

02 JUL 2020
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OAG
Office of the Auditor General
Serving the Public Interest

Our Ref: 8324

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Mr Julian Murphy
Chief Executive Officer
Shire of Katanning
KATANNING, WA 6317

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Dear Mr Murphy

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2020**

We have completed the interim audit for the year ending 30 June 2020. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management Control Issues

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7714 if you would like to discuss these matters further.

Yours faithfully

NAYNA RANIGA
DIRECTOR FINANCIAL AUDIT
29 June 2020

Attach

SHIRE OF KATANNING

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Revenue has not been recognised in accordance with AASB 15 Revenue from Contracts with Customers		✓	
2. Purchase Orders raised after the service is performed or goods are received	✓		
3. Payroll system Audit Trail Report		✓	
4. Incorrect fees and charges used		✓	
5. Inventory (fuel) reconciliations not performed with sufficient regularity			✓

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF KATANNING
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

FINDINGS

1. Revenue has not been recognised in accordance with AASB 15 Revenue from Contracts with Customers

Finding

Whilst the Shire has performed a revenue recognition assessment of its main sources of revenue to ensure compliance with the new revenue accounting standards effective from 1 July 2019, our sample testing of revenue transactions noted waste collection fees has not been correctly assessed and recognised in accordance with AASB 15 Revenue from Contracts with Customers.

Rating: Moderate

Implication

Non-compliance with AASB 15 Revenue from Contracts with Customers. As this standard results in delayed income recognition, the basis of preparation of the Shire's monthly financial information may not be in accordance with Australian Accounting Standards and may not accurately report revenue for the month.

Recommendation

The Shire should review its revenue recognition assessment of waste collection fees to ensure compliance with AASB 15 Revenue from Contracts with Customers.

Management Comment

Noted.

Responsible Person: Executive Manager Corporate & Community
Completion Date: 30 December 2020

SHIRE OF KATANNING
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Purchase Orders raised after services are performed or goods received

Finding

Our sample testing of payment transactions noted 2 instances out of a total of 12 transactions tested where the purchase order was raised after the invoice was received. This is not in accordance with the Shire's purchasing policy.

Rating: Significant

Implication

Purchases made without authorised purchase orders increases the risk of unauthorised expenditure occurring and going undetected. Further it is more difficult for the Shire to track whether expenditure incurred is in line with budgets or expectations and is dependent on the receipt of a tax invoice.

Recommendation

The Shire should review these transactions and any other payment transactions where purchase orders have been raised after the receipt of invoices to ensure expenditure is valid and authorised. The Shire implement processes to ensure compliance with its purchasing policy. All authorised officers should be reminded of the need to ensure purchase orders are raised and authorised prior to incurring expenditure. This will provide a key control to ensure payment transactions as detailed in tax invoices received are in line with authorised expenditure. Further this will assist the Shire in managing its budget responsibility.

Management Comment

The Executive Manager reviews every payment batch prior to authorisation and records any non-compliance with the purchasing process. This information is reported to the CEO and to Council via Audit & Risk Committee meetings. Regular reminders about purchasing compliance are issued to all staff with purchasing authority and, in the 19/20 financial year, 6 staff had their purchasing authority temporarily suspended by the CEO for repeated failures.

In the two years the review process has been in place there has never been an instance of unauthorised or unbudgeted expenditure or failure to comply with quotation requirements.

There has been significant improvement in compliance noted, but it is understood that this is a matter that requires ongoing and close management and that samples taken prior to October last year (prior to suspension) may indicate a higher level of non-compliance.

Responsible Person: Executive Manager Corporate & Community
Completion Date: Ongoing

SHIRE OF KATANNING
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. Payroll system Audit Trail Report

Finding

We noted that the system audit trail report detailing changes to employee details is neither generated nor reviewed before each payroll.

Implication

There is an increased risk that erroneous or fraudulent changes to employee details may occur and go undetected.

Recommendation

To ensure all changes to employee details in the system are correct and authorised, the system's audit trail report should be printed and reviewed by a senior staff member independent of processing, at every pay run. The independent review should seek to confirm the integrity of the changes in the system against appropriate authorisations and should be evidenced accordingly.

Management Comment

The fortnightly payroll is reviewed prior to authorisation by the Executive Manager Corporate & Community or, in her absence by the Manager Finance.

A number of reports are reviewed, including;

1. Staff hours worked for the period by individual staff;
2. Differences and explanations for changes in each staff pay;
3. Detailed report on pays being authorised;
4. Copies of letters/on call arrangements that back up any changes.

A new report has been included from beginning May 2020 that notes changes of details and includes an audit trail that will be reviewed and signed by senior staff.

Responsible Person: Executive Manager Corporate & Community
Completion Date: May 2020

SHIRE OF KATANNING
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

4. Incorrect fees and charges used

Finding

Our sample testing of fees and charges transactions noted 1 instance out of a total of 20 transactions tested where the 2019 rate was used to charge for services instead of the 2020 rate.

Rating: Moderate

Implication

The lack of review procedures across the application of fees and charges increases the risk of undetected errors which may result in the Shire's revenue being over/understated for the financial year.

Recommendation

The Shire should implement controls to help ensure the latest fees and charges as approved are applied correctly when charging for Shire services.

Management Comment

An additional review of the New Year's Fees & Charges will be undertaken to check for typo errors that may be input after Council adoption and prior to distributing to staff.

Additional effort to remind staff that new Fees & Charges have been adopted will be made via the Shire intranet.

Responsible Person: Manager Finance
Completion Date: 15 August 2020

SHIRE OF KATANNING

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

5. Inventory (fuel) reconciliations not performed with sufficient regularity

Finding

During our review of the Shire's inventory control procedures, we noted reconciliation of fuel stock as per the inventory system and the corresponding general ledger control account was only performed once, at year end.

Rating: Minor

Implication:

There is an increased risk of error and or misappropriation not being detected in a timely manner.

Recommendation

The fuel stock as per the inventory system, supported by the fuel dip should be reconciled to the general ledger control account on a more regular basis and at least quarterly. The reconciliation should also be reviewed by a senior staff member independent of preparation, with evidence of review retained.

Management Comment

Agree that annual reconciliation is insufficient.

From 1 July 2020, fuel inventory will be reconciled on a quarterly basis.

Responsible Person: Manager Finance

Completion Date: 1 July 2020

19 June 2020

Julian Murphy
CEO
Shire of Katanning
52 Austral Terrace
Katanning WA 6317

Dear Julian

Please find attached our draft review report on the Regulation 17 review for the Shire of Katanning.

As per Regulation 17(1), (2) and (3) of the Local Government (Audit) Regulations 1996, the CEO is required to undertake a review, at least once every 3 financial years, of the following processes:

- Risk Management;
- Internal Control;
- Legislative Compliance.

I am happy to report that no high risk matters were noted as part of our review that would require immediate attention by the Shire.

Our review report details our findings and recommendations which if agreed to by management will require management comments as to action to be taken or already taken to address the findings.

We would like to thank your staff for their positive cooperation provided to us during the conduct of this review especially in light of the COVID 19 distancing restrictions which applied throughout this review process.

Yours sincerely

Santo Casilli FCPA MIIA (Aust.)
Director

Avant Edge Consulting

Shire of Katanning

Regulation 17 Review

19 June 2020

(Review in Confidence)

Avant Edge Consulting
Certified Practising Accountant

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Executive Management Summary

As per Regulation 17(1), (2) and (3) of the *Local Government (Audit) Regulations* 1996, the Chief Executive Officer (**CEO**) is required to undertake a review, at least once every 3 financial years, of the following processes:

- Risk Management;
- Internal Control; and
- Legislative Compliance.

The Shire of Katanning (**the Shire**) uses Synergy as its accounting system.

Governance is managed and monitored via the CEO. Dedicated policies and procedures governing Finance, Human Resources, Risk Management, Legislative Compliance and Internal Control.

SCOPE AND METHODOLOGY

Our review was conducted in accordance with ASAE 3500 – Assurance Engagement Other Than Audits or Reviews of Historical Financial Information.

The review undertook the following approach:

- Discussions were held with relevant staff to understand the processes and the management controls currently in place. Communications were held with the Executive Manager Corporate & Community, Executive Manager Property and Assets, Manager Finance, Governance Executive Officer and the Human Resources Co-ordinator as part of the review process.
- Assessed the adequacy of key management controls currently in place over the risk management, procurement, accounts payable, cash receipting, payroll and staff management and recruitment functions and evaluated those controls to determine their appropriateness and also to identify areas for control process improvement.

OUR WORK PROGRAM

Our work incorporated the following areas for review as required under Regulation 17:

1. RISK MANAGEMENT

- a. Governance Framework is in place and endorsed by the Audit and Risk Management Committee.
- b. A formal governance function exists and managed.
- c. Risk Management and governance policies are in place and have been endorsed by the Audit and Risk Management Committee/Council.
- d. An Operational and Strategic Risk Register is in place and is constantly reviewed and updated.
- e. Regular development of risk reports and actions to address risks are identified and actioned.
- f. Fraud Risk Identification and Prevention policies are in place including a Whistle Blower policy.

- g. An effective Audit and Risk Management Committee exists and proper Committee processes are followed.

2. INTERNAL CONTROL

- a. Delegation of Authority is in place, up to date and reviewed regularly.
- b. Proper and formal documented policies (guidelines and procedures) are in place and are kept up to date.
- c. Internal assessment of control processes exists e.g. via an internal audit function or by the Shire's Governance area.
- d. Proper segregation of duties and management controls exist in relation to the following key accounting processes:
 - o Accounts payable;
 - o Cash collection, receipting and reconciliation;
 - o General Ledger reconciliation and checking functions;
 - o Payroll;
 - o Staff recruitment and staff performance appraisals;
 - o Procurement.

3. LEGISLATIVE COMPLIANCE

- a. The Compliance Audit Return (CAR) is properly completed each year and any non-compliance matters are investigated promptly.
- b. Legislative compliance is monitored and regularly reviewed to ensure compliance.

CONCLUSION

Based on our assessment of the management controls and processes that exist at the Shire in regards to the above 3 key areas of the Regulation 17 review, we consider that overall, the process controls that are in place and being managed by the Shire of Katanning in regards to those areas that were subjected to review as part of our Regulation 17 review were considered to be satisfactory and appropriate for the Shire. Of particular interest was the Shire's ability to now better manage and control the use of purchase orders which was an issue raised at the last Regulation 17 Review in 2017. We consider this issue has now been satisfactorily addressed by the Shire.

We are happy to report that there were no high risk matters that would require immediate attention by the Shire management.

However, a number of medium risk areas were noted during our review that we believe require management action and have been incorporated within the body of this report.

We have also identified a number of process improvement observations for management consideration. We believe that management implementation of the process improvements outlined in this report will strengthen existing management controls currently in place and will also improve overall governance within the Shire's operations.

The matters raised in this report are only those which came to our attention during the course of performing our review and may not necessarily be a comprehensive statement of all the possible process improvement options that may be made in relation to the Risk Management, Internal Control and Legislative Compliance function.

Our review report is provided to the Shire in order for the Shire to meet their statutory obligations under Regulation 17 and as such we do not encourage this review report to be used for any other purpose.

In relation to the above areas that formed part of our review, we wish to provide a summary of our findings. Our proposed recommendations in regards to each of these findings have been included in the “Detailed Findings and Recommendations” section at the end of this report:

RISK MANAGEMENT

1. The Shire currently does not have in place a final and Council endorsed Risk Management Framework which outlines the Shire’s risk identification systems and policies and outlines how the Shire will manage its risks throughout the organisation.
2. The Shire has in place a risk management policy which has been endorsed by Council and a strategic risk register. However, the risk register was last reviewed in August 2018, is incomplete and not yet endorsed by Council.
3. The Shire does not currently have in place a “Fraud Prevention Policy” and a “Whistle Blower Policy”. Such policies should outline the importance and responsibility that all staff in the Shire have in ensuring that fraud is prevented through proper adherence and compliance with existing management controls and that where fraud is suspected that it can be freely reported for investigation.

INTERNAL CONTROL

Procurement

4. Although the Shire is managing its supplier contracts that have been awarded via an RFT or RFQ, the Shire currently does not have any formal Contract Management policies and procedures in place. In addition, the Shire does not currently carry out supplier performance assessments at the end of each major contract. The establishment of Contract Management procedural guidelines is an important and essential element in ensuring that contracted suppliers comply with their contractual obligations, provide goods and services to a high quality and charge for such goods and services in accordance with the agreed and quoted price rate. Further, end of contract supplier performance appraisals allows the Shire to evaluate the quality of services provided and to determine whether the supplier should be sought again for future work for the Shire.
5. Where contract price variations are requested by suppliers in regards to an awarded supplier contract, the variations are currently being approved by the Executive Manager Property & Assets as part of the Executive Manager’s financial delegation which currently sits at \$50,000. Where the variations relate to supply contracts that have been awarded for an amount over \$50,000, the variations for such contracts should be approved by the CEO or by Council who originally approved the awarding of the contract.

LEGISLATIVE COMPLIANCE

6. The Shire has a compliance calendar which is in used to track activities and action due dates to ensure compliance is met with critical legislative requirements

associated with the *Local Government Act 1995*, the *Local Government (Functions & General) Regulations 1996* and the *Local Government (Audit) Regulations 1996*. The annual Compliance Audit Return (**CAR**) is also used to assess legislative compliance based on selected legislative requirements.

Although the CAR and the compliance calendar are appropriate and certainly assist in the Shire's ability to assess legislative compliance, it does not cater for all the legislative areas that require compliance under both the Act and associated regulations. We have recommended the Shire give consideration to developing various legislative compliance program checklists which can be distributed to relevant operational areas for them to undertake a self-compliance assessment, say on an annual basis. Once completed the legislative compliance program compliance checklists should be signed-off by the relevant Managers and their Director as evidence that they have undertaken the compliance checks and that compliance or non-compliance has been achieved.

REVIEW OBSERVATIONS FOR MANAGEMENT CONSIDERATION

The following observations were noted during our review as low risk matters and have been reported solely for management consideration:

1. The Shire's tender register was found to be satisfactory and in line with the requirements as set out in the *Local Government (Functions & General) Regulations 1996*. As the tender register is required to be made open and available to the public that the Shire give consideration to include the Shire's tender register on the Shire's website.
2. The Shire does not at present require new Councillors upon undertaking their induction to provide sign off that the induction was undertaken to their satisfaction and that they understand their responsibilities in regards to the Shire's Code of Conduct. We believe that the Shire give consideration to include as part of the induction process a Councillor sign off declaration at the end of the induction process.
3. Employee leave entitlement balances are required to be regularly reviewed to ensure that excessive leave entitlement balances are not built up. Normally leave balances should not be allowed to accumulate greater than 2 year's worth of leave entitlement. We noted 7 employees with leave entitlement balances greater than 2 years. We believe the Shire should continually monitor these excessive leave build ups and encourage staff to take their leave when due.
4. The Shire does not currently have formal end of day cash reconciliation procedures for the Shire's Leisure Centre nor are there procedures in place for the cash handling and security over cash received at the Library. The Shire should develop these procedures as soon as possible.
5. We noted instances where we were unable to find evidence on the employee personnel files of panel members assessments and evidence that employee qualifications were verified or that referee checks were formally conducted prior to awarding an employment contract. Based on our discussions with the Human Resources Coordinator, we have suggested that the Shire give consideration to develop a quality assurance monitoring checklist that can be attached to the front of each personnel file which can be signed off at the completion of each step in the

employee selection process. This will ensure that all process steps are complied with prior to the awarding of an employment contract.

6. Shire staff are provided with various levels of access to the Synergy accounting system to perform various tasks based on their job description. User access should be regularly reviewed to ensure system access provided to staff is still valid and that staff are not provided with system access which is no longer appropriate nor required to undertake their current job description duties. We would suggest that the Shire give consideration to regularly reviewing staff system access levels and where such access is no longer required should be deleted.
7. The Shire should implement a formal process by which routine internal control assurance work is undertaken by dedicated internal staff or via outsourced contract work to continually assess internal control compliance. The internal control assurance findings together with suggested internal control improvement recommendations could be provided to the Shire's Audit and Risk Management Committee to provide comfort to the Committee that the Shire's internal controls are being continually monitored and adhered to.

Santo Casilli FCPA
Director

19 June 2020

Avant Edge Consulting

Detailed Findings and Recommendations

Audited Area: Risk Management**Audited Activity: Risk Management Framework/Risk Register**

Finding	Implication	Recommendation	Management Comments
<p>1.0 Need to Update the Shire's Risk Management Framework</p> <p>The Shire currently does not have in place a final and Council endorsed Risk Management Framework which outlines the Shire's risk identification systems and policies and outlines how the Shire will manage its risks throughout the organisation. The Shire's current Risk Management Framework was last created in 2014 but never endorsed.</p> <p>The Shire also does not have in place a formal completed and Council endorsed operational and strategic risk register. The Shires current risk register was last reviewed in August 2018 and is incomplete.</p>	<p>Risk: Medium</p> <ul style="list-style-type: none"> In the absence of an up to date and regularly reviewed risk register process, the Shire's risks would not be able to be effectively mitigated and any new risks identified. 	<p>We recommend that:</p> <ul style="list-style-type: none"> The Shire give urgent attention to finalising the risk Management Framework for Council endorsement The Shire's risk register be updated and completed as soon as possible and should be regularly reviewed to ensure any new strategic and operational risks to the Shire can be identified and appropriate actions put in place to mitigate such risks. 	<p>Responsibility: CEO and EMFA</p> <p>Management Comments:</p> <p>Agree that this is a priority an hope to complete in the 2nd half of 2020.</p>

Audited Area: Risk Management**Audited Activity: Risk Management Policies**

Finding	Implication	Recommendation	Management Comments
<p>2.0 Need to Develop a Fraud Prevention Policies</p> <p>The Shire does not currently have in place a "Fraud Prevention Policy" or a "Whistle blower Policy. Such a policy would outline the importance and responsibility that all staff have in the Shire for ensuring that fraud is prevented through proper adherence and compliance with existing management controls.</p>	<p>Risk: Medium</p> <ul style="list-style-type: none"> In the absence of a fraud prevention policy and process the Shire staff would not be empowered to report where possible fraud is suspected and needing investigation. 	<p>We recommend that:</p> <ul style="list-style-type: none"> the Shire develop a formal "Fraud Prevention Policy" and guidelines to empower staff to prevent the occurrence of fraud and to report suspected fraud. the Shire also give consideration to developing a "Whistle Blower Policy" and guidelines in order to protect staff confidentiality when staff need to report suspected fraudulent activity. 	<p>Responsibility:</p> <p>CEO EMFA</p> <p>Management Comments:</p> <p>A Fraud Prevention Plan is top of the priority lists for 2020 and will include the scope for anonymous complaints, as per the OAG recommendation. We will investigate the concept of a "Whistle Blower Policy" going forward.</p>

Audited Area: Internal Control
Audited Activity: Procurement

Finding	Implication	Recommendation	Management Comments
<p>3.0 Need for Contract Management Policies and Guidelines to be Established</p> <p>Although the Shire is managing its supplier contracts that have been awarded via an RFT or RFQ, the Shire currently does not have any formal Contract Management policies and procedures in place.</p> <p>In addition, the Shire does not currently carry out supplier performance assessments at the end of each major contract.</p> <p>The establishment of Contract Management procedural guidelines is an important and essential element in ensuring that contracted suppliers comply with their contractual obligations, provide goods and services to a high quality and charge for such goods and services in accordance with the agreed and quoted contracted price rate.</p>	<p>Risk: Medium</p> <ul style="list-style-type: none"> • no guarantee that contracted suppliers are being monitored on a consistent basis with their contractual obligations. • end of contract supplier performance appraisals allows the Shire to evaluate the quality of services provided and to determine whether the supplier should be sought again for future work for the Shire. 	<p>We recommend that:</p> <ul style="list-style-type: none"> • contract management guidelines be developed and referenced within the Shire's Procurement Policy Manual. • Incorporate end of contract supplier performance appraisals. 	<p>Responsibility:</p> <p>CEO and EMPA</p> <p>Management Comments:</p> <p>Accept that a Contract Management Policy should be established and that end of contract supplier performance appraisals could be incorporated for significant contracts – over a certain value ie. Public Tender level.</p>

Audited Area: Internal Control
Audited Activity: Procurement

Finding	Implication	Recommendation	Management Comments
<p>4.0 Authorisation of Contract Variations</p> <p>Where contract price variations are requested by suppliers in regards to an awarded supplier contract, the variations are currently being assessed and approved by the Executive Manager Property & Assets as part of the Executive Manager's financial delegation which currently sits at \$50,000.</p> <p>However, where the contract price variations relate to supply contracts that have been awarded for larger projects, total awarded contract value exceeds \$50,000, the contract price variations for such contracts should be approved by the initial delegated officer who has the delegated authority in regards to the total contracted price such as the CEO or Council.</p>	<p>Risk: Medium</p> <ul style="list-style-type: none"> Contract price variations may not be approved by the appropriate financial delegation level. 	<p>We recommend that:</p> <ul style="list-style-type: none"> For all contracts where the total contract exceeds \$50,000 that any supplier initiated contract price variations should be approved by the CEO or Council. 	<p>Responsibility:</p> <p>CEO and EMPA</p> <p>Management Comments:</p> <p>Will establish a process for contract variations to ensure both EMPA and CEO can see and sign off the impact of the variation.</p>

Audited Area: Legislative Compliance
Audited Activity: Compliance

Finding	Implication	Recommendation	Management Comments
<p>5.0. Need to Develop a Legislative Compliance Checklist</p> <p>The Shire’s current legislative compliance program could be improved.</p> <p>The Shire currently relies on the annual Compliance Audit Return (CAR) and the Compliance Calendar to identify and monitor compliance.</p> <p>Although the (CAR) and the Compliance Calendar are appropriate tools to assess legislative compliance, it does not cater for all the legislative, statutory and regulatory areas that require compliance under the Local government Act 1995, the Local Government (Functions & General) Regulations 1996 and the Local Government (Audit) Regulations 1996 and other regulations.</p>	<p>Risk: Medium</p> <ul style="list-style-type: none"> The Shire may not be complying with all legislative, statutory and regulatory requirements and may not have an effective process of detecting non-compliance. 	<p>We recommend that:</p> <ul style="list-style-type: none"> the Shire give consideration to develop various legislative compliance program checklists for each operational area that are required or governed to comply with legislative, statutory and regulatory compliance. For example, building applications processing, swimming pool regulatory compliance, OH&S ,procurement etc. The checklists should be distributed to all relevant managers for them to undertake a self-compliance assessment, say on an annual basis, in regards to their compliance levels. Once completed the legislative compliance program compliance checklists should be signed-off by the relevant Managers as evidence that they have undertaken the compliance checks and any non-compliance matters have been documented and actioned. 	<p>Responsibility:</p> <p>CEO and EMPA</p> <p>Management Comments:</p> <p>Agree that departmental legislative compliance program checklists would be beneficial for regulatory services and OH & S.</p> <p>Procurement is already well managed.</p>

Appendix A – Risk Criteria Matrix

The following risk criteria were used to assess level of risk on findings included in the Review Report.

Risk Assessment Matrix

Likelihood of Risk:

Rating	Description	Frequency
1	Rare – May occur, only in exceptional circumstances	< once in 15 years
2	Unlikely – Could occur at some time	At least once in 10 years
3	Possible – Should occur at some time	At least once in 3 years
4	Likely – Will probably occur in most circumstances	At least once per year
5	Almost Certain – Expected to occur in most circumstances	> once per year

Consequence of Risk:

Description	Health	Financial Loss	Operation	Compliance	Reputation	Project
1. Insignificant	No injuries or illness	<\$50,000	Little Impact	Minor breach of policy, or process requiring approval or variance	Unsubstantiated, low impact, low profile or no news item.	Small variation to cost, timeliness, scope or quality of objectives and required outcomes.
2. Minor	First Aid treatment	\$50,000 to \$250,000	Inconvenient Delays	Breach of policy, process or legislation requiring attention of minimal damage control	Substantiated, low impact, low news profile.	5-10% increase in time or cost or variation to scope objective requiring approval
3. Moderate	Medical treatment required	\$250,000 to \$1 million	Significant delays to major deliverables	Breach requiring internal investigation, treatment or moderate damage control	Substantiated, public embarrassment, moderate impact, moderate news profile.	10-20% increase in time or cost or variation to scope objective requiring Senior Management approval
4. Significant	Death or extensive injuries	\$1 million to \$3 million	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in tangible loss and damage to reputation	Substantiated, public embarrassment, moderate impact, high news profile and 3 rd party actions.	20-50% increase in time or cost or significant variation to scope objective requiring restructure of project and Senior Management or Council approval
5. Severe	Multiple deaths or sever permanent disabilities	>\$3 million	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in significant tangible loss and damage to reputation	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, 3 rd party actions.	>50% increase in time or cost or inability to meet project objectives requiring the project to be abandoned or redeveloped

Risk Exposure:

Risk = Likelihood x Consequence

Score	Level of Risk	Score	Level of Risk	Score	Level of Risk
1 - 8	Low	9 - 19	Medium	20 - 25	High