



Shire of Ashburton

Audit and Risk Management Committee Meeting

Attachments

**Council Chambers, Onslow Shire Complex, Second
Avenue,**

Onslow

14 December 2021

8:30am

Contents

5.1A - Confirmation of previous meetings - 28 September 20211

7.3A - Ashburton Internal Audit Report 2020-21 Status Update November 2021.....29



5.1A - Confirmation of previous meetings - 28 September 2021



Shire of Ashburton

Audit and Risk Management Committee Meeting

Unconfirmed Minutes

Public

**Council Chambers, Onslow Shire Complex, Second
Avenue, Onslow**

Onslow

28 September 2021

9:00am



**Shire of Ashburton
Audit and Risk Management Committee Meeting**

The Chief Executive Officer recommends the endorsement of these minutes at the next Audit and Risk Committee Meeting.

A handwritten signature in blue ink, appearing to read "K Donohoe".

K Donohoe
Chief Executive Officer
28 September 2021

These minutes were confirmed by Council as a true and correct record of proceedings of the Audit and Risk Management Committee Meeting held on 28 September 2021.

Presiding Member _____

Date _____

Disclaimer

The recommendations contained in the agenda are subject to confirmation by the Committee members. The Shire of Ashburton warns anyone who has an application lodged with Council must obtain, and should only rely on, written confirmation of the outcomes of the application following the Committee meeting, and any conditions attaching to the decision made by Committee members in respect of the application. No responsibility whatsoever is implied, or accepted, by the Shire of Ashburton for any act, omission, statement, or intimation occurring during a Committee meeting.

Unconfirmed Minutes – Public Audit and Risk Committee Meeting 28 September
2021

Contents

1	Declaration of opening	4
1.1	Acknowledgement of country	4
2	Announcement of visitors.....	4
3	Attendance.....	4
3.1	Present.....	4
3.2	Apologies	5
3.3	Approved leave of absence.....	5
4	Declaration by members	5
4.1	Due consideration by Councillors to the agenda	5
4.2	Declarations of interest	5
5	Confirmation of minutes	5
5.1	Confirmation of previous meetings.....	5
6	Terms of Reference	7
6.1	Purpose.....	7
6.2	Responsibilities	7
7	Agenda Items.....	9
7.1	Compliance Audit Return Status Update.....	9
7.2	Regulation 17 Review – 2020 Program Status Update	14
7.3	Internal Audit 2021 Status Report	20
8	Next meeting.....	27
9	Closure of meeting.....	27

1 Declaration of opening

The Presiding Member declared the meeting open at 9:02am.

1.1 Acknowledgement of country

As representatives of the Shire of Ashburton Council, we respectfully acknowledge the local Indigenous people, the traditional custodians of this land where we are meeting upon today and pay our respects to them and their elders past, present and emerging.

2 Announcement of visitors

Nil

3 Attendance

3.1 Present

Elected members

Cr K White	Shire President (Presiding Member) Onslow Ward
Cr D Diver	Deputy Shire President, Tom Price Ward
Cr L Rumble	Paraburdoo Ward
Cr D Dias	Paraburdoo Ward
Cr R de Pledge	Ashburton Ward

Employees

K Donohoe	Chief Executive Officer
N Cain	Director Corporate Services
C McGurk	Director Projects and Procurement
N Jeffery	Executive Assistant Corporate Services
A Furfaro	Governance Officer

Guests

Nil

3.2 Apologies

Cr M Lynch	Tom Price Ward
Cr J Richardson	Tablelands Ward
Cr M Gallanagh	Pannawonica Ward

3.3 Approved leave of absence

Nil

4 Declaration by members

4.1 Due consideration by Councillors to the agenda

Councillors noted they have given due consideration to all matters contained in this agenda.

4.2 Declarations of interest

A member who has an Impartiality, Proximity or Financial interest in any matter to be discussed at this meeting must disclose the nature of the interest either in a written notice, given to the Chief Executive Officer, prior to the meeting, or at the meeting immediately before the matter is discussed.

A member who makes a disclosure in respect to an interest must not preside at the part of the meeting which deals with the matter, or participate in, or be present during any discussion or decision-making process relative to the matter, unless the disclosing member is permitted to do so under Section 5.68 or Section 5.69 of the *Local Government Act 1995*.

No declarations of interest have been submitted. Announcements by the Presiding Member and Councillors without discussion

To be advised at the meeting.

5 Confirmation of minutes

5.1 Confirmation of previous meetings

Audit and Risk Management Committee Meeting – 20 July 2021

Attachment 5.1A

Committee Recommendation 29/2021

Moved Cr D Diver
Second Cr L Rumble

That Committee confirm the minutes of the Audit & Risk management meeting held on 20 July 2021 as a true and accurate record as included in attachment 5.1A

Carried 5/0

6 Terms of Reference

6.1 Purpose

The Audit Committee's role, in accordance with Regulation 15 of the *Local Government (Audit) Regulations 1996*, is to aid and provide guidance to Council on the discharge of its duties under Part 6 and 7 of the *Local Government Act 1995* (the Act). The Audit Committee assists Council to monitor the integrity of the Shire's financial statements, risk management, internal controls, and compliance with legislative requirements.

6.2 Responsibilities

The Audit Committee is responsible for:

- 1 Guiding and assisting Council in carrying out its functions under:
 - a Part 6 of the Act and its functions relating to other audits and other matters related to financial management, and
 - b Part 7 of the Act in relating to auditing the Shire's financial accounts.
- 2 Reviewing the CEO's report required under regulation 17(3).
- 3 Monitoring and advising the CEO when the CEO is carrying out functions in relation to a review under:
 - a regulation 17 (1), and
 - b the Local Government (Financial Management) Regulations 1996, regulation 5(2)(c).
- 4 Monitoring Support the Auditor conducting an audit and carrying out the Auditor's other duties under the Act.
- 5 Oversee the implementation of any action that Council
 - a is required to take, has stated it has taken or intends to take in respect to matters raised by the audit report.
 - b has accepted should be taken on receipt of the CEO's report of a review under regulation 17(1), and
 - b has accepted should be taken on receipt of the CEO's report under regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996.

- 6 The Audit Committee's duties include,
- a considering the Auditor's interim audit of the Shire's accounting and internal control procedures for the financial year,
 - b reviewing the audited financial report for the previous financial year; (c) reviewing the interim and final audit reports for the financial year.
 - c reviewing the annual Compliance Audit Return,
 - d reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's systems and procedures regarding risk management, internal controls, and legislative compliance,
 - e reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's financial management systems and procedures, and
 - f considering the proposed timeline for Council to adopt the budget and the ten-year financial plan for the following financial year and providing a report to council on those matters.

7 Agenda Items

7.1 Compliance Audit Return Status Update

File reference	GV32
Author's name	T Dayman
Author's position	Manager Finance and Administration
Author's interest	Nil
Authorising officer's name	N Cain
Authorising officer's position	Director Corporate Services
Authorising officer's interest	Nil
Name of applicant / respondent	Not Applicable
Date report written	16 September 2021
Previous meeting reference	Agenda item 7.2 (Minute 21/2021) – Audit and Risk Management Committee meeting 8 September 2020

Summary

Council is required to complete a Compliance Audit Return for the period 1 January to 31 December annually.

The 2020 Compliance Audit Return was endorsed by the Audit and Risk Committee at its March 2021 meeting.

The purpose of this report is to present a status update on the areas of non-compliance and the measures taken to mitigate future non-compliance.

The Audit and Risk Management Committee is requested to accept the Compliance Audit Return Non-Compliance Status update report.

Background

In accordance with the *Local Government (Audit) Regulations 1996* a local government is required to complete a Compliance Audit Return for the period 1 January to 31 December each year to be submitted to the Department of Local Government, Sports and Cultural Industries (DLGSC) by 31 March.

Unconfirmed Minutes – Public Audit and Risk Committee Meeting 28 September
2021

The 2020 Compliance Audit Return was presented and endorsed by the Audit and Risk Committee at its March 2021 meeting. As part of its acceptance the Chief Executive Officer was requested to address the areas of non-compliance and report back to the Audit and Risk Committee on the measures taken to mitigate the non-compliance no later than 20 June 2021.

A status update report was presented to the Audit and Risk Committee meeting at its July 2021 meeting.

Comment

The following is a summary of identified issues and the action taken to mitigate these matters in the future.

Identified issue.

1. Delegation of Power/Duty
2. Receipt of Auditors Report
3. Councillor Continuing Professional Development of Policy
4. Annual Financial Statements submission requirements.
5. Regional Price Preference Policy

Except for Item 1 Delegation of Power/Duty, all items have been addressed and steps have been taken to ensure compliance is met in the future.

Item 1 Delegation of Power / Duty involves the implementation of a new platform to assist with the management and record keeping requirements associated with delegations, and therefore requires additional timeframe to ensure that the implementation delivers best practice and the desired outcomes for the shire.

1. Delegation of Power/Duty (13 compliance areas)
Keeping written records by persons exercising a delegated power or duty has been identified as an area for improvement.

Progress update

Record Keeping of delegated power has already been identified as an area requiring system improvements including training. In September 2020, a new platform Attain was implemented along with the review of the Delegated Authority Register.

The high level of staff turnover presents a training and development challenge, meaning system implementation process need to be robust and continuous. Processes to achieve this is currently under development.

Position of Manager Governance has been vacant which has resulted in delays.
Offer of employment has been extended to a suitability qualified candidate.

Status update: ongoing

Responsible Officer: Manager Governance

Consultation

Executive Leadership Team
Middle Management Team
Finance Team

Statutory environment

Local Government Act 1995

Section 5.46. Register of, and records relevant to, delegations to CEO and employees

- 1. The CEO is to keep a register of the delegations made under this Division to the CEO and to employees.*
- 2. At least once every financial year, delegations made under this Division are to be reviewed by the delegator.*
- 3. A person to whom a power or duty is delegated under this Act is to keep records in accordance with regulations in relation to the exercise of the power or the discharge of the duty.*

Financial implications

There are no known financial implications for this matter.

Strategic implications

Shire of Ashburton Strategic Community Plan 2017-2027 Living Life (2019 Desktop Review)

Goal 05 Inspiring Governance
Objective 3 Council leadership

Desired outcome – Council effectively governing the Shire, demonstrating effective governance and town leadership.

Risk management

Risk has been assessed based on the Officer Recommendation.

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan
Legal and Compliance: The Compliance Audit Return This would result in non-compliance with regulatory requirements imposed.	Unlikely (2)	Minor (2)	Low	Some temporary non compliances	Accept Officers recommendation

The following Risk Matrix has been applied:

Risk Matrix						
Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix.

The perceived level of risk is low due to the financial controls in place and the regularity of review of the information contained within these reports.

Policy implications

There are no known policy implications for this matter.

Voting requirement

Simple majority

Councillor interest declarations

Nil

Officer recommendation

That with respect to the Compliance Audit Return Status Update, the Audit and Risk Management Committee recommends Council receive the update.

Committee Recommendation 30/2021

Moved Cr D Diver

Seconded Cr R de Pledge

That with respect to the Compliance Audit Return Status Update, the Audit and Risk Management Committee recommends Council receive the update.

Carried 5/0

7.2 Regulation 17 Review – 2020 Program Status Update

File reference	GV32
Author's name	T Dayman
Author's position	Manager Finance and Administration
Author's interest	Nil
Authorising officer's name	N Cain
Authorising officer's position	Director Corporate Services
Authorising officer's interest	Nil
Name of applicant / respondent	Not Applicable
Date report written	16 September 2021
Previous meeting reference	Agenda item 7.3 (Minute 134/2020) – Audit and Risk Management Committee meeting 8 September 2020

Summary

This report provides a progress update on the findings of the Chief Executive Officer's review of systems and processes relating to legislative compliance, risk management and internal controls and provides actions to address these issues, as required by Regulation 17 of the *Local Government (Audit) Regulations*.

The Audit and Risk Management Committee is requested to accept the Regulation 17 Review 2020 Program Status update report.

Background

Regulation 17 of the Local Government (Audit) Regulations 1996 require the CEO to conduct a review of systems and procedures relating to legislative compliance, risk management and internal controls on a triennial basis.

The Regulation 17 Audit incorporates the requirement under Regulation 5 (2) (c) of the Local Government (Financial Management) Regulations 1996 which provides the Chief Executive Officer is 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 every 3 financial years) and report to the local government the results of those reviews.'

Comment

AMD Chartered Accountants (AMD) was engaged to undertake a review of the appropriateness and effectiveness of risk management, internal controls, and legislative compliance at the Shire, in accordance with the Local Government (Audit) Regulations 1996, Regulation 17 for the period ended 30 June 2020.

ADM Regulation 17 report, including summary of findings, was presented to the Audit and Risk Committee at its September 2020 meeting.

Since its endorsement, a status report presented to the Audit and Risk Committee on the progress of matters raised and Officers comments to address improvement opportunities.

A status update report for the period March 2021 to May 2020 is provided for consideration.

Identified issue.

1. Risk Register
2. Contract Management
3. Risk Management Policies and Procedures
5. Complaints Handling Procedure

1. Risk Register

The Shire's risk register was last updated in April 2019, however, has not subsequently been reviewed or updated.

Progress Update

Organisation risk training and development of organisational risk register to be undertaken with Council's insurer LGIS. This has not yet been arranged due to competing priorities and limited resources.

Position of Manager Governance has been vacant which has resulted in delays. Offer of employment has been extended to a suitability qualified candidate.

Status update: ongoing

Responsible officer: Manager Governance

2. Contract Management

No Contract Manager in place to oversee overall contract risk at an organisational level.

Progress update

Manager Civil and Projects has commenced employment who has the task of overseeing many of the Shire's contracts.

Upgrade to corporate computer systems (Altus) included in 2021-2022 budget, which may include upgrade to Altus procurement and contract management modules.

3. Risk Management Policies and Procedures

No documented policies and procedures in place in respect to events management. We also identified one procedure and 3 plans which are potentially outdated and may require review.

Progress update

A draft community events guideline has been developed. This will be sent to media and communications to be put into a corporate format for future dissemination and public notification.

Status update: Complete

Responsible officer: Director People and Place

5. Complaints Handling Procedure

Outdated Complaints Handling Procedure which requires review.

Progress update

- Procedure to be developed.
- Online form available on website to be supported with the implementation of an electronic Customer Service Request system.

Position of Manager Governance has been vacant which has resulted in delays. Offer of employment has been extended to a suitability qualified candidate.

Status update: Ongoing

Responsible officer: Manager Governance

Consultation

Executive Leadership Team

Middle Management Team

Finance Team

Statutory environment

Local Government Act 1995

Section 5.46. Register of, and records relevant to, delegations to CEO and employees

- 1. The CEO is to keep a register of the delegations made under this Division to the CEO and to employees.*
- 2. At least once every financial year, delegations made under this Division are to be reviewed by the delegator.*
- 3. A person to whom a power or duty is delegated under this Act is to keep records in accordance with regulations in relation to the exercise of the power or the discharge of the duty.*

Financial implications

There are no known financial implications for this matter.

Strategic implications

Shire of Ashburton Strategic Community Plan 2017-2027 Living Life (2019 Desktop Review)

Goal 5	Inspiring Governance
Objective 3	Council leadership
Desired outcome	Council effectively governing the Shire, demonstrating effective governance and town leadership.

Risk management

Risk has been assessed based on the Officer Recommendation.

Unconfirmed Minutes – Public Audit and Risk Committee Meeting 28 September 2021

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan
Compliance Failure to address areas for improvement identified in the Regulation 17 report	Possible (3)	Minor (2)	Moderate (6)	Some temporary non compliances	Adopt Officer recommendation.

The following Risk Matrix has been applied:

		Risk Matrix				
Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix.

The perceived level of risk is low due to the financial controls in place and the regularity of review of the information contained within these reports.

Policy implications

There are no known policy implications for this matter.

Voting requirement

Simple majority

Councillor interest declarations

Nil

Officer recommendation

That with respect to the Regulation 17 Review – 2020 Program Status Update, the Audit and Risk Management Committee recommends Council receive the update.

Committee Recommendation 31/2021

Moved

Cr Rumble

Seconded

Cr de Pledge

That with respect to the Regulation 17 Review – 2020 Program Status Update, the Audit and Risk Management Committee recommends Council receive the update.

Carried 5/0

7.3 Internal Audit 2021 Status Report

File reference	GR01
Author's name	T Dayman
Author's position	Manager Finance and Administration
Author's interest	Nil
Authorising officer's name	N Cain
Authorising officer's position	Director Corporate Services
Authorising officer's interest	Nil
Name of applicant / respondent	Not Applicable
Date report written	15 September 2021
Previous meeting reference	Agenda item 1 (Minute 20/2021) Audit and Risk Management Committee 16 March 2021

Summary

This report provides a progress update on the findings of the internal audit conducted by Moore Australia that focused on matters identified in the 2019 Financial Management Review, procurement systems and controls, risk management practices, grants application, payments and acquittals, and records management compliance.

The Audit and Risk Management Committee is requested to accept the status report on the findings of the internal audit.

Background

To improve the effectiveness of its risk management, governance and control processes, Councillors endorsed the Audit and Risk Management Committee's role in preparing a three-year internal audit plan at the September 2020 Ordinary Meeting of Council. Further, Council acknowledged the Chief Executive Officer was undertaking an internal audit on key areas of concern in accordance with the Chief Executives obligations for the *Local Government (Financial Management) Regulations 1996* as amended for the year ended 30 June 2021 was to focus on the following areas:

- Identified matters in the 2019 Financial Management Review,
- Procurement systems and controls,
- Risk management practices,
- Grants applications, payments, and acquittals; and
- Records management compliance with regulations and systems review.

Comment

Moore Australia were engaged to undertake an internal audit in accordance with the Institute of Internal Auditors ‘International Standards for the Professional Practice of Internal Auditing’ as contained in the ‘International Professional Practices Framework’, with the following objectives:

- Examine and evaluate actions implemented in response to matters identified in the 2019 FMR review,
- Review the appropriateness and effectiveness of internal controls pertaining to processes key to procurement activities, including credit card expenditure and tenders in accordance with statutory requirements,
- Determine the compliance, efficiency, and effectiveness of the risk management framework with legislative compliance requirements and its consideration of better practice principles,
- Review the appropriateness and effectiveness of systems and internal controls pertaining to management of grants, and
- Assess the systems for records capture and retrieval, retention and disposal, risk of loss of vital information, and to identify potential improvements.

The Ashburton Internal Audit Report – 2020-2021 was endorsed by the Audit and Risk Committee on the 16 March 2021.

Moore Australia summarised the findings in the following table.

Summary of Findings				
Review Area:	High	Medium	Minor	Total
Identified Matters – 2019 FMR	-	3	-	3
Procurement Systems and Controls	12	12	-	24
Risk Management Practices	4	9	5	18
Grants Management	-	6	5	11
Records Management	7	7	-	14

Management have made a commitment to address the matters raised within this report, including meeting best practice principals.

The below is an overall summary of the approach management are taking to address matters raised, a detail report is provided within a separate attachment.

1. Observations and Recommendations – 2019 Financial Management Review

All matters raised from the 2019 Financial Management Review have been or are currently being addressed.

A financial end of month checklist has been developed which incorporates numerous tasks, including items raised.

Continual improvements are being develop, including upgrading the Shire's financial management system from ITVision SynergySoft to ITVision Altus, which was included in the 2021/2022 budget allocations.

2. Procurement systems and controls

Several improvements have been identified within this section ranging from system improvements, record keeping, training, improved workflow, and compliance. As a result, it is recommended that a complete review of the Shire's procurement system and controls be conducted that incorporates all aspects of procurement, from planning, and approaching the market, evaluating, awarding contracts and contract management right through to payments and evaluations.

Robust systems are required to accommodate the complexity of the Shire's procurement requirements. This includes investigating platforms that will incorporate and enforce the Shire's policies and processes to ensure that best practice principals and legislative requirements are met.

The Shire is currently investigating ITVision's Altus Procurement and Altus contract management as platforms to manage procurement and contracts to be implemented in 2021/2022.

The system implementation will incorporate the review and/or development of various council policies, processed and directives, that will be inbuilt into the system to ensure compliance.

3. Risk management practices

The internal audit stated that Risk Management Capability and Culture for the Shire is assessed as inadequate. Furthermore, the report noted that there are no dedicated resources and regular review of the resourcing of the risk management function. The de-centralised model for risk management effectiveness is limited by this the lack of dedicated resource to ensure a consistent approach.

Management has identified that Risk Management is an organisation priority. The funding of a new Audit and Governance position has been included in budget considerations and incorporated in the organization review discussions.

This new position is imperative for the shire to improve its Risk management practices and address the matters raised within the report.

4. Grants applications, payments, and acquittals

The internal audit identified several improvement opportunities within the Shire's Grant Management processes.

Improved systems and controls are required for the high-level monitoring of compliance with grant programs to detect any potential issues in a timely manner to reduce the shire's risk of non-compliance of funding conditions.

A complete review of the grant management process has been identified and will incorporate the development of suitable reporting system to collate, monitor and report funding performance.

5. Records management compliance with regulations and systems review

The internal audit assessed several the Shire's Record Management Practices as inadequate.

Improvements to the Shire's record keeping management has already been identified as a priority by staff. At the September 2020 ordinary meeting, Council endorsed a five-step approach to access historical records and provide industry standard record keeping platform to ensure optimum performance in the future.

A project management plan for the implementation and migration of an electronic record keeping system has been developed and currently being implemented.

The Shire's Record Keeping Plan is being reviewed in conjunction with the implementation of the Shire's new EDRMS and will incorporate requirements and strategies that align to the new systems capabilities.

Staff are in regular contact with the State Records Office regarding the review status as well as ensuring that the shire's approach and implementation meets legislative and best practice requirements.

It is envisioned that the Record Keeping plan will be finalized within the next 6 months. The plan will incorporate systems for continual monitoring and self-evaluation strategies.

A detailed status update report for the period ending 16 September 2021 is provided for consideration.

Attachment 7.3A

Consultation

Executive Leadership Team
Middle Management Team
Finance Team

Statutory environment

Local Government (Audit) Regulations 1996

16. *Functions of audit committee*

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —*
 - (i) its functions under Part 6 of the Act; and*
 - (ii) its functions relating to other audits and other matters related to financial management;*
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to*
 - (i) report to the council the results of that review; and*
 - (ii) give a copy of the CEO's report to the council;*
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
 - (i) regulation 17(1); and*
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*

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 the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
3. *The CEO is to report to the audit committee the results of that review.*

Financial implications

Implementing the recommendations of the Report that have financial impacts will be processed through normal budgetary processes.

Strategic implications

Shire of Ashburton Strategic Community Plan 2017-2027 Living Life (2019 Desktop Review)

Goal 05 Inspiring Governance
Objective 4 Exemplary team and work environment

Risk management

Risk has been assessed based on the Officer Recommendation.

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan
Compliance Failure to address areas for improvement identified in the Regulation 17 report	Possible (3)	Minor (2)	Moderate (6)	Some temporary non compliances	Adopt Officer recommendation.

The following Risk Matrix has been applied:

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)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix.

Unconfirmed Minutes – Public Audit and Risk Committee Meeting 28 September
2021

The perceived level of risk is low due to the financial controls in place and the regularity of review of the information contained within these reports.

Policy implications

There are no known policy implications related to this matter.

Voting requirement

Simple majority.

Councillor interest declarations

Nil

Officer recommendation

That with respect to the 2020-2021 Internal Audit Status Update, the Audit and Risk Management Committee recommends Council receive the update.

Committee Recommendation 32/2021

Moved	Cr D Diver
Seconded	Cr R de Pledge

That with respect to the 2020-2021 Internal Audit Status Update, the Audit and Risk Management Committee recommends Council receive the update.

Carried 5/0

8 Next meeting

The next Audit and Risk Committee will be held at 9:00am on 21 December 2021 at the Council Chambers, Onslow Shire Complex, Second Avenue, Onslow.

9 Closure of meeting

There being no further business, the Presiding Member closed the meeting at 9:06am.



7.3A - Ashburton Internal Audit Report 2020-21 Status Update November 2021



shire of Ashburton
reef to range

Internal Audit Program - 2020/21

Shire of Ashburton

Internal Audit Report

15 February 2021

Status Report for the Period Ending

30 November 2021



2. Observations and Recommendations – 2019 Financial Management Review

Ref # Findings				Rating	Medium	Responsibility	Manager Finance and Administration
2.3.0	Bank Reconciliations						
2.3.1	<p>KCA 7 Bank Accounts and Banking (Municipal Fund and Banking) within the Finance Manual requires bank reconciliations with supporting documentation to be prepared at least monthly and reviewed by management. This procedure also requires the Trust Fund to be reconciled at least monthly to the GL control account and a reconciliation form to be signed.</p> <p>We noted the following issues with our testing of the agreed management actions within the 2019 Financial Management Review:</p> <ul style="list-style-type: none"> • There was no evidence of the January 2020 municipal fund reconciliation being reviewed; • The date of preparation for the Trust Fund reconciliations were not included within the reconciliation reviews to evidence the timely undertaking of the reconciliation being performed; and • Trust Fund reconciliations reviewed by us for January 2020, February 2020 and April 2020 did not contain any evidence of review. <p>Implications: Controls in relation to bank account reconciliations are intended to identify errors, omissions, misstatements or discrepancies so they can be detected, reported and actioned appropriately in a timely manner.</p> <p>The absence of independent reviews may result in reconciliations not being performed within expected timeframes, and may also contribute to errors being more difficult to isolate/rectify.</p>						
Recommendation							
<p>1. Review and update systems to facilitate compliance with the Finance Manual and agreed documented management actions noted in the FMR.</p>							
Management Comment							
<p>Action: To be addressed by EOM April 2021.</p> <p>Progress Update:</p> <p>Prior period bank reconciliation issues are being addressed and cleared in order to bring Council's bank reconciliations up to date with a significant reduction in outstanding items.</p> <p>Bank Reconciliation tasks for all the Shire's bank accounts have been incorporated in end of month financial checklist.</p> <p>Currently Bank Reconciliations are performed manually and via excel. An upgrade to Itvision Altus Bank Reconciliations is schedule to be implemented in 2021/2022.</p> <p>Finance Manual to be updated in conjunction with the commencement of the new system.</p> <p>Update – September 2021. Funds to upgrade to Altus included in 2021-2022 budget. System to be implemented.</p>							
Status							
Ongoing							

3.

4. Observations and Recommendations – Procurement

Ref #	Findings	Rating	High	Responsibility	Manager	Finance and Administration	Status
3.1.0	Procurement Policies and Procedures						
3.1.1	<p>Documented Policies and Procedures</p> <p>There are three key documents to guide procurement activities at the Shire of Ashburton:</p> <ul style="list-style-type: none"> • FIN12 Purchasing Policy (last reviewed 8 September 2020); • KCA 10 Purchasing, Creditors, Procurement and Payments (Finance Manual approved 31 May 2018); and • FIN22 Procurement Directive (management directive approved 28 July 2020). <p>The FIN12 Purchasing Policy, as adopted by Council, should govern operational procedures and directives. There are a number of inconsistencies between the three documents noted above, which may cause confusion amongst staff, and could potentially result in non-compliance where conflicting information is referenced. Some of the inconsistencies noted include:</p> <ul style="list-style-type: none"> • FIN12 Purchasing Policy refers to GST exclusive thresholds, whereas KCA 10 Purchasing, Creditors, Procurement and Payments and FIN22 Procurement Directive refer to GST inclusive thresholds; • FIN22 Procurement Directive lists the positions of officers who may authorise purchase orders and the limitation of the authority for each. We noted Muzzy's Hardware provides for purchase orders (per transaction) up to \$499; • KCA 10 Purchasing, Creditors, Procurement and Payments makes reference to monthly purchase orders being permitted for some suppliers (including Muzzy's Hardware) noting each individual purchase must be under \$1,000, which does not align with FIN22 Procurement Directive (requiring purchase orders for each transaction at Muzzy's Hardware to be limited to \$499 for certain officers). <p>Our enquiries with staff noted there is much confusion relating to transactions at Muzzy's Hardware, particularly around controls for authorised officers who may procure goods against open / general purchase orders being used. We believe FIN22 Procurement Directive requires a purchase order to be issued for each transaction at Muzzy's Hardware by an officer authorised by the directive, and should the process of general or 'open' monthly purchase orders should cease.</p> <p>KCA 10 Purchasing, Creditors, Procurement and Payments provides guidance / instruction in relation to purchase orders for the Shire. This information is no longer current and has not been updated. We also noted a number of tasks within the procedure to assist with compliance where protocols / training was to be developed. This does not appear to have been completed, and many tasks are performed without a clear structure, without review, or not performed at all.</p> <p>Implications: Lack of clearly defined policies and processes compromises the Shire's ability to demonstrate equitable and transparent procurement activities. Potential non-compliance with documented policies and procedures where systems and controls are inconsistent and do not align.</p>						
	Recommendation	Management Comment					Status
	<p>2. Review and update KCA 10 Purchasing, Creditors, Procurement and Payments and FIN22 Procurement Directive to align with and provide consistent and correct direction to staff for procurement activities.</p> <p>3. Create checklists for tasks and controls noted within documented policies and procedures to assist with and to evidence compliance.</p>	<p>Action: To be implemented by EOM May 2021.</p> <p>Progress Update:</p> <p>Staff are currently reviewing new procurement systems to be implemented in 2021/202. The system implementation will incorporate the review and/or development of various council policies, processed and directives, that will be inbuilt into the system to ensure compliance.</p> <p>Additional review of transactions associated with Muzzy's is occurring with key stakeholders set to meet in the near future to resolved issues raised.</p>					Ongoing

3. Observations and Recommendations – Procurement (continued)

Findings			
Ref #	Procurement Policies and Procedures (continued)	Ratings	Responsibility
			Director Corporate Services Manager Governance
3.1.0			High
3.1.2	<p>Delegation of Authority</p> <p>Delegation 1.1.21 Payments from the Municipal and Trust Funds was last reviewed and adopted by Council 8 September 2020 by resolution 139/2020. The delegation to the CEO includes sub-delegation to the Executive Leadership Team (ELT) and requires two delegates to jointly approve payments by cheque and EFT. One of these two delegates must be the Director or Acting Director of Corporate Services.</p> <p>We noted the record of exercise of delegated powers or duties includes several approvals for payments from the municipal fund, however the extract examined by us did not include a record of the Director Corporate Services exercising the delegation for any payments from the municipal fund as required by the policy and the record only notes one director having approved the payment. Further examination of creditors reports noted payments were approved by two Directors, however this exercise of delegated authority has not been included in the record of exercise of delegated powers or duties.</p> <p>During our review, we noted a creditors payment batch approved for payment from the municipal fund was approved by two Directors, which did not include the Director Corporate Services. No commentary was available to support why the Director Corporate Services had not approved the payment as required by Delegation 1.1.21 in the record of exercise of delegated powers or duties.</p> <p>Implication: Potential non-compliance with adopted delegations.</p>		
Recommendation			
	<p>4. Enforce individual accountability for compliance with the Shire's recordkeeping requirements and documented procedures.</p> <p>5. Review delegation 1.1.21 and consider updates where required if there are impracticalities to a single officer being required to approve all payments made from the municipal and/or trust fund.</p> <p>6. Implement systems and controls where reviews of the record of exercise of delegated powers or duties are performed for compliance and accuracy verification.</p>		<p>Action: To be addressed by EOM March 2021.</p> <p>Progress Update:</p> <p>Current process to be reviewed which may result in amendments to employee delegations to mitigate the concerns raised by the reviewers.</p> <p>A new Record Keeping Program is currently being implemented. This program, in conjunction with reviewed process and procedures will be aligned to ensure best practice and compliance is met.</p>
			Status
			Ongoing

3. Observations and Recommendations – Procurement (continued)

Findings			
Ref #	Procurement Policies and Procedures (continued)	Rating	Medium
			Responsibility
			Manager Finance and Administration, Senior Procurement Officer, Human Resources.
3.1.3	<p>Training</p> <p>There is no set training program in place for staff who are responsible for procurement activities, with a strong reliance on documented procedures to guide staff to understand their responsibilities. In recent times, more responsibility is being placed on individual departments to manage their own procurement activities where tenders are not called / required. This includes development of scope, evaluation etc.</p> <p>Accounts payable staff who are noted within KCA 10 Purchasing, Creditors, Procurement and Payments as being tasked to assist with monitoring and compliance activities do not routinely undergo initial and refresher training to support these activities.</p> <p>Training is essential for numerous procurement activities across the Shire to ensure everyone understands their responsibilities in accordance with approved policy, procedure and legislative compliance requirements.</p> <p>Implication: Staff may not be aware of their responsibilities or be capable to perform all duties assigned to them</p>		
Recommendation		Management Comment	
7.	A risk based training matrix be implemented to assist with ensuring staff are offered relevant training to ensure their knowledge of legislative and operational requirements is maintained up to date	<p>Action: To be addressed by EOM April 2021.</p> <p>Progress Update:</p> <p>Shire is currently investigating a Human Resources online management solution, including the onboarding of new staff. This platform will assist with rolling out identified training requirements including those listed by the reviewer.</p> <p>Update – September 2021. Funds for HR online management system included in 2021-2022 budget. System has been sourced and currently being implemented.</p>	
			Ongoing.

3. Observations and Recommendations – Procurement (continued)

Ref # Findings				Rating	Medium	Responsibility	Manager Finance and Administration, Senior Procurement Officer	
3.2.0	Process – Planning Procurement and Approaching the Market							
3.2.1	<p>Conflicts of Interest and Confidentiality</p> <p>Declarations of conflict of interest and confidentiality are not in place to require these declarations to be signed prior to assessments being undertaken for high value purchases. It appears this process is completed for tender evaluations, however it is not routinely applied to tender exempt or purchases below the tender threshold.</p> <p>Persons assessing any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence. Procedures for the declaration of interests prior to procurement assessments being undertaken should also be documented for high value purchases as well as tenders.</p> <p>These declarations should also be completed by support staff (records, administrative staff etc) who although may not be directly involved in assessment of procurement options, are still privy to confidential information. Controls should be in place to ensure confidential commercial information is not disseminated.</p> <p>Implications: Where conflicts of interest are not managed and / or documented well, allegations of perceived bias may be raised resulting in reputational risk to the Shire. Confidential information may be disseminated if proper procedures are not in place to ensure information is secure at all times.</p>							
Recommendation				Management Comment				Status
<p>8. Persons assessing or handling any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence prior to the evaluation being undertaken. Procedures for the declaration of interests prior to procurement assessments being undertaken should also be documented for high value purchases and tenders.</p>				<p>Action: To be addressed by EOM April 2021.</p> <p>Progress Update:</p> <p>Declarations of interest are completed by staff for RFQ and RFT.</p> <p>Formal procedures are under review to align with new requirement, including providing guidelines of types of interest and definition of significant procurement.</p> <p>A new procurement platform is currently being investigated which will include the ability to in-build shire requirements and reflect the shire's workflow for declarations.</p> <p>Update – September 2021. Funds to upgrade to Altus included in 2021-2022 budget, which may include upgrade to Altus procurement.</p> <p>System demonstration to be arranged to ensure it meets the requirements of the organization.</p>				Ongoing

3. Observations and Recommendations – Procurement (continued)

Ref # Findings			
Ref #	Findings	Rating	Responsibility
3.2.0	<p>Process – Planning Procurement and Approaching the Market (continued)</p>	High	All Directors
3.2.2	<p>Scope and Planning of Projects including Cost Estimates</p> <p>During our testing with procurement activities, we noted several variation request forms which are required to be authorised by the CEO in instances where variations to contracts already awarded are requested. Further review of a sample of some of these variation requests noted significant differences between estimated project expenditure and adopted budgeted expenditure. We also noted a legal dispute in relation to a tender and subsequent works performed by a contractor.</p> <p>In relation to the legal dispute, and most of the variation forms we sampled, it appeared there are limited controls in place for scoping of works prior to procuring goods and services. This has contributed to a number of projects being over expended, as poor specifications have resulted in scope creep with associated works which have been difficult to monitor/manage. With the high turnover of staff experienced by the Shire of Ashburton, knowledge transfer for large scale projects which have limited documentation and records to support the projects, creates a significant risk for works to be completed to the required standard and within budget.</p> <p>Insufficient planning of works, scope and budget estimates may result in incorrect procurement activities being undertaken, where estimated thresholds are exceeded. This presents issues where procedural fairness has not been applied, in that suppliers may not have been afforded the opportunity to quote for works due to procurement being initially sought for a lower value threshold.</p> <p>Based on our enquiries, some departments consider they are not well equipped to undertake procurement activities, particularly with developing scope prior to testing the market. The procurement department is available to provide some assistance when requested, however improved documented guidance should be investigated to support officers in developing the required skillset to competently undertake procurement activities.</p> <p>Implications: Poor planning of projects resulting in costs exceeding budgeted expenditure may result in non-compliance with procurement policy and legislative requirements.</p> <p>Potential for anti-avoidance or circumvention of procurement policy where splitting of may services occur.</p> <p>Reputation risk where good governance principles are not observed.</p>		
	<p>Recommendation</p> <p>9. In addition to the implementation of a risk based training matrix, consider mechanism where project plans and cost estimates are reviewed by appropriately qualified personnel prior to invitations to provide goods/services being issued.</p>		
	<p>Management Comment</p> <p>Action: Training being implement in relation to scope preparation. External expertise to engage for review as required.</p> <p>Progress Update: Contract management training has been delivered to project management staff. Ongoing training to be provided where identified. Third party consultants are engaged to review scope of works for major projects. Budget considerations are submitted by providing a business case, which outlines a detailed scope of works. This area is under ongoing improvement to ensure that the level of planning and budget estimates verified and accurate.</p>		
			Status
			Ongoing

3. Observations and Recommendations – Procurement (continued)

Findings			
Ref #	Procurement Invitations, Evaluations and Compliance	Rating	Responsibility
3.3.0		High	All Directors
3.3.1	<p>Tenders</p> <p>One of the tenders selected for sampling as part of our review was Tender 25.19 Footpath Construction and Renewal Program. The Request for Tender (RFT) invited tenders to submit responses for a two year term with a one year extension option for estimated 1000m2 of footpath renewal over a three year period (total 3,000m2) and 800m2 new footpath over a three year period (total 2,400m2). An addendum to the tender also included an additional 2,300m2 of construction to be undertaken in Year 1 (2019/20 financial year) only. The tender specifications also noted the quantities in the schedules may be increased or reduced by the Principal to align tender prices with funds available in the budget.</p> <p>In Year 2 of the contract (2020/21 financial year), the Shire sought to significantly increase the area of footpath renewal works, resulting in an increase in estimated budget from approximately \$300,000 to approximately \$1.7m (ex GST). It was considered that as the tender specifications noted quantities may increase or decrease, the variation was permitted based on the CEO's authorisation to manage the contract.</p> <p>Delegation 1.1.17 Tenders for Good and Services authorises the CEO to negotiate minor contract variations prior to entering into a contract, and also to vary a contract that has been entered into with a successful tenderer, provided the variation/s do not change the scope of the original contract or increase the contract value beyond 10% or \$2M in total. <i>Local Government (Functions and General) Regulations 1996</i> provides a contract must not be varied after it has been entered into with a successful tenderer unless the variation is necessary to deliver the goods or services and where it does not change the scope of the contract (Regulation 21A).</p> <p>The variation to the contract awarded for Tender 25.19 results in the contract value (over the minimum two year term of the contract) to exceed \$2m, which does not comply with Delegation 1.1.17. We believe the variation to the contract does not comply with the <i>Local Government (Functions and General) Regulations 1996</i> in that the variation was not necessary in the delivery of services under the existing contract, given the variation was not going to impact on the ability to deliver the original works as per Tender 25.19. We also believe the scope of the original contract was changed, given the significant increase in works to be performed.</p> <p>Unsuccessful tenderers who responded to Tender 25.19 may argue their response/pricing may have been different had they been aware of the increased scope of works. The variation could also result in allegations the Shire did not act in a transparent and equitable manner in procuring the services for additional footpath works, which presents a reputation risk to the organisation.</p> <p>Implication: Non-compliance with legislation.</p> <p>Potential for allegations of inequitable procurement activities to be received.</p>		
Recommendation		Management Comment	Status
<p>10. Review systems and controls in relation to contract management and compliance with tenders to ensure processes remain compliant and align with general good governance principles. Training may also assist for staff involved in tender processes (including contract management) to understand their obligations in relation to legislative compliance.</p>		<p>Action: Recommendation to be implemented by June 2021 with ongoing review.</p> <p>Progress Update:</p> <p>In addition to the new procurement platform, Altus Contract Management module has been released by Ivision and currently being investigated as a platform to provide ongoing systems improvements.</p> <p>Contract management training has been delivered to project management staff.</p> <p>Increase procurement and understanding of legislation training identified, with training being delivered over the next 12 months. Training will need to be delivered regularly to ensure new staff are aware of the requirements.</p> <p>Update – September 2021. Upgrade to Altus included in 2021-2022 budget, which may include upgrade to Altus procurement / Contract Management.</p>	Ongoing

3. Observations and Recommendations – Procurement (continued)

Ref # Findings				Responsibility	Director Projects & Procurement Senior Procurement Officer
3.3.0	Procurement Invitations, Evaluations and Compliance (continued)	Rating	Medium		
3.3.2	<p>Evaluations</p> <p>Evaluation processes appear to be well structured in assessing tenders, with good records maintained of the processes undertaken. Tender exempt and purchases below the tender threshold however do not appear to consistently have the same level of probity. Declarations of interest and confidentiality, evaluation systems and processes etc appear to vary depending on the department and the individuals performing the evaluation. In some instances, the number of people undertaking the evaluation will vary with minimal documentation is maintained to support the process undertaken.</p> <p>Reference checking does not appear to be routinely performed (including with some tenders) as part of procurement evaluation processes. This has resulted in some contract management issues arising in relation to contractors satisfactorily performing works. In particular, where previous experience is a selection criteria established through the procurement plan, reference checks should be performed and recorded to verify and validate the responses received.</p> <p>Implication: Procedures may not adequately provide for probity and fairness in evaluation of procurement options.</p>				
	Recommendation	Management Comment		Status	
	<p>11. To help ensure probity and fairness when assessing high value procurement options, at least three persons should assess the procurement option independently of each other. Documented processes should require a higher level of probity and due diligence (including reference checking), the higher the value or risk associated with the purchase.</p>	<p>Action: Probity Auditor engaged for projects \$1m and over. Ad hoc probity also initiated.</p> <p>Recommendation to be implemented.</p> <p>Progress Update:</p> <p>In addition to the new procurement platform, Altus Contract Management module has been released by Itvision and currently being investigated as a platform to provide ongoing systems improvements.</p> <p>Update – September 2021. Upgrade to Altus included in 2021-2022 budget, which may include upgrade to Altus procurement / Contract Management.</p>		<p>Ongoing</p>	

3. Observations and Recommendations – Procurement (continued)

Ref # Findings				Director Projects & Procurement Senior Procurement Officer
Ref #	Findings	Rating	Medium	Responsibility
3.3.0	Procurement Invitations, Evaluations and Compliance (continued)			
3.3.3	<p>Panels of Pre-Qualified Suppliers</p> <p>A Panel of pre-qualified suppliers previously existed which related to tender.04.18. This panel contract recently expired. We were unable to verify compliance with the operation of the panel in accordance with legislation as support documentation was unable to be provided for testing.</p> <p>There are numerous and complex legislative compliance requirements in establishing and maintaining a Panel. The significant procurement controls required in managing Panels and their activities carries a high risk of non-compliance with these requirements. High levels of records management and additional record keeping requirements as well as highly detailed procurement processes and activities required in maintaining a Panel of pre-qualified suppliers.</p> <p>We understand the Shire is considering establishing panels of pre-qualified suppliers for additional services in the near future. There is a real risk confusion may arise between the procurement controls required by regular purchasing activities and the additional / extensive requirements associated with Pre-Qualified Supplier Panels. Appropriate systems and controls should be established to assist with compliance and for staff involved in Panel activities to understand their responsibilities and obligations.</p> <p>Implication: Potential non-compliance with legislation.</p>			
Recommendation		Management Comment		
	12. Undertake a well considered, risk based approach prior to assessing the merits of establishing and subsequently complying with Pre-Qualified Supplier Panels. Ensure robust processes, systems and controls are in place to support and monitor compliance.		<p>Action: Recommendation noted</p> <p>Progress Update:</p> <p>The induction of new systems improvements will incorporate a complete review of the overall procurement process, including considering the use of Panels of Pre-Qualified suppliers.</p>	Ongoing

3. Observations and Recommendations – Procurement (continued)

Findings			
Ref #	Procurement Invitations, Evaluations and Compliance (continued)	Rating	Responsibility
3.3.0		High	All Directors
3.3.4	<p>Variations</p> <p>FIN22 Procurement Directive provides for 'Conditions of Approval when entering into contract variations that consider the barter or exchange of services or facilities'. We do not believe this condition to permit variations to contracts already awarded supports principles of good governance (particularly transparent and equitable processes) and the inclusion of this condition in the management directive does not align with Council policy FIN12 Purchasing. The purchasing policy does not provide these types of variations to occur, and as such the management directive should be amended to align with Council's adopted purchasing policy.</p> <p>Use of CEO approvals for variations to awarded contracts appear to be utilised with some frequency. Review of randomly selected samples of these variations indicate significant variations being requested, where cumulative project expenditure will far exceed the original budget. Where this occurs, it appears budget amendments are being recommended to accommodate these variations. Further investigation may be required to investigate the cause of these variations, and improved project planning to ensure scope, planned works and costs estimates have been properly considered.</p> <p>CEO approved variations to awarded contracts should not be utilised to circumvent procurement requirements, and should only be applied where required variations comply with Council policies.</p> <p>KCA 10 Purchasing, Creditors, Procurement and Payments within the Finance Manual contains processes for staff to follow in relation to variances. This information is outdated as it is not aligned to current policies. This could create confusion amongst staff who may need to apply for a variation which may not align with current systems and controls.</p> <p>Implication: Non-compliance with adopted policies and procedures.</p> <p>Poor project and / or contract management practices may present difficulties in monitoring costs and budget constraints.</p>		
Recommendation		Management Comment	
	<p>13. Review and update FIN22 Procurement Directive to remove the 'conditions of approvals for when entering into contract variations that consider the barter or exchange of services or facilities'. Any ability to enter into contract variations should align with FIN12 Purchasing policy as adopted by Council.</p> <p>14. Enforce individual accountability with documented procurement policies and procedures and consider disciplinary action for repetitive compliance breaches.</p> <p>15. Update KCA 10 Purchasing, Creditors, Procurement and Payments to provide for current requirements in relation to variations and approvals.</p>	<p>Action: Recommendation to be implemented by EOM June 2021</p> <p>Progress Update:</p> <p>The induction of new systems improvements will incorporate a complete review of the overall procurement process including the review of policies and directives as identified by the reviewer.</p> <p>A new procurement platform is currently being investigated which will include the ability to in-build shire requirements and reflect the shire's workflow for variations.</p> <p>Update – September 2021. Upgrade to Altus included in 2021-2022 budget, which may include upgrade to Altus procurement / Contract Management.</p>	<p>Status</p> <p>Ongoing</p>

3. Observations and Recommendations – Procurement (continued)

Ref # Findings			
3.4.0	Accounts Payable	Rating	Medium Responsibility Manager Finance and Administration
3.4.1	<p>Segregation of Duties</p> <p>There appear to be limited controls to segregate duties within the accounts payable team. Any staff member with access to the creditors module of the Shire's ERP are able to amend/change bank account details for creditors. The ability for individuals (who may not require it) to access and manipulate data within the ERP may provide an opportunity for fraudulent transactions to occur. Access and permissions should be reviewed to minimise opportunities where collusion or fraud may occur.</p> <p>Whilst there are internal practices occurring where reviews are performed to changes made to creditor details, accuracy of entries to creditors payment runs etc, it appears most of checks performed are peer reviewed, with limited detail as to the checks being performed by senior officers independent to accounts payable processing.</p> <p>Implication: Inadequate segregation of duties and independent oversight may create opportunities for fraud / collusion to occur.</p>		
Recommendation			
	<p>16. Review and update levels of permissions within the Shire's ERP to support segregation of duties.</p> <p>17. Update procedures to ensure appropriate interventions are available at various stages of the procurement process, including routine reviews of controls to ensure they are being observed and maintained as required.</p>		<p>Management Comment</p> <p>Action: Recommendation to be implemented by EOM April 2021</p> <p>Progress Update: New application, eftsure, is being acquired and will be implemented in July 2021. This new application incorporates payment protection, compliance monitoring and vendor onboarding by a third party.</p> <p>Implementation of new system will reduce the Shire's exposure to fraudulent activities as well as increasing the segregation of duties within the accounts payable team.</p> <p>Processes and procedures will be updated at the time of implementation, which will include a review of controls.</p> <p>Update – November 2021. Procurement to suitable solution has been complete, new system to be implemented in the new year.</p>
			Ongoing

3. Observations and Recommendations – Procurement (continued)

Ref # Findings	Accounts Payable (Continued)	Rating	Medium	Responsibility	Manager Finance and Administration
3.4.0	Accounts Payable (Continued)	Medium			
3.4.2	<p>Approval of Invoices, Compliance with Policies/Procedures</p> <p>The review of supporting documentation to approve invoices for payment does not appear to be routinely applied by all staff with purchasing authorisation. Our examination of creditor payment batches and supporting invoices noted the accounts payable team frequently had to issue correspondence to support invoices forwarded for processing where insufficient information was included to comply with policies and procedures, where incorrect documentation had been supplied or where information supplied did not align with approved procedures. Some queries required follow up by accounts payable staff on several occasions prior to being able to be processed.</p> <p>In addition to review of some creditor batch transactions, we also selected a random sample of fourteen payments from various purchasing thresholds for compliance testing and noted the following issues:</p> <ul style="list-style-type: none"> • An invoice amount for less than \$10,000 was authorised for payment by an officer/position not included on the authorised officer list; • Several invoices for Muzzy's hardware did not have individual purchase orders, and were provided for by an open purchase order (see finding 3.1.1 above); • Four of the purchase orders in the sample selection recorded names of the requester and authorisers, but the orders were not signed; • A part payment/invoice for a tender awarded with a total contract value for more than \$500,000 had a purchase order issued by an officer with an authorisation of \$99,999; • We noted a purchase order did not pre-date an invoice with an amount of more than \$120,000. • A payment was authorised for an invoice for more than \$10,000 by an officer/position not included on the authorised officer list; • A part payment/invoice of more than \$400,000 for a tender awarded had a purchase order issued by an officer with an authorisation of \$249,999. An email was included in supporting documentation indicating the CEO had authorised the payment, however there is no additional information to support this claim (such as a signature or support email from the CEO); and • A purchase order was issued for an estimated contract value of more than \$80,000 by an officer with an authorisation of only \$49,999. Although an exemption form had been approved by the appropriate Director and CEO for the purchasing activity to occur, the purchase order is still required to be authorised by an officer with the appropriate level of authorisation. <p>Where new staff commence in a role, procedures are amended or new procedures are developed, impacted staff must be advised of the procedure and where required specific training provided to ensure all persons with a role in the control have a full understanding of the procedure. It appears there are some breakdowns in controls, and staff may not have an adequate understanding of their obligations to comply with policies and procedures.</p> <p>Implication: Potential non-compliance with adopted policies and procedures.</p>				

3. Observations and Recommendations – Procurement (continued)

Findings				
Ref #	Accounts Payable (Continued)	Rating	Responsibility	
3.4.0		High	Manager Finance and Administration	
3.4.3	<p>Vendor / Supplier Masterfile and Maintenance</p> <p>Currently, where changes are required to creditor masterfile (including bank detail changes), there appear to be checks performed by staff to validate the change request and its origin. Supporting documentation will usually accompany forms to support checks performed by staff. The changes are performed and peer reviewed and signed by a senior officer, however controls should be improved to monitor the changes made in the Enterprise Resource Planning System (ERPS).</p> <p>Similarly, new creditor details are entered based on trust of managers approving the form having performed validation checks on new creditor account details. Procedures should be updated to ensure the following matters are appropriately considered and controls are adequate to:</p> <ul style="list-style-type: none"> • Validate the change request and its origin; • Authority exists for the change request; and • Validate and control the changes once completed. <p>The 'Management of Supplier Masterfiles' (Report 16:March 2019) published by the Officer of the Auditor General provides a list of better practice principles which may be of assistance in considering the areas to address in reviewing processes for vendor / supplier masterfile maintenance.</p> <p>Implication: Weaknesses in controls for vendor / supplier masterfile maintenance may create opportunities for misconduct / fraudulent activities to occur.</p>			
	Recommendation		Management Comment	
	<p>19. Review and update processes and forms for additions / amendments to the vendor / supplier masterfile to include declarations to support the verification of change requests and their origin, authority to support the change request, validation checks for changes once completed (including routine monitoring of audit trails to ensure all changes performed have been authorised).</p>		<p>Action: Recommendation to be implemented by EOM April 2021</p> <p>Progress Update: New application, efsure, is being acquired and will be implemented in July 2021. This new application incorporates payment protection, compliance monitoring and vendor onboarding by a third party.</p> <p>Implementation of new system will reduce the Shire's exposure to fraudulent activities as well as increasing the segregation of duties within the accounts payable team.</p> <p>Processes and procedures will be updated at the time of implementation, which will include a review of controls.</p> <p>Update – November 2021. Procurement to suitable solution has been complete, new system to be implemented in the new year.</p>	Status Ongoing

3. Observations and Recommendations – Procurement (continued)

Findings			
Ref #	Accounts Payable (Continued)	Rating	Medium
			Responsibility
			Manager Finance and Administration
3.4.4	<p>Progress Payments and Purchase Order Tracking</p> <p>KCA10 Purchasing, Creditors, Procurement and Payments contains a section 'Outstanding Purchase Order Monitoring' requiring the review of outstanding purchase orders with follow up action on partially invoiced purchase orders and outstanding purchase orders to be undertaken by accounts payable staff. This process appears to be occurring, however there is no review or action by senior staff to monitor the information being circulated to purchasing officers. The reports are for noting, rather than a mechanism to review and follow up status of outstanding purchase orders.</p> <p>Clarifying the purpose and process for the monitoring of purchase orders, including progress payments against purchase orders may also assist with project management reviews if information was available for review regarding the status of outstanding and partially outstanding purchase orders.</p> <p>Implication: Risk of invoices not being processed in a timely manner and in accordance with the purchasing policy.</p> <p>Issues relating to poor cost monitoring by purchasing officers may not be detected in a timely manner.</p>		
Recommendation			Management Comment
	<p>20. Update procedures to include review of the status of outstanding purchase orders as part of end of month processes. Ensure any controls developed are routinely and consistently applied.</p>		<p>Action: Recommendation to be implemented by EOM April 2021</p> <p>Progress Update:</p> <p>Review being performed as part of end of financial year and will continue throughout the year. Frequent reviews incorporated in the monthly checklist.</p> <p>It is anticipated that new systems will also assist in the monitoring and tracking of progress payments and purchase orders.</p> <p>Update – September 2021. Upgrade to Altus included in 2021-2022 budget, which may include upgrade to Altus procurement / Contract Management.</p>
			Status
			Ongoing

3. Observations and Recommendations – Procurement (continued)

Findings			
Ref #	Accounts Payable (Continued)	Rating	Responsibility
3.4.0		Medium	Manager Finance and Administration, Senior Procurement Officer
3.4.5	<p>Exemptions for Purchasing Activities</p> <p>FIN12 Purchasing Policy (last reviewed 8 September 2020) sets out few opportunities for exemptions from purchasing activities to occur. Exemptions to purchasing activities required by the policy is permitted in emergency situations where there is an imminent risk to public safety, property or infrastructure assets. We noted during our testing CEO 099 Exemption forms (permitted by the former purchasing policy) were utilised after the purchasing policy was reviewed, for approval to bypass the purchasing activities required by the purchasing policy. Procedures should be updated and communicated to all staff with purchasing authorisation to understand their obligations in relation to procurement activities and to comply with the current policy adopted by Council.</p> <p>Implication: Potential non-compliance with adopted policies and procedures.</p>		
Recommendation		Management Comment	
	<p>21. Update policies and procedures to provide clearer instruction and alignment for exemptions to occur.</p>		<p>Action: Recommendation to be implemented by EOM June 2021</p> <p>Progress Update:</p> <p>The induction of new systems improvements will incorporate a complete review of the overall procurement process including the review of policies and directives as identified by the reviewer.</p> <p>A new procurement platform is currently being investigated which will include the ability to in-build shire requirements and reflect the shire's workflow for exemptions.</p> <p>Ongoing procurement training to be delivered.</p> <p>Update – September 2021. Upgrade to Altus included in 2021-2022 budget, which may include upgrade to Altus procurement / Contract Management.</p>
			Ongoing

3. Observations and Recommendations – Procurement (continued)

Findings			
Ref #	Other	Rating	Responsibility
3.5.0	Other	Medium	All Directors, Manager Finance and Administration
3.5.1	<p>Credit Cards</p> <p>We observed staff utilising credit cards which were held by Directors for purchases at local businesses. When this issue was raised with management, we were advised this was a common practice, and procedures were in place where purchase requests were required to be made to and then authorised by the card holder prior to the credit card being handed out for use. In the course of our review and discussions with staff, we were advised some administrative support staff will hold card details for use as required/directed. We believe credit cards should physically held by the person in whose name they are issued, and credit card details should not be shared with other staff.</p> <p>EMP24 Corporate Credit Card Policy requires procedures to be in place to manage credit card activity in accordance with Council policy. KCA10 Purchasing, Creditors, Procurement and Payments contains a section 'Credit Cards' which sets out these procedures. One of these requirements includes for credit cards not to be used for private or personal transactions.</p> <p>Our testing noted an instance where a Director's credit card had been used to record payment details on another employee's personal PayPal account to procure goods on behalf of the Shire. This transaction was approved on the credit card reconciliation by the Director and was not detected until Accounts Payable staff were reconciling and entering credit card statements into the Shire's ERPS.</p> <p>Implication: Potential non-compliance with documented policies and procedures.</p> <p>Potential for fraudulent transactions to occur.</p>		
Recommendation		Management Comment	
<p>22. Ensure processes exist to maintain adherence to and detect any deviation from established documented procedures and controls.</p>		<p>Action: Recommendation to be implemented by EOM April 2021</p> <p>Progress Update:</p> <p>A review of credit card best practices currently in progress which may include the reduction of the number of card holders and the manner in which a credit card may be used.</p> <p>Corporate Credit Card conditions of use to be developed in line with updated policies, processes, and directives.</p> <p>Continued monitoring of practices to ensure compliance.</p>	
		Status	
		Ongoing	

3. Observations and Recommendations – Procurement (continued)

Findings			
Ref #	Other (continued)	Rating	Senior Procurement Officer
3.5.0		Medium	
3.5.3	<p>Regional Price Preference Policy</p> <p>The FIN04 Buy Local Regional Price Preference Policy was reviewed 21 November 2017 and consolidated with FIN12 Purchasing Policy. We noted when reviewing tenders and other procurement activities, regional price preferences were considered / applied after FIN04 Buy Local Regional Price Preference policy was removed from the policy manual.</p> <p>The <i>Local Government (Functions and General) Regulations 1996</i> provides for the application of regional price preferencing, including parameter, the requirement to have a regional price preference policy in place which has been prepared, advertised, submissions considered, adopted and then statewide public notice given prior to the application of the policy. We do not believe the application of regional price preferencing was compliant with legislation following the consolidation of FIN04 Buy Local Regional Price Preference Policy from 21 November 2017.</p> <p>We note this issue has since been corrected, following the preparation of a compliant policy, which has followed the processes set out by <i>Local Government (Functions and General) Regulations 1996</i>. This policy was adopted by Council on 11 November 2020 and advertised to come into effect 13 November 2020.</p> <p>Implication: Non-compliance with legislation.</p>		
Recommendation		Management Comment	
23.	Where regional price preferencing is to be applied to tender considerations, ensure policies remain in place which have complied with legislative requirements.	<p>Action: Recommendation noted</p> <p>Progress Update:</p> <p>The induction of new systems improvements will incorporate a complete review of the overall procurement process including the review of policies and directives as identified by the reviewer.</p> <p>A new procurement platform is currently being investigated which will include the ability to in-build shire requirements and reflect the shire's workflow for applying Regional Price Preference Policy.</p> <p>Ongoing procurement training to be delivered.</p> <p>Update – September 2021. Upgrade to Altus included in 2021-2022 budget, which may include upgrade to Altus procurement / Contract Management.</p>	Ongoing

4. Observations and Recommendations – Risk Management

Findings						
Ref #	Capability and Culture – The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour	Rating	Medium	Responsibility	Chief Executive Officer Audit and Governance Officer	
4.1.1	<p>Resourcing</p> <p>There are currently limited resources for risk management, with no dedicated officers allocated to support activities. Risk management, where undertaken and applied, is within individual departments of the Shire.</p> <p>Management has advised there is a de-centralised model in place where risk owners are responsible for risk management. In our opinion the risk management function is not comprehensive and coordinated relative to the nature and size of the Shire. It requires a dedicated resource to be responsible for all the risk management functions and activities to provide a consistent approach to risk management. Currently the risk management function appears disparate across the Shire.</p> <p>Further to this, there has been no recent or regular assessment of the adequacy of the resourcing of the risk management function. This is required to ensure the level of resources is current and commensurate with the Shire's risk appetite.</p> <p>Implication: Risk Management may be ineffective with the insufficient resourced central coordination.</p>					
Recommendation					Management Comment	Status
	<p>24. Appointment of dedicated risk manager who is responsible for the coordination of risk management activities. Regularly consider the resourcing of the risk management function and if it currently meets expectations. This may include the convening of a risk management group to support the risk manager.</p>			<p>Action: Recommendation to be considered by ELT.</p> <p>Progress Update:</p> <p>Risk Management has been identified as a priority. The funding of a new Audit and Governance position has been included in budget considerations and incorporated in the organization review discussions.</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget.</p> <p>Recruitment to commence</p>		Ongoing

4. Observations and Recommendations – Risk Management (continued)

Ref # Findings					
Ref #	Findings	Rating	Medium	Responsibility	All Directors Audit and Governance Officer
4.1.0	<p>Capability and Culture – The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour (continued)</p>				
4.1.2	<p>Alignment to Strategic Plan and Business Plan</p> <p>The Shire of Ashburton Living Life Strategic Plan 2017 to 2027 does not reference risk management or risks other than refer to these at a framework level. The Corporate Business Plan 2018-2022 does provide for risks, however this document has not been reviewed since it was adopted in 2018.</p> <p>Council and management should consider the documentation of current and emerging risks affecting/ potentially affecting the Shire in the development of these documents and the controls and initiatives to reduce these risks to an acceptable level. They need to demonstrate that effective systems of effective risk management have been implemented. The Shire should explain how their approach to managing current and emerging risks will support achievement of their strategic goals, vision, mission, and purpose.</p> <p>Implication: Risk Management may not be effective.</p>				
Recommendation		Management Comment			Status
	<p>25. Consider and document current and emerging risks in the Strategic Community Plan 2017-2027 and the Corporate Business Plan and how effective risk management is in place.</p>			<p>Action: Recommendation noted</p> <p>Progress Update: The documentation is being reviewed prior to December 2021 and will include links to shire corporate documents as well as incorporating risk management.</p>	Ongoing

4. Observations and Recommendations – Risk Management (continued)

Ref # Findings					
Ref #	Findings	Rating	Medium	Responsibility	Chief Executive Officer Director Corporate Services Manager Governance
4.1.0	Capability and Culture – The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour (continued)				
4.1.3	<p>Council and Audit & Risk Management Committee</p> <p>CORP5 Risk Management Policy adopted by Council sets out minimal risk management functions and responsibilities for the Council, and no defined risk management responsibilities for the Audit and Risk Management Committee. We believe it is a key function of the Council and the Audit and Risk Management Committee to oversee the management of risk of the Shire.</p> <p>As well as not defining risk management responsibilities of the committee, the current Terms of Reference for the Audit & Risk Management Committee does not include the date when it was approved by Council. It does not reflect better practice principles and key elements of the Office of the Auditor General's Audit Committee Charter which was included within their Better Practice Guide tabled in Parliament in June 2020. A contemporary and effective Audit & Risk Management Committee should have a contemporary Terms of Reference for good governance.</p> <p>Implication: Sound governance reflecting better practice principles for Risk Management may not be implemented.</p>				
	Recommendation	Management Comment			Status
	<p>26. Review CORP5 Risk Management Policy to better define the responsibilities of the Council, the Audit & Risk Management Committee, management and other stakeholders.</p> <p>27. Review the current Audit and Risk Management Committee Terms of Reference to include risk management responsibilities and to align with better practice principles.</p>			<p>Action: Recommendation to be implemented by EOM June 2021.</p> <p>Progress Update:</p> <p>Term of reference to be reviewed based on department guidelines and best practice. To be presented for discussion with the audit committee.</p>	Ongoing

4. Observations and Recommendations – Risk Management (continued)

Ref # Findings						
Ref #	Findings	Rating	Minor	Responsibility	All Directors Audit and Governance Officer	
4.1.0	<p>Capability and Culture – The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour (continued)</p>					
4.1.4	<p>Risk Management Annual Work Plan and Calendar</p> <p>There is currently no risk management annual work plan and/or calendar which has outcomes and activities identified, prioritised, performed with the status reported to management. There is a risk the risk management activities are not performed as they are not balanced with other work priorities of the ELT.</p> <p>Implication: Key Risk Management activities may not be performed on a timely basis.</p>					
Recommendation					Management Comment	Status
	<p>28. Develop, approve, document, monitor and report on a risk management calendar and annual work plan, which identifies the risk management events that are scheduled to occur to ensure that all deadlines are met.</p>				<p>Action: Recommendation to be implemented by EOM July 2021.</p> <p>Progress Update:</p> <p>Risk Management has been identified as a priority, subsequently a new Audit and Governance position is currently being proposed and included in budget considerations.</p> <p>On appointment the development of a risk management calendar and annual plan will be given the highest priority.</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget.</p> <p>Recruitment to commence</p>	Ongoing

4. Observations and Recommendations – Risk Management (continued)

Ref # Findings						
Ref #	Findings	Rating	Minor	Responsibility	All Directors Audit and Governance Officer	
4.1.0	Capability and Culture – The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour (continued)					
4.1.5	<p>Training</p> <p>There is no risk management training calendar. There has been no induction or regular training of the Risk owners, staff, contractors, and volunteers generally on risk management. Formal risk management training is essential to ensure everyone understands their responsibilities in accordance with the approved risk management framework and policy and compliance requirements.</p> <p>Implication: Staff may not be aware of their responsibilities or be capable to perform risk management</p>					
Recommendation					Management Comment	Status
	<p>29. Develop, approve, monitor and report on a risk management training calendar and perform induction and regular training for management, staff, contractors and volunteers. Ensure that the risk manager and risk owners have induction and regular training to ensure they understand their role and responsibility and better practice principles. This can be performed via online training and be integrated with other training performed by the Shire.</p>				<p>Action: Recommendation to be implemented by EOM July 2021 .</p> <p>Progress Update:</p> <p>Development of a risk management training calendar to be developed by the Audit and Governance Officer in conjunction with Human Resources and management.</p> <p>System improvements, including new applications and platforms, should assist in the development, monitoring and reporting of the Shire's Risk Management program as well as identifying and delivering of integrated tailored training including inductions.</p> <p>Contractor and volunteer inductions to be developed and inclusive of risk management responsibilities and requirements.</p>	Ongoing

4. Observations and Recommendations – Risk Management (continued)

Ref # Findings						
Ref #	Findings	Rating	Minor	Responsibility	All Directors Audit and Governance Officer	
4.1.0	Capability and Culture – The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour (continued)					
4.1.6	<p>Risk Expert</p> <p>There is no documentation of consideration of the need for an expert with an appropriate knowledge of risks to assist with the identification or management of current or emerging risks within risk appetite. Experts can assist with effective risk management. If no experts are required, then this can be documented.</p> <p>Implication: Risk management may not be effective if the Shire does not have the expertise to manage a specific risk.</p>					
Recommendation					Management Comment	Status
	30. Document consideration of the need for a risk expert in the identification and management of key risks.				<p>Action: Recommendation noted.</p> <p>Progress Update:</p> <p>This will be addressed on the appointment of the new Audit and Governance position</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget.</p> <p>Recruitment to commence</p>	Ongoing

4. Observations and Recommendations – Risk Management (continued)

Ref # Findings						
Ref #	Findings	Rating	Medium	Responsibility	Audit and Governance Officer	
4.1.0	Capability and Culture – The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour continued)					
4.1.7	<p>Risk Owners</p> <p>In the absence of a risk manager at the Shire, when management and staff leave there are minimal controls in place to ensure that another risk owner is allocated the risks to manage. Risk owners are responsible for the effective management of the specific risk. A risk owner ensures there is accountability for the residual risk is within risk appetite.</p> <p>Implication: Risks may not be managed in the absence of a Risk Owner.</p>					
Recommendation					Management Comment	Status
	31. Review off boarding processes and ensure risk management processes and controls are updated to remove terminated staff and to identify new risk owners.				<p>Action: Recommendation to be implemented by EOM June 2021.</p> <p>Progress Update:</p> <p>This will be addressed on the appointment of the new Audit and Governance position</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget.</p> <p>Recruitment to commence</p>	Ongoing

4. Observations and Recommendations – Risk Management (continued)

Ref # Findings	Risk Management Framework- To assist an organisation in integrating risk management into significant activities and functions. The key parts of a Risk Management Framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around Leadership and Commitment.	Rating	High	Responsibility	All Directors Audit and Governance Officer
4.2.0					
4.2.1	<p>Risk Register <i>Risk Identification</i> Risk profiles were last updated through a workshop with consultants and the ELT in May 2017. The Risk Profile and Reporting tool serves as the Shire’s risk register and has not been updated since the initial workshop where it was developed.</p> <p>Of the risks, controls and treatments considered, many of the risks are operational in nature and do not include the type of risks we would expect to see as strategic risks for the Shire which cover all aspects of the Shire of Ashburton. Many operational risks noted in the reporting tool appear to be ad-hoc, overlap, duplicate, are vague, not easy to manage and report. Furthermore, the risk reporting tool is limited to certain staff and is not regularly measured, reported or updated. It does not appear to be an effective method to manage risks. In our view, high turnover of personnel for the Shire of Ashburton may contribute to the low level of effectiveness of risk management activities currently undertaken.</p> <p>Other strategic risks are considered and reviewed at weekly ELT meetings, however these risks relate more to topical items for general reference and consideration at meetings. The risks considered are not routinely updated into a risk register.</p> <p><i>Business Unit Risk Registers</i> Business unit risk registers are not used within the Shire. Where risks are identified and/or considered by risk owners, the information is not escalated to the ELT to update the risk profile and reporting tool. Business unit risk registers can be an effective way to manage risks across the Shire. Themes, trends, issues, gaps and duplication can be more easily identified.</p> <p><i>Regularity of risk review</i> It is the Shire of Ashburton’s policy for CORP 5 Risk Management Policy to be reviewed on an biennial basis. Management are responsible for implementing a monitor and review process to report on risk management activities, however this has not been defined or reviewed. We believe there needs to be a more structured and regular review of risks to ensure risks are being actively managed and it is informing decision making.</p> <p><i>Risk Assessment</i> Risk assessments are not routinely performed, as a risk register is not maintained by the Shire. It is unclear whether risk ratings (when assessments are performed by risk owners) is based on the quality of the controls identified, or by the number of controls in place. If risk ratings are calculated based on the number of controls in place, rather than the quality of the controls, it may remove professional judgement consideration. Professional judgement may be valuable when assessing the qualitative and quantitative aspects of identified controls and can play an important part in the assessment of the effectiveness of controls.</p> <p><i>Shared Risks</i> Through discussions with the ELT of the Shire we identified shared risks with third parties which exist, however there is no evidence this information has been used to inform decision making. Shared risks are those which are not owned by one risk owner or where more than one organisation is exposed to or can significantly influence the risk. Often the shared risks</p>				

4. Observations and Recommendations – Risk Management (continued)

Ref #	Findings	Recommendation	Management Comment	Status
		<p>32. Create, implement and maintain an organisational Risk Register and consider:</p> <ul style="list-style-type: none"> - overlap, duplication and risk owners, shared risks and whether a residual risk falls within or outside the Shire's risk appetite - where business unit risk registers can be used as an effective risk management tool - more regular reviews of risks, more than annually. - regular assessment of the shared risks and the impact on the Shire. - the risk management categories to ensure they appropriately assist with risk identification and management. - application of professional judgement in assessment of effectiveness of risk controls in line with documented systems and controls. 	<p>Action: Risk Register to be reviewed subject to consultant availability.</p> <p>Progress Update: Updating of the operation risk register and implementing strategic risk register to commence on the appointment of the new Audit and Government position</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget. Recruitment to commence</p>	<p>Ongoing</p>

4. Observations and Recommendations – Risk Management (continued)

Findings				
Ref #	Findings	Rating	Responsibility	Audit and Governance Officer
4.2.0	Risk Management Framework- To assist an organisation in integrating risk management into significant activities and functions. The key parts of a Risk Management Framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around Leadership and Commitment (continued)	High		All Directors
4.2.2	<p>Risk Appetite, Risk Tolerance Statements and Treatment Action Plans</p> <p>There is no reference to a risk appetite statement, risk tolerance statement or treatment action plans within the Shire of Ashburton's Strategic Plan, Corporate Business Plan, Audit and Risk Management Committee Terms of Reference, Risk Management Policy or Risk Profile and Reporting Tool.</p> <p>It is critical for effective risk management to articulate what is the Shire's risk appetite for each key risk so they can monitor the residual risks for each key risk to ensure it remains within the risk appetite. It is also important to articulate a risk tolerance statement to document the levels of risk taking acceptable to achieve a specific objective or manage a category of risk.</p> <p>In the event that controls are not operating effectively or there is not enough current controls, treatment action plans will have to be implemented.</p> <p>Implication: Risk may not be managed within acceptable levels to the Shire of Ashburton.</p>			
Recommendation		Management Comment		
	33. Develop, approve, monitor and report on a risk appetite, risk tolerance and treatment action plans and then consider these within documented risk management practices. Consider the effectiveness of controls to ensure that treatment action plans are not required to reduce risk to within risk appetite.		<p>Action: Risk Register to be reviewed subject to consultant availability</p> <p>Progress Update: This will be addressed on the appointment of the new Audit and Governance position. Once defined, will be incorporated in the future corporate documents.</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget.</p> <p>Recruitment to commence</p>	Ongoing

4. Observations and Recommendations – Risk Management (continued)

Ref # Findings						
Ref #	Findings	Rating	Medium	Responsibility	Audit and Governance Officer	
4.2.0	Risk Management Framework- To assist an organisation in integrating risk management into significant activities and functions. The key parts of a Risk Management Framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around Leadership and Commitment (continued)				All Directors	
4.2.3	<p>Risk Management Strategy</p> <p>There is no risk management strategy which identifies:</p> <ul style="list-style-type: none"> • summary of current material and emerging risks affecting or potentially affecting the Shire, • approach to managing these risks, • policies and procedures dealing with risk management matters, • the role and responsibilities of the risk management function, • description of the risk governance relationship between the Council, its Committees and Management, with regard to the risk management framework and • outline of the approach to ensure that all management, staff, contractors and volunteers have an awareness of the risk management framework to promote a mature risk culture across the Shire. • Extent of compliance with legislative requirements. <p>The risk management policy does not adequately document these items above. They are at the framework level but not at the application level.</p> <p>Implication: Risk management may not be effective and managed within risk appetite.</p>					
Recommendation					Management Comment	Status
	34. Develop a risk management strategy and review this at least on an annual basis or when material risks are identified management practices. Consider the effectiveness of controls to ensure that treatment action plans are not required to reduce risk to within risk appetite.				<p>Action: Risk Register to be reviewed subject to consultant availability</p> <p>Progress Update: This will be addressed on the appointment of the new Audit and Governance position.</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget. Recruitment to commence</p>	Ongoing

4. Observations and Recommendations – Risk Management (continued)

Ref # Findings				
Ref #	Findings	Rating	Responsibility	All Directors Audit and Governance Officer
4.2.0	Risk Management Framework- To assist an organisation in integrating risk management into significant activities and functions. The key parts of a Risk Management Framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around Leadership and Commitment (continued)	High		
4.2.4	<p>Special Activities and Project Risks</p> <p>There is no formal policy/procedure for risks relating to a project or special activities to be identified, risk assessed, monitored and reported within the Shire to a risk manager.</p> <p>There are a number of large scale, high value and potentially high risk projects being undertaken by the Shire where risk assessments have not been performed. Management have explained risk assessments for some projects will be undertaken by consultants engaged to assist with project management at a later date.</p> <p>The risk assessments, when performed, by management, staff and contractors are using their own format which may not be comprehensive and reflect approved or acceptable criteria.</p> <p>There is a risk that activities can be performed with no risk assessment and impact on Shire activities.</p> <p>Implication: Risks may not be effectively identified and managed within risk appetite.</p>			
Recommendation		Management Comment		
	35. Develop an approved risk assessment tool for special projects and activities which are being considered to be undertaken			<p>Action: Risk Register to be reviewed subject to consultant availability</p> <p>Progress Update:</p> <p>This will be addressed on the appointment of the new Audit and Governance position.</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget.</p> <p>Recruitment to commence</p>
				Ongoing

4. Observations and Recommendations – Risk Management (continued)

Findings			
Ref #	Findings	Rating	Responsibility
4.2.0	Risk Management Framework- To assist an organisation in integrating risk management into significant activities and functions. The key parts of a Risk Management Framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around Leadership and Commitment (continued)	High	All Directors Audit and Governance Officer
4.2.5	<p>Embedded Risk Management</p> <p>It is not documented how risk management is integrated and embedded within the Shire and how the risk management policy is applied to Shire processes, ensuring decision making is aligned with effective risk management. The risk profile and reporting tool appears to be database of general risks and what the individual risk owners who have raised risks believe are their assessment of risks, however this is not compared to a risk appetite of the Shire.</p> <p>Implication: Risk management may not be effective and outside of Risk Appetite.</p>		
Management Comment			
Recommendation			
	36. Consider and document how the risk management is integrated and embedded within Shire processes. Strategies that can be considered include risk champions, workshops with management and staff.		<p>Action: Risk Register to be reviewed subject to consultant availability.</p> <p>Progress Update: This will be addressed on the appointment of the new Audit and Governance position.</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget. Recruitment to commence</p>
			Ongoing

4. Observations and Recommendations – Risk Management (continued)

Ref #	Findings	Rating	Medium	Responsibility	All Directors Manager Governance Audit and Governance Officer
4.3.0	Reporting – Enhances the quality of dialogue with stakeholders and support Management and oversight bodies in meeting their responsibilities.				
4.3.1	<p>Audit and Risk Management Committee</p> <p>There is no standard agenda item presented to the Audit & Risk Management Committee with adequate information and assurance that current, new and emerging risks are being identified and managed.</p> <p>We believe it is good governance for the Audit & Risk Committee to receive information at each meeting to summarise the risk management activities and to discuss current, new, emerging risks, status of the risk management annual work plan, risk management calendar and approval of key policies etc.</p> <p>Implication: Risk management is not transparent and does not inform decision making by the Shire of Ashburton.</p>				
	Recommendation				
	<p>37. Include a summary of the risk management activities as an agenda paper for Audit & Risk Management Committee meetings.</p>				
	<p>Management Comment</p> <p>Action: Recommendation to be implemented by EOM September 2021.</p> <p>Progress Update: As previously mentioned, a review of the term of reference will be reviewed which will incorporate matters raised by the reviewer.</p>				
					Status Ongoing

4. Observations and Recommendations – Risk Management (continued)

Findings					
Ref #	Findings	Rating	Medium	Responsibility	Director Corporate Services
4.3.0	Reporting – Enhances the quality of dialogue with stakeholders and support Management and oversight bodies in meeting their responsibilities (continued).				
4.3.2	<p>Executive Leadership Team (ELT)</p> <p>The ELT does not have a standard or regular agenda item for risk management. There is a list of topical items used primarily as reference points for the ELT to consider at meetings, however the outcomes of these discussions do not result in formal risk management updates or activities being undertaken.</p> <p>We believe it is good governance for the executive leadership team to receive a paper at each meeting to summarise the risk management activities and to discuss current, new, emerging risks, status of the risk management annual work plan, risk management calendar and approval of key policies etc.</p>				
Recommendation		Management Comment			Status
38.	Include a summary of the risk management activities as a agenda paper for Executive Leadership Team meetings.	<p>Action: To be included in Agenda by EOM April 2021.</p> <p>Progress Update: Risk management activities to be incorporated into the agenda on the commencement of the new Audit and Governance Officer.</p>			Ongoing

4. Observations and Recommendations – Risk Management (continued)

Findings					
Ref #	Findings	Rating	Medium	Responsibility	All Directors Audit and Governance Officer
4.4.0	Performance Monitoring – Assessing the extent to which the actual performance meets/ exceeds expectations including compliance requirements.				
4.4.1	<p>Compliance with Legislative Requirements</p> <p>There has been no documented assessment of the compliance with legislative requirements for Risk Management such as the current Risk Management Standard (ISO 31000: 2018). A review was undertaken and finalised for the Shire in August 2020 on the appropriateness and effectiveness of the Shire's risk management, internal controls and legislative compliance systems and procedures as required by the <i>Local Government (Audit) Regulations 1996 Regulation 17</i>. The review report commented on the appropriateness and effectiveness of internal controls, but not on legislative compliance or risk management. The review scope was also limited.</p> <p>The current CORP5 Risk Management Policy reflects the Shire's commitment to organisation wide risk management principles, systems and processes aimed at optimising the achievement of objectives, embedding controls to mitigate risk, improving corporate governance and planning for continuity of critical operations. The policy also requires review of Risk Management Framework and procedures, however a framework and formal risk management procedures have not been developed.</p> <p>Development and application of risk management systems and processes are required to be implemented throughout the organisation in order for risk management processes and procedures to be considered compliant with legislation.</p> <p>Implication: Potential non-compliance with legislation</p>				
	Recommendation	Management Comment			Status
	39. Develop and implement a risk management framework / strategy and supporting systems and procedures aligned to the current risk Management Standard, ISO 31000:2018.		<p>Action: Recommendation to be implemented.</p> <p>Progress Update:</p> <p>Risk management framework / strategies, systems and procedures to be reviewed against and aligned with new standards, to be carried out by the new Audit and Governance Officer.</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget.</p> <p>Recruitment to commence</p>		Ongoing

4. Observations and Recommendations – Risk Management (continued)

Ref # Findings				Responsibility	Audit and Governance Officer
4.4.0	Performance Monitoring – Assessing the extent to which the actual performance meets/ exceeds expectations including compliance requirements (continued).	Rating	Medium	All Directors	Audit and Governance Officer
4.4.2	<p>Staff Adherence and Audits</p> <p>Staff adherence to the risk management policy is not assessed by the Shire or an independent service provider on a regular basis. Risk management is a key area of the Shire, to ensure that current and emerging risks are identified and managed effectively within risk appetite. Internal or external independent assessment of the extent of compliance is considered good governance.</p> <p>Apart from this internal audit of the risk management function, there is no evidence this has been performed.</p> <p>Implication: Risk management may not be effective and go undetected for some time.</p>				
Recommendation				Management Comment	
	40. Perform regular external or internal independent assessment of Risk Management to identify improvement opportunities.			<p>Action: Recommendation to be implemented.</p> <p>Progress Update:</p> <p>Risk management framework / strategies, systems and procedures to be reviewed and aligned with new standards, to be carried out by the new Audit and Governance Officer.</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget.</p> <p>Recruitment to commence</p>	Ongoing

4. Observations and Recommendations – Risk Management (continued)

Ref # Findings						
Ref #	Findings	Rating	Minor	Responsibility	All Directors Audit and Governance Officer	
4.4.0	Performance Monitoring – Assessing the extent to which the actual performance meets/ exceeds expectations including compliance requirements (continued).					
4.4.3	<p>Performance Indicators</p> <p>There are currently no performance indicators or measures for the risk management function. the setting of performance indicators allows expected performance to be set and agreed and actual performance to be compared to expectations.</p> <p>Performance targets is discussed in the <i>Treasurer Instruction 825 Risk Management and Information Security</i> as an element of effective risk management.</p> <p>Implication: Risk management may not meet expectations.</p>					
Recommendation					Management Comment	Status
	41. Develop, approve, document, monitor and report risk management performance indicators or measures to allow expected performance and actual performance to be compared.				<p>Action: Recommendation to be implemented.</p> <p>Progress Update:</p> <p>To be incorporated as part of the above and coordinated by the new Audit and Governance Officer and development of a new system.</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget.</p> <p>Recruitment to commence</p>	Ongoing

4. Observations and Recommendations – Risk Management (continued)

Findings					
Ref #	Findings	Rating	Minor	Responsibility	All Directors Audit and Governance Officer
4.4.0	Performance Monitoring – Assessing the extent to which the actual performance meets/ exceeds expectations including compliance requirements (continued).				
4.4.4	<p>Survey of Risk Owners, Management and Staff, Contractors and Volunteers</p> <p>A survey of a selection of risk owners, management, staff, contractors and/ or volunteers has not been performed.</p> <p>A survey is a good way to seek the pulse of the Shire as to the confidence that people have in their role and responsibilities and their ability to manage risks. A survey is discussed in <i>Treasurer Instruction 825 Risk Management and Information Security</i> as an element of effective risk management. It is also an emerging trend for organisation's to assess their risk culture as this is a key element for effective risk management.</p> <p>Implication: Risk management may not be effective, efficient or supported by Management, staff, contractors and volunteers.</p>				
Recommendation					
Management Comment					
	42. Survey a selection of risk owners, management, staff, contractors and/ or volunteers to identify continuous improvement opportunities.			<p>Action: Recommendation to be implemented.</p> <p>Progress Update:</p> <p>To be incorporated as part of the above and coordinated by the new Audit and Governance Officer and development of a new system.</p> <p>Update – September 2021. Organisational structure incorporating new position has been endorsed by Council and funded in the 2021-2021 budget.</p> <p>Recruitment to commence</p>	Ongoing

5. Observations and Recommendations – Grant Management

Ref #	Findings	Rating	Medium	Responsibility	All Directors Manager Finance and Administration
5.1.0	Application of Grants				
5.1.1	<p>Minimal documentation is maintained to support proposals for grant applications. It appears some grant applications are opportunistic as funding is identified or becomes available, with minimal planning undertaken to consider the following:</p> <ul style="list-style-type: none"> • Need for the program; • Objective clearly defined; • Relevant factors and risks are thoroughly analysed and assessed (needs analysis, cost/benefit, risk analysis); • Appropriate options for delivery. <p>Some grants are applied for with limited consideration to other (including incomplete) grant programs and resourcing available for delivery. With the high turnover of staff at the Shire of Ashburton, it appears some grant programs are not able to be delivered effectively, often due to personnel responsible for program implementation and/or delivery leaving the Shire.</p> <p>KCA 3 Grants within the Finance Manual requires approval for grant applications to be obtained from all relevant personnel prior to submitting an application, but does not define responsibility or authority for the final decision to pursue the grant program.</p> <p>The procedure also requires the Grants and Budgeting Officer (GBO) to be notified of successful applications and forwarded supporting documentation for the Grants Register to be updated accordingly. The GBO is not always advised of successful grant applications, and the accurate maintenance of the grant register is highly dependent upon the GBO analysing nature and type classifications to identify grant revenue as it is received (where grants have been successful), and then identify the department responsible for the grant revenue to complete and update the register.</p> <p>Improved controls to support decision making prior to grant applications being submitted should be implemented to assist with higher level management of oversight of grants being managed within the Shire.</p> <p>Implications: Inadequate resourcing may be available to manage and deliver grants.</p> <p>Inability to meet grant conditions or deliver the program, resulting in funds having to be returned to funding bodies.</p>	Medium			
	Recommendation			Management Comment	Status
	<p>43. Improve systems and controls through establishing set criterion to support decision making and authorisation for grant applications.</p> <p>44. Enforce individual accountability for compliance with the Shire's documented procedures.</p>			<p>Action: Recommendation noted.</p> <p>Progress Update:</p> <p>Workflow to be developed that ensures that grant applications are assessed against council's priorities and integrated planning documents prior to submission.</p> <p>Grant Register to be expanded to incorporate the requirements of funding and monitor compliance and ensure best practice is met.</p>	Ongoing

5. Observations and Recommendations – Grants Management (continued)

Findings					
Ref #	Acquittal of Grants	Rating	Medium	Responsibility	Officer responsible for grant application and works under the grant Manager Finance and Administration
5.1.1	<p>Each department is responsible for their respective grant acquittals, with the GBO available to assist where requested. In instances where the GBO assists with acquittal processes, some testing will be performed by the GBO for compliance with grant conditions, particularly where the grant acquittal does not require independent audit.</p> <p>KCA 3 Grants procedure sets out that acquittals should be reviewed by the Finance Department with a signing memo completed prior to acquittals being submitted to the funding body, however this is not routinely applied as it is not documented in the procedure as a requirement.</p> <p>The procedure also sets out for the comparison of grant revenue to year to date budget estimates on a monthly basis, with the intent for significant variances to be raised with management to review and action as required. The GBO appears to have systems in place where this information is being prepared and maintained, however a breakdown in systems and controls has resulted in this information not being reviewed by management as required by the procedure.</p> <p>Considering the high levels of staff turnover experienced by the Shire of Ashburton, centralisation of information relating to requirements for grant acquittals which are routinely monitored and reviewed, is considered appropriate to provide some assurance grants are being managed to required timelines with necessary information requirements being maintained. KCA 3 Grants procedure should be modified to improve on existing requirements to implement this initiative.</p> <p>Implication: Inadequate controls for the review and monitoring of timelines for grant acquittals, as well as integrity of data for performance results of grants, may not allow for the timely detection and action to address issues which may occur.</p>	Medium			
	<p>Recommendation</p> <p>45. Review documented procedures to include clearer requirements to support grant acquittals to assist with a higher level review for the timely completion and submission of acquittals and audits.</p> <p>46. Establish authorised checklists to be completed by each department managing grants to evidence the routine review of grants and the provision of any required information as required by internal policies and procedures.</p>			<p>Management Comment</p> <p>Action: Recommendation noted.</p> <p>Progress Update: Development of suitable reporting system to collate and monitor funding performance data which is reported regularly to each department for review and/or action to be delivered in the new financial year.</p>	<p>Status</p> <p>Ongoing</p>

5. Observations and Recommendations – Grants Management (continued)

Ref # Findings			
Ref #	Findings	Rating	Medium
5.3.0	Compliance with Grant Conditions	Rating	Responsibility
		All Directors Manager Finance and Administration	
5.3.1	<p>Grant managers are responsible for compliance with grant conditions and clauses outlined. Some grant managers have established Gantt charts to monitor milestones and reporting, however there is no formal or independent monitoring of performance criteria, reporting or compliance with terms and conditions of executed grant agreements.</p> <p>A system to monitor grants being managed by the Shire may assist to identify gaps where performance issues exist, so they may be remedied at the earliest opportunity. Understanding the current status of grants (as well as the number of grants currently being managed by the Shire) may assist in assessing the risks of undertaking additional programs, performance with current programs (where departments are not efficiently delivering programs), as well as providing clarity with shared responsibilities (where partnerships exist with multiple bodies). KCA 3 Grants does note a strategic overview of grants to be reviewed monthly by the executive. There is no formal review undertaken other than general reference to grants at ELT meetings.</p> <p>During our review, we became aware significant grant funds have been returned to funding bodies by the Shire in recent years, as grant programs were not able to be completed / delivered as required. We also noted there were no systems or controls in place to maintain records of compliance and non-compliance for grants being managed by the Shire.</p> <p>A structured mechanism to monitor compliance and non-compliance with grant conditions may assist in reducing future instances of non-compliance which could impact on the Shire's ability to secure future funding. It also serves to centrally record actions taken where breaches in compliance do occur. Currently, there is no central record/resource available documenting what remedial action (if any) has been undertaken where grant conditions were not met, or where individual accountability for compliance was required to be enforced.</p> <p>Implications: Where systems and controls are not available for higher level monitoring of compliance with grant programs by management, issues may not be detected in a timely manner.</p> <p>Reputation risk to the Shire where grant funds are required to be repaid through non-compliance or failure to deliver grant programs as agreed.</p>	Medium	
Recommendation		Management Comment	
47.	Create a grants matrix to allow higher level analysis and review of compliance with grant conditions and clauses.	<p>Action: Recommendation noted.</p> <p>Progress Update: To be incorporated into the reporting system – as above.</p>	
48.	In addition to the recording of compliance for grant programs, establish a register to maintain records of compliance and non-compliance.	<p>Status Ongoing</p>	

5. Observations and Recommendations – Grants Management (continued)

Ref # Findings				Rating	Minor	Responsibility	All Directors Manager Finance and Administration
5.4.0	Governance						
5.4.1	<p>The grants register required to be maintained KCA 3 Grants is intended to be a live document, however the Shire's intranet does not allow for live documents to be maintained. This results in the live register not being updated and maintained at the time grants are applied for by each department, and instead relies heavily on the Grants and Budgeting Officer (GBO) to identify successful grants and update the register for monitoring as required.</p> <p>The procedure appears to intend to provide guidance to users toward desired practices but does not clearly set out required practices. As a result, some controls which may be intended and required by the procedure are instead considered optional and not routinely followed. This includes:</p> <ul style="list-style-type: none"> • Creating records in the EDRMS (Synergysoft) for grant agreements and other documents. These documents and acquittals are stored in various locations and shared drives and are not easily accessible; • Evidencing acquittal reviews prior to submission to funding bodies (we did not observe this occurring except where the GBO had been requested to assist); • Provision of grant documentation to GBO for financial reporting (this information had to be sourced from multiple individuals); and • Monitoring of compliance with grant terms (no formal centralised record). <p>The Shire might also consider an evaluation of current grants, to identify those which are not meeting compliance or timing criteria to determine:</p> <ul style="list-style-type: none"> • Whether the grant program can achieve its intended outcome; • Assessment of the quality of benefits; • If any necessary adjustments to the operations of the program be made; and • Available plans in place to deliver the program more efficiently (operationally and financially) if the grant was to continue after the grant review. <p>Implication: Corrective actions cannot be undertaken in response to problems with the grants management program and/or system of there is no mechanism to measure the efficiency and effectiveness of the whole organisation's grants management.</p>						
Recommendation		Management Comment			Status		
	<p>49. Update internal resource library (intranet) to maintain live documents as required by documented procedures.</p> <p>50. Clarify KCA 3 Grants to define expected compliance requirements and create support documents as required to facilitate compliance.</p> <p>51. Enforce individual accountability with documented procedures.</p> <p>52. Undertake an evaluation of current grant programs to identify non-compliant grants and action as required.</p>	<p>Action: Recommendation noted.</p> <p>Progress Update: To be incorporated into the reporting system – as above.</p>			Ongoing		

5. Observations and Recommendations – Grants Management (continued)

Ref # Findings					
5.4.0	Governance (continued)	Rating	Minor	Responsibility	Director of People and Place
5.4.2	<p>Outgoing grants to community groups undergo a process whereby an invitation to apply for community grants is advertised, with applications to be submitted via the Shire's website. A summary of these low value grants are presented to Council for approval. Once approved, grants are managed by staff, including acquittals. Acquittals are recorded into the Shire's ED RMS, however the acquittals are not reviewed or approved by an independent senior officer.</p> <p>Based on our enquiries, where community grants are underspent, a recommendation will be prepared to Council whether the grant requires to repayment, or a change of purpose. Considering the low value of these grants, administrative efficiencies should be investigated whether this process could be more effectively managed through management/ELT rather than being presented to Council for a change of purpose, particularly where low values (<\$2,500) are being considered.</p> <p>Council Policy REC 08 provides high level guidance for community grants, however outgoing grants made by the Shire are not provided for in operational procedures examined as part of the review.</p> <p>Implications: Administrative inefficiencies for low value grants may result in time delays to complete grant programs.</p> <p>The absence of independent reviews of acquittals does not promote transparent and accountable practices.</p>				
		Management Comment			Status
	<p>53. Document appropriate procedures relating to management of community support grants.</p>			<p>Action: Recommendation noted.</p> <p>Progress Update: Review of REC08 is currently being conducted.</p>	Ongoing

7. Observations and Recommendations – Records Management

Findings			
Ref #	Policy and Procedures	Rating	Responsibility Manager Governance
6.1.0		Medium	
6.1.1	<p>Record Keeping Practices</p> <p>The Shire's Policy, procedure and Recordkeeping Plan requires staff members must store their records in the electronic data and records management systems (EDRMS) Synergysoft Records module. It appears the rate of compliance is low.</p> <p>Based on our inquiries, records are held in multiple local systems, such as staff's email folders, shared drives, Sharepoint, One Drive, etc., often inaccessible without referral to the immediate users. There is little awareness of the need to capture records arising from activities conducted in business systems. Identification and capture of records is sporadic and is dependent on individual judgement. This means it is likely that a substantial amount of corporate records are not reaching the Synergysoft Records module where retention and destruction schedules can be applied, security and confidentiality requirements can be enforced, records protected from deletion. Timely location of information is therefore almost impossible.</p> <p>In the present environment, the Shire does not have visibility of the corporate information that resides in various repositories, which are mostly unstructured, unindexed and unknown. Appropriate capability is therefore required to identify these "dark data", assess its value and sensitivity to allow for deletion or moving them into the Synergysoft Records module.</p> <p>The ramifications of poor recordkeeping can be far reaching. We understand there are currently a number of legal challenges and subsequent discovery requests which the Shire receives periodically relating to records for the former Wittenoom mine and litigation resulting from environmental impacts during the mine's operation. Significant resources have been allocated to digitising the records however limited parameters and instruction were considered to undertake this project which has not improved the intensive resources required or delays to retrieve and access information. Our inquiries with staff also noted a legal dispute with a contractor in relation to works performed, and the difficulties noted by staff in collating the paperwork required to support the Shire's claim. An estimated 100hrs of staff time was required to locate the necessary documentation, none of which had been recorded in the EDRMS as required by policies and procedures in place.</p> <p>We understand the Shire is seeking to update its EDRMS. A risk based approach should be undertaken to ensure any updates to the EDRMS are compliant with legislation.</p> <p>Implications: Records cannot be located in a timely manner impacting on operational efficiency and effectiveness.</p> <p>Potential non-compliance with legislative requirements.</p>		
Recommendation			Management Comment
54.	The Shire investigate an automated approach to manage information that can detect and classify high risk and high value information across different repositories including Email, Shared Drives, Sharepoint, One Drive etc.		<p>Action: Recommendation to be implemented.</p> <p>Progress Update:</p> <p>A new record keeping system has been identified and is currently in its implementation stage.</p> <p>The new system includes the capability to automatically capture data and records based on the Shire's record keeping requirements and will be aligned to the Shire's Record Keeping Plan as well as legislative requirements.</p>
55.	The Executive Leadership Team reinforces the importance of recordkeeping with the relevant business units' Management. The message should cascade down from the top to all levels within the organisation.		
56.	Enforce individual accountability for compliance with the Shire's recordkeeping requirements.		
57.	Ensure any updates to the EDRMS comply with legislation and appropriate systems and controls are in place to facilitate its application throughout the organisation.		
Status			Ongoing

6. Observations and Recommendations – Records Management (Continued)

Findings			
Ref #	Policy and Procedures (continued)	Rating	Responsibility Manager Governance Records Coordinator
6.1.0		High	
6.1.2	<p>Record Keeping Plan 2015040</p> <p>The Shire's Record Keeping Plan 2015040 required review within five years of its approval, with a report to be submitted to the State Records Office by 10 March 2021. Based on our inquiries, at the time of our site visit in December 2020, the review of the Recordkeeping Plan was yet to commence and no extension had been applied for or granted by the State Records Office to perform the review.</p> <p>Considering the level of information required to be collated, reviewed and assessed in reviewing the plan, it is imperative appropriate resources are allocated to ensure the review will achieve the implementation and maintenance of sound and compliant record keeping practices. The Recordkeeping Plan is the primary means of demonstrating compliance with legislative requirements and the review should update the current Plan to ensure it is commensurate with current systems and practices.</p> <p>Implications: Inability to meaningfully address review requirements or implement improvements.</p> <p>Potential non-compliance with legislative requirements.</p>		
Recommendation		Management Comment	Status
58.	The Shire consider and implement necessary resources to commence immediate review of the Recordkeeping Plan 2015040.	Action: Recommendation to be initiated by EOM April 2021.	Ongoing
59.	Develop appropriate systems to monitor the implementation of improvements within the Plan, including self evaluated improvements and any actions noted by the State Records Office.	<p>Progress Update:</p> <p>The Shire's Record Keeping Plan is being reviewed in conjunction with the implementation of the Shire's new ED RMS and will incorporate requirements and strategies that align to the new systems capabilities.</p> <p>Staff are in regular contact with the State Records Office regarding the review status as well as ensuring that the shire's approach and implementation meets legislative and best practice requirements.</p> <p>It is envisioned that the Record Keeping plan will be finalized within the next 6 months. The plan will incorporate systems for continual monitoring and self-evaluation strategies.</p>	

6. Observations and Recommendations – Records Management (Continued)

Findings			
Ref #	Language Control	Rating	Responsibility
Language Control		High	Records Coordinator
6.2.1	<p>The Record Keeping Plan 2015040 at the time it was reviewed self assessed Principle 3 – Language Control as being effective, including the ‘ease of retrieval’ of records.</p> <p>As part of our testing in other audit topics, we requested sample records and information from the Records Coordinator and other staff members. Some of the information was not able to be located in the ED RMS. Our inquiries also highlighted similar issues with discovery requests for legal matters relating to Writenoom claims as previously highlighted. The language controls for records appears to have not been effective, in that some historical has not been easily retrieved.</p> <p>Implications: Inability to retrieve documents to support legal claims against the Shire.</p> <p>Potential non-compliance with legislative requirements.</p>		
Recommendation			
Management Comment			Status
60.	Review, improve and update the systems and controls for language control within record keeping systems.		Action: Recommendation to be initiated by EOM April 2021.
61.	Consider review of historic records to identify any high risk considerations which require examination and updates for compliance with approved record keeping practices.		Progress Update: Language control has been incorporated in the new ED RMS. Formal documentation to be prepared and implemented throughout the organization.
			Ongoing

6. Observations and Recommendations – Records Management (Continued)

Findings				
Ref #	Rating	Responsibility	Manager Governance	Record Coordinator
6.3.0	High			
6.3.1				
<p>Historically, induction programs have been in place to include records training for new employees to communicate approved record keeping procedures. This was performed as mix of online and in person training. The application and delivery of this training appears to be inconsistent, as inquiries with various personnel indicated some received records training as part of their induction, whilst others had not had any training or records induction. We believe the high turnover of personnel at the Shire has contributed to the consistency and compliance in delivering records induction training to all staff as required by the RecordKeeping Plan.</p> <p>Whilst the induction program (where performed) conducted for new employees includes records training, there is no refresher training to reinforce the Shire's Recordkeeping Plan, policies practices. It is important that there is regular promotion of basic recordkeeping rules to Management, staff, contractors and volunteers including explanation of recordkeeping responsibilities. Often recordkeeping is overlooked when prioritising operational activities.</p> <p>Implications: Staff/contractors may be unaware of their recordkeeping obligations leading to non-compliance.</p> <p>Lack of refresher training may lead to employees becoming complacent of their recordkeeping roles and responsibilities.</p>				
Recommendation				
<p>62. Review and update systems and processes for records training to be routinely and consistently included with general commencement inductions.</p> <p>63. In addition to the induction training, refresher training is conducted for all Management, staff, contractors and volunteers periodically. Records training could, for example, initially be undertaken annually then increased in timeframe when there is evidence of improvement in compliance posture.</p> <p>64. Training of a records management champion in either each core business unit, or as a general support function, to provide support and guidance to all staff on records management matters. This will allow for an "expert" in the field, with hands on understanding of the challenges of each system</p>				
Management Comment				
<p>Action: Recommendation to be initiated by EOM April 2021.</p> <p>Progress Update: Organisational training on the new EDRMS will be conducted as part of its implementation. Training for new employees will be incorporated on induction utilising the appropriate platforms. Regular evaluation of the Shire's EDRMS performance, in line with the RKP, will provide guidance of the ongoing training requirements to be delivered.</p>				
Status				
Ongoing				

6. Observations and Recommendations – Records Management (Continued)

Findings					
Ref #	Backup Procedures	Rating	Medium	Responsibility	Record Coordinator IT team
6.4.0					
6.4.1	<p>Better recordkeeping practice indicates that strategies should be in place to facilitate the recovery of hard copy and electronic records in the event of a recovery process. Fundamental to this is backup procedures, usability and readability of backup tapes/discs needs to be regularly tested.</p> <p>Based on our enquiries, the back-up media of the Shire's electronic records are not regularly tested.</p> <p>Implication: Without regularly testing the backup tapes, restoration issues may not be identified. In the unlikely disaster or unplanned event, records may not be retrievable which may result in loss to the Shire.</p>				
Recommendation					Status
65.	<p>Test backup procedures, usability and readability of backup tapes/discs on a regular basis.</p>			<p>Action: Recommendation noted</p> <p>Progress Update: The proposed new system is backed up in accordance with industry best practices standards. Regular testing to take place one system is operational, in line with the Shire's Record Keeping Plan.</p>	Ongoing

6. Observations and Recommendations – Records Management (Continued)

Ref # Findings				
6.5.0	Key Performance Indicators	Rating	Medium	Responsibility Manager Governance Record Coordinator
6.5.1	<p>Better recordkeeping practice suggests that organisations should develop Performance Indicators to measure the efficiency and effectiveness of the organisation's recordkeeping systems.</p> <p>Section 6.2 of the Record Keeping Plan lists two performance indicators. Our enquiries indicated the Shire has not captured statistics for these indicators as suggested under Principle 6 of the State Records Commission Standard 2. Furthermore, some of these performance indicators need to be modified to ensure they are capable of being measured.</p> <p>Monitoring these performance indicators are vital to allow corrective action to be taken as appropriate and the results feed into continuous improvement activities and inform system reviews.</p> <p>Implication: Corrective actions cannot be undertaken in response to problems with the recordkeeping program and/or system of there is no mechanism to measure the efficiency and effectiveness of whole organisation's records management.</p>			
Recommendation				
66. Refine and develop criteria to assess the performance of the recordkeeping program.				
67. Implement a survey mechanism to measure levels of staff satisfaction with recordkeeping operations.				
Management Comment				
		<p>Action: Recommendation to be implemented by EOM April 2021.</p> <p>Progress Update: Collection and review of statistics will commence on the implementation of the new EDRSM and will form part of the Shire's performance management platform and written into the Shire's reviewed Record Keeping Plan.</p>		
				Ongoing

6. Observations and Recommendations – Records Management (Continued)

Findings					
Ref #	Website Management	Rating	Medium	Responsibility	Manager Governance Record Coordinator Manager Media and Communications
6.6.0			Medium		
6.6.1	<p>Currently there is no website management to capture all information published on the Shire's website within the EDRMS. It is important the Shire has the capability to take a "snapshot" of the information published on its website as they represent information relied on by members of the public, as well as information required to be published by legislation.</p> <p>Additionally, perhaps as a corollary of the above issue, it does not appear the Record keeping Plan contains statements or evidence of:</p> <ul style="list-style-type: none"> • guidelines to determine the purpose of the Shire's website (e.g. informational/transactional); and • capture of all information published to the website within the corporate system, either in hard copy or to another electronic medium. <p>Implications: The Shire of Ashburton is unable to determine what information it has published on the website at a point in time.</p> <p>Non-alignment with the State's recordkeeping requirements.</p> <p>Compliance relating to information required to be published on the Shire's website cannot be validated or denied.</p>				
Recommendation					Status
68.	Investigate appropriate system solution to capture corporate information published in social media, including internet website.			<p>Action: Recommendation noted.</p> <p>Progress Update: New Digital Policy has been developed. Guidelines, processes and procedures for the capturing of the shire's website to be developed in line with best practice principles and incorporated into the Shire's Record Keeping plan.</p>	Ongoing