

**Shire of Esperance**

**AUDIT COMMITTEE**

**WEDNESDAY 7 AUGUST 2024**

**MINUTES**



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### **ETHICAL DECISION MAKING AND CONFLICTS OF INTEREST**

Council is committed to a code of conduct and all decisions are based on an honest assessment of the issue, ethical decision-making and personal integrity. Councillors and staff adhere to the statutory requirements to declare financial, proximity and impartiality interests and once declared follow the legislation as required.

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## **SHIRE OF ESPERANCE**

### **MINUTES**

#### **AUDIT COMMITTEE MEETING HELD IN COUNCIL MEETING ROOM ON 7 August 2024 COMMENCING AT 11:00AM**

#### **1. OFFICIAL OPENING**

The Chief Executive Officer declared the meeting open at 11:00am and then called for a chair. Cr Flanagan was nominated and voted in. Cr Flanagan took the chair.

#### **2. ATTENDANCE**

##### **Members**

Cr S Flanagan  
Pres R Chambers  
Cr G Johnston

Shire of Esperance (Presiding Member)  
Shire of Esperance  
Shire of Esperance

##### **Shire Officers**

Mr S Burge  
Ms R Hamilton  
Mrs F Baxter

Chief Executive Officer  
Manager Financial Services  
Director Corporate & Community Services

##### **Members of the Public & Press**

#### **3. APOLOGIES & NOTIFICATION OF GRANTED LEAVE OF ABSENCE**

Cr S McMullen  
Mr K Mills

Shire of Esperance  
Community Representative

Granted Leave

#### **4. PUBLIC QUESTION TIME**

Nil Questions

#### **5. DEPUTATIONS, PRESENTATIONS, INSPECTIONS, PETITIONS**

Nil

#### **6. DECLARATION OF MEMBERS INTERESTS**

**6.1 Declarations of Financial Interests – Local Government Act Section 5.60a**  
Nil

**6.2 Declarations of Proximity Interests – Local Government Act Section 5.60b**  
Nil

**6.3 Declarations of Impartiality Interests – Admin Regulations Section 34c**  
Nil

7. **CONFIRMATION OF MINUTES**

Moved: Cr Johnston  
Seconded: Pres Chambers

AU0824-130

That the Minutes of the Audit Committee Meeting of the 5 March 2024 be confirmed as a true and correct record.

**CARRIED**  
**F3 – A0**

*For: Cr Johnston, Cr Flanagan, Pres Chambers*

8. **NEW BUSINESS OF AN URGENT NATURE**

Nil

## **9. MATTERS REQUIRING A DETERMINATION OF COMMITTEE**

### **Item: 9.1**

#### **Risk Register and Audit Regulation 17 Action Update**

|                       |                 |  |
|-----------------------|-----------------|--|
| <b>Author/s</b>       | Sarah Walsh     | Coordinator Governance & Corporate Support |
| <b>Authorisator/s</b> | Felicity Baxter | Director Corporate and Community Services  |

**File Ref: D24/6012**

**Applicant**  
Internal

**Location/Address**  
N/A

#### **Executive Summary**

For the Audit Committee to consider the reported progress report on actions generated from the 2023 Risk Register and Audit Regulation 17 reviews and review recent updates to the Risk Management Policy required for recent Work Health and Safety (WHS).

#### **Recommendation in Brief**

That the Audit Committee receive the report on actions from the 2023 Risk Register and Audit Regulation 17 reviews, and review the Risk Management Policy inclusive of amendments, inclusions and deletions as reviewed.

#### **Background**

The most recent review of systems and procedures as required under Regulation 17 of the *Local Government (Audit) Regulations 1996* was conducted and put to the Audit Committee in March 2023. Regular updates of the actions recommended from the report by Civic Legal are provided to the Audit Committee for review.

Based on changes to the Work Health and Safety Act, Work Health and Safety (General) Regulations and the Workers Compensation and Injury Management Act in Western Australia a review of the WHS Plan and WHS Safe Work Procedures was undertaken. It was viewed as prudent to include a review of the Risk Management Policy as part of this review. The most significant changes to the Policy are changes to the Financial Impact Ratings in the Risk Assessment Criteria (see attached).

#### **Officer's Comment**

All actions raised within the Regulation 17 and Risk Register reviews have been entered into the Shire's reporting system, with reports being generated quarterly to track progress of each item. The most current quarterly reports are attached for reference.

The Risk Management Policy has been reviewed with the following changes being proposed:

- Updated purpose
- Include more specific scope
- Amend definition for Risk
- Remove definition for Risk Management
- Add definitions for CEO, Councillor, Risk Appetite, SOE and WHS
- Minor wording changes to practice section
- Replace risk tables with updated information

- Update referencing documents

For more details on the changes, please refer to the amended document attached to this report.

### **Consultation**

Executive Management Team  
Relevant staff across the Shire.

### **Financial Implications**

Nil

### **Asset Management Implications**

Nil

### **Statutory Implications**

Nil

### **Policy Implications**

Nil

### **Strategic Implications**

Council Plan 2022 – 2032

*Performance - Outcome 15. Operational excellence and financial sustainability*

Objective 15.1. Provide responsible, agile and innovative planning and resource management.

### **Environmental Considerations**

Nil

### **Attachments**

- A [↓](#). Risk Register Report - Q4 2023/2024
- B [↓](#). Audit Regulation 17 Report - Q4 2023/2024
- C [↓](#). Risk Management Policy



**RECOMMENDATION AND DECISION**

**Item 9.1 Risk Register and Audit Regulation 17 Action Update**

Officers Recommendation

That the Audit Committee;

1. Recommend to Council that the status report on actions from the 2023 Risk Register and Audit Regulation 17 review be accepted and
2. Recommend that Council adopt the Risk Management Policy inclusive of amendments, inclusions and deletions as reviewed.

**MOTION**

**Moved: Pres Chambers**

**Seconded: Cr Johnston**

**AU0824-131**

**Committee Decision**

**That the Audit Committee; recommend that Council adopt the Risk Management Policy inclusive of amendments, inclusions and deletions as reviewed.**

**CARRIED**

**F3 – A0**

*For: Cr Johnston, Cr Flanagan, Pres Chambers*

Reason: The Risk Register and Audit Regulation 17 were withdrawn to allow for further work to be conducted.



## Risk Register Summary

### Q4 2023/2024



Shire of Esperance

Risk Register Summary Q4 2023/2024

| Action Code | Action Name   | Comments  | Responsible Officer Position         |
|-------------|---|---|--------------------------------------|
| RR1         | Develop SOPs  | Being developed. Workshop supervisor to review current draft SOP.   | Manager Asset Planning               |
| RR2         | Implement risk assessment processes for high risk assets    |   | Manager Asset Planning               |
| RR3         | Building routine maintenance to be incorporated into MEX    | No Action.  | Manager Asset Planning               |
| BAU5.1.6.17 | Develop Generator Action Plan                               | Depot - Discussions held with electrical contractor. Location of generator determined. Admin - Will need to be a part of the solar system upgrade. work a solution with Griff's electrical and Save Energy.   | Manager Asset Planning               |
| BAU5.1.6.25 | Test and Review IT Disaster recovery plan                   | Post OAG review of plan found that more information was required in a couple of areas to make sure that the plan is easier to follow in a disaster. This is currently being collated and work is continuing to integrate it into the DR plan.   | Manager Information Services         |
| BAU5.1.6.28 | Review the Workforce Plan                                   | Completed.  | Manager Human Resources              |
| RR4         | Review business continuity framework with operational teams | Last time I spoke with the Manager of Human Resources, business continuity was not a WHS item. Happy to be a part of the process.   | Senior WHS/Risk Officer              |
| RR5         | Develop cyber response plan                                 | A draft Cyber Incident Response plan has been created although more work is needed before going to peer review.   | Manager Information Services         |
| RR6         | Develop SOPs  | The waste team has completed a review of all existing SOPs and will now focus on new SOPs that are required to document and improve work practices. The environmental health team is reviewing and improving SOPs, adding checklists and standard templates, emails and letters to support these processes. | Manager Waste & Environmental Health |
| BAU5.1.6.2  | Implement workflow process in CM9                           | Obsolete. Not a requirement with current business process.  | Coordinator Information Services     |
| RR7         | Review induction process                                    | After decision not to go with Big Red Sky looking at Work Metrics as option. Proposal being finalised.  | Manager Human Resources              |

Shire of Esperance

Risk Register Summary Q4 2023/2024

|             |   |  |  |
|-------------|---|--|--|
| RR8         | Investigate software options for Delegation Register  | IT have assisted to automate document generation process for this year's review using existing software available, which will save time in future. Alternative software options to be investigated as time allows.     | Coordinator Governance & Corporate Support |
| BAU5.1.6.3  | Investigate review function through CM9 to notify users when Legal documents require review | Technically completed. Requires responsible officers to determine legal documents and advise what notification would be appropriate.   | Manager Information Services               |
| BAU5.1.6.4  | Implement unique numbering for controlled documents and master register                     | Document Control Group is working through this task.   | Manager Information Services               |
| BAU5.1.6.7  | Establish HR SOPs (document control, approval and communication processes)                  | Work almost completed on WHS procedures following discussions with Marsh and CCIWA. Will be uploaded onto the intranet in May.   | Manager Human Resources                    |
| BAU5.1.6.8  | Identify strategy to capture corporate knowledge  | Standard Operating Procedure templates developed and working group set-up to control documents. KPI's to develop Standard Operating Procedures distributed through the performance review process with relevant staff. | Chief Executive Officer                    |
| BAU5.1.6.9  | SOP for performance review process  | Completed.   | Manager Human Resources                    |
| BAU5.1.6.11 | Identify Critical Roles within the organisation   | Review completed of Corporate and Community Services and changes implemented. These changes are based on identification of critical roles and employee skill sets.   | Manager Human Resources                    |
| BAU5.1.6.12 | SOP Management of staff volunteering hours  | Completed.   | Manager Human Resources                    |
| RR9         | Update policies and procedures to align with state system and WHS Act change                | Completed.   | Manager Human Resources                    |
| RR10        | Finalise draft internal engagement plan   |  | Manager Marketing & Communications         |
| RR11        | Social media record keeping SOPs  |  | Manager Marketing & Communications         |
| RR12        | Review Reserve Hierarchy  | Not commenced, scheduled in 2024.  | Manager Parks & Environment                |
| BAU5.1.6.13 | Resolve waste water issue at Depot- Propose to remove current washdown bay                  | On Hold.   | Director Asset Management                  |

**Shire of Esperance**

**Risk Register Summary Q4 2023/2024**

|             |   |  |  |
|-------------|---|--|--|
| 4.1.8       | Prioritise the weed strategy  | Not Started. Due to commence 2024 calendar year.   | Manager Parks & Environment                |
| BAU5.1.6.14 | Review requirement for model waste local laws                                 |  | Manager Waste & Environmental Health       |
| RR13        | Small plant serial number identification/sign in process                      | Planning has started.  | Manager Asset Operations                   |
| BAU5.1.6.18 | Increased inspections and documentation of Maintenance and Cleaning schedules | Monthly checklists have been rolled out at facilities and will be monitored. Procedures being developed for each site. LH cleaner undertaking inspections. | Coordinator Projects & Buildings           |
| BAU5.1.6.19 | Develop plan for generator use with IT systems                                |  | Manager Information Services               |
| BAU5.1.6.20 | SOP annual licences checks  | Completed.   | Manager Human Resources                    |
| BAU5.1.6.21 | Develop post project debrief process for major projects                       | To be developed.   | Director Asset Management                  |
| RR14        | Arrange training in major projects/contracts for relevant staff               | Not started.   | Director Asset Management                  |
| BAU5.1.6.22 | Establish emergency drill schedule for all sites                              | Drill schedule being amended to include Home Care.   | Manager Development Services               |
| BAU5.1.6.23 | Implement actions from LGIS audit   | Considerable work done during April on WHS Strategy, WHS Management Plan and associated Procedures. To be implemented in May following EMT endorsement.    | Manager Human Resources                    |
| RR15        | Security Upgrade (fobs)   | Operating instruction to be written.   | Manager Asset Planning                     |
| RR16        | Introduce procedures for management of psychological hazards                  | SWP on Psychological hazards part of review being finalised in July 2024.  | Manager Human Resources                    |
| BAU5.1.6.24 | Develop management practice for contract review                               | Completed.   | Director Asset Management                  |
| RR17        | Contractor inductions & training in use of Rapid Global                       | With the new panels starting, this is being reiterated.  | Director Asset Management                  |
| RR18        | Develop procedure for minor contract supervision                              | Not Started.   | Director Asset Management                  |
| RR19        | Develop SOPs  | Current draft SOPs to be finalised in due course. Began working on Delegated Authority documentation.  | Coordinator Governance & Corporate Support |



# Audit Regulation 17 Review Summary Q4 2023/2024



Shire of Esperance

Audit Regulation 17 Review Q4 2023/2024

| Action Code | Action Name  | Comments   | Responsible Officer Position               |
|-------------|--|--|--|
| r.17.1      | Include a review deadline in all council policies, with every endeavour being given to undertaking those reviews in a timely manner.   | All council policies have been updated to new templates which includes review panel. | Governance & Corporate Support Coordinator |
| r.17.2      | Draft and endorse a standard operating procedure for reviewing the Risk Register. This should address when identified risks are to be included in the register before the biennial review. Such risks may be identified, for example, through Hazard/Incident Report Forms.                                      | On hold due to other priorities.   | Governance & Corporate Support Coordinator |
| r.17.3      | Undertake an audit/review of the Risk Management Procedures document, to ensure it is up to date and governance processes are being undertaken (e.g. internal audit on internal control procedures). Include review details for the Risk Management Procedures document at the beginning or end of the document. |  | Coordinator Workplace Health and Safety    |
| r.17.4      | Ensure the approval date and review dates are recorded in the Work Health and Safety Procedure - Workplace Inspections.  |  | Coordinator Workplace Health and Safety    |
| r.17.5      | Draft a management practice or standard operating procedure for reviewing the BCP.   | Again, not a Workplace Health and Safety item  | Coordinator Workplace Health and Safety    |
| r.17.6      | Include a reminder to review the BCP in the compliance calendar.   | Item included in Compliance Calendar for April and September.                        | Governance & Corporate Support Coordinator |

Shire of Esperance

Audit Regulation 17 Review Q4 2023/2024

| Action Code | Action Name   | Comments  | Responsible Officer Position               |
|-------------|---|---|--|
| r.17.7      | Include a review deadline in the IT Disaster Recovery Plan.   | Has been included in current review.  | Manager Information Services               |
| r.17.8      | Draft a procedure to address incorrect accounting estimates, capturing how to avoid them in the first instance, and how to address them if they occur.  | Will be addressed in Financial Management Manual.   | Manager Financial Services                 |
| r.17.9      | Draft a management practice for dealing with litigious matters.   | On hold due to other priorities.  | Governance & Corporate Support Coordinator |
| r.17.10     | Continue reminding employees about the Employee Code of Conduct and other ethical matters on a regular basis.   | All new starters are made aware of the requirements of the Code of Conduct and all performance reviews reconfirm adherence to the Code. | Manager Human Resources                    |
| r.17.11     | Ensure a review deadline is included in all management practices.   | Forms part of the document control project.   | Governance & Corporate Support Coordinator |
| r.17.12     | Ensure the revision history for all policies/plans/procedures is updated as reviews occur, including the Occupational Safety and Health Management Plan.  | This will be updated on all documents as part of document control project.  | Governance & Corporate Support Coordinator |
| r.17.13     | Review the Occupational Safety and Health Management Plan.  |   | Coordinator Workplace Health and Safety    |
| r.17.14     | Review the Work Health and Safety Procedure - Working in Adverse Weather Conditions (February 2018) including the heading to ensure it reflects its intended purpose. Ensure the functions of the Health and Safety Committee are reflected in the procedural document where appropriate. |   | Coordinator Workplace Health and Safety    |



Shire of Esperance

Audit Regulation 17 Review Q4 2023/2024

| Action Code | Action Name   | Comments  | Responsible Officer Position               |
|-------------|---|---|--|
| r.17.15     | Develop a procedure for managing insurable risks, including the need for officers to actively participate in the insurers annual risk assessment process.   | On hold due to other priorities.  | Governance & Corporate Support Coordinator |
| r.17.16     | Ensure the six month follow up report is scheduled in the Compliance Calendar.  | Item included into Compliance Calendar for March.   | Governance & Corporate Support Coordinator |
| r.17.17     | Draft and endorse a management procedure regarding the management of large projects. This would address the question of when a project manager or other external consultants should be hired, as well as additional financial and other risk mitigation strategies.   | Not started   | Director Asset Management                  |
| r.17.18     | Ensure written guidance is provided to officers regarding when the (more extensive) evaluation process ought to occur, rather than allowing price to be the only consideration.   | Not started   | Director Asset Management                  |
| r.17.19     | Ensure changes to the Shire's control environment are regularly discussed at Organisational Management Team meetings. Draft a short management practice regarding what control changes must be communicated to staff and how they are to be communicated. This may include responses to auditor comments, changes to legislation, policy reviews, management practice reviews, standard operating procedure reviews, etc. | A draft Management Practice regarding control practices that should be in place is in progress. | Director Corporate and Community Services  |

Shire of Esperance

Audit Regulation 17 Review Q4 2023/2024

| Action Code | Action Name   | Comments   | Responsible Officer Position               |
|-------------|---|--|--|
| r.17.20     | HR to conduct a review of individual business area inductions to ensure they are appropriate and are conducted consistently.  | WHS team worked with individual business areas and where required participated in individual business area inductions.   | Manager Human Resources                    |
| r.17.21     | Review the New Employee Acknowledgment of Receipt to ensure all relevant/useful documents are included. This may, for example, include certain policies applicable to most or all employees.                              | Completed.   | Manager Human Resources                    |
| r.17.22     | Ensure IT practices are supported by written procedural documents. Ensure those documents are regularly reviewed.   | Several new process documents have been scoped and outlines created however more work is needed to create SOPs from them. Small updates have been made to some existing SOPs and are under peer review before going to the Document Control Group. | Manager Information Services               |
| r.17.23     | Draft a policy to identify the Shire's standards in regard to cyber security. Draft procedural documents to support officers working in this area.  | A draft Cyber Incident Response plan has been created although more work is needed before going to peer review. Once this is done then a Policy will be created.   | Manager Information Services               |
| r.17.24     | Reinforce the requirement to record the use of delegations in accordance with statutory requirements. This may be a topic of an internal audit and/or could be addressed in the performance reviews of relevant officers. | Highlighted this requirement at June staff meeting. No progress on development of training due to other priorities.  | Governance & Corporate Support Coordinator |
| r.17.25     | Ensure the Policy Review Checklist is either attached to, or referenced in, the relevant standard operating procedure.  | This will be updated on all documents as part of document control project.   | Governance & Corporate Support Coordinator |

Shire of Esperance

Audit Regulation 17 Review Q4 2023/2024

| Action Code | Action Name   | Comments  | Responsible Officer Position               |
|-------------|---|---|--|
| r.17.26     | Begin a program of conducting periodic internal reviews of systems and procedures. This may address discrete topics such as recording the use of delegations or completion of cash acknowledgement forms.                         |   | Director Corporate and Community Services  |
| r.17.27     | Ensure review deadlines are included in council policies, management practices and standard operating procedure.  | Forms part of document control project.   | Governance & Corporate Support Coordinator |
| r.17.28     | Draft a management procedure or standard operating procedure for engaging legal advisors. This should provide guidance on how to assess when legal advice is required and who is authorised to approve legal advice being sought. | On hold due to other priorities.  | Governance & Corporate Support Coordinator |
| r.17.29     | Consider including employee authority levels regarding the execution of documents in job descriptions.  | No change.  | Manager Human Resources                    |
| r.17.30     | Draft a written procedure for logging records in and out, to assist records officers.   | Existing procedures assessed as being satisfactory until updated as part of Shire Document Control project. | Information Management Coordinator         |
| r.17.31     | Draft a standard operating procedure for the internal audits of IT software.  | No progress as yet  | Manager Information Services               |

Shire of Esperance

Audit Regulation 17 Review Q4 2023/2024

| Action Code | Action Name   | Comments  | Responsible Officer Position               |
|-------------|---|---|--|
| r.17.32     | Financial procedures should be reviewed and collated into a comprehensive Financial Procedures Manual. This will help to make procedures and standards clearer for employees to follow.                                   | Financial management manual started and is being updated.   | Manager Financial Services                 |
| r.17.33     | Draft a standard operating procedure for investigating variances.   | Reporting on variances has now changed hands and management reporting will allow for better understanding of variances.   | Manager Financial Services                 |
| r.17.34     | Continue to regularly reinforce records management protocols including the transfer of finalised documents into TRIM.   | Reviewing existing induction and Content Manager (CM) user documentation, and intent to develop content for inclusion in monthly Handy Facts newsletter.  | Information Management Coordinator         |
| r.17.35     | Develop and finalise the User Terms and Conditions.   | Developed for inclusion with the next review of Management Practice - Computer System Usage Code of Practice by Manager of Information Systems.   | Information Management Coordinator         |
| r.17.36     | Ensure the complete procedure for the approval of financial payments is captured in a written procedure.  | Currently making changes to some procedures to provide more efficiency. Once embedded procedures can be drawn up.   | Manager Financial Services                 |
| r.17.37     | Ensure all procedural documents are dated.  | This will be updated on all documents as part of document control project.  | Governance & Corporate Support Coordinator |
| r.17.38     | Ensure that the cash management practice for the Shire is captured in a written procedure. Ensure all facilities where cash is collected have written procedures to support staff managing or handling the cash received. | Financial Management Manual has been progressed. Cash handling areas have been identified and the Finance Manager is working to ensure that all areas take procedures in these areas from the Finance department. | Manager Financial Services                 |

Shire of Esperance

Audit Regulation 17 Review Q4 2023/2024

| Action Code | Action Name   | Comments  | Responsible Officer Position               |
|-------------|---|---|--|
| r.17.39     | Conduct periodic audits to ensure that the receipt forms are correctly signed. Ensure all relevant officers are promptly reminded of the correct procedure or receive further training, whenever the form is not correctly signed or completed.   |   | Manager Financial Services                 |
| r.17.40     | Review the Records Management Procedures Manual. Ensure the manual is reviewed regularly (every two years).   | Ad hoc updates as required, ready for the organisational wide document control project, and where feasible will concentrate on content used by other business units rather than content just used by the IM team. | Information Management Coordinator         |
| r.17.41     | Include the Assets Register review in the Compliance Calendar.  | Item included in Compliance Calendar for June.  | Governance & Corporate Support Coordinator |
| r.17.42     | Consider expanding the scope of the Compliance Calendar to include legislative compliance matters in other departments. Alternatively, a separate global calendar could be created for this more expansive purpose.<br>Ensure all departments have an adequate system of monitoring legislative compliance. | Awaiting further advice from Director External Services regarding any additional items that should be included for their area.  | Governance & Corporate Support Coordinator |
| r.17.43     | Complete the standard operating procedure for completing CARs before the next CAR deadline.<br>Ensure this addresses the standard of evidence/sampling required to adequately answer the questions.   | SOP completed and saved in Content Manager (CM) - will be reviewed during next CAR lodgement process.   | Governance & Corporate Support Coordinator |

Shire of Esperance

Audit Regulation 17 Review Q4 2023/2024

| Action Code | Action Name  | Comments   | Responsible Officer Position               |
|-------------|--|--|--|
| r.17.44     | Consider including a consistent 'Governance Updates' section within each Handy Facts newsletter. This will ensure changes to policies, legislation and other governance issues are regularly considered and communicated to employees. | Regular updates are provided to Marketing & Communications team for inclusion in Handy Facts. Monthly updates also provided at staff meetings. | Governance & Corporate Support Coordinator |
| r.17.45     | Review Complaint Handling Policy to ensure all types of complaints are captured including Public Interest Disclosures and Corruption & Crime Commissions reporting.  |  | Director Corporate and Community Services  |
| r.17.46     | Develop internal procedures to identify adverse trends if this is practicable (e.g. include item on Executive Team agenda for discussion; monitoring external customer and stakeholder feedback).                                      | An item for this is now included on all EMT Agendas.   | Director Corporate and Community Services  |
| r.17.47     | Review the role of the audit committee with particular consideration towards increasing its involvement in matters relating to risk.   | Scope of the audit committee is reviewed as part of the Councillor appointment to the committee post Council elections.                        | Chief Executive Officer                    |
| r.17.48     | Ensure adequate training is provided to the independent member of the audit committee in regard to local government practices and the functions of the audit committee.  | Post Council elections and when members have been appointed then training considerations will be reviewed.                                     | Chief Executive Officer                    |
| r.17.49     | Incorporate into the Evaluation Report, a declaration to confirm relevant processes and legislative requirements have been met.  | Wording has been incorporated into the evaluation report   | Director Asset Management                  |

**Shire of Esperance**

**Audit Regulation 17 Review Q4 2023/2024**

| Action Code | Action Name   | Comments   | Responsible Officer Position               |
|-------------|---|--|--|
| r.17.50     | Draft and endorse the standard operating procedure to guide the local law review.   | SOPs completed and saved in Content Manager.   | Governance & Corporate Support Coordinator |
| r.17.51     | Ensure local law reviews are begun in time to enable deadlines to be met. The Shire should be aware that this process often requires over a year to complete. | 6 monthly reminder set into Corporate Support outlook calendar to remind responsible officers of their requirements. | Governance & Corporate Support Coordinator |



## POL 0015: Risk Management

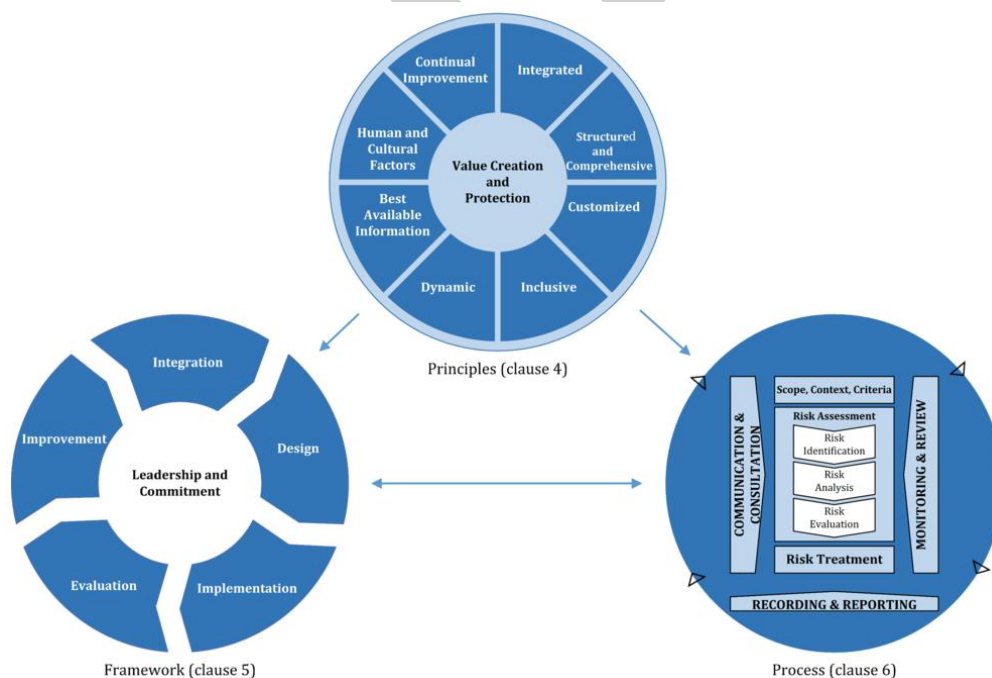
### Purpose

The Shire of Esperance's Risk Management Policy documents the commitment and objectives regarding managing uncertainty that may impact the Shire's strategies, goals or objectives. The purpose of risk management is to reduce the potential effects of risk by reducing liability, preventing litigation and improving loss control.

This Policy and the Shire's Risk Management Procedures manual form the Risk Management Framework for the Shire of Esperance ("the Shire"). They set out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks. All components of these documents are based on Australia/New Zealand Standard ISO 31000:2018 Risk Management.

It is essential that all areas of the Shire adopt these procedures to ensure-

1. Strong corporate governance.
2. Compliance with relevant legislation, regulations and internal policies.
3. Integrated Planning and Reporting requirements are met.
4. Uncertainty and its effects on objectives is understood.



### Risk Management Process (Source: AS/NZS 31000:2018)

The Shire of Esperance's ("the Shire") Risk Management Policy documents the commitment and objectives regarding managing uncertainty that may impact the Shire's strategies, goals or objectives.



## Scope

This policy covers all operations of the organisation including but not limited to all workers, contractors, visitors and volunteers. The key drivers for risk management are Managements responsibility This Policy applies to all Shire of Esperance employees.

## Definitions

**CEO:** Chief Executive Officer

**Councillor:** a member of an elected group of local government representatives

**Risk:** a situation involving exposure to danger Effect of uncertainty on objectives.

Note 1: An effect is a deviation from the expected — positive, negative, or both and can address, create or result in opportunities and threats.

Note 2: Objectives can have different aspects and categories and can be applied at different levels.

Note 3: Risk is usually expressed in terms of risk sources, potential events, their consequences, and their likelihood.

**Risk Appetite:** the amount and type of risk that an organisation is willing to accept whilst pursuing its objectives.

**Risk Management:** Coordinated activities to direct and control an organisation with regard to risk. **SOE:** Shire of Esperance

**WHS:** Work Health and Safety

## Practice

It is the Shire's Policy to achieve best practice ~~(aligned with AS/NZS ISO 31000:2018 Risk management)~~, in the management of all risks that may affect the ~~Shire~~ SOE, its customers, people, assets, functions, objectives, operations or members of the public.

Risk Management will form part of the Strategic, Operational, Project and Line Management responsibilities and where possible, be incorporated within the Shire's Integrated Planning Framework.

Council shall determine the ~~R~~ risk ~~M~~ management policy for the ~~Shire~~ SOE. The Shire's Executive Management Team will communicate the *Risk Management Policy* and Objectives and determine Procedures for the implementation of Risk Management, as well as direct and monitor practice and performance.

Every Councillor, ~~employee~~ worker, volunteer and contractor within the ~~Shire~~ SOE is recognised as having a role in risk management, from the identification of risks, to implementing risk treatments and shall be invited and encouraged to participate in the process.

Consultants may be retained at times to advise and assist in the risk management process or management of specific risks or categories of risk.

#### Risk Management Objectives

1. Optimise the achievement of our vision, mission, strategies, goals and objectives.
2. Provide transparent and formal oversight of the risk and control environment to enable effective decision making.
3. Enhance risk versus return within our risk appetite.
4. Embed appropriate and effective controls to mitigate risk.
5. Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
6. Enhance organisational resilience.
7. Identify and provide for the continuity of critical operations.

#### Risk Appetite

The Shire has defined its risk appetite through the development and endorsement of the Shire's *Risk Assessment ~~and Acceptance~~ Criteria*. The criteria ~~are subject~~is subjected to ongoing review in conjunction with this policy.

All organisational risks to be reported at a corporate level are to be assessed according to the Shire's *Risk Assessment ~~and Acceptance~~ Criteria* to allow consistency and informed decision making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisations appetite and are to be noted within the individual risk assessment.

#### Roles, Responsibilities & Accountabilities

The CEO is responsible for the allocation of roles, responsibilities and accountabilities. These are documented in the Risk Management Procedures Operational Document.

#### Monitor and Review

The Shire will implement and integrate a monitor and review process to report on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends.

This policy will be kept under review by Council and will be reviewed biennially.



Appendix A – Risk Assessment and Acceptance Criteria

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

| Measures of Likelihood |                |  |                            |
|------------------------|----------------|--|----------------------------|
| Level                  | Rating         | Description  | Frequency                  |
| 5                      | Almost Certain | The event is expected to occur in most circumstances (>90% chance) | More than once per year    |
| 4                      | Likely         | The event will probably occur in most circumstances (>50% chance)  | At least once per year     |
| 3                      | Possible       | The event should occur at some time (20% chance)                   | At least once in 3 years   |
| 2                      | Unlikely       | The event could occur at some time (<10% chance)                   | At least once in 10 years  |
| 1                      | Rare           | The event may only occur in exceptional circumstances (<5% chance) | Less than once in 15 years |

| <u>Rating (Level)</u>    | <u>Health</u>                              | <u>Financial Impact</u>          | <u>Service Interruption</u>  | <u>Compliance</u>   | <u>Reputational</u>  | <u>Property</u>  | <u>Environmental</u>   |
|--------------------------|--|----------------------------------|--|---|--|--|--|
| <u>Insignificant (1)</u> | <u>Near miss. Minor first aid injuries</u> | <u>Less than \$20,000</u>        | <u>No material service interruption</u>  | <u>No noticeable regulatory or statutory impact</u>   | <u>Unsubstantiated, low impact, low profile or 'no news' item</u>  | <u>Inconsequential damage.</u>   | <u>Contained, reversible impact managed by on site response</u>                                |
| <u>Minor (2)</u>         | <u>Medical type injuries</u>               | <u>\$20,001 - \$500,000</u>      | <u>Short term temporary interruption – backlog cleared &lt; 1 day</u>                  | <u>Some temporary non-compliances</u>   | <u>Substantiated, low impact, low news item</u>  | <u>Localised damage rectified by routine internal procedures</u>   | <u>Contained, reversible impact managed by internal response</u>                               |
| <u>Moderate (3)</u>      | <u>Lost time injury &lt;30 days</u>        | <u>\$500,001 - \$1.5 Million</u> | <u>Medium term temporary interruption – backlog cleared by additional resources</u>    | <u>Short term non-compliance but with significant regulatory requirements imposed</u>             | <u>Substantiated, public embarrassment, moderate impact, moderate news profile</u>   | <u>Localised damage requiring external resources to rectify</u>  | <u>Contained, reversible impact managed by external agencies</u>                               |
| <u>Major (4)</u>         | <u>Lost time injury &gt;30 days</u>        | <u>\$1.5 Mil - \$3 Million</u>   | <u>&lt; 1 week</u>   | <u>Non-compliance results in termination of services or imposed penalties</u>                     | <u>Substantiated, public embarrassment, high impact, high news profile, third party actions</u>                                    | <u>Significant damage requiring internal and external resources to rectify</u>                                   | <u>Uncontained, reversible impact managed by a coordinated response from external agencies</u> |
| <u>Catastrophic (5)</u>  | <u>Fatality, permanent disability</u>      | <u>More than \$3 Million</u>     | <u>Prolonged interruption of services – additional resources; performance affected</u> | <u>Non-compliance results in litigation, criminal charges or significant damages or penalties</u> | <u>Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions</u> | <u>Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment and building</u> | <u>Uncontained, irreversible impact</u>  |

| <u>Existing Controls Rating</u> |  |   |
|---------------------------------|--|---|
| <u>Rating</u>                   | <u>Foreseeable</u>                               | <u>Description</u>  |
| <u>Effective</u>                | <u>There is little scope for improvement</u>     | <ol style="list-style-type: none"> <li>1. <u>Process (controls) operating as intended and aligned to policies / procedures</u></li> <li>2. <u>Subject to ongoing monitoring</u></li> <li>3. <u>Reviewed and tested regularly</u></li> </ol>                       |
| <u>Adequate</u>                 | <u>There is some scope for improvement</u>       | <ol style="list-style-type: none"> <li>1. <u>Processes (controls) generally operating as intended, however inadequacies exist</u></li> <li>2. <u>Nil or limited monitoring</u></li> <li>3. <u>Reviewed and tested, but not regularly</u></li> </ol>               |
| <u>Inadequate</u>               | <u>There is a need for improvement or action</u> | <ol style="list-style-type: none"> <li>1. <u>Processes (controls) not operating as intended</u></li> <li>2. <u>Processes (controls) do not exist, or are not being complied with</u></li> <li>3. <u>Have not been reviewed or tested for some time</u></li> </ol> |

| <u>Risk Acceptance Criteria</u> |                                  |   |                                   |
|---------------------------------|----------------------------------|---|-----------------------------------|
| <u>Risk Rating</u>              | <u>Description</u>               | <u>Criteria</u>   | <u>Responsibility</u>             |
| <u>Low</u>                      | <u>Acceptable</u>                | <u>Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring</u>   | <u>Supervisor / Team Leader</u>   |
| <u>Moderate</u>                 | <u>Monitor</u>                   | <u>Risk acceptance with adequate controls, managed by specific procedures and subject to semi-annual monitoring</u>   | <u>Service Manager</u>            |
| <u>High</u>                     | <u>Urgent Attention Required</u> | <u>Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring</u>  | <u>Executive Management Group</u> |
| <u>Extreme</u>                  | <u>Unacceptable</u>              | <u>Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring</u> | <u>CEO and Council</u>            |

| Risk Treatment & Review Timeframes |                                  |                                |                                   |   |
|------------------------------------|----------------------------------|--------------------------------|-----------------------------------|---|
| <u>Risk Rating</u>                 | <u>Description</u>               | <u>Risk Treatment</u>          | <u>Responsibility</u>             | <u>Risk Review</u>                        |
| <u>Low</u><br><u>(1-4)</u>         | <u>Acceptable</u>                | <u>Treated within 6 months</u> | <u>Supervisor / Team Leader</u>   | <u>Review every 6 months</u>              |
| <u>Moderate</u><br><u>(5-9)</u>    | <u>Monitor</u>                   | <u>Treated within 3 months</u> | <u>Service Manager</u>            | <u>Review every 3 months</u>              |
| <u>High</u><br><u>(10-16)</u>      | <u>Urgent Attention Required</u> | <u>Treated within 2 weeks</u>  | <u>Executive Management Group</u> | <u>Review within 2 weeks then monthly</u> |
| <u>Extreme</u><br><u>(20-25)</u>   | <u>Unacceptable</u>              | <u>Treated within 1 week</u>   | <u>CEO and Council</u>            | <u>Review every 2 weeks</u>               |



## Appendix A – Risk Assessment and Acceptance Criteria

| Shire of Esperance Measures of Consequence |  |  |                    |   |  |   |   |
|--|--|--|--------------------|---|--|---|---|
| Rating (Level)                             | Safety / Health (Physical)                           | Safety / Health (Psychological)  | Financial Impact   | Service Interruption  | Compliance   | Reputational  | Environment   |
| Insignificant (1)                          | Negligible injuries/ First aid injuries              | Temporary, no leave taken, short term with full recovery                         | Less than \$5,000  | No material service interruption  | No noticeable regulatory or statutory impact   | Unsubstantiated, low impact, low profile or 'no news' item  | Contained, reversible impact managed by on site response                                |
| Minor (2)                                  | Medical type injuries (<= 9 days lost time)          | Sick leave, short term impact, recovery 1-3 weeks                                | \$5,001 – \$50,000 | Short term temporary interruption – backlog cleared < 1 day                               | Some temporary non-compliances   | Substantiated, low impact, low news item  | Contained, reversible impact managed by internal response                               |
| Moderate (3)                               | Medical type injuries (10 days – 3 months lost time) | Significant non-permanent, longer term illness, recovery 1-6 months              | Up to \$500,000    | Medium term temporary interruption – backlog cleared by additional resources < 1 week     | Short term non-compliance but with significant regulatory requirements imposed             | Substantiated, public embarrassment, moderate impact, moderate news profile   | Contained, reversible impact managed by external agencies                               |
| Major (4)                                  | Medical type injuries (> 3 months lost time)         | Longer term illness, severe trauma, extended incapacity                          | Up to \$1.5M       | Prolonged interruption of services – additional resources; performance affected < 1 month | Non-compliance results in termination of services or imposed penalties                     | Substantiated, public embarrassment, high impact, high news profile, third party actions                                    | Uncontained, reversible impact managed by a coordinated response from external agencies |
| Catastrophic (5)                           | Fatality, permanent disability                       | Death, permanent severely disabling illness, e.g. Post-Traumatic Stress Disorder | More than \$1.5M   | Indeterminate prolonged interruption of services – non-performance > 1 month              | Non-compliance results in litigation, criminal charges or significant damages or penalties | Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions | Uncontained, irreversible impact  |

| Shire-of-Esperance-Risk-Matrix |   |               |              |              |              |              |
|--------------------------------|---|---------------|--------------|--------------|--------------|--------------|
| Consequence<br>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) |

| Shire-of-Esperance-Risk-Acceptance-Criteria |                           |  |                     |
|---|---------------------------|--|---------------------|
| Risk Rank                                   | Description               | Criteria   | Responsibility      |
| LOW (1-4)                                   | Acceptable                | Risk-acceptable-with-adequate-controls,-managed-by-routine-procedures-and-subject-to-annual-monitoring   | Operational-Manager |
| MODERATE (5-9)                              | Monitor                   | Risk-acceptable-with-adequate-controls,-managed-by-specific-procedures-and-subject-to-semi-annual-monitoring   | Operational-Manager |
| HIGH (10-16)                                | Urgent-Attention-Required | Risk-acceptable-with-effective-controls,-managed-by-senior-management/-executive-and-subject-to-monthly-monitoring   | Director-/CEO       |
| EXTREME (17-25)                             | Unacceptable              | Risk-only-acceptable-with-excellent-controls-and-all-treatment-plans-to-be-explored-and-implemented-where-possible,-managed-by-highest-level-of-authority-and-subject-to-continuous-monitoring | CEO-/Council        |



| Shire of Esperance Existing Controls Ratings |   |   |
|--|---|---|
| Rating                                       | Foreseeable   | Description   |
| Effective                                    | There is little scope for improvement.                    | Controls are fully in place, are being well addressed / complied with, are subject to ongoing maintenance and monitoring and are being continuously reviewed and tested |
| Adequate                                     | There is some scope for improvement.                      | Controls are in place, are being addressed / complied with and are subject to periodic review and testing   |
| Inadequate                                   | A need for corrective and / or improvement actions exist. | Controls do not exist, or are not being addressed / complied with, or have not been reviewed or tested for some time  |

.....End.....



#### Document Information

|                      |                         |
|----------------------|-------------------------|
| Responsible Position | Manager Human Resources |
| Risk Rating          | Medium                  |

#### Referencing Documents

- *Local Government Act 1995*
- ~~*Work health and Safety Act 2020 (WA)*~~
- ~~*Australia/New Zealand Standard ISO 31000:2018 Risk Management.*~~
- *Risk Management Framework*
- *Risk Assessment Criteria*

#### Revision History

| Date     | Version | CM Reference  | Reason for Change                           | Resolution # | Next Review |
|----------|---------|---------------|---|--------------|-------------|
| Feb 2013 |         | D13/4305[v1]  | Draft policy                                |              |             |
| Apr 2013 | 1       |               | New policy                                  | O0413-017    | Apr 2015    |
| Jun 2013 |         | D13/4305[v2]  | Draft policy                                |              |             |
| Nov 2014 | 2       | D14/23268     |   | O1114-022    | Nov 2016    |
| Mar 2018 | 3       | D16/29010     | Biennial review, update document controller | O0318-073    | Mar 2020    |
| Nov 2019 | 4       | D16/29010[v2] | Biennial review, no change                  | O1119-248    | Nov 2021    |
| Oct 2020 | 5       | D16/29010[v3] | Update ISO standard reference               | O1020-317    | Oct 2022    |
| Jan 2022 | 6       | D16/29010[v4] | Biennial review, no change                  | O0122-012    | Jan 2024    |
| Nov 2023 | 7       | D16/29010[v5] | Biennial review, no change.                 | O1123-189    | Nov 2025    |

**Item: 9.2**

**Interim Audit Report**

|                     |                  |   |
|---------------------|------------------|---|
| <b>Author/s</b>     | Roselyn Hamilton | Manager Financial Services                |
| <b>Authorisor/s</b> | Felicity Baxter  | Director Corporate and Community Services |

**File Ref: D24/21161**

**Applicant**

Internal

**Location/Address**

Shire of Esperance

**Executive Summary**

Core to the Audit Committee's role, is to liaise with the local government's auditor to give Council confidence that the performance of the local government in managing its financial affairs. The purpose of this report is for the Audit Committee to consider the Interim Audit Management Letter.

**Recommendation in Brief**

That the Audit Committee note the matter raised in the Interim Audit Management Letter and the recommendations to reduce the risk.

**Background**

Each financial year, the External Auditor conducts an Interim Audit to monitor that financial controls are adequately in place. This is done by conducting sample testing of the key financial functions, such as creditor payments, debtor receipts, payroll processes, investments and banking, integrity of the asset register and accuracy in financial reporting. In this way the auditor obtains an understanding of the key business processes, risks and internal controls relevant to the annual financial report.

Moore Australia (Auditors) on behalf of the Office of the Auditor General (OAG) currently conducts the Shire's external audits. They recently undertook the interim audit in preparation of the 30 June 2024 annual financial audit. During this audit systems and controls as described above were tested. The auditor has noted one matter that needed to be brought to the attention of the Shire. This is explained in more detail in the management letter attached.

**Officer's Comment**

The matter raised by the Auditor was:

- *Purchase Orders were raised after supplier invoices were received – considered a moderate risk with no potential impact on the audit opinion*

Sample testing of payment transactions noted 2 instances out of a total of 28 (7.1%) transactions tested where purchase orders were raised after the supplier invoice date was received. The implication of this is that these purchases carried the inherent risk of being unauthorised expenditures.

The accompanying recommendation is to remind all officers to raise orders prior to authorising the works/services or ordering goods. This ensures budget responsibility. Further to this, they encourage periodic reviews of subscriptions to encourage a more conscious decision to continue with them.

Management have committed to reminding officers of this requirement and ensure that subscriptions are reviewed at the beginning of each financial year or subscription period.

### **Consultation**

Moore Australia (Auditors) – on behalf of the Office of the Auditor General  
Executive Management Team

### **Financial Implications**

Nil

### **Asset Management Implications**

Nil

### **Statutory Implications**

Nil

### **Policy Implications**

Nil

### **Strategic Implications**

Council Plan 2022 - 2032

*Performance - Outcome 15. Operational excellence and financial sustainability*

Objective 15.1. Provide responsible, agile and innovative planning and resource management.

Provide responsible resource and planning management for now and the future.

### **Environmental Considerations**

Nil

### **Attachments**

A. [Interim Audit Letter to the President 2024](#)

B. [Interim Audit Management Report 2024](#)

**RECOMMENDATION AND DECISION**

**Item 9.2 Interim Audit Report**

**Moved:** Cr Johnston

**Seconded:** Pres Chambers

**AU0824-132**

**Committee Decision**

**That the Audit Committee note the matters raised in the Interim Audit Management Letter and the recommendations to reduce the risk.**

**CARRIED**

**F3 – A0**

*For: Cr Johnston, Cr Flanagan, Pres Chambers*



Our Ref: F21/59

7th Floor, Albert Facey House  
469 Wellington Street, Perth

Mr Ron Chambers  
Shire President  
Shire of Esperance

Mail to: Perth BC  
PO Box 8489  
PERTH WA 6849

Tel: 08 6557 7500  
Email: [info@audit.wa.gov.au](mailto:info@audit.wa.gov.au)

By email: [ron.chambers@esperance.wa.gov.au](mailto:ron.chambers@esperance.wa.gov.au)

Dear Shire President

**ANNUAL FINANCIAL REPORT  
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2024**

We have completed the interim audit for the year ending 30 June 2024. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate the 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.

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 CEO. 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 7742 if you would like to discuss these matters further.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Jay Teichert'.

Jay Teichert  
Director  
Financial Audit  
30 May 2024

Attach

**ATTACHMENT**

**SHIRE OF ESPERANCE**

**PERIOD OF AUDIT: 1 JULY 2023 TO 30 JUNE 2024**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

| Index of findings               | Potential impact on audit opinion | Rating      |          |       | Prior year finding |
|---------------------------------|-----------------------------------|-------------|----------|-------|--------------------|
|                                 |                                   | Significant | Moderate | Minor |                    |
| 1. PO raised after invoice date | No                                |             | ✓        |       |                    |

**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. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed 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.

The ratings included are preliminary ratings and could be modified pending other findings being identified, rated and the consideration of them collectively on the ratings and any potential impact on the audit opinion.

**ATTACHMENT**

**SHIRE OF ESPERANCE**

**PERIOD OF AUDIT: 1 JULY 2023 TO 30 JUNE 2024**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**1. Purchase orders were raised after supplier invoices received**

**Finding**

Our sample testing of payment transactions noted 2 instances out of a total of 28 (7.1%) transactions tested where purchaser orders were raised after the supplier invoice date was received.

**Rating: Moderate**

**Implication**

Purchases made without prior authorised purchase orders increases the risk of unauthorised expenditure.

**Recommendation**

To help ensure purchases have been appropriately authorised, all authorised officers should be reminded of the need to ensure purchase orders are raised prior to the authorising of works/services or ordering goods. This will also help to ensure budget responsibility. We did note that one of the transactions mentioned above forms part of an annual subscription. For such an instance we would recommend an annual/periodic review of subscriptions and licenses – particularly as many subscriptions are set up as perpetual subscriptions that keep rolling over until cancelled, so having a periodic review would allow for a more conscious decision to continue with specific subscription fees.

**Management comment**

*The Shire of Esperance acknowledges the above finding and agrees. While every effort is made to ensure that Purchase Orders are raised before goods/services are provided, the human element of procurement means that there may be some instances where the process is missed.*

*Purchasing officers will be reminded of the requirement to raise a Purchase Order before ordering goods/services and finance will endeavour to ensure Purchase Orders for subscriptions are raised at the beginning of each year/subscription period.*

**Responsible person:** Manager Financial Services  
**Completion date:** 24 May 2024



**10. ELECTED MEMBERS**

Nil

**11. SHIRE OFFICERS**

Mrs Baxter passed onto to the Audit Committee the Office of the Auditor General's congratulations to our Finance Team for their high quality financial reporting. Mrs Baxter pointed out that the Shire of Esperance has been recognised as one of the 2022-23 best practice entities and this has been included in the Local Government 2022-23 – Financial Audit Results as per below.



Dear Shane Burge

Congratulations, we have recognised your entity as one of the 2022-23 best practice entities for timeliness and quality of financial reporting and controls.

This achievement acknowledges your entity's performance across a number of criteria including a clear opinion, the timely preparation for audit, high quality financial report and working papers, and maintenance of good financial management controls.

I have included your best practice status in the [Local Government 2022-23 - Financial Audit Results](#) tabled in Parliament.

Once again, congratulations to you and your team.

Regards

Caroline Spencer  
Auditor General

**12. MATTERS BEHIND CLOSED DOORS**

Nil

**13. CLOSURE**

The Presiding Member declared the meeting closed at 11:20am.

**These Minutes were confirmed at a meeting held on \_\_\_\_\_**

**Signed \_\_\_\_\_**

**Presiding Member at the meeting at which the Minutes were confirmed.**

**Dated \_\_\_\_\_**