facebook page, as well as Seek and LG Assist. Not advertised in a newspaper circulating generally in the State. SAGO on behalf of Manager People and Culture.	Kristen Cookson
3	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	N/A	No CEO recruitment took place. SAGO on behalf of Manager People and Culture.	Kristen Cookson
4	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4)?	N/A	No CEO recruitment took place. SAGO on behalf of Manager People and Culture.	Kristen Cookson
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	Yes	Two Senior Employees employed during this period presented to Council as a confidential agenda item. Both appointments carried unanimously by Council. SAGO on behalf of Manager People and Culture.	Kristen Cookson
6	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A	No recommendations rejected. SAGO on behalf of Manager People and Culture.	Kristen Cookson

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Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Has the local government designated a senior employee as defined by section 5.37 to be its complaints officer?	N/A	Not applicable. The CEO is currently the complaints officer for the purposes of s5.37. SAGO on behalf of MGSR.	Kristen Cookson
2	s5.121(1) & (2)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a)? Does the complaints register include all information required by section 5.121 (2)?	Yes	No minor breach complaints substantiated that require reporting. SAGO on behalf of MGSR.	Kristen Cookson
3	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	N/A	Not applicable. Has not been any substantiated minor breach complaints that require an online register to be maintained. SAGO on behalf of MGSR.	Kristen Cookson
Optional Questions					
No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2021? If yes, please provide the date of council's resolution to accept the report.	Yes	Dec 2019 - RFQ out for FMR to meet 3 yearly for 31 Dec 22. SAGO on behalf of DCS.	Kristen Cookson
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2021? If yes, please provide date of council's resolution to accept the report.	Yes	Agenda item accepted at the Audit and Risk Committee 13 December 2021 and the OMC 16 December 2021. SAGO on behalf of MGSR.	Kristen Cookson
3	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C?	Yes	One gift disclosure received within 10 days of receipt of gift.	Kristen Cookson

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No	Reference	Question	Response	Comments	Respondent
4	s5.90A(2) & (5)	Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events ?	Yes	Policy adopted by absolute majority on 23/09/2020. Not due for further Council review until December 2023. SAGO on behalf of MGSR.	Kristen Cookson
5	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes	Compliant.	Kristen Cookson
6	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes	Original Policy Adopted by Absolute Majority 25 June 2020. As required by 5.128(5) this was reviewed by Council following the October 2021 election. Passed by absolute majority at the 18/11/2021 Ordinary Meeting of Council C/1121/018. SAGO on behalf of MGSR.	Kristen Cookson
7	s5.127	Did the local government prepare a report on the training completed by council members in the 2020/2021 financial year and publish it on the local government's official website by 31 July 2021?	Yes	Website updated in early July 2021 to reflect the mandatory training completed by Councillors in the preceding 12 months. SAGO on behalf of MGSR.	Kristen Cookson
8	s6.4(3)	By 30 September 2021, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2021?	Yes	OAG auditors on site at the beginning of October carrying out audit field work. SAGO on behalf of MFS.	Kristen Cookson
9	s.6.2(3)	When adopting the annual budget, did the local government take into account all its expenditure, revenue and income?	Yes	Adoption of 2021-22 Annual Budget included consideration of the impact of carryovers from the prior year - OMC June 2021 Item 9.3.1. SAGO on behalf of MFS.	Kristen Cookson

Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy [adopted under F&G Reg 11A(1) & (3)] in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes	SAGO on behalf of SPRO.	Kristen Cookson

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No	Reference	Question	Response	Comments	Respondent
2	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	Yes	Compliant with the regulation. Any Tender that was over \$250,000 that was not publicly published was in compliance with F&G Reg 11(2). SAGO on behalf of SPRO.	Kristen Cookson
3	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	Yes	SAGO on behalf of SPRO.	Kristen Cookson
4	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	Yes	SAGO on behalf of SPRO.	Kristen Cookson
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	Yes	SAGO on behalf of SPRO.	Kristen Cookson
6	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	Yes	SAGO on behalf of SPRO.	Kristen Cookson
7	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes	Register is updated regularly. SAGO on behalf of SPRO.	Kristen Cookson
8	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	Yes	By utilising VendorPanel for Tender publishing, potential respondents are unable to submit a response following the deadline. SAGO on behalf of SPRO.	Kristen Cookson
9	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes	Extensive evaluation in tender responses undertaken. SAGO on behalf of SPRO.	Kristen Cookson
10	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes	SAGO on behalf of SPRO.	Kristen Cookson
11	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	N/A	No EOIs undertaken in the past 12 months. SAGO on behalf of SPRO.	Kristen Cookson

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No	Reference	Question	Response	Comments	Respondent
12	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A	No EOI's undertaken in the past 12 months. SAGO on behalf of SPRO.	Kristen Cookson
13	F&G Reg 23(3) & (4)	Were all expressions of interest that were not rejected under F&G Reg 23 (1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer?	N/A	No EOI's undertaken in the past 12 months. SAGO on behalf of SPRO.	Kristen Cookson
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	N/A	No EOI's undertaken in the past 12 months. SAGO on behalf of SPRO.	Kristen Cookson
15	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	N/A	Have not requested for a Panel of Pre-Qualified Suppliers for the past 12 months. SAGO on behalf of SPRO.	Kristen Cookson
16	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A	Have not requested for a Panel of Pre-Qualified Suppliers for the past 12 months. SAGO on behalf of SPRO.	Kristen Cookson
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A	Have not requested for a Panel of Pre-Qualified Suppliers for the past 12 months. SAGO on behalf of SPRO.	Kristen Cookson
18	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of F&G Reg 24AG?	N/A	Have not requested for a Panel of Pre-Qualified Suppliers for the past 12 months. SAGO on behalf of SPRO.	Kristen Cookson
19	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A	Have not requested for a Panel of Pre-Qualified Suppliers for the past 12 months. SAGO on behalf of SPRO.	Kristen Cookson
20	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	Yes	SAGO on behalf of SPRO.	Kristen Cookson
21	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	Yes	SAGO on behalf of SPRO.	Kristen Cookson

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No	Reference	Question	Response	Comments	Respondent
22	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of F&G Regs 24E and 24F?	Yes	SAGO on behalf of SPRO.	Kristen Cookson

I certify this Compliance Audit Return has been adopted by council at its meeting on _____

Signed Mayor/President, Broome

Signed CEO, Broome

5.2 2ND QUARTER FINANCE AND COSTING REVIEW 2021-22

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	FRE02
AUTHOR:	Director Corporate Services
CONTRIBUTOR/S:	Nil
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTEREST:	Nil

SUMMARY:

The Audit and Risk Committee is requested to consider results of the 2nd Quarter Finance and Costing Review (FACR) of the Shire's budget for the period ended 31 December 2021, including forecast estimates and budget recommendations to 30 June 2022.

BACKGROUNDPrevious Considerations

OMC 24 June 2021	Item 9.3.1
OMC 18 November 2021	Item 9.4.7

Quarter 1 Finance and Costing Review

The Shire of Broome has carried out its 2nd Quarter Finance and Costing Review (FACR) for the 2021-22 financial year. This review of the 2021-22 Annual Budget is based on actuals and commitments for the first 6 months of the year from 1 July 2021 to 31 December 2021, 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 2021-22 annual budget was adopted at the Ordinary Meeting of Council on 24 June 2021 as a balanced budget.

COMMENT

The Quarter 2 FACR commenced on 2 February 2022. At the start of the Q2 FACR, a net deficit of \$815,946 was forecast arising from past budget amendments adopted by Council, including Q1 FACR. The Q2 FACR identifies net savings of \$764,275 resulting in a cumulative net deficit forecast of \$53,691.

The overall Q2 FACR result indicates a deficit forecast financial position of **\$53,691** should Council approve the proposed budget amendments.

There were a total of 71 budget amendments proposed at the Q2 FACR which made up the \$764,275 net surplus for the quarter. There is no single transaction to which this net surplus is attributed. While officers make every effort to ensure the net impact of each FACR is minimal, the net deficit forecast mainly relates to the following proposed amendments:

- \$708,000 Building Better Regions Funding received for the Cable Beach project
- \$390,000 recognition of the increased Self-Supporting Loan for the Broome Surf Life Saving Club
- \$350,000 recognition of the increased Lotterywest contribution towards the Broome Surf Life Saving Club
- \$84,000 amendment for increased 2020-21 Audit Fees

The significant amendments from Q1 FACR included:

- a \$185,000 increase in revenue from anticipated Rates interest and admin fees
- a \$227,000 reduction in budgeted Western Australian Local Government Grant Commission Road Grants (Local Roads component of FAGS)
- a \$172,000 increase in commercial lease rental income
- a \$238,000 amendment required to address budget upload errors identified through the process.

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, summarised by Directorate.

A summary of the results is as follows:

SHIRE OF BROOME SUMMARY REPORT						
BUDGET IMPACT						
	2021/22 Adopted Budget (Inc) / Exp	YTD Adopted Budget Amendments (Inc) / Exp	FACR Q2 Overall (Inc) / Exp (excl Org Savings)	FACR Q2 Org. Exp/(Sav) (by Dept)	FACR Q2 Impact (Inc) / Exp (excl Org Savings)	YTD Impact (excl Org Savings)
Executive	0	40,000	106,892	10,000	96,892	136,892
Corporate	0	15,000	(48,520)	(19,520)	(29,000)	(14,000)
Development	0	0	(10,000)	20,000	(30,000)	(30,000)
Infrastructure	0	(48,444)	(812,647)	(12,500)	(800,147)	(848,591)
Impact of Council approved budget amendments	0	809,390	0	0	0	809,390
	0,000*	815,946	(764,275)	(2,020)	(762,255)	53,691

CONSULTATION

All amendments have been proposed after consultation with Executive and responsible officers at the Shire.

STATUTORY ENVIRONMENT

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

Nil.

It should be noted that according to the materiality threshold set at the budget adoption, should a deficit achieve 1% of Shire's operating revenue (\$395,334) the Shire must formulate an action plan to remedy the over expenditure.

FINANCIAL IMPLICATIONS

The **net result** of the Quarter 2 FACR estimates is a budget deficit position of **\$53,691** to 30 June 2022.

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 2022. 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.

STRATEGIC ASPIRATIONS

Performance – We will deliver excellent governance, service and value, for everyone.

Outcome Eleven – Effective leadership, advocacy and governance:

11.2 Deliver best practice governance and risk management.

Outcome Thirteen - Value for money from rates and long term financial sustainability:

13.1 Plan effectively for short and long term financial sustainability.

VOTING REQUIREMENTS

Absolute Majority

REPORT RECOMMENDATION:

That the Audit and Risk Committee recommends that Council:

- 1. Receives the Quarter 2 Finance and Costing Review Report for the period ended 31 December 2021;*
- 2. Adopts the operating and capital budget amendment recommendations for the year ended 30 June 2022 as attached;*
- 3. Notes a forecast net end-of-year deficit position to 30 June 2022 of **\$53,691**.*

Attachments

1. 2021-22 Q2 FACR Review

SHIRE OF BROOME SUMMARY REPORT						
BUDGET IMPACT						
	2021/22 Adopted Budget (Income) / Expense	YTD Adopted Budget Amendments (Income) / Expense	FACR Q2 Overall (Income) / Expense	FACR Q2 Org. Expense/(S avings)	FACR Q2 Impact (Income) / Expense	YTD Impact (Organisational Savings Subtracted)
Executive - Total	0	40,000	106,892	10,000	96,892	136,892
Corporate Services - Total	0	15,000	(48,520)	(19,520)	(29,000)	(14,000)
Development and Community	0	0	(10,000)	20,000	(30,000)	(30,000)
Infrastructure Services - Total	0	(48,444)	(812,647)	(12,500)	(800,147)	(848,591)
Impact of Council approved budget amendments	0	809,390	0	0	0	809,390
	0,000*	815,946	(764,275)	(2,020)	(762,255)	53,691

*Council adopted the annual budget with a predicted end-of-year balanced budget, which included previous year carried forward surplus

**Please note that should the Forecast budget predict a deficit greater than 1% of budgeted operating revenue excluding grants and contributions for assets, and profit on sale of assets (\$394,804), an action plan to remedy the situation will be prepared in accordance with Item 9.3.1 of June OMC on Materiality Threshold.

† Includes all additional Council adopted budget amendments year-to-date, including any previous FACRs

SHIRE OF BROOME FINANCE & COSTING REVIEW QUARTER 2 2020-21											
Account	Job	IE Code	Description	2021/22 Current Budget	2021/22 YTD Actuals	Proposed Budget Amendment	Proposed Budget	Reserve Movement	Amendment Description	Org Savings	COVID-19
OFFICE OF THE CEO											
ADMIN1 - Chief Executive Officer - S Mastrolembo											
23450		34	Consultants - Op Exp - Other Governance	\$128,674	\$34,202	-\$50,000	\$78,674		Transfer funds to Acct 116085 for the Arts and Culture Strategy.		
116085		34	Arts, Culture and Heritage Strategy - Op Exp - Other Culture	\$0	\$240	\$50,000	\$50,000		Transfer \$50K from Acct 23450 to complete the Arts & Culture Strategy. Grant funding application unsuccessful [RO: CMS2]		
						\$0		\$0		0	0
ADMIN2 - Personal Assistant To CEO - L Berkrey											
23015		34	Executive Travel & Accom - Op Exp - Other Governance	\$22,000	\$3,657	-\$10,000	\$12,000		Minimal travel has occurred to date and anticipated to end of FY. Change RO to CEO EA.	-\$10,000	
						-\$10,000		\$0		-10,000	0
CS3 - Manager People and Culture - B Macmillan											
142006		61	Salary - Op Exp - Human Resources	\$366,429	\$264,877	\$18,000	\$384,429		Transfer from 142008		
142008		34	Relieving Staff Exp - HR	\$18,000	\$0	-\$18,000	\$0		Labour hire was not engaged for LSL cover. To be reallocated to salaries account 142006 IE 61 to cover Senior People and Safety officer budget		
14296		34	COVID-19 Emergency Costs - Unclassified General	\$0	\$0	\$20,000	\$20,000		Amendment to offset COVID related expenses - PPE, Rapid Tests etc	\$20,000	\$20,000
						\$20,000		\$0		\$20,000	\$20,000
ES7 - Special Projects Coordinator - Vacant											
1181425	1E+06	34	Cable Beach Foreshore Upgrade	\$994,803	\$234,859	\$115,892	\$1,110,695		Agenda Item RFQ21-31 request to source \$24,190.41 through FACR plus \$91,700.91 *\$41,700.91 overspend (covers additional Geotech and Vegetation Surveys)*Contingency \$30,000*Engagement of NBY and BHS for Art and Internp \$20,000 (initial fee)		
113128		10	Building Better Regions Grant for Cable Beach - Non Op Grant - Other Recreation & Sport - CAP INC	\$0	\$0	-\$708,000	-\$708,000		New Revenue GL 101131280 \$708,000 to account for income in 2021/2022	-\$708,000	
111989		43	Transfer to POS Reserve - Cap Exp - Parks & Ovals	\$1,045,709	\$735	\$708,000	\$1,753,709		Transfer funds to POS for future Cable Beach capital works	\$708,000	
						-\$592,108		\$0		-\$708,000	\$0
REQ36 - Youth & Community Development Officer - C Lawton											
23050		13	Grant Op - Youth Coordinating Committee Op Inc. - Other Governance	-\$5,000	\$0	\$5,000	\$0		RioTinto Yr 2 contribution of \$5000 towards programming recieved in April 2021 but not carried over.		
						\$5,000		\$0		0	0

REQ54 - Place Activation & Engagement Coordinator - M Nutt											
136723	CT00	34	Chinatown Activation - Budget Only	\$104,000	\$0	-\$24,000	\$80,000	\$24K Budget amendment acct 1367419 requested to action decision of Chinatown Steering Committee to reallocate these surplus funds towards the refurbishment of Streeter's Jetty Remainder of budget to be allocated to Discovery Festival 2022. Budget only, actuals included in GL 136723.			
						-\$24,000	\$0		0	0	
BC - Marketing & Communications Coordinator - G McKnight											
23053		11	Community Grant Op Inc. - Other Governance	\$0	-\$10,000	-\$10,000	-\$10,000	Grant income received from Dept of Veteran Affairs for 80th Air Raid Anniversary			
23017		34	Special Event/Milestone Celebration - Op Exp - Other Governance	\$35,000	\$2,186	\$10,000	\$45,000	Increased grant funding for 80th Air Raid Anniversary [RO: REQ 10]			
						\$0	\$0		\$0	\$0	
			OVERALL OFFICE OF THE CEO - DEPT. SAVINGS/EXPENSE			106,892	OFFICE OF THE CEO - ORG. SAVINGS/EXPENSE			\$10,000	\$20,000
			RESERVE MOVEMENT - OFFICE OF THE CEO				0				
			OFFICE OF THE CEO - NET IMPACT (EXC. ORG.SAVINGS/EXPENSE)				116,892				
CORPORATE SERVICES											
BRAC1 - Manager Community Facilities - C Zepnick											
117081	117082	34	General Building & Facility Maint - BRAC Dry - Op Exp	\$20,000	\$17,059	\$10,000	\$30,000	Ongoing reactive maintenance required at the recreation centre.			
117142		34	Holiday Program Op Exp - BRAC - Dry	\$5,000	\$5,729	\$5,000	\$10,000	Additional program expenses. Corresponds with increase in income in account 117272.			
117272		02	Holiday Program Enrolment Fees Rec'd	-\$40,000	-\$31,705	-\$10,000	-\$50,000	Additional income from capacity program			
117235		36	Cost of Goods Sold Goods Kiosk - Op Exp - BRAC - General MUN	\$60,000	\$47,236	\$10,000	\$70,000	Additional Kiosk expenses. Corresponds with higher income in accounts 117234 and 117236.			
117336		36	Cost Of Goods Sold Direct (Consumables) Op Exp - BRAC General	\$30,000	\$17,919	\$5,000	\$35,000	Additional Cost og Goods Sold expenses. Corresponds with increased income in 117236			
117234		02	Kiosk Sales - Op Inc - BRAC - General	-\$81,000	-\$59,222	-\$16,000	-\$97,000	Increased Kiosk sales. Corresponds with account 117235.			
117236		02	Consumables Sales	-\$48,000	-\$33,463	-\$8,000	-\$56,000	Increased consumables sales. Correponds with account 117336.			
1140211		34	General Operating Exp - Swim Areas & Beach Life Guard	\$236,000	\$12,007	-\$100,000	\$136,000	\$100K saving due to running a reduced service in 21-22 [RO: HS1]	-\$100,000		
						-\$104,000	\$0		-\$100,000	0	
CMS4 - Venue Supervisor - S Bowra											
116470	116471	34	Broome Civic Centre Building General Maint Exps - Op Exp Bme Civic Centre	\$19,000	\$14,073	\$10,000	\$29,000	Requesting budget increase for remaining 6 months to cover reactive and maintenance.			

116489		34	Operational Expenses - Broome Civic Centre - Production/Events	\$50,000	\$38,154	\$20,000	\$70,000	In line with an increase in income, operational expenses have risen. 21/22 Projected operational expense are approx. \$70K; 21/22 projected income is approx. \$30K above budget,		
116541		24	Broome Civic Centre Venue Income - Op Income - Bme Civic Centre	-\$45,000	-\$30,000	-\$10,000	-\$55,000	Venue Hire income increased. Cruise inductions, private hires, community hires.		
116541		27	Broome Civic Centre Venue Income - Op Income - Bme Civic Centre	-\$30,000	-\$20,000	-\$25,000	-\$55,000	Bar sales income increased. Events and shows, hires, new initiatives.		
						-\$5,000	\$0		\$0	0
CS1 - Director Corporate Services - J Watt										
22124		58	Contribution to Kimberley Zone Secretariat	\$55,000	\$41,080	-\$13,920	\$41,080	Contribution paid. No further payments 21/22.	-\$13,920	
24060		58	Broome Shire Council Allowances Members Op Exp - Members	\$254,089	\$162,402	-\$11,600	\$242,489	Budgeted for 9 Councillors - savings due to Councillor vacancy.	-\$11,600	
						-\$25,520	\$0		-\$25,520	0
CS2 - Acting Manager Financial Services - A Warnasooriya										
22200		34	Audit Fees Op Exp - Other Governance	\$73,000	-\$62,315	\$84,000	\$157,000	OAG invoice received with \$60K fee increase. Additional \$14,000 required for FMR based on quotes received.	\$84,000	
32480		02	Rates Enquiry Fees - Op Inc - Rates	-\$26,260	-\$54,181	-\$24,000	-\$50,260	Rate Enquiry Income from Landgate (EAS)	-\$24,000	
						\$60,000	\$0		\$60,000	0
CS4 - Manager Governance, Strategy & Risk - D Kennedy										
22110		34	Refreshments & Receptions - Op Exp - Other Governance	\$18,000	\$5,065	-\$5,000	\$13,000	Reduced to reflect lower expenditure and less Cr's staying for meals after OMC's	-\$5,000	
24010		34	Conferences Travel & Accom Op Exp - Members	\$42,000	\$17,735	-\$20,000	\$22,000	Reduced travel due to Covid. Planned trips to communities expected to be deferred and reviewed again in 22/23	-\$20,000	
24040		34	Election Expenses Op Exp - Members	\$44,000	\$34,332	-\$9,000	\$35,000	Election complete and all expenses through. No extraordinary election planned.	-\$9,000	
						-\$34,000	\$0		-\$34,000	0
CS6 - Manager Information Services - C Chong										
107035		34	General CCTV & Wireless Network Maint - Op Exp - Other Comm Amen	\$21,500	\$1,680	-\$10,000	\$11,500	Reduce to offset increased software licensing costs		
146102		34	License Maint and Support - IT Exp	\$683,942	\$626,387	\$80,000	\$763,942	VMware license \$70k (3 years) - discovered unlicensed software which if not updated will open network up to security flaws and potential outages. \$10,000 MS licence renewal - increased security enhancements	\$80,000	
146109		34	Software<\$5000 - IT Exp	\$15,000	\$1,851	-\$10,000	\$5,000	Reduce to offset increased software licensing costs		
						\$60,000	\$0		\$80,000	0
			OVERALL CORPORATE SERVICES - DEPT. SAVINGS/EXPENSE			-\$48,520		CORPORATE SERVICES - ORG. SAVINGS/EXPENSE	-\$19,520	0
			RESERVE MOVEMENT - CORPORATE SERVICES				0			

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113000	113543	34	Town Beach Water Park - P&G Maint	\$92,725	\$23,642	-\$20,000	\$72,725		Cleaning, chemicals and reactive maintenance materials lower expenditure than expected.	-\$20,000	
113550	113570	34	Dakas Street Reserve New Infra Const Cap Exp-P&O	\$87,800	\$0	-\$87,800	\$0	-\$87,800	Transfer to AMP Parks Reserve - awaiting POS finalisation		
113989		26	Transfer from POS Reserve - Parks & Ovals	-\$87,800	\$0	\$87,800	\$0	\$87,800	Reduce budgeted transfer from POS (Parks) Reserve		
113551	113788	34	Cygnat Park Infrastructure Renewal - Cap Exp	\$110,000	\$0	-\$110,000	\$0	-\$110,000	Transfer to P&G reserve - awaiting POS finalisation		
121510	121510	34	Chinatown Landscaping Upgrade of Infra by P & G - Cap	\$6,000	\$15,403	\$9,403	\$15,403		Retic parts,rocka and soil mix		
						-\$127,227		-\$116,630		-\$20,000	\$0
PM2 - Asset and Building Coordinator - M Mitchell											
96101		34	Staff Housing - Reactive Maint - Op Exp	\$6,500	\$8,171	\$10,000	\$16,500		Additional costs due to short term staff,exit cleaning, repairs and relocation of furniture		
113001	113004	34	Haynes Oval Pavilion - Operating Expense - Op Exp	\$16,400	\$8,185	\$5,000	\$21,400		Additional cleaning required due to bookings frequency		
117218	117219	34	Medland Pavilion - Operating Expense - Op Exp	\$17,000	\$15,330	\$5,000	\$22,000		Cleaning frequency increased due to bookings		
147270	147272	34	KRO1 - Reactive Maint - Op Exp	\$8,000	\$12,272	\$7,500	\$15,500		Fully tenanted. Additional requests regarding pests/rodents, aging Airconditioning units requiring more repairs .	\$7,500	
						\$27,500		\$0		\$7,500	\$0
PM3 - Property and Leasing Senior Officer - K Martin											
114310	114311	39	Broome Turf Club Recoupable Expenses (Income in 114401) - Op Exp - Unclassified General	\$22,546	\$0	-\$22,546	\$0		Turf Club now self insured - nil impact		
114401		14	Turf Club - Rent & Recoup Income - Op Inc	-\$21,952	\$0	\$21,952	\$0		Turf Club now self insured - nil impact		
						-\$594		\$0		\$0	\$0
			OVERALL INFRASTRUCTURE SERVICES - DEPT. SAVINGS/EXPENSE			-\$812,647			INFRASTRUCTURE SERVICES - ORG. SAVINGS/EXPENSE	-\$12,500	0
			RESERVE MOVEMENT - INFRASTRUCTURE SERVICES					-\$116,630			
			INFRASTRUCTURE SERVICES - NET IMPACT (EXC. ORG.SAVINGS/EXPENSE)					-\$800,147			

5.3 REPORT ON SIGNIFICANT AUDIT MATTERS 2020-2021

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	FIN006
AUTHOR:	Director Corporate Services
CONTRIBUTOR/S:	Nil
RESPONSIBLE OFFICER:	Chief Executive Officer
DISCLOSURE OF INTEREST:	Nil

SUMMARY:

Section 7.12A(4)(a) of the *Local Government Act 1995* (the Act) requires that a local government must prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters. The report is required to be provided to the Minister within 3 months after the audit report is received by the local government.

The purpose of this item is to seek the Audit and Risk Committee's endorsement of the attached report addressing the Significant Matters raised in the Office of the Auditor General's (OAG) 2020-21 Audit Report.

BACKGROUNDPrevious Considerations

OMC 16 December 2021

Item 13.1

Under section 7.9 of the *Local Government Act 1995* (the Act), an Auditor is required to examine the accounts and annual financial report submitted by a local government for audit. The Auditor is required to prepare a report thereon by 31 December following the financial year to which the accounts and report relate and forward a copy of that report to:

- (a) The Mayor or President;
- (b) The Chief Executive Officer (CEO); and
- (c) The Minister.

Furthermore, under Regulation 10(4) of the *Local Government (Audit) Regulations 1996* (Audit Regulations), where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's Report, which is also to be forwarded to the persons specified in section 7.9 of the Act.

The Audit Report's were presented to the Audit and Risk Committee (the Committee) on 13 December 2021. The Auditor's Management Report provided an overview of the approach undertaken in respect of the annual Audit process and the associated outcomes of the audit. The Management Report identified 10 Significant Matters that, whilst generally not material in relation to the overall audit of the financial report, are considered relevant to the day-to-day operations of the Shire. Of the 10 Significant Matters, 3 were identified as new issues during the 2020-21 Audit, and 7 minor or moderate matters previously identified in the 2019-20 audit were escalated to significant.

The Committee recommended that Council receive the Auditor's reports along with the Chief Executive Officer's (CEO) report relating to the Audit. The Audit Report's were subsequently received and adopted by Council at its Ordinary Meeting held 16 December 2021.

Under section 7.12A of the Act, Council must prepare a report addressing any matters identified as significant by the auditor in the Audit Report, and state what action Council has taken or intends to take with respect to each of those matters. The report is to be provided to the Audit and Risk Committee and Council for endorsement, with a copy provided to the Minister within 3 months of the audit report being received by Council.

A report is required to be tabled with the Minister for Local Government by 16 March 2021.

COMMENT

Following the December OMC officer's have drafted a report addressing the Significant Matters identified during the OAG 2020-21 Audit (Attachment 1). The report outlines the actions undertaken, or planned to be undertaken, in response to the issues identified and includes comment on the timing of any proposed actions.

It is noted that due to the Audit Report being received by Council in December 2021 that there have been limited improvements enacted due to the impact of the Christmas leave period.

CONSULTATION

Office of the Auditor General

STATUTORY ENVIRONMENT

Local Government Act 1995

s5.53	<i>Annual reports</i>
s5.54	<i>Acceptance of Annual Reports</i>
s6.4	<i>Financial Report</i>
s7.9	<i>Audit to be conducted</i>
s7.12A	<i>Duties of a local government with respect to audits</i>

POLICY IMPLICATIONS

Nil.

FINANCIAL IMPLICATIONS

Nil, noting there may be minor operational cost implications relating the implementation of procedures and controls required to address the matters raised.

RISK

The audited Annual Financial Report is a key control measure used to report to Council and its stakeholders that Council's financial position, result of operations, cash flows, changes in equity and rate setting statement are free from any material misstatement caused by fraud

or error. The audit findings have identified areas requiring improvement and this item presents a report detailing the actions proposed to address these issues. Should the Committee or Council not support the item recommendation, there is a risk that the 3 month deadline for submission of the report to the Minister will not be met, resulting in a compliance risk.

STRATEGIC ASPIRATIONS

Performance – We will deliver excellent governance, service and value, for everyone.

Outcome Eleven – Effective leadership, advocacy and governance:

11.2 Deliver best practice governance and risk management.

Outcome Fourteen – Excellence in organisational performance and service delivery:

14.3 Monitor and continuously improve performance levels.

VOTING REQUIREMENTS

Simple Majority

REPORT RECOMMENDATION:

That the Audit and Risk Committee recommends that Council:

- 1. Receive and endorse the report addressing the Significant Matters identified by the Office of the Auditor General during the 2020-21 Audit as attached; and*
- 2. Authorises the report to be forwarded to the Minister for Local Government and be published on the Shire website.*

Attachments

1. REPORT ON SIGNIFICANT AUDIT MATTERS 2020-2021



Shire of Broome
ABN 94 526 654 007

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www.broome.wa.gov.au

Our Ref:

2 February 2022

Hon John Carey
Minister for Local Government; Housing; Lands; Homelessness
7th Floor, Dumas House
2 Havelock Street,
WEST PERTH WA 6005

Dear Minister,

Shire of Broome Report on Significant Matters identified by the Auditor in the 2020-21 Audit Report

Section 7.12A(4)(a) of the *Local Government Act 1995* (the Act) requires that a local government must prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters. The report is required to be provided to the Minister within 3 months after the audit report is received by the local government.

The Shire of Broome received the audit report at its Ordinary Meeting held 16 December 2021.

The Report on Significant Matters will be tabled with Council's Audit and Risk Committee prior to being tabled with the full Council. Once endorsed by Council the report will be provided to the Minister, with a copy published on the Shire's website within 14 days of submitting this letter in accordance with section 7.12A(5).

SIGNIFICANT FINDINGS

The below findings were rated as Significant by the Office of the Auditor General (OAG) for the period of the audit year ending 30 June 2021.

1. Higher Duties Arrangements

Finding

During our audit we noted several exceptions relating to staff acting in a higher duty's capacity:

- We found one instance where an employee acting in a higher duty's capacity had approved their own timesheet in Synergy. Further, it appeared that the employee was paid at a rate that was higher than the rate approved on their completed Higher Duties Form. We understand that there was an error on the form, and that the employee was paid at the correct rate.
- During our testing of expenditure, we noted several instances where an employee had authorised bank payments while acting in a higher duty's capacity. We found that in some instances there was no Higher Duties Form to support the arrangement, or that the Higher Duties Form was approved after the arrangement had occurred.

Implication

Key controls may be bypassed resulting in an increased risk of unauthorised and incorrect

payments. This could result in fraud and or errors occurring without being detected.

Action Taken or Intended to be Taken

Management have introduced a procedure to check higher duties prior to payroll and payment processing. The procedure includes controls to ensure appropriate expenditure limits for staff in higher duty roles.

In future, at times of delayed approval of forms, verbal agreement will be backed up with e-mail to support the higher duties until appropriate forms can be signed.

A new HR system, IntelliHR, is also being implemented to improve the processing of higher duty and other payroll forms.

Completion or Proposed Completion Date

Controls have been introduced to ensure higher duties forms exist prior to processing of payroll or creditor payment batches. This will be monitored continuously going forward.

Implementation of IntelliHR Higher Duty forms is expected to be complete by 30 June 2022.

2. Payroll Reconciliation

Finding

We noted that the payroll reconciliations (general ledger) are not formally signed by the preparer and reviewer, so there is no formal audit trail evidencing when they were prepared and reviewed and by whom.

Further, we note that due to issues with the current payroll system, a number of complex journals are required to correct and balance the general ledger accounts. We were informed that the monthly payroll reconciliations were not timely and formally signed due to these balancing issues identified and would be corrected as part of the year end reconciliation. The year-end reconciliation was balanced, however when reviewing the mapping of employee costs we noted the movements between accounts were difficult to follow and did not appear to reconcile.

We understand that the Shire is aiming to migrate to the Definitive payroll system in January 2022 which should resolve these ongoing issues.

Implication

There is an increased risk that processing errors of employee costs and leave balances may not be timely or appropriately corrected, resulting in misstatement of accounts.

Action Taken or Intended to be Taken

Management concedes that a more robust process is required post payrun to ensure that this detail is captured and reviewed in a timely manner.

Management notes that a full reconciliation is undertaken following each payrun, and that adjustments made by IT Vision impact cost allocations within departments but not overall employee costs and is comfortable that employee pays and overall salary allocations are accurate.

A new payroll system is being implemented in March with an intended June 1 "go live" date. The new payroll system will eliminate this risk, as it will remove the need for complex journals post payroll processing.

Completion or Proposed Completion Date

30 June 2022

3. Procurement

Finding

During our testing of procurement, we noted the following exceptions:

- There was no evidence of one verbal quote obtained as no remarks were noted on the requisition as required by the policy
- One instance where there was no documentation of the written quote obtained, or no documented reason for quotation exemption.
- A procurement valued at \$77,000 did not appear to have a procurement plan as required.

Implication

Procurement decisions and quotations that are undocumented have no proof to conclude they

ever occurred and leave the Shire open to the risk that:

- procurement decisions are not authorised or do not result in value for money outcomes
- pricing could change between quotation and invoicing.

Management Comment

Management notes that Council's Purchasing policy requires only 1 verbal quote to be sought for procurement less than \$2,000.

Action Taken or Intended to be Taken

Significant work has been undertaken to ensure that documentation for all procurement is recorded and procedures have been amended to ensure that purchase orders are not released until all procurement documentation is captured in the Shire's record system.

Organisation wide Procurement training has also been rolled out. Management is satisfied that these changes will address the risks noted above.

Completion or Proposed Completion Date

Continuous

Prior Year Issues

1. Journals

Finding

2021

We note the issue has not been resolved. In addition, we found:

- Several journals processed by the IT Vision service provider which were not formally reviewed by the Shire for appropriateness.
- Repairs and maintenance journals for which no supports could be provided as the journals were automatically calculated and processed by the Synergy system. We were unable to determine how the system calculated these journals.

2020 - Moderate

We observed that the end of month checklist for general journals was not completed for the final quarter of 2019/20. We understand that this was due to a number of staff changes in the Finance area during the period.

During our review of a sample of general journals for the period, we noted the following:

- Two (2) duplicate journal postings
- A number of repeated incorrect postings, which subsequently had to be corrected.
- Finance only requires an appropriately approved Journal Request Form to process correction journals, so supporting original journals and invoices/ transactions requiring correction was often not attached to the journal.

2019

Whilst management require all general journals to be manually authorised and independently reviewed prior to posting, we noted these process controls could be bypassed. Our sample testing of controls did not identify any erroneous journals.

Implication

There is an increased risk of erroneous transactions or fraud occurring without detection.

Action Taken or Intended to be Taken

There has been significant effort to reduce number of journals required and increase accuracy, support and authorisation of journal performed.

Management have introduced an end of month checklist detailing key reviews to be performed at month end.

The Procedures for Journals will be updated and training provided by the Journal reviewer to staff who request and complete journals. Further service provider journals will be reviewed before processing.

Completion or Proposed Completion Date

Continuous.

Procedure update by July 1 2022.

2. System Purchasing Delegations

Finding

2021

We noted that Synergy purchasing delegation limits are not always aligned with authorised purchasing delegation limits. In addition, we found that some staff acting on higher duties arrangements appeared to have inappropriate levels of access, with potential to bypass system segregation of duties controls.

Our review in May 2021 identified the following exceptions:

- Three (3) employees acting higher duties who had access to both purchase and authorise expenses. One of these employees had terminated employment in April 2021.
- One (1) employee position had a \$5,000 authorisation limit in Synergy however the position was not listed in the approved Expenditure Authorisation Limits document.

Our final review in June 2021 identified the following exceptions:

- One (1) employee position had a \$5,500 authorisation limit in Synergy however the

position was not listed in the approved Expenditure Authorisation Limits document. This position had no Synergy or AD account

- One (1) employee had an authorising limit of \$5,000 in Synergy which did not align to their approved expenditure authorisation limit of \$2,000.

No purchases in breach of the approved limits and no segregation of duties issues were detected from our review.

2020: Moderate

We noted three (3) employees with a requisition and purchase order limit of \$5,000 in the SynergySoft system, which did not align to their approved limit of \$2,000. No purchases in breach of the approved limit were noted.

Implication

Without proper approvals and correct delegation limits set up in the SynergySoft system there is an increased risk of inappropriate approval of transactions and or fraudulent transactions occurring, which may result in financial loss.

Action Taken or Intended to be Taken

Purchasing limits in the SynergySoft system will be reviewed monthly to ensure they align to approved limits as per the Shire of Broome's Purchasing Policy and Expenditure Limit Administration Policy.

Additional controls relating to staff acting in higher duties will encapsulate the need to elevate those staff into the higher duty positions with approved expenditure limits at the beginning of the higher duty period, and remove those staff at the end of the approved period. These will be captured in the procedure update referenced above in response to Finding 1 (2021).

Completion or Proposed Completion Date

Continuous – monthly review process.

3. Purchase Order Authorisation

Finding

2021:

We noted this issue is not resolved. During our testing of expenses, we noted eight (8) instances where the approved purchase order was dated on or after the date of the invoice.

2020: - Moderate

During our testing of expenses, we noted six (6) instances where the approved purchase order was dated on or after the date of the invoice.

Implication

There is no evidence that the ordering of goods was approved prior to ordering.

Action Taken or Intended to be Taken

Management will continue monitoring breaches with regards to purchase orders with follow up training and performance management.

Procurement training is currently provided to all staff, with specific procurement training provided to responsible officers referencing this issue several times throughout the year. Management notes that the onus of ensuring that purchase orders are raised ultimately lies

with officers with purchasing responsibility however will continue providing training and communicating the requirement for PO's to be issued prior to any purchasing.

Completion or Proposed Completion Date

Continuous

4. Vendor Masterfile Review

Finding

2021:

We note that the Shire has implemented EFTSure 1 March 2021 to validate suppliers prior to payment. Vendor bank details of significant transactions are also checked by Finance staff prior to payment. However, the Shire does not periodically review changes made to its vendor Masterfile.

Our review of vendor adjustments noted the following risks:

- A modification was made to vendor bank accounts details on the weekend. As the transaction was low value, the bank account details were not independently checked prior to payment.
- As a number of staff are authorised to make purchases up to \$2,000 (without second authorisation), and bank details for these transactions are not checked, there is an increased risk of fraud for low value transactions.
- There are several duplicated suppliers, with most flagged as 'do not use'. There are also around 2,953 vendors that have never been used. We note that the Shire has recently identified a way to mark unused suppliers as suspended and will in future mark old and duplicated suppliers this way.

2020: Moderate

There is currently no formal process in place to periodically review the appropriateness of details and adjustments in the vendor masterfile.

From our review of the current vendor masterfile listing, we noted the following:

- In previous years modifications were made to vendor bank accounts details on weekends and outside of business hours.
- In the current financial year, a modification has been made which has resulted in two (2) seemingly unrelated suppliers sharing the same bank account number. We also noted this occurred in prior years.

There are a number of duplicated suppliers, with most flagged as 'do not use'.

Implication

There is an increased risk of fraud in particular for low value transactions, and transactions occurring outside of work hours, as adjustments meeting these criteria could potentially bypass established controls. There is an increased risk that unauthorised changes may be made could result in errors or funds being inappropriately transferred. Further the presence of old and unused supplier records increases the risk of duplicate records which also increases the risk of duplicate payments being made. It also increases the risk of fraud, as the unused records can be modified and used to make unauthorised payments.

Action Taken or Intended to be Taken

The Shire introduced EFTSure in March 2021. EFTSure verifies bank account number and name through an ABA file upload removing the risk of processing a payment to an incorrect

or fraudulent bank account. A supplier onboarding process is in place to ensure correct details are supplied via supporting documents for new suppliers.

High value transactions which are not verified/identified through EFTSure are verified using the original source documents for each creditor batch. This is undertaken as per the Shire's endorsed procedures and involves contacting the supplier in question via the contact details listed on their website.

The vendor masterfile is reviewed at the end of the month to remove/deactivate inactive, old, unused, or duplicate records.

Management have included this task to the end of month checklist and believe this risk has been addressed.

Completion or Proposed Completion Date

Complete / Continuous

5. Synergy Access Management

Finding

2021:

We note that the issue has not been resolved. We have been informed that as part of the new ManageEngine roll out all security access will be reviewed annually. We noted from review that a terminated employee continued to have Synergy access post termination.

2020: - Moderate

We noted that Synergy access is not periodically reviewed to ensure ongoing access continues to be appropriate.

Implication

Excessive/Inappropriate user access to the system modules may allow staff to use the system inappropriately. For example, this access could be used to undermine the effectiveness of system controls, such as segregation of duties and diminish accountability.

Action Taken or Intended to be Taken

A review process for systems access will be developed to ensure timely administration of user accounts.

The IntelliHR system is being setup to facilitate the improved onboarding and offboarding of staff which will assist in ensuring appropriate user access is maintained.

Completion or Proposed Completion Date

July 2022 / Continuous

6. Network Access Management

Finding

2021:

We noted the issue has not been resolved.

2020: - Moderate

From our review of network access in October 2020, we noted three (3) instances where network access had not been disabled for former employees. The employees had last worked for the Shire in 2019. In addition, whilst the remote access server records remote logins and unsuccessful login attempts, there is no evidence that these are reviewed.

Implication

Without appropriate user access management and monitoring controls in place there is an increased risk of inappropriate or unauthorised access to the Shire's IT systems and/or information. This could impact the confidentiality, integrity and availability of the Shire's information.

Action Taken or Intended to be Taken

Processes relating to creation and termination of user access and accounts will be reviewed along with approval and documentation requirements. A procedure will be created addressing these issues.

Again, the IntelliHR system will enhance the on and off boarding process including creation and termination of staff network accounts.

Network accounts assigned to casuals for timesheet access are secured so as not to have access to any other network resources. While not having any access privileges outside of the timesheet and leave entry systems, these accounts were identified as being a risk and will be included to meet audit requirements.

Completion or Proposed Completion Date

July 2022 / Continuous

7. Trust Funds

Finding

2021

When reviewing Town Planning bonds in trust, we noted a formal review needs to be performed to determine whether bond monies need to be returned, or if they need to be held in trust. The Unclaimed Money Act 1990 would require any deposits that are to be returned to holders and have been held for greater than 6 years to be transferred to the Department of Treasury.

2020: - Moderate

We noted that the opening Trust balances for Civic Centre Takings and Staff Rental Bonds have been correctly removed from Trust however they are not recognised in the Municipal Fund and are therefore are not reflected in the financial statements. We also note the BRB Levy and Unclaimed Monies have been wrongly classified as Trust.

Implication

If there is no requirement for money or assets to be credited to the trust fund in accordance with s6.9(1) of the Local Government Act 1995, they should not be held in the Shire's trust fund.

In addition, as these moneys are not in the Shire's Municipal Fund, assets and liabilities for the Shire are understated. Further the Shire may not be in compliance with legislative requirements.

Action Taken or Intended to be Taken

A formal review of bonds held in trust will be undertaken to determine if works have been completed and money can be returned to the Municipal fund or applicant / agent based on the outcome. The Shire will also investigate requirements of the Unclaimed Moneys Act 1990 to determine moneys that should be transferred to the Department of Treasury

The Shire currently holds these funds in our ERP Trust module for practical reasons. We will investigate options to adjust operations in conjunction with the OAG to ensure we can meet Audit requirements, while retaining the control of trust funds currently provided through the Trust module of our ERP.

Completion or Proposed Completion Date

July 2022 / Continuous

Should you require further information, please contact me on 08 9191 3456 or my email james.watt@broome.wa.gov.au.

Yours Sincerely,

James Watt
Director Corporate Services and Community Facilities

Shire of Broome

6.

MEETING CLOSURE

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: