



PUBLIC ATTACHMENTS

Audit Committee Meeting

12 December 2022

PUBLIC ATTACHMENTS

Shire of Victoria Plains

Significant Variances to Budget

For the Period Ending 31 October 2022

Schedule	Account Description	Annual Budget	Quarterly Budget	YTD Actual	Revised Forecast	Variance
	Budget deficit					(192,160)
<u>INCOME</u>						
3	Grants					
	Increase in FAGS - General	159,835	39,959	94,339	226,403	66,568
	Increase in FAGS - Local Roads	90,299	22,575		150,954	60,655
4	Commissions					
	Transport Licencing suspended	10,720	2,680	774	5,000	(5,720)
	Other Commissions	10,000	2,500	483	1,932	(8,068)
5	Fire Prevention Infringements	25,000	25,000	-	-	(25,000)
	Change of intent from infringement to warning letters					
9	Staff Housing					
	Staff Housing - 12 Harrington Street (WSM)					
	NIL Rent	3,800	950	-	-	(3,800)
	Staff Housing - 16 Yulgering Street (Admin)					
	NIL Rent	6,000	1,500	-	-	(6,000)
10	Community Housing	6,240	1,560	-	-	(6,240)
	Calingiri APU 2 - Vacant					
10	Sewerage Scheme - Calingiri	-	-	7,765	7,765	7,765
	Transfer from Reserves					
12	Govt Grant - Direct MRWA	150,053	150,053	153,280	153,280	3,227
	additional funding					
12	LRCIP	-	-	19,223	19,223	19,223
	Funding from 21/22					
14	Private Works	20,000	5,000	-	15,000	(5,000)
	NIL income to date					
	Net Income Variations					97,610
<u>EXPENDITURE</u>						
4	President Allowance	10,000	2,500	6,000	13,500	(3,500)
	President allowance underpaid in 21/22					
4	Meeting Costs	4,650	1,163	3,104	12,416	(7,766)
	Briefing sessions, community engagement					
4	Sundry	6,040	6,040	18,843	18,843	(12,803)
	Council iPads replacement					
4	Computing / IT Support	104,743	104,743	123,731	135,000	(30,257)
	iPad support, Cyber security, additional workstations (Library) and O365 licencing					
4	Subscriptions	25,440	25,440	32,370	32,370	(6,930)
	EAP Program, AROC membership					
4	Legal Fees	50,000	20,000	15,876	40,000	10,000
	Reduced requirement for engagement					
4	Office Building - Materials	3,819	955	2,531	7,000	(3,181)

Shire of Victoria Plains

Significant Variances to Budget

For the Period Ending 31 October 2022

Schedule	Account Description	Annual Budget	Quarterly Budget	YTD Actual	Revised Forecast	Variance
	Water Leak / ATM Cage					
4	Occupational Health & Safety Activities completed through LGIS	21,067	5,267	-		5,267
4	Office Expenses MFA Mobile phone, CEO office furniture, lecturn	25,000	6,250	9,774	29,508	(4,508)
4	Staff Housing \$16,057 spent on CEO House furnishing	50,175	12,544	22,031	67,175	(17,000)
4	CEO Transition Payout of Former CEO + Temporary CEO	227,592	56,898	166,297	292,297	(64,705)
8	CDO Expenses Increased working hours compared to budgeted	44,749	11,187	14,430	57,721	(12,972)
9	APU - Materials Air Conditioning and HWS replacement	5,230	1,308	4,315	7,730	(2,500)
10	Effluent Disposal Schemes (STED) - Calingiri Repair to sewage lines - Railway St	4,386	4,386	9,958	12,152	(7,766)
10	Water Supply Bolgart WS - Reimbursement	-	-	2,135	4,270	(4,270)
	Gillingarra WS - Reimbursement	-	-	424	4,270	(4,270)
12	Depot Maintenance Hire of Temporary Fuel Storage Tank	-	-	12,000	12,000	(12,000)
12	Purchase of Land for Aglime Route Included in Aglime Road Construction	32,500	32,500	-	-	32,500
13	Yerecoin Wayside Rest Area Electrical Work	-	-	1,550		(1,550)
14	Works and Services WSM Employment package	248,507	62,127	153,186	135,360	113,147
14	Parts and Repairs Aging fleet requiring more frequent repairs	150,000	37,500	155,000	205,000	(55,000)
	Net Expenditure Variations					(90,064)
	CAPITAL					
	Out-front 72" Mower	40,000	40,000	37,500	37,500	2,500
	Rotary Slasher	22,000	22,000	27,900	27,900	(5,900)
	Ute 3	40,000	40,000	36,111	36,111	3,889
	Depot Fuel Tank	35,000	35,000	29,438	29,438	5,562
	Replacement Loader	350,000	350,000	295,000	295,000	55,000
	Prime Mover Float Refurbishment (deferred to 23-24)	30,000	-	-	-	30,000
	Net Capital Variations					91,051
	Revised Surplus / (Deficit)					(93,563)

Implementation of Model Financial Statements and Transparency in Financial Reporting

Proposed 2nd tranche amendments to Local Government (Financial Management) Regulations 1996

Tiered reporting - Band 3 & 4 financial reporting amendments

- Introduce definition for Band allocation in accordance with bands used by the Salaries and Allowances Tribunal under the *Salaries and Allowances Act 1975*.
 - Where the band allocation of a LG changes, the change to the LG's annual financial report will apply from the next financial year beginning on 1 July after the change has been published in the Government Gazette.
- Introduce new regulation to prescribe Australian Accounting Standards or paragraphs of Australian Accounting Standards that Band 3 and 4 local governments will not be required to disclose in the notes to their annual financial statements, e.g.,
 - AASB 7 *Financial Instruments: Disclosures*
 - AASB 16 *Leases, paragraph 58*
 - AASB 101 *Presentation of Financial Statements, paragraph 61*
 - AASB 107 *Statement of Cash Flows, paragraphs 43, 45*
 - AASB 116 *Property, Plant and Equipment, paragraphs 79*
 - AASB 137 *Provisions, Contingent Liabilities and Contingent Assets, paragraph 85*
 - AASB 140 *Investment Property, paragraph 75(f)*
 - AASB 1052 *Disaggregated Disclosures, paragraph 11*
 - AASB 1054 *Australian Additional Disclosures, paragraph 16*

Amendments to implement the Model Financial Statements

- Amend definitions and terms in accordance with AAS and current practice, i.e.,
 - Remove 'back rates' as they have the same definition as 'interim rates'.
 - Remove the term 'operating revenue' as it is not defined in the AAS.
 - Replace the term 'balance sheet' with 'statement of financial position'.
 - Amend term 'nature or type' to 'nature'.
 - Delete 'Operating' from 'Operating grants, subsidies and contributions', and
 - Delete 'Non-operating' and replace with 'Capital' for the current 'Non-operating grants, subsidies and contributions', and
 - Delete 'Interest expenses' and replace with 'Finance costs'.
- Rounding of figures. Amend regulation 15 to make rounding to the nearest dollar the standard for all LGs.
- Net Current Assets -i.e., defined term, regulations 22(1)(d), 31, 32, 34(e), 34(2)(a) and 36(1)(b):-
 - Clarify that regional local governments are required to prepare a rate setting Statement, and
 - The net current assets from regulation 31 (i.e., opening and closing positions) are to be reported in the Rate Setting Statement, and
 - Items excluded from the calculation of the budget deficiency under regulation 32, can either be listed separately in the Rate Setting Statement or via a separate note,

but the choice made must then be continued for monthly financial reporting and annual financial statement preparation.

- Financial Reserves. Introduce requirement to provide sub-total by monies council has elected to restrict and monies restricted by legislation (including LG Act) in the notes for the annual budget (regulation 27(g)) and annual financial statements (regulation 38(1)).
- To help streamline annual financial report preparation, amend regulations for annual financial statement notes, to remove fully or partially the following requirements for all LGs:-
 - investment information in regulation 28,
 - disposal of assets in regulation 36(1)(e),
 - reserve account information in 38(1)(f), (1)(g), 1(h) and (2),
 - rates information in 39(b)(iii), (b)(iv), (b)(v)(III), (c), (d)(ii), (d)(iii), (d)(iv)(III), (e)(ii), (e)(v), (e)(vi)(III) and (e)(vii),
 - service charges in regulation 40,
 - fees in regulation 41,
 - discounts, etc, in regulation 42, with rates info still required.
 - Interest charges in regulation 43 (a)(i), (b)(i), (c)(i), (c)(ii) and (c)(iii),
 - Invested money in regulation 49,
- Amend regulation 36(2)(c) and (d) to clarify it is the adopted budget figures that must be shown in the annual financial statement comparatives.
- With rates instalment charges in regulation 43(c)(iv), amend to require revenue from imposition of interest and administration charge to be reported separately.
- Fees, etc. to council members in regulation 44:-
 - Amend to add 'deputy mayor or deputy president' as a category to report, and
 - Remove requirement to report 'for each person', as it is being moved to the unaudited section of the Annual Report covered by the Administration Regulations
- Move the following information to the unaudited section of the Annual Report which will be covered by the Administration Regulations:-
 - Trading undertakings in regulation 45,
 - Major land transaction in regulation 46,
 - Completed major land transactions in regulation 47.
- Remove requirement under regulation 51(2) for a copy of annual financial report to be provided to the Departmental CEO, as OAG is providing a copy.
- Amend Statement by CEO in Schedule 2 Form 1 to the following:-

The accompanying financial report of the Shire/Town/City of Country has been prepared in compliance with the provisions of the Local Government Act 1995 from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2023 and the financial position as at 30 June 2023. At the date of signing I am not aware of any circumstances which would render the particulars included within the financial report misleading or inaccurate.

Annual Budget Amendments

- Amendments to Regulation 33 to improve provision of information:-
 - Amend to require a copy of the unconfirmed minutes of adoption to be provided in addition to the annual budget document.

- Amend the 30-day timeframe to provide a copy to the Departmental CEO to 14 days to align with *Local Government (Administration) Regulation 13(2)* on the provision of unconfirmed minutes of a council meeting on a LGs website.

Budget Review

- Amendments to Regulation 33A to improve linkages with annual budget and annual financial statements: -
 - Amend the '31 March' timeframe to 'end of February' so the budget review is submitted to Council prior 31 March and allows for any outcomes to be factored into the following years annual budget.
 - Include a requirement that the budget review includes a rate setting statement that contains the adopted budget figures, revised budget figures at date of review, actual figures at date of review and estimated actual figures for the end of the financial year.
 - Amend the 30-day timeframe to provide a copy to the Departmental CEO to 14 days to align with *Local Government (Administration) Regulation 13(2)* on the provision of unconfirmed minutes of a council meeting on a LGs website.

Monthly Financial Reporting

- Amendments to regulation 34 to become a monthly financial report and improve linkages with annual budget, prescribed budget review and annual financial report, i.e.,
 - Remove reference in title to 'financial activity statement' and replace with 'monthly financial report', and
 - Remove reference to 'financial activity statement' in (1) and replace with 'rate setting statement', and
 - Amend 1 (d) to clarify it is the variances in the 'rate setting statement' that are to be shown and reported on, and
 - Amend 1(e) to clarify the net current assets must be reported in the format used in the annual budget as per the amended regulation 22(1)(d) and
 - Remove reference to 'financial activity statement' in (2) and replace with 'monthly financial report', and
 - In (3) amend 'statement of financial activity' to 'rate setting statement', and
 - In (4), amend 'statement of financial activity' to 'monthly financial report', and
 - Add new requirement to also prepare a statement of financial position each month that shows the current actual position and the prior year actual position to 30 June.

Proposed 2nd tranche amendments to Local Government (Administration) Regulations 1996

Tiered reporting - Band 3 & 4 financial reporting amendments

- Introduce definition for Band allocation in accordance with bands used by Salaries and Allowances Tribunal under the Salaries and Allowances Act 1975.
 - Where the band allocation of LG changes, the changes to the LG's annual report will apply from the next financial year beginning on 1 July after the change has been published in the Government Gazette.

New reporting requirements in unaudited section of Annual Report

- Insert the following regulations which have been removed from the Financial Management Regulations: -
 - Regulation 45 - Trading undertakings; plus replace 'balance sheet' with 'statement of financial position', and
 - Regulation 46 - Major land transactions; and
 - Regulation 47 - Completed major land transactions.
- Insert a new regulation to provide by each person the fees, etc required by Financial Management Regulation 44.
- Insert a requirement for the three asset ratios from the superseded Financial Management Regulation 50(1)(b), 1(c) and 1(d), with following requirements: -
 - To publish current year and two prior years as per previous regulation, and
 - The ratios to be expressed as a factor of one, and
 - The denominator and numerator are to be published for each ratio.

PUBLIC ATTACHMENTS



SHIRE OF VICTORIA PLAINS

Business Continuity Plan

November 2022

PUBLIC ATTACHMENTS

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Distribution List

Person / Organisation	No. Hard copies	Electronic copy
Councillors (7)	0	Yes
Shire Of Victoria Plains Personnel	0	Yes
LEMC members	1	Yes
Wongan Hills Police	1	Yes
Toodyay Police	1	Yes
Local Government Insurance Services	0	Yes

Reviews and approvals

This document has been reviewed and approved by the people in the list below.

Name	Title	Date	Role
Sean Fletcher	CEO		Crisis Controller
Colin Ashe	MFA		Finance and Admin
Silvio Brenzi	MWS		Works and Services
Maurice Walsh	PBS		Building Services
Nicholas Parry	CESM		Community Safety
Jason Cacic	CSO		Community Safety

Amendment Record

No.	Date	Details	By
1	Jun 2019	Draft	GO
2	Oct 2022	Revision 1	MFA
3	Nov 2022	Final	MFA
4			
5			

INTRODUCTION

The Shire of Victoria Plains recognises that some events may exceed the capacity of routine management methods and structure. The purpose of developing a Business Continuity Plan is to ensure the continuation of the business during and following any crisis that results in disruption to normal operational capability and enabling management to focus on maintaining and resuming the Shire's most critical functions.

This Business Continuity Plan is the outcome of a risk assessment process. It is designed for the Shire's Core Business Areas, each business area designated is affected by various risks and hazards that are unavoidable within the Shire; it is noted that while treatment options are available there is never a 'sure fire' or 'quick fix' for these risks and that contingency and continuity planning will be required at stages defined by an crisis.

Business Continuity Management (BCM) is not Emergency Management (LEMA) or Disaster Recovery (DR). Whilst closely related, BCM is concerned with articulating the Essential Functions which must continue to operate in the wake of an event that may have required the implementation of EM procedures, whilst DR are the steps required to activate the essential activities identified in the BCM.

This plan was designed and produced using a robust business continuity assessment and contains information pertinent to the Shire of Victoria Plains' ability to maintain business continuity. The primary aim of this document is to guide the Shire in the case of a catastrophic business failure due a variety of reasons. The Plan outlays essential functions that must be maintained, critical dependencies as well as the responsibilities of the activating parties.

This Business Continuity Plan contains a broad outline of the core areas of business within the Shire and applies trigger points to plans established by the risk assessments conducted within the framework.

This Plan is designed to be read for response and recovery after a failure in terms of business. It has been designed to be used by the staff within the Shire and has been accordingly written.

Abbreviations

BCP	Business Continuity Plan
CEO	Chief Executive Officer
CESM	Community Emergency Services Manager
CSO	Community Safety Officer
PBS	Principal Building Surveyor
EHO	Environmental Health Officer (including building functions)
MFA	Manager Finance and Administration Manager
GO	Governance Officer
ICT	Information and communications technology
LEMA	Local Emergency Management Arrangements
SOVP	Shire of Victoria Plains
WALGA	WA Local Government Association
WSM	Manager Works and Services

Associated Reference Documents:

LEMA

Local Emergency Welfare Plan

Evacuation Centre Process

EXECUTIVE SUMMARY

Objectives

The aim of this Plan is to provide an effective procedure that equips the Shire to –

- ensure services that are critical to our strategic objectives continue despite the occurrence of a potentially disruptive event.
- stabilise the effects of a disruptive event and return to normal operations as quickly as possible.
- minimise financial effects and impacts on service delivery targets in the event of a disruption.
- protect the Shire's assets and reputation through the development of organisational resilience.
- capitalise on opportunities created by the disruptive event.

Scope and Scenarios

The BCP considers a number of scenarios that would have a significant impact on the delivery of identified Essential Functions and operations. For the purpose of this plan, an Essential Function is defined as an activity that must be maintained or resumed as soon as possible following a business continuity related crisis affecting its operational continuity.

The scenarios and the following parameters define the scope and associated terminology used herein. These are explained in more detail in the Implementation section. Scenarios that have been considered in the development of this plan and what the likely triggers would be for the activation of the plan are not limited to but can be contributed include:

- a. environmental disaster (fire or flooding);
- b. heightened security aspect (elevation in Safe base);
- c. structural / infrastructure damage;
- d. significant loss of personnel due to an event;
- e. WHS / Pandemic requirements;
- f. significant disruptions to communications connectivity and operations; and
- g. prolonged loss of power and loss of backup generator.

The scope of this plan is to:

- a. identify essential functions of the Shire of Victoria Plains;
- b. identify impacts resulting from the disruption to essential functions;
- c. identify minimum period of essential functions resumption
- d. categorise essential function according to their priority for recovery; and
- e. identify all dependencies relevant to the essential functions.

Roles and Responsibilities

Chief Executive Officer (CEO): The CEO as the Local Government Commander will assess the severity of a crisis and determine if the BCP is activated. The CEO is responsible for the management of the BCP and provides command and control to Local Government staff should any aspect of the BCP be activated.

Manager Works and Services (MWS): Team Leader relating to Road, Infrastructure and other Works and Services related activities in the event the BCP is activated.

Manager Finance and Administration (MFA): Team Leader relating to Financial, ICT and Administrative activities in the event the BCP is activated.

Community Emergency Services Manager (CESM): Team Leader relating to community activities in support of law, order and public safety activities in the event the BCP is activated.

Principal Building Surveyor (PBS): Team Leader for ensuring that alternate sites (including working from home options) are fit for purpose.

Crisis Management Team (CMT): comprising all of the above, CMT is appointed by the CEO and have assigned responsibilities in the BCP. The CMT are also to comply with directives given by the CEO.

Section 1 - Continuity of Shire of Victoria Plains - PHASES OF OPERATION

1. The shire has four phases of operation, and these are used to ensure a consistent approach. Each phase of operation corresponds with an activity phase checklist in the Resident Units Enclosure.

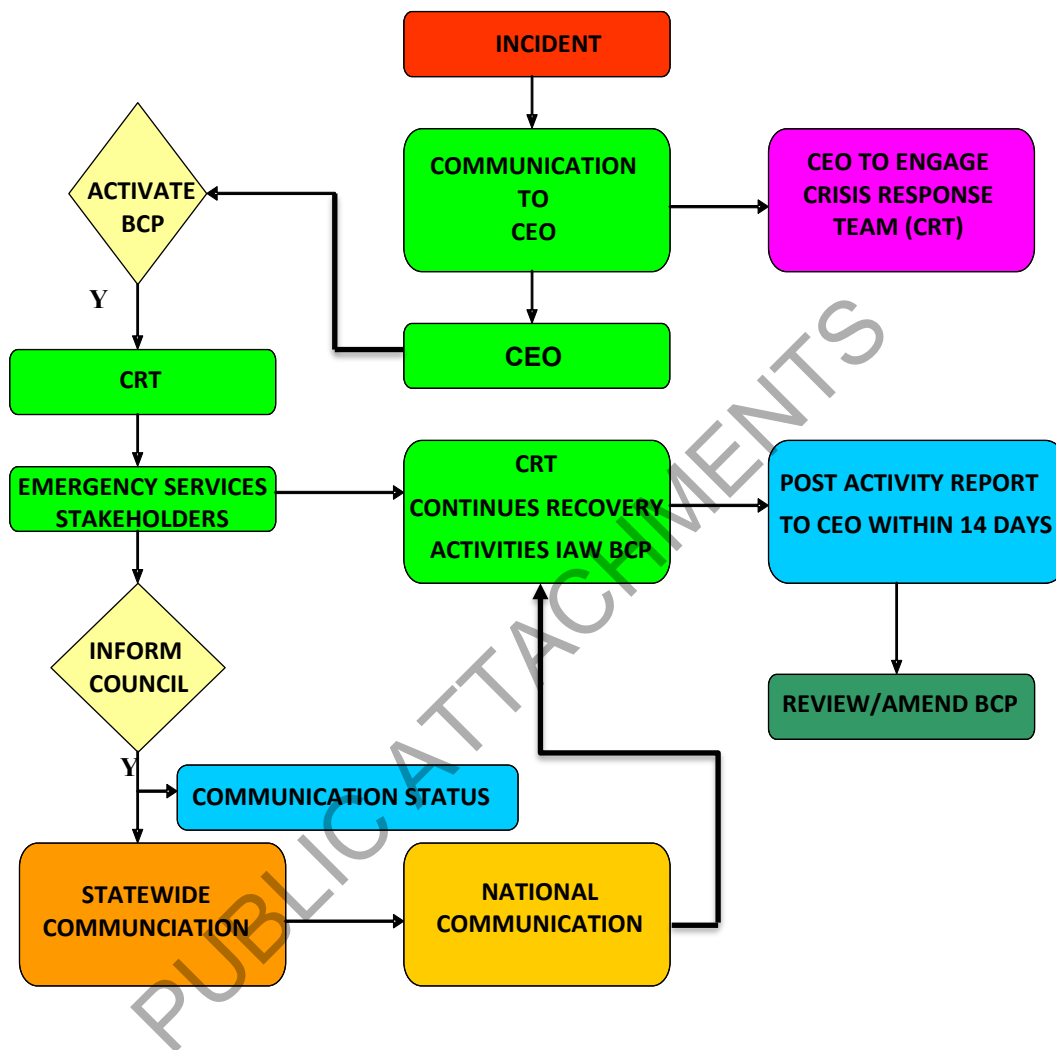
Phase	Description	Timeframe	Activity Checklist
1. Activation	Activation of a BCP.	Within 2 hours of a crisis occurring	Activation Phase Checklist
2. Response	Business Continuity Teams respond to the crisis in accordance with procedures prescribed in their BCP and ensure relocation occurs safely and quickly if required.	Within 2-24 hours of a crisis occurring	Response Phase Checklist
3. Recovery	Implement recovery procedures as prescribed in the relevant plans.	Within 1-7 days of a crisis occurring	Recovery Phase Checklist
4. Resumption	Termination and return to normal business. Preparation of a Post Activity Report (PAR).	Within 21 days of a crisis concluding	Resumption Phase Checklist

Section 2 - Activation Process

2. In the event of a scenario occurring as outlined in the executive summary, the following is to occur:

- a. Working hours – if the crisis occurs during working hours the CEO is to assess the severity of the crisis and direct steps to be taken to restore normal operations. This may include, but is not limited to, the evacuation of non-essential personnel. Should activation of the BCP be required, then activation steps are to commence and managed in accordance with checklists in appendix 2.
- b. Out of hours – the CEO is to contact and brief the CRT as applicable to the crisis and steps being taken or required to be taken to restore normal operations. Should activation of the BCP be required, then activation steps are to commence in accordance with checklists in appendix 2.
- c. Crisis is state or nationwide - CEO is to notify CRT on incident in order for an assessment to be made to activate the BCP. Should activation of the BCP be required, then activation steps are to commence in accordance with checklists in appendix 2.

3. The activation process, detailed in Enclosure 2 is shown in the diagram below:



Section 3 - Business Resumption Arrangements

4. When appropriate, the CEO will declare a return to normal business, notify the Council and any other Agency as required.

Section 4 - Alternate Sites

5. In the event the BCP is activated, an alternative site may be stood up and essential personnel transferred to that site by means as directed by the CEO. For the Shire of Victoria Plains the alternate sites are:
- a. Primary Site – Calingiri Recreation Centre.
 - b. Secondary site – Calingiri Sports Pavilion.
 - c. Working from Home.

6. In the event an Emergency Evacuation Plan (ECP) is activated, the applicable Evacuation Centre will be stood up as directed by the Hazard Management Agency. Upon activation of the Evacuation Centre the shire, as directed by the CEO, will provide hotel services in accordance with the ECP and essential functions to continue as listed in section 12-15 as applicable. The Evacuation Centre will normally operate on a short basis of between 24 to 48 hours.

Section 5 - Internal Communication

7. The CEO is to act as the strategic control and information point during a crisis for the Shire of Victoria Plains. They are responsible, through the CRT, for ensuring the notification of their essential functions within this BCP and whether relocation to an alternate site is required. They will also be responsible for notification of a return to normal business and the recovery processes that would be implemented in this phase.
8. The CEO will convene the CRT if and when necessary. They will determine the frequency with which the IRT will meet during BCP activation.
9. Dependent on the crisis, the CEO may appoint a member of the CRT to take the lead on co-ordinating activities as required in the applicable phases.
10. If the CEO has determined that escalation is required, or the event is state or nationwide, the CRT will brief the CEO regularly on the status of the crisis and progress for recovery. The CEO will communicate and be the conduit of on-going communication, instructions and processes to follow.

Section 6 - Succession Planning

11. Orders and appointments of succession are an essential part of the SOVP BCP. The requirements contained within the BCP should be sufficient along with training of personnel to ensure the ability to perform critical functions within the SOVP operations in an emergency. The CRT contact list (Enclosure 1) lists the orders of succession for personnel as alternate points of contact for this purpose. The most important being the owner of this plan and manager of the BCP for the SOVP; in this case Manager, Finance and Administration will be the successor for implementation of the BCP.

Section 7 - Financial Authority

12. Purchases in the event of an emergency are set out Council Policy 3.1(b) Purchasing Thresholds and Requirements and in accordance with the financial delegations provided through the CEO. Credit Cards as issued through the shire should be utilized as required where there is no supplier account available. Credit Card holders include the CEO, MFA, CESM and Shire President.

Section 8 - Security Requirements

13. In the event of an emergency, the CEO will lead the requirements for CRT to notify the relevant authorities for Communications status and the shires ability to maintain and/or monitor communication channels and circuits.
14. In the event of an evacuation, all essential material will be locked in the strong room as practicality allows and upon re-entry into the shire, a complete muster of equipment and documentation will be completed. In the likelihood an evacuation is for a prolonged period local administrative responsibility remains with the CEO and CRT for situational and security reports to the various stakeholders and personnel.
15. If evacuation is required for an extended period of time, local police and the CESM/CSO will perform security details to ensure critical assets / areas remain secure at all times.

Movement Control

The CEO will determine whether it is safe to evacuate through the Hazard Management Agency Incident Controller advice non-essential personnel from the Shire of Victoria Plains buildings. In the case where it

deemed unsafe to evacuate, non-essential personnel should congregate in designated areas within the Shire buildings as directed by CRT and await further instructions.

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Section 9 - SHIRE OF VICTORIA PLAINS CRISIS RESPONSE TEAM

Business Continuity Contact List						
Appointment	Name	Work Number	Mobile	Alternative Contact	Work Number	Mobile
CEO	Sean Fletcher	08 9628 7004	0429 651 101	MFA	08 9628 7004	0492 443 774
MWS	Silvio Brenzi	08 9628 7232	0429 926 562	WS	08 9628 7232	0438 990 861
MFA	Colin Ashe	08 9628 7004	0492 443 774	CEO	08 9628 7004	0429 651 101
CESM	Nic Parry	08 9628 7004	0499 516 763	CSO	08 9628 7004	0427 795 892
CSO	Jason Cacic	08 9628 7004	0427 795 892	CESM		0499 516 763
Depot Admin	Shelley Durant	08 9628 7232	0427 287 109	MWS	08 9628 7232	0429 926 562
External Contacts						
Police	Wongan Hills	08 9691 1333	EMERGENCY	Hospital	Wongan Hills	08 9691 1222
DFES	Geraldton	1800 317 555	000	ICT	WCS	08 966 1803
Ambulance				ICT	IT Vision	1300 042 669
Dept of Communities	Wheatbelt	0418 943 835		Public Affairs	ABC Wheatbelt	08 9923 4111

Section 10 - PHASE CHECKLISTS**Activation Phase Checklist (within 2 hours of crisis)**

Note: All times shown in the following Table e.g. “Within 2 hours” refer to the start point when the crisis occurred and not the point in time when Delegate approval is received to activate the BCP - which may be several hours after the crisis occurred.

Serial	Event/Task	Action	Completed/Date/Owner
1	Crisis Occurs	SOVP CEO or his delegate is to assess the situation and convene the CRT to consider the nature and scope of the crisis. Dependent on the crisis, one member of the CRT may take the lead.	
2	Crisis Log	CRT establishes an Crisis Log as set out in appendix 1.	
3	Approval to Activate	SOVP CRT requests approval from the CEO to activate the BCP.	
4	Activation	The CEO assesses the severity of the crisis and approves activation of the BCP. The CEO informs the Council and applicable stakeholders of activation and the steps being taken to restore normal operations.	
5	Agencies / Media	SOVP CEO notifies applicable Agencies of activation and the steps being taken to restore normal operations and support required.	

Response Phase Checklist (within 24 hours of crisis)			
Serial	Event/Task	Action	Completed/Date/Owner
6	Relocation	<p>CRT arranges for essential personnel affected by the crisis to assemble at the alternate site.</p> <p>CEO or his delegate is to inform non-essential personnel of their responsibilities during the crisis (such as stand down unless notified to return to work). This can be through Supervisors, text message or any other media depending on the severity of the crisis.</p> <p>CEO activates communication co-ordination to alternate site / number as required, i.e. what is the central point of contact and that number.</p>	
7	CRT	SOVP CEO decides whether to hold further Crisis Response Team meetings at alternate site.	
8	Internal Communication	SOVP CEO through Personal Assistant (PA) prepares internal communications requirements which should include advice on injuries, health information and extended working arrangements.	
9	Public Affairs (Media)	<p>Community Development Officer (CDO) will handle all communication with media and dependent on the incident, will be guided either by the LEMA or CEO.</p> <p>The CEO, through the PA is to provide all relevant information to Public Affairs as requested.</p>	
10	Health Requirements	Coordinate health requirements, as appropriate. This may include staff access to First Aid and counseling services.	

Response Phase Checklist (within 24 hours of crisis)

11	Logistical Requirements	Coordinate emergency travel, accommodation and sustenance arrangements for shire affected personnel as required. Assist Department of Communities for all other persons with this requirement.	
12	Recovery Plan	Develop Recovery Plan including facilities, logistics, medical/welfare and ICT in accordance with LEMA recovery plan as applicable.	
13	Briefing	Brief Internal and external stakeholders as required.	

PUBLIC ATTACHMENTS

Recovery Phase Checklist (within 7 days of crisis)			
Serial	Event/Task	Action	Completed/Date/Owner
14	Monitor Recovery Process	Implement and monitor progress of the Recovery Plan.	
15	Monitor Internal Communication	Monitor the communications regarding the crisis and the planned recovery. Notify staff of the relevant details of the Recovery Plan and communicate instructions in a timely manner.	
16	Public Affairs (Media)	The CDO will handle all communication with media and as guided by the CEO. The EA is to provide all relevant information to Public Affairs as requested.	
17	Briefing	Brief Internal and external stakeholders as required.	

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Resumption Phase Checklist (within 21 days of crisis)			
Serial	Event/Task	Action	Completed/Date/Owner
18	Monitor Recovery Progress	Monitor recovery progress including the Recovery Plan.	
19	Monitor Internal Communication	Monitor the effectiveness of internal communication regarding the crisis and the planned recovery. Update staff with the relevant details of the Recovery Plan and communicate instructions in a timely manner.	
20	Briefing	Continue to brief internal and external stakeholders as required on restoration and return to normal business.	
21	Return to Normal Operations	Declare return to normal business and notify relevant stakeholders. Stand down Crisis Response Team. Notify personnel (including non-essential who may have left the SOVP) of the return to BAU via the recall register. Reoccupy primary site (if possible).	
22	Post Activity Report	Prepare a PAR and forward by email to internal and external stakeholders as required within fourteen days of return to normal business.	
23	Extended Resumption	If crisis continues longer than 21 days, then alternate working arrangements to continue business is to be in force.	

Section 11 - RISK RATING

Measures of Consequence

RATING	PEOPLE	INTERRUPTION TO SERVICE	REPUTATION (Social / Community)	COMPLIANCE	PROPERTY	NATURAL ENVIRONMENT	FINANCIAL IMPACT
					(Plant, Equip, Buildings)		
Insignificant (1)	Near-Miss	No material service interruption Less than 1 hour	Unsubstantiated, localised low impact on community trust, low profile or no media item.	No noticeable regulatory or statutory impact	Inconsequential damage.	Contained, reversible impact managed by on site response	Less than \$10,000
Minor (2)	First Aid Treatment	Short term temporary interruption – backlog cleared < 1 day	Substantiated, localised impact on community trust or low media item	Some temporary non compliances	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	\$10,000 - \$25,000
Moderate (3)	Medical treatment / Lost time injury <30 Days	Medium term temporary interruption – backlog cleared by additional resources < 1 Week	Substantiated, public embarrassment, moderate impact on community trust or moderate media profile	Short term non- compliance but with significant regulatory requirements imposed	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	\$25,001 to \$100,000
Major (4)	Lost time injury >30 Days / temporary disability	Prolonged interruption of services – additional resources; performance affected <1 Month	Substantiated, public embarrassment, widespread high impact on community trust, high media profile, third party actions	Non-compliance results in termination of services or imposed penalties to Shire / Officers	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	\$100,001 to \$500,000
Extreme (5)	Fatality, permanent disability	Indeterminate prolonged interruption of services non- performance > 1 month	Substantiated, public embarrassment, widespread loss of community trust, high widespread multiple media profile, third party actions	Non-compliance results in litigation, criminal charges or significant damages or penalties to Shire / Officers	Extensive damage requiring prolonged period of restitution. Complete loss of plant, equipment & building	Uncontained, irreversible impact	>\$500,000

Measures of Likelihood

Rating	Description	Frequency
Almost Certain (5)	The event is expected to occur in most circumstances	More than once per year
Likely (4)	The event will probably occur in most circumstances	At least once per year
Possible (3)	The event should occur at some time	At least once in 3 years
Unlikely (2)	The event could occur at some time	At least once in 10 years
Rare (1)	The event may only occur in exceptional circumstances	Less than once in 15 years

Risk Matrix

	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (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)

Risk Acceptance Criteria

Risk Rank	Description	Criteria	Responsibility
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH	Urgent Attention Required	Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring	CEO
EXTREME	Unacceptable	Risk only acceptable with effective 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

Section 12 - FINANCE AND ADMINISTRATION

The following table lists the essential functions identified and are categorised in order of recovery priority.

ID	Function	Function Description and Task	Limitations / Dependencies	Recovery Time Objective	Maximum Acceptable Outage	Impact of Loss
1	Governance	ICT: <ul style="list-style-type: none"> - Remote Operation - Function Continuity - Laptops / iPads 	Network availability Support availability Connectivity Utilities (Power) availability	30 Min	1 Hour	1
2		Communications: <ul style="list-style-type: none"> - Mobile Phones - Website / other mediums 	Diversion ability Network availability Support availability Connectivity Utilities (Power) availability	30 Min	1 Hour	1
3		Evacuation Centre: <ul style="list-style-type: none"> - Access - - LG Emergency kits - Emergency power - Other Hotel services - Transport 	Generators maintained and tested Evacuation drills Materials (Emergency Kit) relevant and checked 4WD Vehicle Staff availability	30 Min	1 Hour	1
4	Finance	Funds Availability: <ul style="list-style-type: none"> - Payroll - Credit Card - Secure passwords 	ICT Systems / Remote Access Credit Card limit	30 Min	1 Hour	2

Section 13 - WORKS AND SERVICES

The following table lists the essential functions identified and are categorised in order of recovery priority.

ID	Function	Function Description	Limitations / Dependencies	Recovery Time Objective	Maximum Acceptable Outage	Impact of Loss
1	Works	Machinery: <ul style="list-style-type: none"> - Available for use - Trained staff 	Regular maintenance Regular and applicable staff training Up to day call out register	1 Hour	2 Hours	1
		Roadworks <ul style="list-style-type: none"> - Access - Clearing - Condition for travel 	Machinery availability Staff availability coordination			
2		Generators	Regular testing and maintenance	12 Hours	Not Defined	1
3		PPE and Appliances.	Issued and fit for purpose Regular testing and maintenance	12 Hours	Not Defined	1
4		HR: <ul style="list-style-type: none"> - First Aid Training - First Responder Training - Rotation 	Regular and applicable staff training Ensure regular breaks / roster	12 Hours	Not Defined	1
5		Communications: <ul style="list-style-type: none"> - Emergency Mobile Phones - Vehicle Two-Way Radio - Situational Reporting 	Regular testing and maintenance Concise and appropriate two-way briefing sessions	12 Hours	Not Defined	1

Section 14 - COMMUNITY SAFETY

The following table lists the essential functions identified and are categorised in order of recovery priority.

ID	Function	Function Description	Limitations / Dependencies	Recovery Time Objective	Maximum Acceptable Outage	Impact of Loss
1	Safety	Evacuation Centre: - Opened - Welfare liaison - Other Agencies		Immediately	1 Hour	3
		Patrols		Immediately	1 Hour	3
3		Communications		2 Hours	6 Hours	2
4		Emergency Equipment		Immediately	1 Hour	3
5						

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Section 15 - PERSONNEL AVAILABILITY (current as at Oct 22)

SOVP Staff:	Max Strength	Normal Hours: 0800 - 1630			Extended Hours: 0600 - 0800& 1630-2200			After hours and weekend		
		Present	Critical	Available	Present	Critical	Available	Present	Critical	Available
Administration	13	10	2	5	0	2	2	1	1	1
Works and Services	7	7	5	5	7	5	5	5	5	5
Emergency Services	2	2	2	2	2	2	2	2	2	2
Volunteers (TBA)										
Total:										

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Section 16 - SUMMARY OF ALTERNATE SITES FOR SOVP

Resident Unit	Alternate Site A	Alternate Site B
Shire Offices – 28 Cavell St	Calingiri Recreation Centre	Calingiri Sports Pavilion
Shire Offices – 28 Cavell St	Working from Home	
Evacuation Centre	Calingiri Recreation Centre	Calingiri Sports Pavilion
Evacuation Centre	Bolgart Town Hall	
Evacuation Centre	Yerecoin Town Hall	

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Appendices

Appendix 1 – Crisis Log

[INSERT DATE, TIME AND CRISIS DETAILS]

Date	Time	Event	Action	Actioned By	Status
					<i>[Open, Closed, Pending]</i>

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Appendix 2 – Immediate Response Checklist

Crisis Response	✓	Actions Taken
Severity of crisis assessed?		
Emergency services contacted?		
Site evacuated? (as applicable)		
All staff accounted for?		
Injuries identified?		
Implemented Response Plan?		
Implemented Event Log?		
Activated staff and resources?		
Briefed Crisis Response Team?		
Allocated roles and responsibilities?		
Identified damages?		
Identified critical disruptions?		
Staff informed?		
Stakeholders contacted?		
Initiated community information?		

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Appendix 3 – Crisis Recovery Checklist

Crisis Response	✓	Actions Taken
Severity of crisis assessed?		
Site evacuated? (as applicable)		
All staff accounted for?		
Injuries identified?		
Emergency services contacted?		
Implemented Response Plan?		
Implemented Event Log?		
Activated staff and resources?		
Briefed Crisis Response Team?		
Allocated roles and responsibilities?		
Identified damages?		
Identified critical disruptions?		
Staff informed?		
Stakeholders contacted?		
Initiated community information?		

Appendix 4 – Insurance List

Principal Insurance Type	Policy Coverage	Policy Exclusions	Insurance Company
Motor Vehicle and Plant	Up to \$35,000,000	Nil Basic Excess - \$1000	LGIS
LGIS Property	Up to \$600,000,000	Nil Standard Excess - \$1000	LGIS
Business Interruption	Up to \$35,000,000	Any One Person Standard Excess - \$1000	LGIS

All insurances are reviewed annually during the period of April-May. Information above is current for 2022-23.

For all insurances, contact - Local Government Insurance Services
(08) 9483 8888

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Appendix 5 – Emergency Kit

Emergency Kit is designed to be taken and transported easily the following items should be included –

Item	Amount
Building site plans including location of gas, electricity and water shut off points. (hard copy)	1
Local Emergency Management Arrangements (hard copy)	1
Business Continuity Plan	1
Copy of templates (including templates of printed forms specific to each unit)	1
Two reams of Shire letterhead	1
Box of envelopes	1
Basic stationery items	1
Spare keys/security codes.	1
Laptop and Printer	2
UHF Radio	1
Chargers, power boards and Extension cords	3
Carton of water	3
First Aid Kit	2
Torch and Batteries	1
Shire maps	1

Located in Shire Strong Room

First Aid kit – Office	Located in Admin Centre	1
First Aid kit – Depot	Located in Depot	1

The Emergency Kit also contains a thumb drive with copies of the above documents saved on it, together with staff list, contact details, phone numbers, and updated templates on thumb drives.

Emergency Packs must be collected and updated annually with the plan to ensure contents are current and accurate.

Appendix 6 – Evacuation Plans

(To be added to hard copy document only)

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Western Australian Auditor General's Report



PUBLIC ATTACHMENT

Information Systems Audit Report 2022 – Local Government Entities

**Office of the Auditor General
Western Australia**

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(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for those with visual impairment.

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Information Systems Audit Report 2022 – Local Government Entities

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Report 22: 2021-22
June 2022

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**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

INFORMATION SYSTEM AUDIT REPORT 2022 – LOCAL GOVERNMENT ENTITIES

This report has been prepared for submission to Parliament under the provisions of section 24 of the *Auditor General Act 2006*.

Information systems audits focus on the computer environments of entities to determine if these effectively support the confidentiality, integrity and availability of information they hold.

This is the third local government annual information systems audit report by my Office. The report summarises the results of our 2021 annual cycle of information systems audits across a selection of 45 local government entities.

I wish to acknowledge the entities' staff for their cooperation with these audits.

A handwritten signature in black ink, appearing to read 'C Spencer', is positioned above the printed name of the Auditor General.

CAROLINE SPENCER
AUDITOR GENERAL
28 June 2022

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Auditor General's overview

This report summarises important findings and recommendations from our 2020-21 annual cycle of information systems audits at 45 local government entities (entities).

Entities rely on information systems to operate and deliver services to their communities. In doing so, they collect and store vast amounts of information about their residents and operations. As information and cyber security threats continue to evolve, it is increasingly important that entities implement appropriate controls to protect their valuable information and systems. My November 2021 audit report¹ on cyber security highlighted the need for entities to improve their management of cyber security risks and this year's general computer controls (GCC) audits at entities show that information security remains a significant area of concern.



Like last year, none of the 12 entities where we performed capability maturity assessments met our benchmark for information security and none of the entities met our expectations across all 6 control categories. While we saw some improvements in the management of IT risks, physical security and IT operations, change control showed the most progress.

Included in this report are case studies which highlight how weak controls can potentially compromise entities and result in system breaches, loss of sensitive and confidential information and financial loss. Entities need to continuously review and improve their practices to establish robust safeguards and enhance their resilience against cyber threats. Complex networks and systems require smaller entities to also dedicate resources to manage their information and cyber security.

Entities should use the recommendations in this report to address weaknesses in their information systems controls and improve their capability maturity. Given the nature of findings this year, I have chosen again not to identify the audited entities.

¹ Auditor General for Western Australia, [Cyber Security in Local Government](#), Report 9: 2021-22, November 2021.

Introduction

Local government entities (entities) rely on information systems to prepare their financial statements and to deliver a wide range of services to their communities. Our general computer controls (GCC) audits assess if entities have effective system controls in place to support the confidentiality, integrity and availability of their IT systems and financial reporting. These audits are performed as an integral part of, and inform, our financial audit program.

This report summarises the GCC audit findings reported to 45 entities for 2020-21. For 12 of these entities, generally medium to large, we also performed capability maturity assessments. A GCC audit with a capability maturity assessment is the most comprehensive information systems audit we undertake. We use these findings to inform our financial audit risk assessment and work program for the sector.

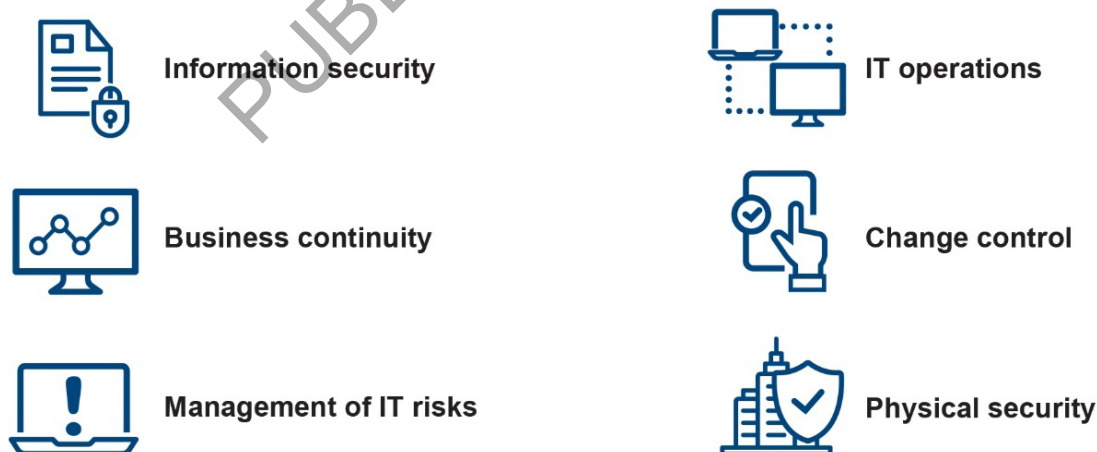
For our capability maturity assessments, we asked the 12 entities to self-assess against the provided capability maturity model. We then compared their results to ours (which were based on the results of our GCC audits). These assessments are a way to see how well-developed and capable entities' established IT controls are.

For the remaining 33 entities, our contract audit firms or our financial audit teams examined the GCCs but did not undertake capability maturity assessments. Information system findings identified during these audits are included in this report.

The methodology we have developed for our GCC audits is based on accepted industry good practice. Our assessment is also influenced by various factors including:

- business objectives of the entity
- level of dependence on IT
- technological sophistication of computer systems
- value of information managed by the entity.

We focused on the following 6 categories (Figure 1) for both our GCCs and capability maturity assessments.



Source: OAG

Figure 1: GCC categories

Throughout the report we have included case studies that illustrate the significant impact poor controls can have on entities.

Conclusion

We reported 358 control weaknesses to 45 entities this year, compared to 328 weaknesses at 50 entities last year. Ten percent (37) of this year's weaknesses were rated as significant and 71% (254) as moderate. These weaknesses represent a considerable risk to the confidentiality, integrity and availability of entities' information systems and need prompt resolution.

Fifty-six percent (202) of the findings were unresolved issues from last year. Entities need to address these weaknesses to reduce the risk of their systems and information being compromised.

None of the 12 entities that had capability maturity assessments met our expectations across all 6 control categories, a similar finding to last year. Information security remains a significant risk again this year and needs urgent attention. Compared to 2019-20, there have been some improvements in change control, management of IT risks, physical security and IT operations. However, entities need to improve in all 6 control categories.

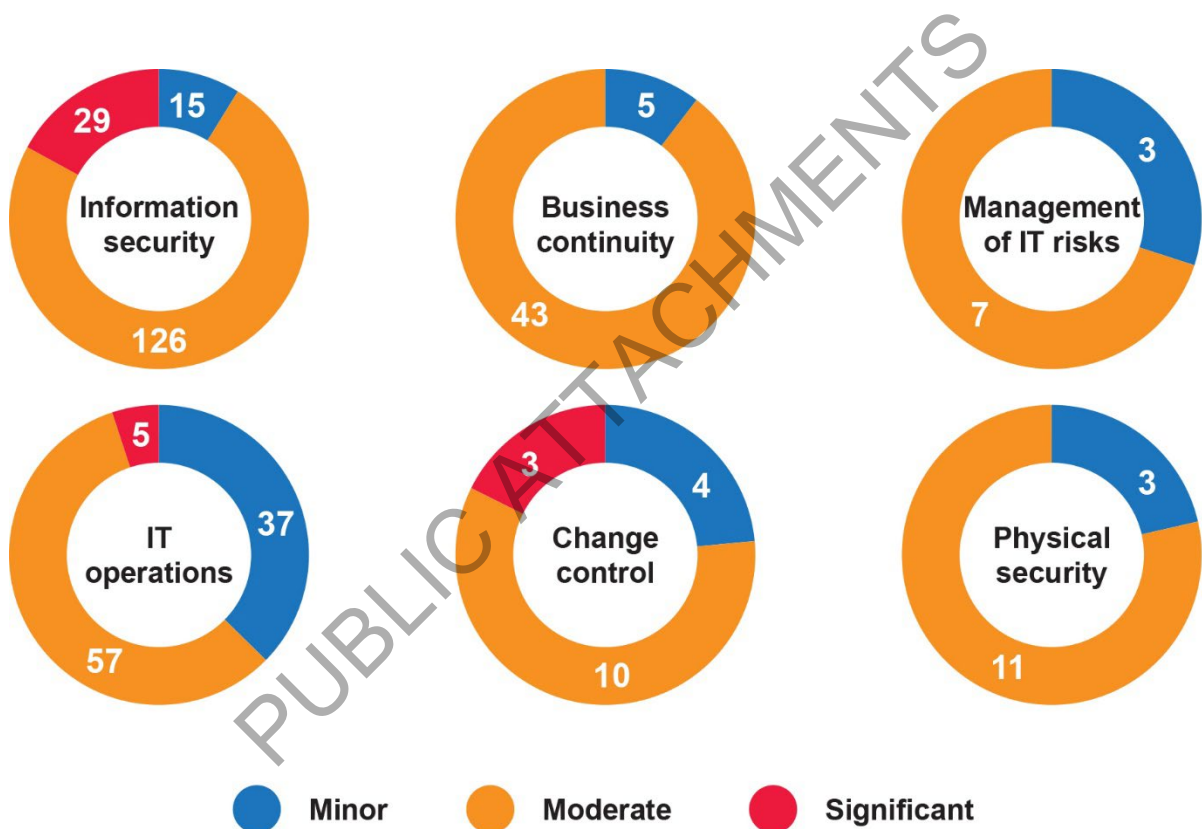
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What we found: General computer controls

In 2020-21, we reported 358 findings to the 45 entities we audited. We reported the weaknesses we found to each entity in a management letter. As management letters are often made public, we removed any sensitive technical details which could increase an entity’s risk of cyber attacks. To assist entities to address weaknesses we reported these sensitive details to them in separate confidential letters. Entities generally agreed to implement our recommendations.

Figure 2 summarises the distribution and significance of our findings across the 6 control categories.

Like last year, we rated most of our findings as moderate. Entities that fail to address these moderate risks can, over time, become more exposed to vulnerabilities. We have included in this report specific case studies to highlight how weak controls can potentially compromise entities’ systems.



Source: OAG

Figure 2: Distribution and significance of GCC findings in each control category

What we found: Capability assessments

We conducted in-depth capability maturity assessments at 12 entities. We used a 0 to 5 rating scale² (Figure 3) to evaluate each entity’s capability maturity in each of the 6 GCC categories. Our model allows us to compare entity results from year to year. We expect entities to achieve a level 3 (Defined) rating or better across all 6 categories.

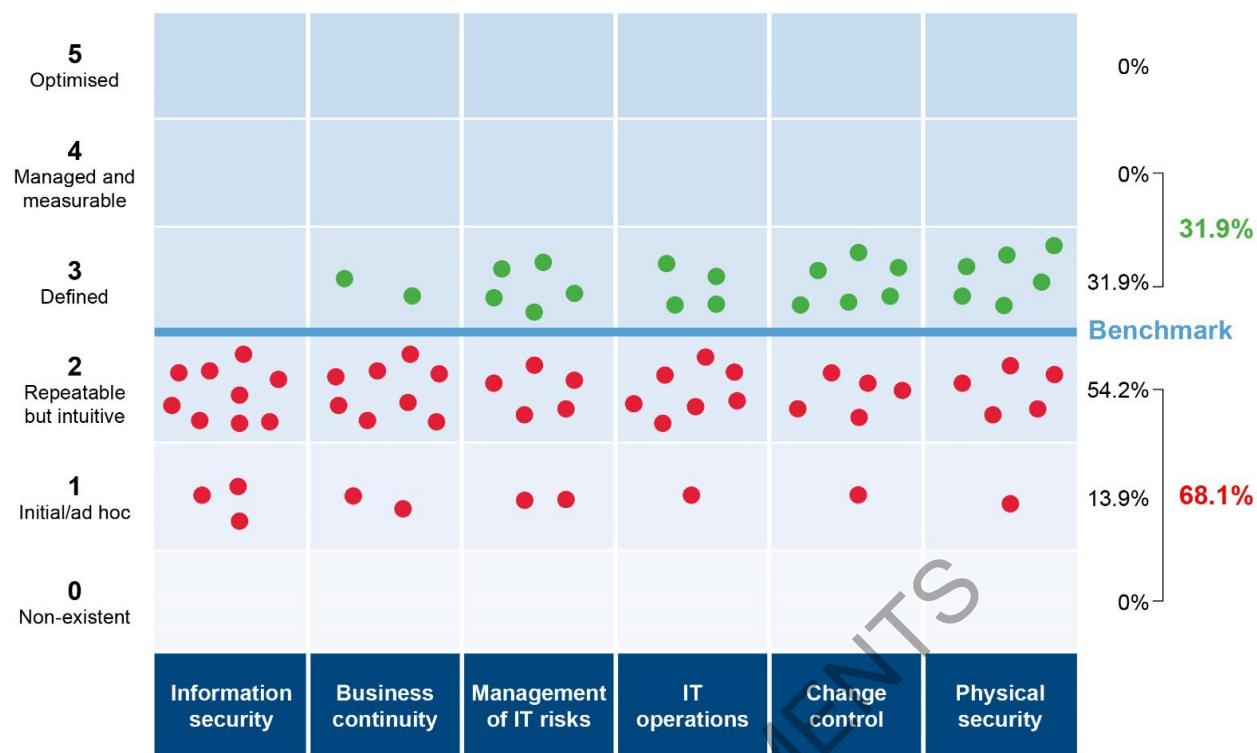


Source: OAG

Figure 3: Rating scale and criteria

Figure 4 shows the results of our capability assessments across all 6 control categories for the 12 entities we assessed in 2020-21.

² The information within this maturity model assessment is derived from the criteria defined within COBIT 4.1, released in 2007 by ISACA.



Source: OAG

Figure 4: 2020-21 capability maturity model assessment results

The percentage of entities rated level 3 or above for individual categories was as follows:

Category	2020-21 %	Change	2019-20 %
Information security	0	—	0
Business continuity	17	↓	18
Management of IT risks	42	↑	27
IT operations	33	↑	18
Change control	50	↑	18
Physical security	50	↑	45

Source: OAG

Table 1: Percentage of entities rated level 3 or above

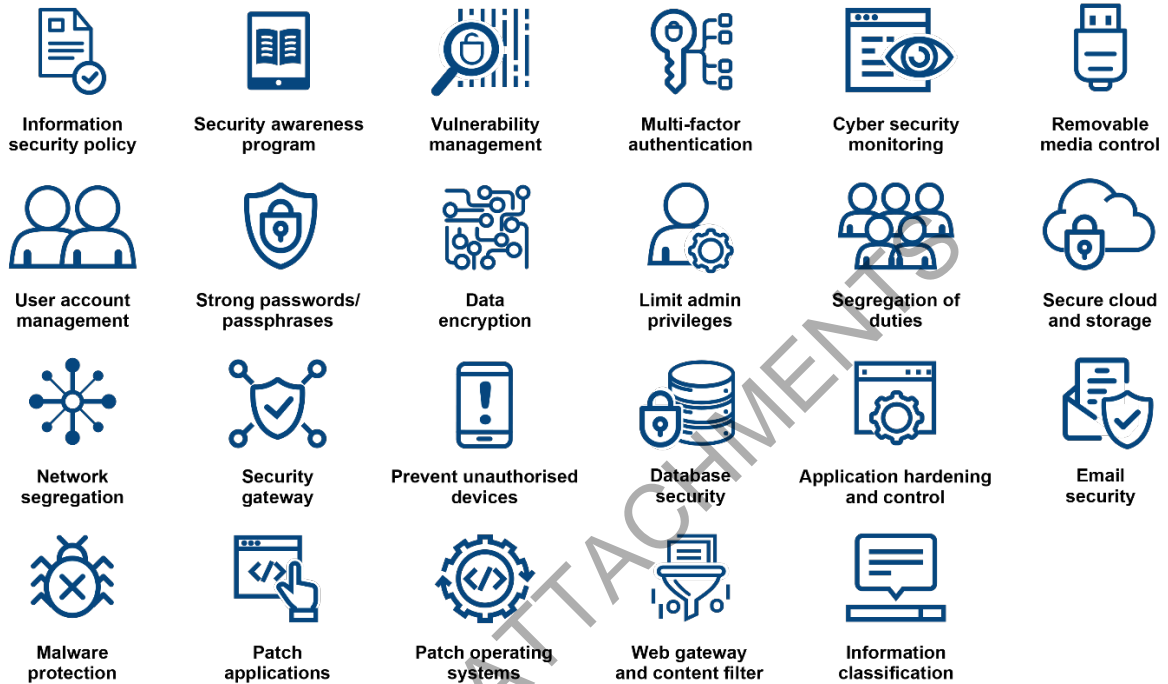
None of the 12 entities met our expected benchmark (level 3 Defined) across all control categories.

There were some improvements in the management of IT risks, IT operations, change control and physical security, however, most entities still fell below our benchmark. Information security remains a significant concern, with all entities below our benchmark and not able to demonstrate adequate controls. A lack of robust controls can expose entities and impact critical services provided to the public.

Information security

Cyber intrusions are becoming more sophisticated and frequent. Transitioning to digital services to achieve efficiencies increases the risk profile of many entities. Protection of sensitive and critical information that entities hold within their financial and operational systems should be managed with the highest priority using better practice information security controls to mitigate risks.

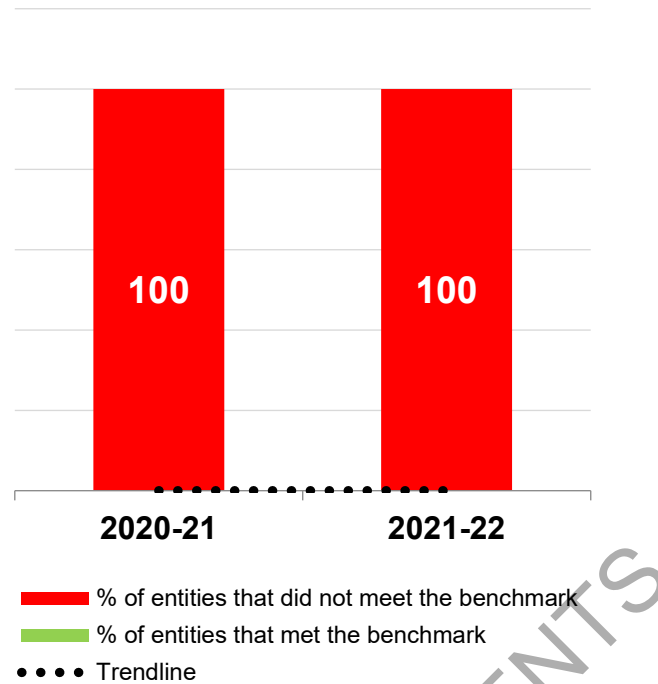
Our GCC audits and capability maturity assessments assess against better practice controls for information and cyber security. Figure 5 lists some of these controls.



Source: OAG

Figure 5: Information security – Better practice controls

None of the 12 entities met our benchmark for information security either because they did not have documented policies, processes and controls or they were not effective (Figure 6). Entities have a responsibility to implement adequate and robust controls to protect key systems and information.



Source: OAG

Figure 6: Information security – percentage of entities that met/did not meet our benchmark

Common weaknesses we found included:

- **Inadequate information and cyber security policies** – policies did not sufficiently cover key areas of information and cyber security or were out of date.
- **Multifactor authentication not used** – a number of systems did not have multifactor authentication to strengthen access.
- **Administrator privileges not managed well** – administrators did not have separate unprivileged accounts for normal day to day tasks. Limiting privileges and separating administrative accounts are important mitigations against network and system compromise.
- **Vulnerability management is not effective** – entities did not have appropriate processes to identify and address vulnerabilities, which increases the risk of compromise.
- **Network segregation not appropriate** – networks were not segregated to limit and contain the impact of a compromise. Partitioning the network into smaller zones and limiting the communication between these zones is an important control.
- **Unauthorised device connectivity** – there are a lack of controls to detect or prevent unauthorised devices from connecting to entity internal networks. These devices can serve as an attack point and spread malware or listen in on network traffic.
- **Emails not protected** – entities did not have controls to ensure the integrity and authenticity of emails to reduce the likelihood of successful phishing attacks. Controls such as domain-based message authentication reporting and conformance (DMARC), sender policy framework (SPF) and domain keys identified mail (DKIM) were not implemented to prevent email impersonation.

- **Lack of data loss prevention controls** – no processes to detect or block unauthorised transfers of sensitive data outside of the entities.

The importance and potential impact of common information and cyber security weaknesses are illustrated in the following case studies.

Case study 1: No policy to manage information and cyber security



Information
security
policy

One entity did not have a policy to manage cyber and information security. This means, systems or services may not meet security expectations of senior management and the entity may fail to achieve its objectives.

Adequate and clear policies are needed to ensure the security of information systems.

Case study 2: Weak password results in a network compromise



Password

One entity experienced a security breach when a cybercriminal was able to guess a weak password on an account used to access a public facing server through remote desktop protocol (RDP). A lack of network segregation allowed the attacker to access other parts of the network, gain privileged access to the domain controller and maliciously encrypt servers and information.

The use of strong password/passphrases, network segregation and multi-factor authentication reduce the risk of compromise.

Case study 3: No controls to mitigate malware infections



Malware
protection

One entity had anti-malware protection installed on some servers but not others. It did not have application whitelisting and blocking in place or only allow trusted macros. These controls prevent delivery and execution of malicious programs.

Without appropriate controls to protect systems against malware, there is an increased risk of compromise to the confidentiality, integrity and availability of entity information or data.

Case study 4: Default domain administrator account is not controlled



Limit admin
privilege

One entity shared the highly privileged default domain administrator account with individuals in different business units and had not changed the account password since 2005. The account was also heavily used for day to day operations and services, instead of using separate dedicated service accounts.

Inappropriate management of the account increases the risk that the entity will not be able to hold individuals to account for unauthorised modifications to its systems and information.

Case study 5: Poor management of technical vulnerabilities



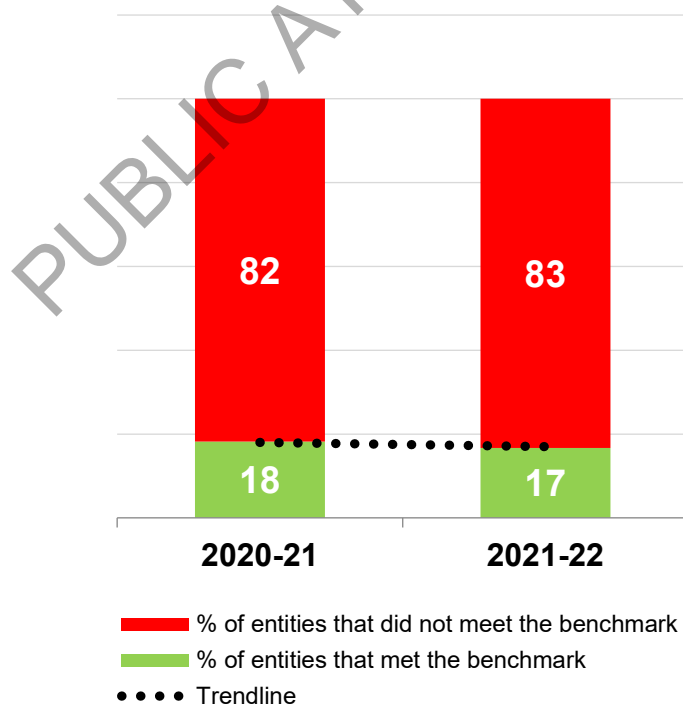
Vulnerability management

An audited entity did not have a process to manage technical vulnerabilities and system currency. It had not tested the adequacy of its external network controls to detect and prevent cyber attacks. Its process to apply software patches was also not operating well as we identified critical and high severity vulnerabilities dating back to 2013 that had not been patched.

Without effective procedures and processes to manage technical vulnerabilities in a timely manner, entities leave their IT systems exposed to malicious attackers. This could result in unauthorised access and system compromise.

Business continuity

There was no material change from last year with only 2 of the 12 entities (17%) meeting our benchmark in this category (Figure 7). Business continuity and disaster recovery plans help entities to promptly restore key business functions and processes during or after an unplanned disruption. Without these plans, entities could suffer extended outages and disruption to the delivery of important services to their communities.



Source: OAG

Figure 7: Business continuity – percentage of entities that met/did not meet our benchmark

Common weaknesses we found included:

- **Lack of business continuity and disaster recovery plans** – entities did not have appropriate business continuity and disaster recovery plans, or they were out-of-date.
- **Disaster recovery plans not tested** – without appropriate testing of disaster recovery plans, entities cannot be certain the plan will work when needed.

Documented up-to-date business continuity and disaster recovery plans help entities to promptly recover critical information systems in the event of an unplanned disruption to their operations and services. The plans should identify critical business functions and IT systems along with their recovery time objectives.

The effectiveness of these plans should be periodically tested to identify improvements where required. Tests can also be used to check that key staff are familiar with the plans and their specific roles and responsibilities in a disaster situation.

The following case study illustrates common weaknesses in recovery procedures.

Case study 6: Configuration backups are not performed



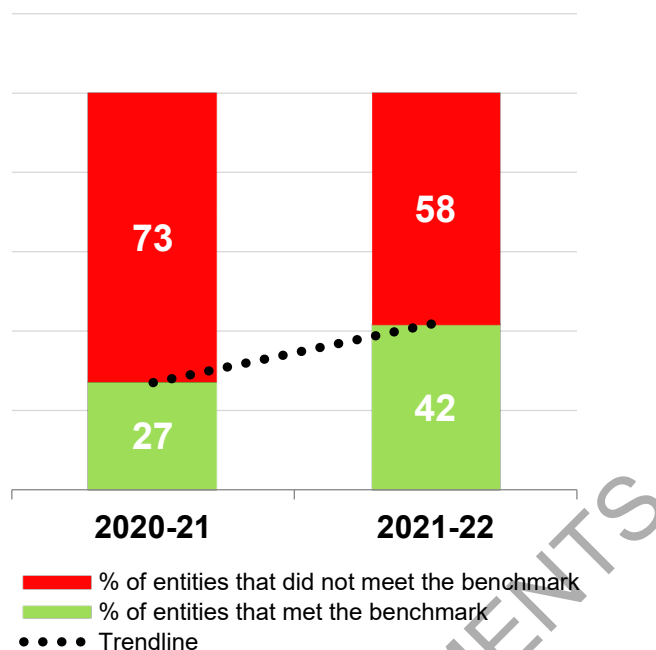
Configuration backups

An audited entity did not backup the configuration of its firewall which protects its network from cyber attacks. In the event of an emergency, the entity may not be able to recover its firewall in a timely manner, which will impact delivery of services and security of its network.

Management of IT risks

Forty-two percent of entities met our benchmark for this category in 2020-21, compared to 27% last year (Figure 8).

Entities should be aware of information and cyber security risks associated with IT including operational, strategic and project risks. All entities should have risk management policies and processes to assess, prioritise, address and monitor the risks that affect key business objectives.



Source: OAG

Figure 8: Management of IT risks – percentage of entities that met/did not meet our benchmark

Common weaknesses we found included:

- **Out-of-date policies and processes to identify, assess and treat IT risks** – without appropriate policies and processes entities cannot effectively manage their IT risks.
- **Inadequate risk registers** – risk registers did not record controls and treatment action plans and risk ratings were not appropriately assessed.

Without IT risk management policies and practices to identify, mitigate and manage threats within reasonable timeframes, entities may not meet their business objectives to deliver key services to their communities.

The following case study illustrates that entities need processes to identify their risks.

Case study 7: Entity is not aware of its information and cyber risks



Information and cyber security risk management

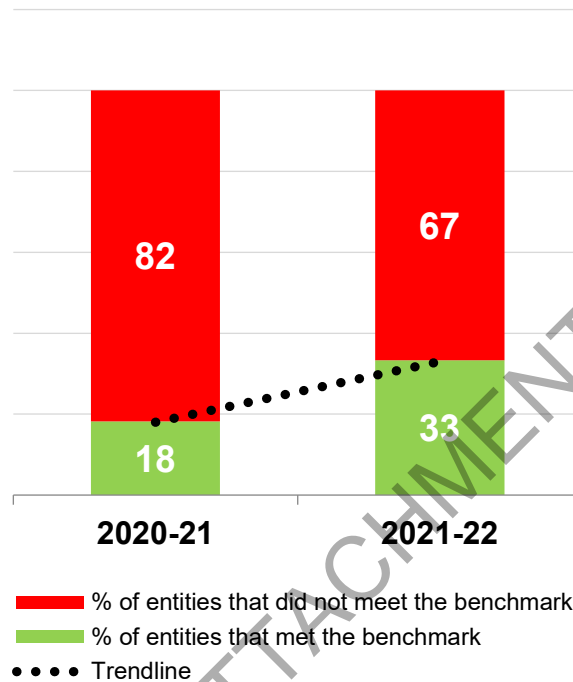
An audited entity maintained other corporate and financial risks, but it did not have a process to identify and address its cyber security risks.

The entity is at an increased risk of information and cyber security breaches.

IT operations

Entities improved in this category with 33% meeting our benchmark in 2020-21 (Figure 9). However, we identified similar weaknesses to those highlighted in last year's report.

IT operations maintain and support the delivery of entity services. Clearly defined and effectively managed IT operations support IT infrastructure that can withstand and recover from errors and failures.



Source: OAG

Figure 9: IT operations – percentage of entities that met/did not meet our benchmark

Common weaknesses we found included:

- **Processes are not defined** – a lack of or out of date procedures to support day to day operations, such as incident and problem management.
- **Inadequate monitoring of events** – entities did not have policies and procedures to monitor event logs. System logs provide an opportunity to detect suspicious or malicious behaviour in key business applications.
- **Supplier performance not monitored** – supplier performance was not reviewed to identify and manage instances of non-compliance with agreed service levels.
- **Background checks for new starters were not performed** – staff in privileged IT positions did not go through background checks (e.g. police clearance).
- **Access was not reviewed** – regular checks were not done to validate users had the level of access to systems applicable to their role or function, and revoke user access upon termination.

The following case study illustrates a common weakness in IT operations.

Case study 8: Contractor access was not revoked in a timely manner



User account management

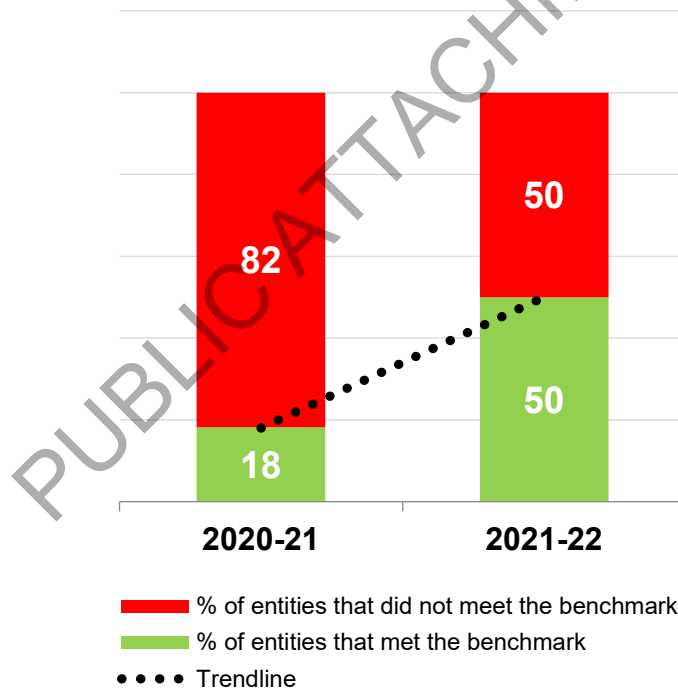
One entity did not have a central record of contract staff and therefore could not easily assess if their network access was appropriate. We sampled 13 active accounts and found that 8 belonged to terminated contract staff who no longer worked with the entity.

Poor processes to manage contract staff increases the risk of unauthorised access to the entity’s IT systems and information.

Change control

Fifty percent of entities met our benchmark in 2020-21 (Figure 10), the largest improvement across the 6 control categories. This is 1 of the 2 categories where at least half of the entities met the benchmark and it is pleasing to see significant year on year improvement.

We reviewed entities’ approaches to managing IT changes to minimise the risks and impacts to stakeholders. We covered change authorisation, testing, implementation and outcomes. An overarching change control framework ensures changes are made consistently and reliably.



Source: OAG

Figure 10: Change control – percentage of entities that met/did not meet our benchmark

Common weaknesses we found included:

- **Change processes not followed** – changes to critical systems did not follow change procedures. If formal procedures are not followed, there is a risk changes may be applied inconsistently resulting in unplanned system downtime and interruption to critical services.

- **Change management processes not documented** – without documented processes, changes made to IT infrastructure can adversely affect entities' operations leading to unplanned or excessive system downtime.
- **Changes were not assessed prior to implementation** – allowing significant changes without appropriate scrutiny or approval increases the risk of system outages.

Without appropriate change control, entities risk compromising the integrity of their systems and information. This can lead to excessive outages and downtime to key systems and impact their delivery of services.

The following case study illustrates the risks when IT changes are not controlled and monitored.

Case study 9: Poor change management practices could result in financial system instability



Change management

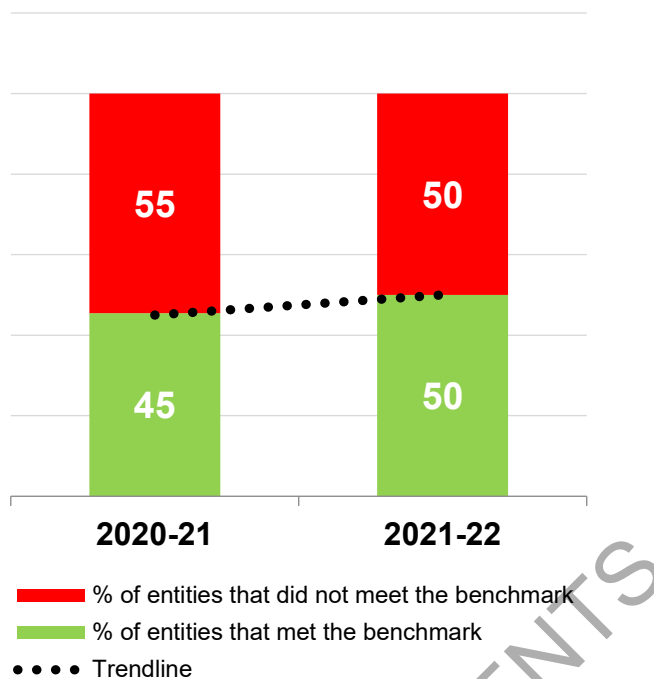
One entity made changes to its financial system without testing the impact on system integrity and availability in an independent test environment. Uncontrolled changes can have significant unintended consequences to systems and the delivery of key services.

These changes were also not recorded, contrary to the entity's change management policy. Failure to record changes increases the effort required to respond, recover and restore business as usual operations.

Physical security

There was a small improvement in physical security with half the entities meeting our benchmark this year (Figure 11).

IT systems are housed in purpose-built server rooms, which must have restricted access and adequate cooling and power. We reviewed if IT systems were protected against potential environmental hazards and tested access restrictions to ensure only authorised individuals could access the server rooms.



Source: OAG

Figure 11: Physical security – percentage of entities that met/did not meet our benchmark

Common weaknesses we found included:

- **Combustible and non-essential items were stored in server rooms** – the risk of outages is higher if server rooms are not appropriately maintained.
- **Unnecessary access to server rooms** – staff and contractors were assigned access to server rooms that they did not require and visitor access to server rooms was not logged. Lack of controlled access increases the risk of system outages and compromise from unauthorised access.
- **Fire suppression systems were not installed** – without appropriate fire suppression systems, IT infrastructure is likely to be damaged in the event of a fire.

The following case study illustrates the risk of server room outages if not protected against physical and environmental hazards.

Case study 10: Poor management of server rooms



Physical security

One entity stored combustible materials such as furniture and cardboard boxes in their server room. In addition, an excessive number (114) of people had access to the server room and a visitor log was not maintained.

There is an increased risk of accidental or deliberate damage and unauthorised access to systems.

Recommendations

1. Information security

- a. Senior executives should implement appropriate policies and procedures to ensure the security of information systems and support their entity business objectives.
- b. Management should ensure good security policies and practices are implemented and continuously monitored for control areas identified in Figure 5, including:
 - i) patching and vulnerability management
 - ii) application hardening and control
 - iii) implement technical controls to prevent impersonation and detect/prevent phishing emails
 - iv) strong passphrases/passwords and multi-factor authentication
 - v) limit and control administrator privileges
 - vi) segregate network and prevent unauthorised devices
 - vii) secure cloud infrastructure, databases, email and storage, and know clearly 'who' they are handing entity and citizen data to through their use of cloud services
 - viii) cyber security monitoring, intrusion detection and protection from malware.

2. Business continuity

Entities should have appropriate business continuity, disaster recovery and incident response plans to protect critical systems from disruptive events. These plans should be periodically tested.

3. Management of IT risks

Entities should:

- a. understand their information assets and apply controls based on their value
- b. ensure IT risks are identified, assessed and treated within appropriate timeframes. Senior executives should have oversight of information and cyber security risks.

4. IT operations

Entities should implement policies and procedures to guide key areas of IT operations such as incident management and supplier performance monitoring.

5. Change control

Approved change control processes should be consistently applied when making changes to IT systems. All changes should go through planning and impact assessment to minimise the occurrence of problems. Change control documentation should be current and approved changes formally tracked.

6. Physical security

Entities should develop and implement physical and environmental control mechanisms to prevent unauthorised access, or accidental or environmental damage to IT infrastructure and systems.

Under section 7.12A of the *Local Government Act 1995*, the 45 audited entities are required to prepare an action plan to address significant matters relevant to their entity for submission to the Minister for Local Government within 3 months of this report being tabled in Parliament, and for publication on the entity's website. This action plan should address the points above, to the extent that they are relevant to their entity.

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Auditor General's 2021-22 reports

Number	Title	Date tabled
21	Delivering School Psychology Services	23 June 2022
20	Fraud Risk Management - Better Practice Guide	22 June 2022
19	Forensic Audit – Construction Training Fund	22 June 2022
18	Opinion on Ministerial Notification – FPC Sawmill Volumes	20 June 2022
17	2022 Transparency Report Major Projects	17 June 2022
16	Staff Rostering in Corrective Services	18 May 2022
15	COVID-19 Contact Tracing System – Application Audit	18 May 2022
14	Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities Part 2: COVID-19 Impact	9 May 2022
13	Information Systems Audit Report 2022 – State Government Entities	31 March 2022
12	Viable Cycling in the Perth Area	9 December 2021
11	Forensic Audit Report – Establishment Phase	8 December 2021
10	Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities	24 November 2021
9	Cyber Security in Local Government	24 November 2021
8	WA's COVID-19 Vaccine Roll-out	18 November 2021
7	Water Corporation: Management of Water Pipes – Follow-Up	17 November 2021
6	Roll-out of State COVID-19 Stimulus Initiatives: July 2020 – March 2021	20 October 2021
5	Local Government COVID-19 Financial Hardship Support	15 October 2021
4	Public Building Maintenance	24 August 2021
3	Staff Exit Controls	5 August 2021
2	SafeWA – Application Audit	2 August 2021
1	Opinion on Ministerial Notification – FPC Arbitration Outcome	29 July 2021

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14 November 2022

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Dear Glenda Teede

Your Cyber-Security Controls Review

We know that cyber-vulnerability is a concern for many local government CEO's in WA and we're taking a sector wide approach to identifying and manage this significant risk.

In addition to the LGIS Cyber Security Pilot Project we've been working with the national JLT Public Sector team to deliver the attached Shire of Victoria Plains Cyber-Security Controls Review 2022.

This report has been generated from the information that you provided for your 2022/23 LGIS Membership Renewal Declaration.

Using a traffic light system the report allows you to see at a glance where your local government meets the '12 Key Controls' and which areas need focus. We hope this report supports you in setting your priorities in developing your cyber-risk management strategy.

Please be mindful of who you share this report with, it contains sensitive information highlighting your organisation's cyber-vulnerabilities and strengths.

As always the LGIS team is available to support you in both risk management and protection. Please speak to your Account Manager or myself if you have any queries.

Yours sincerely

A handwritten signature in black ink, appearing to be 'JS', written over a large, faint watermark that reads 'CONFIDENTIAL' and 'PUBLIC ATTACHMENTS'.

Jonathan Seth
Chief Executive Officer

JLT Public Sector

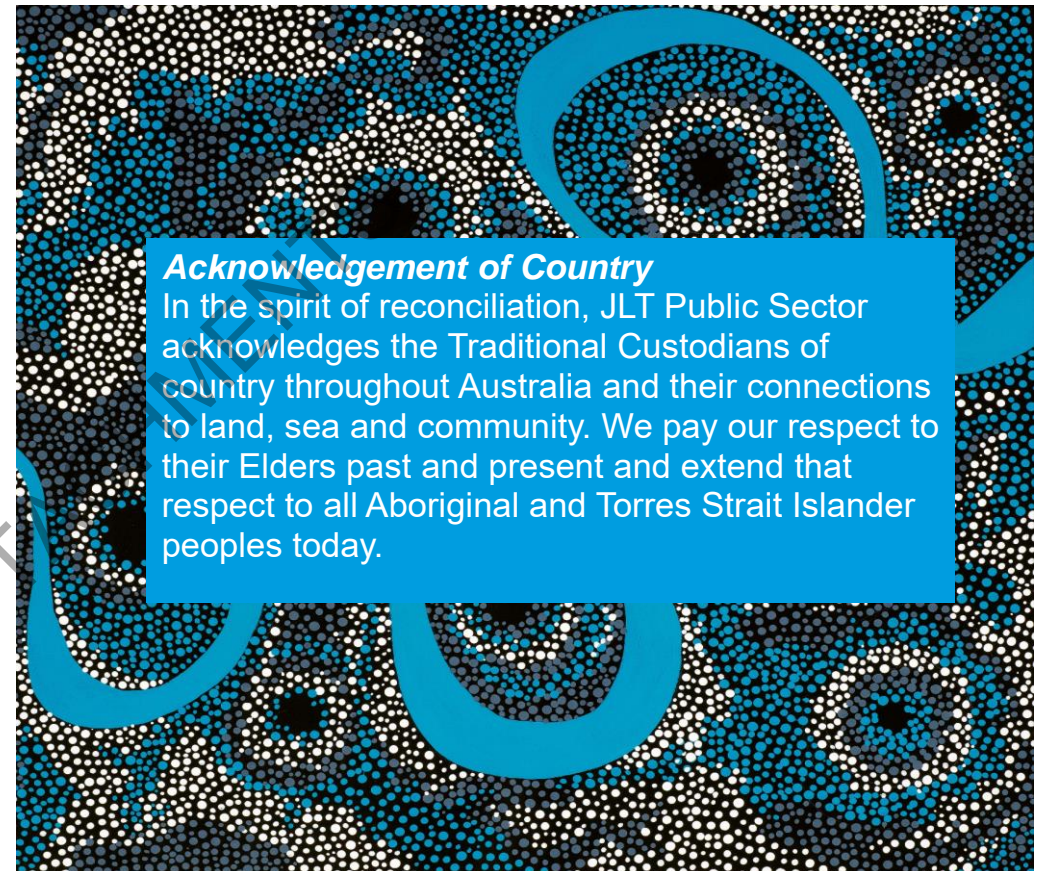
Top Cyber-Security Controls Review 2022

Victoria Plains, Shire of

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JLT Public Sector

- JLT Public Sector is your trusted expert in the design and delivery of risk solutions for governments and their communities.
- For over 50 years our solutions have been built on knowledge and expertise across advice, protection, claims, risk and insurance service areas and our clients are our number one priority.
- Our experience in the sector and in product innovation create risk solutions for stronger local, state and federal governments and more resilient communities for the future.



Acknowledgement of Country

In the spirit of reconciliation, JLT Public Sector acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

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Executive Summary



Audit Committee Meeting

12 December 2022

Cyber risk is a highly dynamic environment and has been regularly identified by Local Government CEO's in the annual JLT Public Sector Risk Survey report as a top two risk.



JLT Public Sector has created a laser-focused analysis of 12 Key Controls to assist in setting priorities within your Council.

Ultimately this will assist to enhance the Local Government sector's cybersecurity posture and help avoid costly cyber breaches and keep your community's data secure.



JLT Public Sector have utilised the data collected through the Cyber Self Assessment tool to generate this report to help guide Councils in improving your cybersecurity controls.

This document provides Council with a valuable feedback loop to assist in setting priorities to enhance their cyber position over the coming 12 months and beyond.



JLT Public Sector was able to differentiate the Local Government Mutuals and individual Council's risk exposure through the extensive data provided during the renewal cycle.

This data proved crucial in demonstrating the implementation of specific controls to lower the impact of cyber-attacks across the sector, resulting in minimal increases being applied to the cyber risk transfer program.



The proliferation of cyber-related crime steadily increased across the globe for two decades up to 2018.

Developments in technology, complimented by changing working patterns have seen incidents exponentially increase since that time. It's now estimated that up to 24 billion stolen credentials exist on the dark web. A 480% increase since 2018.

The increase in frequency and severity of cyber-related incidents has demanded that risk treatment options addressing the threats evolve simultaneously.



Whilst the Local Government Sector in Australia has experienced an increase in the frequency of claims, the same levels of severity have not been experienced to date.

This however does not mean the sector is immune from attack. The necessary controls require implementation and monitoring to adequately address the threat environment.

To help shape the future direction, JLT Public Sector is developing benchmarking models to allow Council to compare risk ratings against other like-sized Councils, State and National results.

JLT Public Sector Cyber Self-Assessment Tool

- The JLT Public Sector Risk Survey is an annual survey of Local Government CEO's from across Australia.
- In 2022 Cybersecurity ranked 2nd on the list of concerns, behind Financial Sustainability and ahead of other major risks including Disaster / Catastrophic Events, Climate Changes and Impact of Pandemic.
- Simultaneously to the release of the National Risk Survey, JLT Public Sector were watching closely the cyber liability insurance market fluctuations where increases of up to 200% was common.
- To adequately address the concerns of the sector around cybersecurity, JLT Public Sector launched the Cyber Self-Assessment Tool.
- The Self-Assessment Tool aimed to capture a significant amount of data from Councils to help guide the improvement of the sector's cybersecurity posture.
- In turn this data was then used to dispel risk carriers pre-conceived thoughts about the sector's attention to implementing key controls.
- This report is your council's results from the completion of the Self-Assessment Tool from the data entered in early 2022.

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Shire of Victoria Plains Twelve Key Controls and The Essential Eight

Essential Eight Maturity Model

First launched in June 2018 “The Australian Cyber Security Centre (ACSC) has developed prioritised mitigation strategies to help cyber security professionals in all organisations mitigate cyber security incidents caused by various cyber threats.” (www.cyber.gov.au/acsc)

At the time of producing this report, JLT Public Sector’s understanding is that in a whole-of-government approach, Local Government audits against the Essential Eight criteria will start in August 2023.

The output of these audits will then apply a Maturity Level rating to each Council and allow Councils to improve ratings over time.

12 Key Controls

The JLT Public Sector 12 Key Controls were created by our specialist cyber risk team and developed in consultation with our global clients and risk carriers as a way to benchmark and model the risk-maturity of Councils across key control areas.

The demand for basic control data is now significant to ensure the longevity of placement for your cyber risk transfer program.

The 12 Key Control framework recognises all of the Essential Eight Maturity Model components and in addition, draws attention to the training of people, how end-of-life systems are managed and the management vendors.

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Twelve Key Controls and The Essential Eight cont.

The following table maps the 12 Key Controls methodology against the Essential Eight Government approach. This provides an overview of how the two models can be viewed together in assisting the prioritisation of your Council's cyber risk treatments and avoiding duplication of effort.

<u>12 KEY CONTROLS</u>	<u>ESSENTIAL EIGHT</u>
1. MULTI-FACTOR AUTHENTICATION	7. MULTI-FACTOR AUTHENTICATION
2. ENDPOINT DETECTION & RESPONSE	5. RESTRICTED ADMINISTRATIVE PRIVILEGES 6. PATCH APPLICATIONS
3. SECURED, ENCRYPTED & TESTED BACKUPS	8. REGULAR BACKUPS
4. PRIVILEGED ACCESS MANAGEMENT	5. RESTRICTED ADMINISTRATIVE PRIVILEGES
5. EMAIL FILTERING & WEB SECURITY	1. APPLICATION CONTROL 3. CONFIGURE MICROSOFT OFFICE MACRO SETTINGS
6. PATCH & VULNERABILITY MANAGEMENT	2. PATCH OPERATING SYSTEMS 6. PATCH APPLICATIONS
7. CYBER INCIDENT RESPONSE PLANNING & TESTING	8. REGULAR BACKUPS
8. CYBER SECURITY AWARENESS TRAINING & PHISHING TESTING	
9. HARDENING TECHNIQUES	4. USER APPLICATION HARDENING
10. LOGGING & MONITORING/NETWORK PROTECTIONS	3. CONFIGURE MICROSOFT OFFICE MACRO SETTINGS
11. END-OF-LIFE SYSTEMS REPLACED OR PROTECTED	6. PATCH APPLICATIONS
12. VENDOR/DIGITAL SUPPLY CHAIN RISK MANAGEMENT	5. RESTRICTED ADMINISTRATIVE PRIVILEGES

Tightening up your IT Enterprise: 12 Key Controls to implement/enhance (1/2)

Multi-Factor Authentication (MFA) for remote access & admin / privileged access



In 2020 it was estimated that 15 billion stolen credentials exist on the dark web – a 300% increase since 2018**. MFA/2FA essentially is a second set of credentials required for access to a system or data of interest. MFA/2FA prevents attackers from effectively using them without this additional factor. Remote working has put MFA/2FA at the forefront to secure access, especially remote access and privileged access to critical systems & sensitive data.

Email filtering & Web Security



Malicious links and files are still the primary way to insert ransomware, steal passwords, and potentially access critical systems. Today's first line of defense includes advanced technologies to filter incoming emails, block malicious sites or downloads, and test suspicious content in a secure "sandbox" environment that enhance network integrity and security.

Secured, encrypted, and tested backups



Attackers are looking to delete backups prior to launching a ransomware attack launch so they can successfully cripple and extort their victims. It is essential to secure backups through encryption and isolation from the network (offline or MFA-controlled access with dedicated identities), as well as regular testing of backups and recovery plans.

End of Life System should be replaced or protected



End-of-life systems or technology is a risk as they receive no more security updates such as bug fixes, patches, or security monitoring. Therefore the technology is practically not supported and will be affected by unfixable vulnerabilities. It needs to be either protected by compensating controls or upgraded to 'supported' systems.

Patch management / Vulnerability management



Regular vulnerability scans and patch management reduce the risk of cyber attacks on the network. Such actions allow organisation to apply patches or uncover existing vulnerabilities and remediate before threat actors have a chance to exploit.

Privileged Access Management (PAM)



Privileged accounts are the keys of a network. When attackers compromise these accounts, the likelihood of causing significant harm is extremely high because there's no more limit to actions that can be performed. Limiting the number of privileged accounts, using strong password security practices or vaults, MFA, and enhanced monitoring of these accounts is critical to network security.

**New Dark Web Audit Reveals 15 Billion Stolen Logins From 100,000 Breaches (forbes.com)

Tightening up your IT Enterprise: 12 Key Controls to implement/enhance (2/2)

Cyber Incident Response planning & testing



An up-to-date Cyber Incident Response (CIR) plan with a trained team and experienced senior leadership provides efficiency and effectiveness in response to cyber incidents. Practice through tabletop exercises provide “Muscle Memory.” When combined with backups and business continuity plans and monitoring of endpoints and the network, they significantly help mitigate impacts on business operations and your organisation’s reputation. An issue highlighted in the recent Optus and Medibank Private data breaches

Hardening techniques including Remote Desktop Protocol (RDP) mitigation



Attackers exploit default device settings or misconfigurations. Defining security baselines to harden devices, continuously managing secure configurations, and controlling changes are all critical to preventing attackers from reaching and exploiting their targets. Particularly, the use of RDP should be avoided.

Endpoint Detection and Response (EDR)



Advanced anti-malware solutions on workstations, servers, and mobile devices detect malicious programs and contain/minimise their spread. Technology allows organisations to remotely respond to attacks and even prevent data leakage. The time when simple ‘anti-virus’ was good enough has passed.

Cybersecurity awareness training / phishing testing



Attackers have taken advantage of COVID-19 – when people were stressed the most – as a guise to spread ransomware. There will always be environmental factors that attackers can exploit to deceive people. Employee Cybersecurity Training and phishing campaigns help ensure people remain aware of changes in the cyber environment and remain cautious.

Logging & monitoring / Network protections





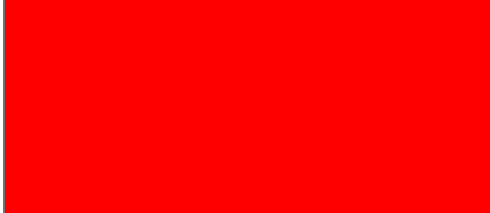
Logging and monitoring network activities allows organisations to identify unauthorised activity and questionable behaviors; furthermore it allows attacker’s actions to be detected and contained at an early stage. Automated technology combined with human operator monitoring is needed to watch and review network activities or anomalous behaviors of users. Also, firewalls, network segmentation, intrusion detection and prevention systems, data leak prevention systems, etc. help mitigate against network attacks.

Vendor / Digital Supply Chain Risk Management



A significant proportion of attacks or incidents are initiated through the supply chain, whether it's a third party access that is leveraged, a trusted software update that is compromised, a malicious code that comes through a library or a critical service that becomes unavailable. Managing cyber supply chain by monitoring risks, dependencies and maintaining continuity plans goes a long way in reducing the overall cyber risk exposure

Ratings Definitions

Rating Definition	Rating
<p>Adequate controls are in place across all or most categories of the specified area. While some controls may require attention or development, implementation has been largely achieved to an acceptable level.</p> <p>Score: 80% - 100%</p>	
<p>Adequate controls are in place across some categories of the specified area. Numerous controls require further attention and priority to achieve an acceptable level of implementation.</p> <p>Score: 50% - 80%</p>	
<p>Inadequate controls are in place across all or most categories of the specified area. Significant attention and development are required to achieve acceptable levels of implementation</p> <p>Score: 0% - 50%</p>	

- Where specific controls or measures were selected by council these critical components to key controls have been specifically noted and colour coded accordingly.

Victoria Plains, Shire of Results

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Top Cybersecurity Controls


Shire of Victoria Plains

Audit Committee Meeting
12 December 2022

How did Victoria Plains, Shire of score ?

	Key Controls	Self-Assessment Questions	Priority Rating
1	Multifactor authentication for remote access and admin/privileged controls	Account monitoring	Red
2	Endpoint Detection and Response (EDR)	Protection capabilities	Red
3	Secured, encrypted, and tested backups	Recovery Protection capabilities	Yellow
4	Privileged Access Management (PAM)	Account monitoring	Red
5	Email filtering and web security	Protection capabilities	Yellow
6	Patch management and vulnerability management	Protection capabilities	Red
7	Cyber incident response planning and testing	Business continuity Incident response	Red
8	Cybersecurity awareness training and phishing testing	Training	Red
9	Hardening techniques, including Remote Desktop Protocol (RDP) mitigation	Secure configuration	Red
10	Logging and monitoring/network protections	Governance Log monitoring	Yellow
11	End-of-life systems replaced or protected	Protection Capabilities	Green
12	Vendor/digital supply chain risk management	Governance	Red


1. Multi-Factor Authentication (MFA) for remote access & admin/privileged access

Key Control			Overall Priority Rating
Multi-Factor Authentication (MFA) for remote access & admin/privileged access	The Issue Cyber attacks often start with compromised credentials. MFA is a method to validate or verify a user's request to access an IT resource, by requiring the user to provide two or more pieces of evidence to be authenticated. This can help thwart ransomware attacks.	What are the minimum expected controls Enforcement of Multi-Factor Authentication on: <ul style="list-style-type: none"> Critical assets Privileged accounts Access on remote applications 	
Account Monitoring 	8.1	We require multi-factor authentication for all remote login access to the corporate network (e.g., Virtual Private Network (VPN), Remote Desktop Protocol (RDP), or other secure remote access, etc.).	Yes
	8.2	Irrespective of a user's location, we require multi-factor authentication and encrypted channels for all administrative account access.	No
	8.3	In addition to the capabilities listed above, irrespective of a user's location, we require multi-factor authentication for access to our most critical or sensitive data or systems.	No
	8.4	If there are technological limitations preventing multi-factor authentication, then we enforce complex long passwords (i.e., longer than 14 characters).	No

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2. Endpoint Detection and Response (EDR)

Key Control			Overall Priority Rating
Endpoint Detection and Response (EDR)	<p>The Issue</p> <p>Advanced anti-malware solutions on workstations, servers, and mobile devices detect malicious programs and contain their spread. Technology allows organisations to remotely respond to attacks and even prevent data leakage. The time when simple “anti-virus” was good enough is behind us.</p>	<p>What are the minimum expected controls</p> <ul style="list-style-type: none"> Endpoint protection (EPP) and endpoint detection and response (EDR) solutions across your servers and laptops 	

Protection Capabilities	11.1	The organisation operates the following Information Technology (IT) and Information/Cybersecurity tools and capabilities (please check all that apply and indicate key vendors):
	11.1	

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Network Intrusion Detection/Prevention Systems (IDPS)	No	Unified Threat Management (UTM)/ Threat Prevention/ Protection Systems (TPS)	No
Network Data Loss Prevention (DLP) solution	No	Protective Domain Name Service (PDNS)	No
Security Information and Event Management (SIEM)	No	Email DLP solution	No
Enforce Sender Policy Framework (SPF)	No	DomainKeys Identified Mail (DKIM)	No
Domain-based Message Authentication, Reporting and Conformance (DMARC)	No	Block malicious and phishing URLs	No

Key Controls

Shire of Victoria Plains

Audit Committee Meeting
12 December 2022

2. Endpoint Detection and Response (EDR)

Multi-Factor Authentication to cloud-based backups	No
File Integrity Tools (Whitelisting)	No
Endpoint Detection and Response (EDR) solutions	No
Identity and Access Management solutions	No
Bring Your Own Device (BYOD) security solutions	No
Network Intrusion Detection Systems (NIDS)	No

Host Intrusion Prevention Systems (HIPS)	No
Endpoint DLP solution	No
Advanced Endpoint Security	No
Multi-Factor Authentication to on-premise backups	No
Wireless Network Security solutions	No
DDoS mitigation solutions	No



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3. Secured, encrypted, and tested backups

Key Control			Overall Priority Rating
Secured, encrypted and tested backups	<p>The Issue</p> <p>Attackers are looking to delete backups prior to launching a ransomware attack launch so they can successfully cripple and extort their victims. It is essential to secure backups through encryption and isolation from the network (offline or MFA-controlled access), as well as regularly test backups and recovery plans.</p>	<p>What are the minimum expected controls</p> <ul style="list-style-type: none"> • Backup procedure of the critical assets • Off line backups of the critical assets • Regular testing of backups of the critical assets • Checking the integrity of the backups before restoring 	

Recovery			
Recovery 	1.1	After an incident is contained, the organisation implements procedures/processes to remediate affected systems and restore systems to our normal or fully operational state.	Yes
	1.2	Our organisation conducts backups for Applications	Continuously / Daily
	1.3	Our organisation conducts backups for Databases	Continuously / Daily
	1.4	Our organisation conducts backups for Servers	Continuously / Daily
	1.5	Our organisation conducts backups for Workstations/laptops and endpoints	Continuously / Daily
	1.6	Our organisation conducts backups for Critical Information (Critical Information means critical information as defined by the organisation's information classification or business continuity / disaster recovery plans/policies)	Continuously / Daily


3. Secured, encrypted, and tested backups Cont.

Recovery 	1.7	We test system restoration capabilities by performing a full restoration from a sample set of backup data at least.	No
	1.8	To strengthen recovery from malicious encryption (e.g. crypto-ransomware attack), we isolate backup files from the network (i.e. backup files are not continuously accessible from the network).	Yes
Protection Capabilities 	1.1	The organisation utilises mandatory encryption to protect critical information and other sensitive information (e.g., PII, PHI, etc.) as defined by information classification and protection policies.	
	1.1.1	Data at Rest	No
	1.1.2	Data in Transit	No
	1.1.3	Corporate laptops and desktops	No
	1.1.4	Data on Removable media	No
	1.1.5	Mobile Devices (e.g., Mobile phones and tablets)	No
	1.1.6	Backups	Yes

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4. Privileged Account Management (PAM)

Key Control			Overall Priority Rating
Privileged Account Management (PAM)	<p>The Issue</p> <p>Privileged accounts are the keys of a network. When attackers compromise these accounts, the likelihood of causing significant harm is extremely high. Limiting the number of privileged accounts, using strong password security practices/vaults, MFA, and monitoring these accounts is critical to network security.</p>	<p>What are the minimum expected controls</p> <ul style="list-style-type: none"> Environment-wide deployment and consistently enforced use of Multi-Factor Authentication Hardened security measures on privileged accounts and service accounts 	

Account Monitoring			
	7.1	We limit the use and distribution of administrator or privileged accounts via an account authorisation process requiring senior management approval.	Yes
	7.2	The organisation manages Desktop / Local Administrator privileges via: Please check all that apply and indicate the name of the solution(s).	
	7.2.1	End Privilege Management (EPM)	No
	7.2.2	Local Administrator Password Solution (LAPS).	No
	7.2.3	Privileged Access or Account Management (PAM).	No


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4. Privileged Account Management (PAM) Cont.

Account Monitoring 	7.3	Our organisation implements privileged/administrator account management solutions i.e., session management, automated credential management, or temporary one-time use passwords	No
	8.2	Irrespective of a user's location, we require multi-factor authentication and encrypted channels for all administrative account access.	No

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5. Email filtering and web security

Key Control			Overall Priority Rating
Email filtering and web security	<p>The Issue</p> <p>Malicious links and files are still the primary way to insert malware (i.e. ransomware), steal passwords, and eventually access critical systems. Today's first line of defence includes indispensable technologies to filter incoming emails, block malicious sites or downloads, and test suspicious content in a secure "sandbox" environment.</p>	<p>What are the minimum expected controls</p> <ul style="list-style-type: none"> • Pre-screen e-mails for potentially malicious attachments and links • Tools to monitor web content to block access to vulnerable websites 	
Protection Capabilities 	3.1	Our organisation installs and regularly updates anti-malware solutions (e.g., anti-virus, anti-spyware, advanced endpoint security) to the following percentage of endpoints, servers, and mobile devices.	75%-100%
	3.2	The organisation implements the following malware protections:	
	3.2.1	Macro-enabled files cannot be run by default.	No
	3.2.2	A quarantine service is provided.	No
	3.2.3	Incoming emails are filtered/scanned for malicious attachments and links.	Yes
	3.2.4	Email attachments are evaluated in a sandbox to determine if malicious prior to delivery.	Yes


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6. Patch management and vulnerability management

Key Control			Overall Priority Rating
Key Control	The Issue	What are the minimum expected controls	
Patch management	Unpatched vulnerabilities remain a leading cause of intrusions into systems. Hundreds of vulnerabilities are revealed every month for multiple applications and systems. When technology environments are not patched in a timely fashion, attackers will seek to exploit their vulnerabilities.	<ul style="list-style-type: none"> Appropriate patching cadence Timely urgent installation of all critical patches across your information systems, especially 7 to 10 CVE 	High
Vulnerability management	Regular vulnerability scans and annual penetration testing simulate cyber attacks on the network. Such actions allow organisations to uncover existing vulnerabilities and remediate them before threat actors have a chance to exploit them.	<ul style="list-style-type: none"> Comprehensive Patch & Vulnerability Management Policies Performing vulnerability management tools/services of your critical assets 	


Protection Capabilities			
	4.1	Vulnerability scans are performed at least (select from dropdown list), and the organisation prioritises vulnerability remediation.	Quarterly/Biannually
	4.2	In addition to the capabilities above, our organisation deploys automated patch management processes/tools to update operating systems, software/applications, and other application software or firmware.	Yes
	4.4	In addition to the capabilities above, our remote access solution performs a pre-login security assessment and security scan of the device attempting a connection before permitting access to our corporate network.	No
	4.5	Our organisation's target timeframe to patch Common Vulnerability Scoring System (CVSS) v3 Critical Severity 9.0-10.0 vulnerabilities across your enterprise is:	7-15 days

6. Patch management and vulnerability management Cont.



Protection Capabilities 			
	4.6	The organisation's target timeframe to patch Common Vulnerability Scoring System (CVSS) v3 High Severity 7.0-8.9 vulnerabilities across your enterprise is:	7-15 days
	5.1	In our organisation, annual or more frequent penetration testing (i.e., testing that emulates adversary actions and hostile cyber attacks) is conducted on the network and critical systems.	No
	5.2	Our processes require penetration testing activities that include, but are not limited to, the following: a) annual assessment(s) b) independent penetration agents simulate adversary actions c) testing scope includes the network and business critical systems/ applications d) penetration test results and recommendations are risk-rated and/or prioritised to mitigate or remediate vulnerabilities and weaknesses identified.	No

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7. Cyber Incident Response planning and testing

Key Control			Overall Priority Rating
Cyber Incident Response planning and testing	The Issue An up-to-date incident response plan with a trained team provides efficiency, speed, and quality in response to cyber incidents. When combined with backups and business continuity plans, it significantly helps to mitigate the impacts on operations and your organisation's reputation, thereby limiting overall costs.	What are the minimum expected controls <ul style="list-style-type: none"> Regularly updated and tested incident response plan Tests should occur at minimum annually 	No
Incident Response 	1.1	Our incident response or breach response plan is formally documented and it is aligned with the National Institute of Standards and Technology (NIST) Special Publication 800-61, "Computer Security Incident Handling Guide," the United States Computer Emergency Readiness Team (US-CERT), or ISO/IEC 27035 guidance, and applicable statutes or regulations.	No
	1.3	In addition to the capabilities above, our incident response plans include items such as, but not limited to the following: a) Processes/procedures to classify and prioritise incidents b) Process/procedures for recovery, such as activating the emergency or disaster recovery plans (DRP) c) Names and contact information for relevant authorities, including local law enforcement and regulators d) Communication protocols between the response team and others, such as retained legal counsel, corporate communications/legal departments, and external regulators or law enforcement agencies	No


7. Cyber Incident Response planning and testing Cont.

Incident Response 	2.4	In addition to the capabilities above, our incident response strategy is integrated with our organisation/corporate business continuity/ recovery plans and IT disaster recovery capabilities.	No
	4.1	Our organisation conducts incident response tabletop reviews at least annually.	No
Business Continuity 	1.1	Our organisation maintains a business continuity/disaster recovery plan, and the plan is tested.	No


PUBLIC ATTACHMENTS

8. Cybersecurity awareness training and phishing training

Key Control		Overall Priority Rating
Cybersecurity awareness training and phishing training	<p>The Issue</p> <p>Recently, attackers took advantage of COVID-19 – when people were stressed the most - as a guise to spread ransomware. There will always be environmental factors that attackers can exploit to deceive people. Training and phishing campaigns help ensure people remain aware and vigilant.</p>	
	<p>What are the minimum expected controls</p> <ul style="list-style-type: none"> Carry out annual security awareness campaigns for employees Carry out annual phishing campaign 	



Training			
Training 	1.1	We have established a cybersecurity training program.	Yes
	1.2	In our organisation, cybersecurity training is mandatory for all employees (select period from list).	Annually
	2.1	Our cybersecurity awareness program materials train users to avoid common cyber-risks and threats, such as social engineering and phishing.	No
	2.6	The organisation conducts internal phishing campaigns at least annually.	No

9. Hardening techniques including Remote Desktop Protocol (RDP)


Key Control		Overall Priority Rating	
Hardening techniques including Remote Desktop Protocol (RDP)	The Issue Attackers exploit default device settings or misconfigurations. Defining security baselines to harden devices, continuously managing secure configurations and change control processes are essential to preventing attackers from reaching their target.	What are the minimum expected controls <ul style="list-style-type: none"> Hardened baseline configuration materially rolled out across systems and applications Change management process in case of change to configuration 	<div style="background-color: red; height: 20px; width: 100%;"></div>
	Secure Configuration		<div style="background-color: red; height: 20px; width: 100%;"></div>
	1.1 We implement standard secure configuration images for operating systems and software applications.	<div style="background-color: green; width: 10px; height: 10px; display: inline-block;"></div>	<div style="background-color: green; width: 100px; height: 20px; display: inline-block; text-align: center; color: white;">Yes</div>
	2.1 Our system configuration management tools (e.g., Active Directory Group Policy, etc.) enforce and redeploy configuration settings to systems.	<div style="background-color: red; width: 10px; height: 10px; display: inline-block;"></div>	<div style="background-color: red; width: 100px; height: 20px; display: inline-block; text-align: center; color: white;">No</div>

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10. Logging & monitoring / Network Protections

Key Control			Overall Priority Rating	
Governance 	10.1	The Issue Logging and monitoring network activities enable the organisation to identify something possibly harmful that might be happening. And attackers actions can be detected and contained at an early stage. Automated technology combined with operators monitoring is needed to watch network events or anomalous behaviour of users.	What are the minimum expected controls <ul style="list-style-type: none"> • Capability to detect potential incidents as they occur (e.g. SOC, SIEM, audit logs) 	
		Log Monitoring 		
	Hardening techniques including Remote Desktop Protocol (RDP)			
Governance 	10.1	Our organisation operates its own Security Operations Center (SOC) and/or has an outsourced Managed Security Service Provider (MSSP) with the following capabilities at a minimum: a) Established incident alert thresholds b) Security Incident and Event Management (SIEM) monitoring and alerting for unauthorised access connections, devices, and software.		
		10.2	In addition to the capabilities above, the SOC/MSSP capabilities include, but are not limited to, the following: a) 24x7 operations b) mix of signature and heuristic-based detection c) incident response, containment, and remediation capabilities d) active threat intelligence and analytics delivering rapid alerts/notification and/or countermeasures e) processes are continuously improved.	
	5.1	We implement a SIEM (Security Information and Event Management) or log analytic tool for unified aggregation, consolidation, correlation, analysis, and alerting.		

11. End-of-life systems replaced or protected

Key Control		Overall Priority Rating				
<p>End-of-life systems replaced or protected</p>	<table border="1"> <thead> <tr> <th>The Issue</th> <th>What are the minimum expected controls</th> </tr> </thead> <tbody> <tr> <td data-bbox="336 427 891 603"> <p>End-of-life (EOL) systems or technology become a risk because patches and other forms of security support are no longer offered. Once the software/technology is practically not supported it will be impacted by unfixable vulnerabilities. It needs to be either protected by compensating controls or upgraded to "supported" platforms.</p> </td> <td data-bbox="893 427 1444 730"> <ul style="list-style-type: none"> EOL systems (hardware and software) should be prioritised for replacement; specific solutions vary from system to system and application to application. Identification of a replacement system(s) or application(s) vary based on requirements and purpose for use. Until EOL systems are replaced, they should be hardened and limited to restricted access only to prevent unauthorised use and access. Hardening may include establishing a "gatekeeper" system that is the only authorised system to communicate with the EOL system until an acceptable EOL system is put in place. </td> </tr> </tbody> </table>	The Issue	What are the minimum expected controls	<p>End-of-life (EOL) systems or technology become a risk because patches and other forms of security support are no longer offered. Once the software/technology is practically not supported it will be impacted by unfixable vulnerabilities. It needs to be either protected by compensating controls or upgraded to "supported" platforms.</p>	<ul style="list-style-type: none"> EOL systems (hardware and software) should be prioritised for replacement; specific solutions vary from system to system and application to application. Identification of a replacement system(s) or application(s) vary based on requirements and purpose for use. Until EOL systems are replaced, they should be hardened and limited to restricted access only to prevent unauthorised use and access. Hardening may include establishing a "gatekeeper" system that is the only authorised system to communicate with the EOL system until an acceptable EOL system is put in place. 	<p>Overall Priority Rating</p> <p style="background-color: green; color: white; text-align: center;">High</p>
The Issue	What are the minimum expected controls					
<p>End-of-life (EOL) systems or technology become a risk because patches and other forms of security support are no longer offered. Once the software/technology is practically not supported it will be impacted by unfixable vulnerabilities. It needs to be either protected by compensating controls or upgraded to "supported" platforms.</p>	<ul style="list-style-type: none"> EOL systems (hardware and software) should be prioritised for replacement; specific solutions vary from system to system and application to application. Identification of a replacement system(s) or application(s) vary based on requirements and purpose for use. Until EOL systems are replaced, they should be hardened and limited to restricted access only to prevent unauthorised use and access. Hardening may include establishing a "gatekeeper" system that is the only authorised system to communicate with the EOL system until an acceptable EOL system is put in place. 					
<p>Protection Capabilities</p> 	<p>6.1 Our organisation relies on operating systems, software, or hardware that is no longer supported or is considered "end-of-life" (EOL) by the manufacturers. (If yes, summarise EOL cases)</p>	<p style="background-color: green; color: white; text-align: center;">No</p>				

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12. Vendor / Digital Supply Chain Risk Management

Key Control

Vendor / Digital Supply Chain Risk Management

The Issue

A significant proportion of attacks or incidents are initiated through the supply chain, whether it's a third party authorised access that is leveraged, a trusted software update that is compromised, malicious code that comes through a library, or a critical service that becomes unavailable. Managing cyber supply chain by monitoring risks and dependencies, and maintaining continuity plans goes a long way in reducing the overall cyber risk exposure.

What are the minimum expected controls

- Third Party Vendor Risk Management requires a combination of technical and non-technical processes in determining the risk associated with allowing vendors authorised access to the organisation's IT resources and/or data. Prior to granting access, a tailored process used to review and assess the risk imposed to the organisation by providing access should be implemented. Finance / Contracts, IT, IT Security, Risk Management, and the Business Owner who requires the vendor's service(s) should review, document, and approve the risk. Understanding the vendor's cybersecurity program and leveraging external assessment providers such as Security Scorecard or Bitsight can provide insight to the vendor's external cybersecurity risk profile.

Overall Priority Rating



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Key Controls

12. Vendor / Digital Supply Chain Risk Management

Governance 			
	11.1	The organisation conducts security assessments and periodic re-assessments on third party partners and other service providers with access to information assets.	No
	11.2	The organisation reviews independent audit reports (e.g., SSAE 18 SOC 2, HITRUST certification, or Standardised Information Gathering (SIG), Agreed Upon Procedures (AUP)*) from third party partners and other service providers with access to information assets at least annually.	No
	11.3	Our organisation requires vendors to maintain insurance or another means of indemnification for losses caused by the provider, including from a privacy breach.	No
	12.1	The organisation requires interconnection agreements for connections between the organisation's network and external networks (e.g., third-parties, vendors, etc.).	No
	12.2	If interconnection agreements are required, the organisation's agreements contain information/cybersecurity requirements including risk-based monitoring for anomalous activities.	No

Next Steps ?

This report is designed to assist Council to set priorities to improve your cyber-security position. JLT Public Sector recommend the following next steps to achieve this objective.

Discuss 12 Key Controls:

Review Key Controls in conjunction with key stakeholders at your Council. Utilise the 12 Key Control framework to set priorities to enhance cyber-security at your Council within realistic time frames and budget.

NEXT STEPS....

Should you require further advice:

Contact your Account Manager to discuss how your Mutual provider may be able to advance each control area.

Disclaimer: The information contained in this JLT Public Sector information paper provides general information and does not take into account your individual objectives, financial situation or needs and may not suit your personal circumstances. It is not intended to be taken as advice and should not be relied upon as such. For full details of terms, conditions and limitations of any covers and before making any decision about a product, refer to the specific policy wordings and/or Product Disclosure Statements which are available from JLT Public Sector upon request. Please consult risk managers, insurance and/or legal advisors regarding specific matters.

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Report 5: 2022-23 | 17 August 2022

FINANCIAL AUDIT RESULTS

Local Government 2020-21



Office of the Auditor General Western Australia

Audit team:

Grant Robinson
Lyndsay Fairclough
Financial Audit teams

National Relay Service TTY: 133 677
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for those with visual impairment.

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

Image credit: Tyler Olson/shutterstock.com

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Financial Audit Results – Local Government 2020-21

PUBLIC ATTACHMENTS

Report 5: 2022-23
17 August 2022

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PUBLIC ATTACHMENTS



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

FINANCIAL AUDIT RESULTS – LOCAL GOVERNMENT 2020-21

Under section 24 of the *Auditor General Act 2006*, this report covers the final year of a four year transition for my Office to conduct the annual financial audits of the local government sector, following proclamation of the *Local Government Amendment (Auditing) Act 2017*.

This report on the 2020-21 financial audits of 132 of the applicable 148 local government entities includes:

- results of the audits of local government entities' annual financial reports and their compliance with applicable legislation for the financial year ending 30 June 2021
- issues identified during these annual audits that are significant enough to bring to the attention of the Parliament.

I wish to acknowledge the assistance provided by the councils, chief executive officers, finance officers and others, including my staff and contract audit firms, throughout the financial audit program and in finalising this report.

A handwritten signature in black ink, appearing to read 'Caroline Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
17 August 2022

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Auditor General's overview



The 2020-21 financial year marked the end of a four-year transition of local government financial auditing to my Office. The transition has brought many challenges as local governments and regional councils (entities) adjusted to our robust audits and we have learnt about the intricacies of the sector. Despite the challenges, it has been rewarding to facilitate financial reporting improvements and increase transparency of this important layer of government which impacts all West Australians. I have included a brief review of the transition at the beginning of this report.

For the 2020-21 audit cycle, we have completed 132 of 148 audits by 30 June 2022, with 16 outstanding. We have seen a demonstrated effort by the sector to improve the quality and timeliness of their annual financial reports and pleasingly reported a 15% decrease in weaknesses in financial management controls. This follows a 12% decrease the year before. To see this reduction in management control issues, across a larger number of audited entities, shows a comprehensive response by the sector to improve their current practices and strengthen the integrity of their financial reporting environment.

However, two entities received a qualified opinion on their financial reports and there may be further qualifications on the opinions not yet issued. We also reported a higher rate of material non-compliance and information system control weaknesses than previously.

In this report I have also included previously unreported outstanding opinions from 2019-20 for the Shires of Wiluna and Yalgoo. For both entities I issued a disclaimer of opinion as I was unable to obtain sufficient appropriate audit evidence on their books and records because of deficiencies in their internal controls and record keeping. A disclaimer of opinion is a serious matter for my Office as there is a missed opportunity for assurance over financial accountability and continuous improvement. This leads to a lack of confidence in the appropriate use of public monies.

To support continuous improvement in the local government sector, I encourage entities to review the findings of their audits, as well as this audit results report. Each entity should consider our recommendations in the context of their own operating environments and governance frameworks.

I note the newfound willingness and leadership of the Department of Local Government, Sport and Cultural Industries to enhance financial reporting, reduce complexity and cost, and enable improved governance for the sector. This report also outlines its progress on our previous recommendations.

Finally, I wish to acknowledge my incredibly hardworking staff, our contract audit firm partners and staff in the audited entities for their dedication to this year's audit process. Your professionalism and cooperation in working through uncommon challenges to complete the audits is appreciated.

Executive summary

Review of the four-year transition

The 2020-21 financial audit was the first year the Auditor General had responsibility for all 148 local government audits, marking the end of the four-year transition provided in the *Local Government Amendment (Auditing) Act 2017*.

A challenging transition

The transition has not been easy for the Office of the Auditor General (OAG) or entities, but Parliament was correct to acknowledge that change and improvement was needed for the sector. In too many cases, the quality of both financial reporting and audit was not what ratepayers and communities would rightly expect.

Our audits have brought greater rigour, scrutiny and sector-wide oversight. While challenging for many local governments and regional councils (entities), they have responded positively, particularly when they have understood that this helps them provide better transparency, accountability and financial management.

How challenging entities have found it to adapt to our requirements and approach was not predictable. Many smaller entities, who we might have expected to struggle, have adapted relatively easily while some of the larger ones with greater capacity have found it difficult. This has been particularly interesting given that all entities, regardless of size and complexity have to comply with the same legislative and regulatory framework.

Setting the baseline

As is often the case, the initial stages of reform have revealed many of the issues that need fixing. For the local government sector this includes the quality and timeliness of financial reporting and the need to aim for better practice, not just meet minimum levels of compliance. Our office has prepared guidance on preparing financial statements¹ and other topics² which entities have been encouraged to use.

Achieving consistency in some key areas underpins ongoing improvement. One area we continue to report on each year³ is inconsistencies in property and asset valuation methodologies. Entities can see significant valuation swings depending on the valuer they appoint and the assumptions the valuer makes. While regulation changes mean a formal valuation is no longer required each year, entities still need to ensure their assets are recorded at fair value. Forthcoming guidance from the Australian Accounting Standards Board and in turn the Department of Local Government, Sport and Cultural Industries (DLGSC) may help.

Through the transition we have come to understand much better the extent of reporting and compliance required of entities, in some cases exceeding that required of the State government sector. We have advocated to, and worked with, the DLGSC for a reduction in these requirements and are pleased new model financial statements, with decreased reporting but without a loss of key disclosures, will be available for entities in 2022-23. We will continue to liaise with the DLGSC on other proposed reforms that aim to increase accountability, transparency and efficiency for the sector.

¹ Office of the Auditor General, [Western Australian Public Sector Financial Statements – Better Practice Guide](#), OAG, Perth, 2021.

² Office of the Auditor General, [‘Better Practice Guidance’](#), OAG, accessed August 2022.

³ Office of the Auditor General, [Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities](#), OAG, Perth, 2019, p. 20.

The transition has also identified areas of improvement for our Office. Specifically, we have had to increase the training of our employees and contract audit firms to adequately understand the local government environment, which differs in some significant ways to the State and tertiary sectors. We also intend to increase the time our auditors spend onsite to further improve the engagement, efficiency and timeliness of audits.

We are also determined not to allow any overruns from our State sector audits to impact our delivery of local government audits, as it did for the 2020-21 audit cycle (due to a record number of State government entity audit qualifications). This means if State entities are not audit-ready or we encounter delays undertaking their audits, our teams will move on to the local government program as scheduled, even if State entities are not finalised. Our resolve on this matter will be tested during the 2021-22 audits, but we look forward to reporting back to the Parliament and all our audited entities on how this approach unfolds.

Seeing results

While the timeliness and quality of annual financial reports have been significant issues through the transition, there are signs of improvement. The reduction since 2018-19 in financial management control weaknesses shows a clear effort by entities to improve their current practices and strengthen the integrity of their financial reporting environment. Although the upward trend in material matters on non-compliance indicates there is still improvement needed. The following table shows entities' audit results over the past four years.

Audit year	2017-18	2018-19	2019-20	2020-21
Number of entities subject to OAG audit	46	112	132	148
Clear audit opinions	44	107	129	130*
Qualified opinions	2	5	1	2*
Disclaimers of opinion	0	0	2	0*
Material matters of non-compliance	36	93	101	193*
Management control issues	198	802	704	601*

Source: OAG

* Some 2020-21 audits are still ongoing and therefore these results are for 132 entities only.

Table 1: Audit results for four year transition period

Understanding of the significant role of audit committees in the annual reporting and audit process has also improved. Better informed and active audit committees are now more suitably equipped to quality review the financial report and assess the accountability and integrity of entities' reporting, control environment and risk management practices.

Where to from here

There is still a long way to go but we are committed to working with entities, the DLGSC and sector associations⁴ to continue improving the sector and our own processes to aid timely reporting to the community and Parliament.

From the 2021-22 financial year audits we will recognise the top entities who demonstrate best practice in the sector, as we do for the State and tertiary sectors. Our best practice assessment criteria include:

⁴ Western Australian Local Government Association (WALGA) and Local Government Professionals Australia WA.

- clear opinions on financial reports and controls
- the number and significance of control weaknesses raised in management letters
- good quality financial reports, supported by reliable working papers and submitted for audit within the agreed timeframe
- management resolution of accounting standards and presentation issues
- availability of key staff during the audit process.

For 2020-21, OAG staff performed 21 audits in-house, with the other 127 performed by contract audit firms on our behalf. We expect to increase the number of audits we perform in-house over time. However, a large proportion will continue to be performed by our accredited contract audit firms. These are periodically re-tendered to provide open and fair competition and to ensure value for money.

Introduction

This report contains findings from our 2020-21 financial audits of the local government sector. It includes the results for 132 of the 148 entities (Appendix 1), with the remaining 16 entities' results to be tabled in Parliament once their audits are completed.

Our annual financial audits focus on providing assurance over an entity's financial report. The Auditor General provides an opinion on the report which can be:

- clear – this indicates satisfactory financial controls and that the financial report is based on proper accounts, presented fairly, complies with relevant legislation and applicable accounting standards, and fairly represents performance during the year and the financial position at year end
- clear with an emphasis of matter – this brings attention to a matter disclosed in the entity's financial report but is not significant enough to warrant a qualified opinion
- qualified – these opinions are given when the audit identifies that the financial report is likely to be misleading to users, controls were inadequate or there was a material conflict with applicable financial reporting frameworks
- disclaimer of opinion – issued when the auditor is unable to form an opinion due to insufficient evidence being available. This is the most serious audit opinion and is only issued after we have exhausted our efforts to achieve the desired audit objectives.

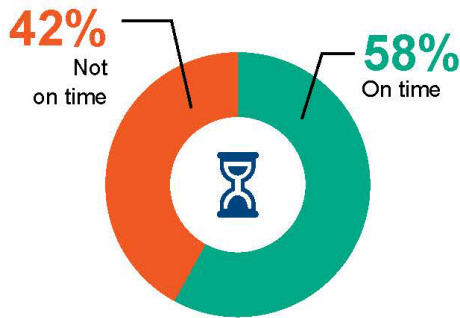
During an audit we also make recommendations to entities on relevant matters of compliance, financial management and information system controls. A summary of our findings is included in this report.

Also included are matters we have noted which have or may impact an entity's financial report. This year this includes how entities account for the rehabilitation of landfill sites, changes to the accounting treatment for cash in lieu of public open space from developer contributions, inconsistencies in how entities value assets and changes to accounting standards.

The appendix includes other opinions and certifications issued for the State government sector since 18 November 2021.

Year at a glance

Auditing local government



Audits completed by 31 December



148 local government entities



132 audits finalised and the results included in this report



21 entities audited by OAG staff

127 entities audited by contracted audit firms



The 132 entities with finalised audits had:

\$45 billion of total reported assets



\$3.8 billion in total operating revenue

2.2 billion in rates

\$958 million in fees and charges

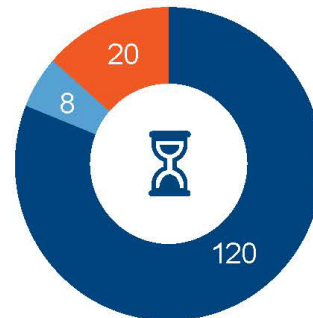
Quality and timeliness of financial reports (page 14)

Quality

Roughly half of the entities submitted financial statements for audit that were of a reasonable standard and required minimal revisions or adjustments. However, the remaining half were found to have numerous errors and disclosure requirements were unmet.

Timeliness

- Submitted to OAG by 30 September
- Received an extension and met deadline
- Did not meet 30 September or extension deadline



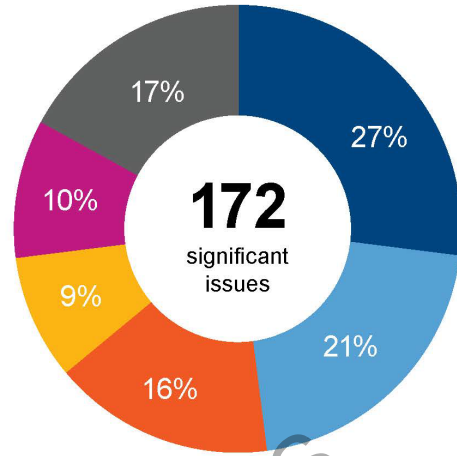
Audit results

2 qualified opinions (page 18)	16 opinions outstanding (page 18)	193 matters of non-compliance (page 19)	601 management control issues (page 22)
130 clear opinions (page 17)	2 disclaimers of opinion for 2019-20 (page 17)	275 certifications (page 20)	358 information system control weaknesses (page 28)

601 management control issues (page 22)

During 2020-21, we alerted 126 entities to control weaknesses that needed their attention. One hundred and seventy-two were rated as significant, 359 moderate and 70 minor.

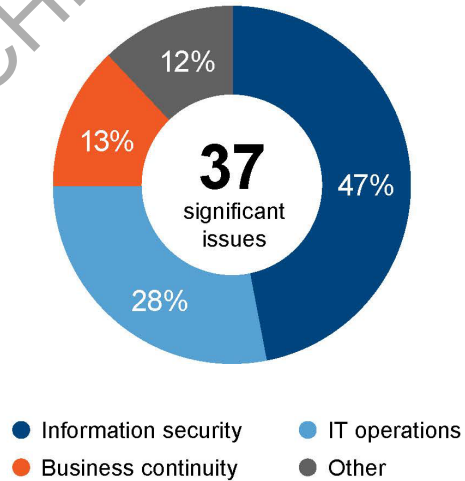
- Expenditure
- Financial management
- Payroll and human resources
- Asset management
- Revenue
- Other



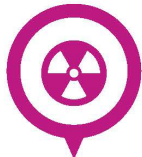
193 Material matters of non compliance with legislation (page 19)



358 information system control weaknesses (page 28)



Issues impacting entity reporting



Rehabilitation of landfill sites (page 29)



Valuation of assets (page 30)



Developer contributions – Accounting for cash in lieu of public open space (page 31)



Accounting standard changes (page 32)

Recommendations

1. We encourage entities to make use of our *WA Public Sector Financial Statements – Better Practice Guide* (available at audit.wa.gov.au) to improve their financial management and reporting practices, processes and procedures (page 16).
2. Local government entities should ensure they maintain the integrity of their financial control environment by:
 - a. periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to staff
 - b. conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments
 - c. regularly monitoring compliance with relevant legislation
 - d. promptly addressing control weaknesses brought to their attention by our audits and other audit and review mechanisms
 - e. ensuring they consider new and revised accounting standards for their impact on financial operations to prepare a compliant financial report at year end (page 27).
3. The Department of Local Government, Sport and Cultural Industries should provide guidance to assist entities with understanding the requirements of and interpreting the Australian Accounting Standards Board (AASB) accounting requirements to ensure greater accounting consistency across the sector, including recognising provisions for the rehabilitation of landfills and other contaminated sites (page 30).
4. The Department of Local Government, Sport and Cultural Industries should continue to work with local government stakeholders towards the introduction of model financial statements for the 2022-23 financial year (page 41).

Timeliness and quality of financial reporting

Reporting requirements

Each entity is required to prepare an annual financial report that includes:

- a Statement of Financial Position, Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows
- a Rate Setting Statement
- seven financial ratios required under section 50(1) of the Local Government (Financial Management) Regulations 1996 (FM Regulations)
- other note disclosures such as trading undertakings and major land transactions.

We have previously recognised that the quantity of detail reported in some aspects is onerous and exceeds that reported by most Western Australian (WA) State government entities and by local governments in other jurisdictions. From page 38 we have summarised DLGSC's progress with some reforms in this regard including the recent changes to the Local Government Regulations Amendment (Financial Management and Audit) Regulations 2022, gazetted on 17 June 2022.

Review of financial reports submitted for audit

Timeliness

Under section 6.4(3) of the *Local Government Act 1995* (LG Act), entities must submit their annual financial reports to the OAG for audit by the statutory deadline of 30 September. Of the 148 entities:

- 120 met the 30 September deadline
- 13 did not
- 17 received approval from the Minister to extend their submission deadline, of these:
 - 8 met the extended deadline
 - 7 did not
 - 2 did not require the extension as they met the 30 September deadline and are included in the 120 figure above.

Further details of entities' timeliness are provided in Appendix 1. Failure to provide good quality financial statements in a timely manner causes delays in the start and therefore the finalisation of audits.

We completed 86 of 148 audits (58%) by 31 December 2021 (compared to 65 of 132 audits (49%) by the same time last year) as required by section 7.9 of the LG Act. While this is an improvement from the previous year, we again encountered issues with the quality and timeliness of information provided by entities. Some entities experienced problems with insufficient evidence to support the financial report and numerous errors requiring correction. We also noted resourcing constraints impacting the sector, most notably in regional entities, which undoubtedly added to the challenge. Finally, we acknowledge the impact of delayed audit completions in numerous State sector entities on our ability to commence some local government entity audits.

Quality

We rate the quality of entities' financial statements that they submit for audit. Roughly half had statements that were of a reasonable standard and required minimal revisions or adjustments.

However, the remaining entities:

- had poor record keeping practices which delayed providing the necessary information for audit
- had numerous errors in their financial statements and disclosure requirements were not met
- experienced finance staff turnover and attrition during crucial times in the financial year, or key personnel were not available to respond to the auditors at key times as they had taken leave.

We identified numerous errors that were corrected by the entities during the audit process. These errors included:

- incorrect valuation method used
- incorrect revenue recognition of funds received in advance
- bank reconciliations for the municipal account not reconciled, resulting in back dated payments not being identified in a timely manner
- incorrect recognition of borrowings and cash and cash equivalents
- land assets not held at their fair value with revaluation recognised through revaluation reserve
- not correctly accounting for their share of investment in associate
- overstatement of employee benefits and misclassification between the current and non-current portion of long service leave provisions.

Also disappointing was the number of entities submitting many versions of their financial statements to us during the audit process. This results in significant additional work for both the entity and the auditor, and delays the finalisation of the audit. For example, one entity submitted 21 versions of its financial statements.

To ensure timely and accurate financial reports it is important that management in each reporting entity keeps proper accounts and records. Management should undertake appropriate oversight reviews of systems and processes throughout the financial year and after year end to improve the quality of their financial reporting.

To assist public sector entities to assess their financial management and reporting practices, our Office tabled the *Western Australian Public Sector Financial Statements – Better Practice Guide*. This practical guide and toolkit set out better practice principles which, when applied, support a strong governance framework and an efficient and effective financial statement preparation process. While the guide is not prescriptive or obligatory, it should assist entities to implement better practices, processes and procedures, and achieve more efficient and timely financial reporting for their entity.

Each year when we table our annual audit results report of State government entities, we assess them on their financial reporting and financial controls. We then recognise those State entities that achieve good practice by assessing the number and significance of control

weaknesses, the quality of their financial statements, audit readiness, management resolution of accounting standards and the availability of key staff during the audit process.

In 2021-22, we will examine the local government sector and recognise the top best practice entities in our annual audit results report. On page 10 we have outlined our assessment criteria. We hope that reporting top achieving entities from across the sector will increase the effectiveness and efficiency of the financial statement preparation process and contribute to improving the quality of financial reports submitted for audit.

Recommendation

1. We encourage entities to make use of our *WA Public Sector Financial Statements – Better Practice Guide* to improve their financial management and reporting practices, processes and procedures.

PUBLIC ATTACHMENTS

Summary of audit opinions

For the financial year ending 30 June 2021 we issued clear auditor's reports for 130 entities by 30 June 2022. Two audit opinions were modified (qualified), while we included emphasis of matter paragraphs in the audit reports of 24 entities.

The auditor's report includes:

- the audit opinion on the annual financial report
- any significant non-compliance in relation to the financial report or other financial management practices
- any material matters that indicate significant adverse trends in the financial position of the entity
- other matters the auditors deem necessary to highlight.

Under the LG Act, an entity's chief executive officer (CEO) is required to publish its annual report, including the audited financial report and the auditor's report, on the entity's website within 14 days of the annual report being accepted by the entity's council. Appendix 1 outlines the date we issued each entity's 2020-21 auditor's report.

We also finalised the 2019-20 auditor's report for two entities.

Two disclaimers of opinion for 2019-20

On 16 June 2021, we tabled the results of 117 entities' 2019-20 financial audits in Parliament. On 24 November 2021, we reported a further 13 entities' results in our State government entities audit report. At that time, results remained outstanding for the Shires of Wiluna and Yalgoo. We were unable to express an opinion on their financial audit reports and have now issued them a disclaimer of opinion.

For both entities, we were unable to obtain sufficient appropriate audit evidence on the books and records of the Shires. This was due to numerous significant deficiencies in the Shires' internal controls and in some cases, records not being adequately maintained. See Appendix 2 for the full details of the disclaimers.

The absence of sufficient appropriate evidence is a significant impediment for the auditor and a serious matter for both the auditor and those who rely on the auditor's opinion. If an auditor is unable to obtain the required evidence, they have few options. One option is to issue a disclaimer of opinion.

Such an opinion is only issued after we have exhausted our efforts to achieve the desired audit objectives. It is the first time this Office has issued such an opinion for a local government entity since becoming responsible for auditing the sector in 2017. It is also the first issued by our Office on a financial report for any WA government entity in 25 years.

A disclaimer of opinion on financial statements is a serious matter as we were unable to provide assurance over financial accountability. This can lead to a lack of confidence in the appropriate use of public monies.

Given the nature and timing of these disclaimers of opinion it is, regrettably, our expectation that issues requiring these disclaimed audit opinions may continue into 2021 and 2022 in some manner. However, we are aware that both entities have been working to address these concerns since the matters were first raised.

Response from Shire of Yalgoo

The Shire acknowledges the effort of the OAG in undertaking the 2019-2020 audit. We also confirm that we recognise the seriousness of the issues raised by the audit and give our assurance that a plan of action has already been implemented. We continue to do work under that plan. The Shire would also like to identify a number of factors which influenced the audit result, including:

- resourcing constraints
- changes of CEO
- communication between Shire and audit team
- timing of release of audit report.

We are conscious that the existence of these factors does not amount to an excuse for the deficiencies identified. On the other hand, we hope their existence will go some way to helping explain how those factors, rather than a culture of disregard for the need to ensure proper controls and compliance, contributed to the audit result.

17 June 2022

Two qualified audit opinions for 2020-21

We issue a qualified opinion in our auditor's report on an annual financial report if we consider it is necessary to alert readers to material inaccuracies or limitations in the financial report that could mislead readers.

In 2020-21, two entities received a qualified audit opinion. This is an improvement from four qualifications issued in 2019-20 and six in 2018-19.

The Shires of Goomalling and Sandstone received qualified opinions because their infrastructure assets had not been valued with sufficient regularity and therefore, we were unable to determine if they were fairly stated. For the full details of the qualified opinions see Appendix 3.

Audits in progress

The 16 audits still being finalised may result in modified opinions. Generally, audits in progress relate to:

- entities having more significant or complex issues to be resolved from a financial reporting and auditing perspective
- entities not having the in-house expertise needed to manage their financial reporting.

While some entities collaborate and seek help to overcome these issues, this is often informal and ad-hoc.

Twenty-four entities received emphasis of matter paragraphs

Under Australian Auditing Standards, if a matter is appropriately presented or disclosed in the financial report, but in our judgement is of such importance that it should be drawn to the

attention of readers, we may include an emphasis of matter (EoM) paragraph in our auditor's report.

In 2020-21, 25 EoM paragraphs have been included to bring to the reader's attention to:

- restatements of comparative figures or balances (11 entities)
- restatements and guarantee payments (four entities)
- changes to the basis of accounting used by the entity (six entities)
- the recording of a joint venture (two entities)
- a contingent liability (one entity)
- an event occurring after the end of the reporting period (one entity).

A full description of these matters is at Appendix 4.

In previous years, we included an EoM in all entities' auditor's reports to draw attention to their previous recognition of some categories of land, including land under roads, at zero cost.

Seventy-five entities had 193 material matters of non-compliance with legislation

We reported 193 matters of non-compliance to 75 entities. Under Regulation 10(3)(b) of the Local Government (Audit) Regulations 1996 (LG Audit Regulations), we are required to report any matters indicating that an entity is non-compliant with:

- part 6 of the LG Act
- FM Regulations
- applicable financial controls in any other written law.

The matters may relate to the financial report or to other financial management matters.

The most commonly reported matters related to:

- financial ratios not being reported (28 entities)
- a lack of evidence that enough quotations were obtained to test the market or documentation to explain why other quotes were not sought (22 entities)
- no evidence of independent review and approval of journal postings to the financial ledger (13 entities)
- a financial management review was not completed every three years as required (13 entities)
- changes made to the supplier master files were not independently reviewed and approved (12 entities)
- bank reconciliation processes were incomplete (12 entities).

Other matters included procurement without purchase orders, incomplete monthly reconciliations of fixed assets, payroll and employment non-compliance, and purchase orders raised, approved and paid by the same person. For the convenience of Parliament and the public, we have summarised the noteworthy matters in more detail at Appendix 5.

In determining which matters to examine through audit procedures (on a risk-based sample and rotational basis) and report, we apply the principles of materiality, as required by Auditing Standard ASA 320 *Materiality in Planning and Performing an Audit*. Factors that we consider include the extent and frequency of the non-compliance, and its effect or potential effect.

We also consider Regulation 5(1) of the FM Regulations to be particularly important because failure to effectively apply those requirements can result in significant financial loss, inefficiency, financial misreporting or fraud.

If we find matters of non-compliance at an entity, we will report this in the auditor's report which becomes part of their annual report published on their website. There was no discernible trend regarding the type or size of entity to which these findings relate.

Adverse trends in the financial position of 109 entities

We conducted a high-level assessment of whether the seven financial ratios reported in each entity's financial report achieved the standards set by the DLGSC. This year, we reported that 156 ratios at 109 entities indicated adverse trends of which the asset sustainability and the operating surplus ratios were the most commonly reported as adverse. Last year, for the 2019-20 audits, the comparative figures were 139 ratios with adverse trends at 89 entities. Entities report their ratios for the current year and the preceding three years. Our trend analysis is therefore limited to these four years.

We are required by Regulation 10(3)(a) of the LG Audit Regulations to report 'any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government'. When determining if a trend was significant and adverse, in some instances we allowed for a ratio to be slightly lower than the DLGSC standard. We allowed this in recognition that failing to meet some standards is more significant and representative of an entity's financial position than failing to meet others.

Our financial audit assessments of the ratios are conducted objectively on the audited figures from the financial report on a comparable and consistent basis. Our assessments do not consider other aspects of the entity's finances or the inter-relationships between the ratios. These considerations are outside the scope of the legislative audit requirement of Regulation 10(3)(a) and more relevant to a performance audit into adverse trends.

We issued 275 audit certifications

In addition to the auditor's reports on annual financial statements, we also conduct audit work to certify other financial information produced by entities. These audit certifications enable entities to meet the conditions of State or Commonwealth funding or specific grant requirements or legislation (acquittals). Our audit certification of these statements may be required to enable entities to receive ongoing funding under existing agreements or to apply for new funding.

For the 2020-21 audit cycle we are responsible for conducting 139 certifications for the Local Roads and Community Infrastructure Program (LRCI Program). The \$3 billion Commonwealth-funded program supports entities to deliver priority local road and community infrastructure projects across Australia.

Under the LRCI Program, entities who are eligible for funding must provide the Commonwealth Department of Infrastructure, Transport, Regional Development, Communications and the Arts with an audited 2020-21 annual report by 31 October 2021. This must be audited by an appropriate auditor.

As defined by the *National Land Transport Act 2014*, our Office is the appropriate auditor given entities' accounts are required by law to be audited by the Auditor General of a State.

Appendix 6 lists the 275 certifications we have issued for 2020-21 and the date of issue including:

- 11 claims by administrative authorities for pensioner deferrals under the *Rates and Charges (Rebates and Deferrals) Act 1992*
- 136 statements acquitting Roads to Recovery funding under the *National Land Transport Act 2014*
- 125 statements acquitting the LRCI Program funding (14 certifications outstanding)
- three other certifications for projects by entities.

PUBLIC ATTACHMENTS

Control weaknesses

Management controls

We report to entity CEOs on all control weaknesses relating to expenditure, revenue, financial management, asset management and human resources. Control weaknesses that represent matters of material non-compliance form part of the overall auditor’s report that we provide under section 7.12AD of the LG Act to the mayor, president or chairperson, the CEO and the Minister for Local Government.

Our management letters provide a rating for each matter reported. We rate matters according to their potential impact and base our ratings on the audit team’s assessment of risks and concerns about the probability and/or consequence of adverse outcomes if action is not taken. We consider the:

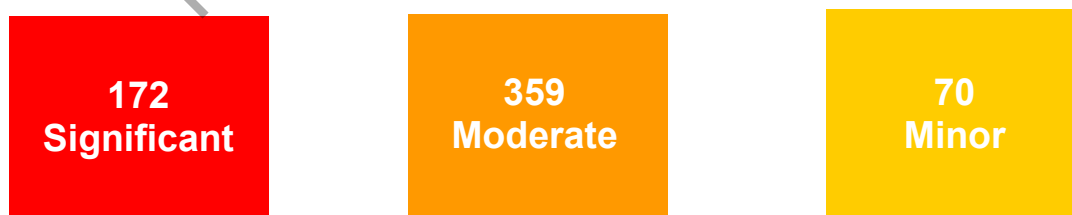
- quantitative impact – for example, financial loss from error or fraud
- qualitative impact – for example, inefficiency, non-compliance, poor service to the public or loss of public confidence.

Risk category	Audit impact
Significant	Finding is potentially a significant risk if not 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	Finding is of sufficient concern to warrant action being taken by the entity as soon as practicable.
Minor	Finding is not of primary concern, but still warrants action being taken.

Source: OAG

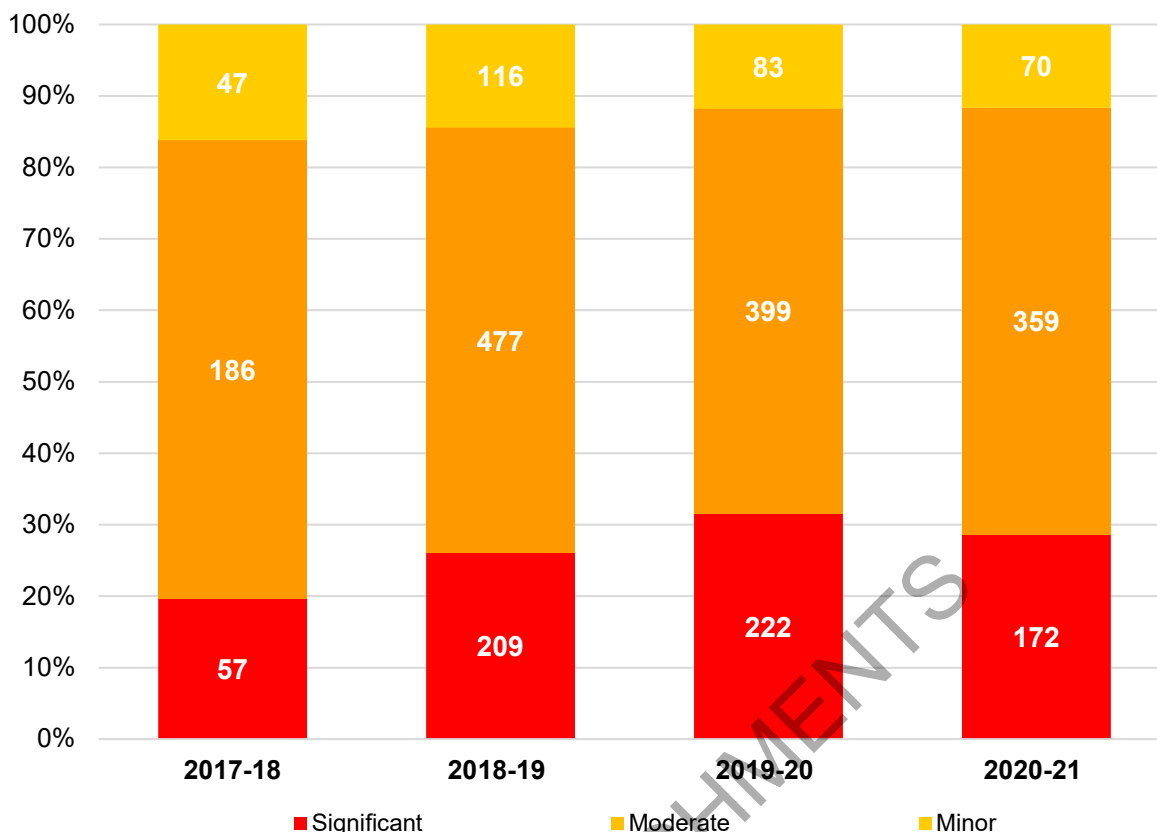
Table 2: Risk categories for matters reported to management

During 2020-21, we alerted 126 entities to control weaknesses that needed their attention. In total we reported 601 control weaknesses across the three risk categories as shown in Figure 1. This is a decrease compared to the figures from 2019-20 where we reported 704 control weakness of which 222 were significant, 399 moderate and 83 were minor findings.



Source: OAG

Figure 1: Number of financial and management control findings by risk category for 2020-21



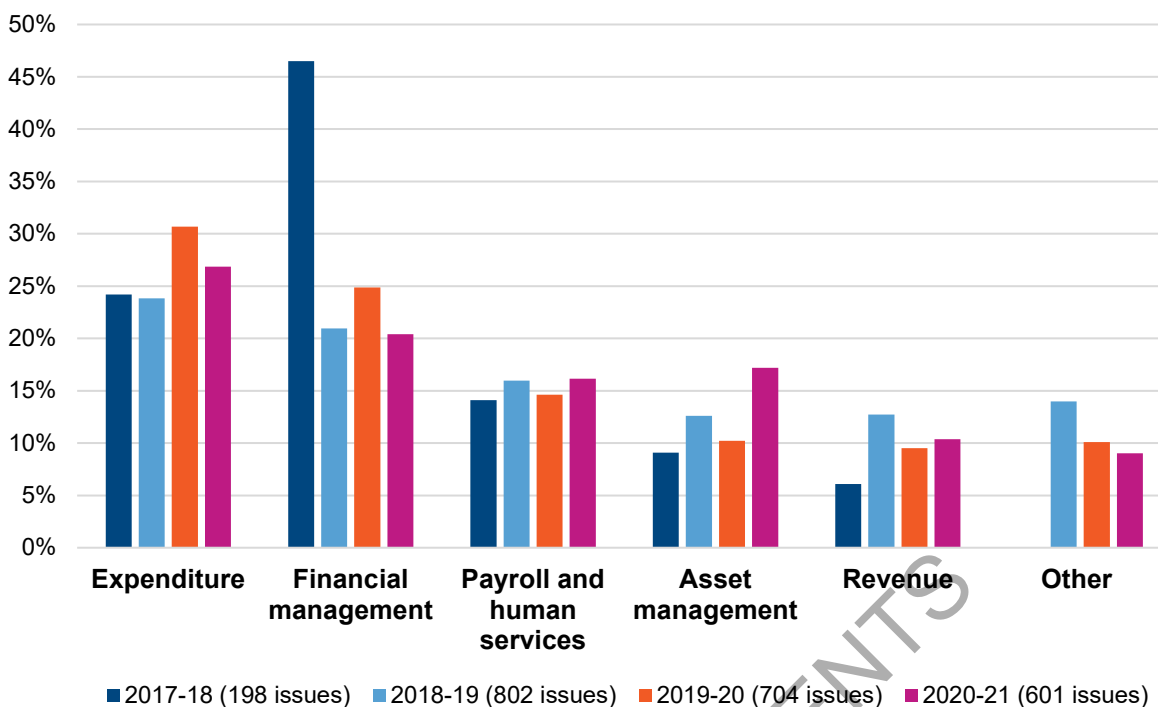
Source: OAG

Figure 2: Proportion of control weaknesses reported to management in each risk category and comparative ratings of the control weaknesses

Figure 2 shows the number of weaknesses in each risk category for the differing number of entities we audited during our first four years of local government auditing and the comparative proportion of weaknesses in each risk category. The chart shows that the number of control weaknesses across all ratings has decreased for 2020-21, noting that each year’s figures represent findings across an increasing population of audited entities during the transition period.

However, we found that 95 control weakness (15.8%) at 39 entities were unresolved from the prior year. This proportion compares with 2019-20 where 15% of issues were unresolved from the prior year. It is important that these issues are addressed promptly and requires entities to improve policies, practices and procedures to maintain or enhance the integrity of financial reporting.

The 601 control weakness identified in 2020-21 are presented in their different financial management control categories in Figure 3. This figure also shows that expenditure and financial management controls continue to represent the highest proportion of weaknesses across the financial control environment. However, it was pleasing to see that the control weaknesses relating to expenditure, financial management, and payroll and human resources have decreased for 2020-21. This is a positive trend. An increase in audit findings related to asset management suggests greater focus may also be required by entities on the controls around this aspect of financial management.



Source: OAG

Note: In 2017-19, no control weaknesses were reported in the Other category.

Figure 3: Financial and management control weaknesses reported to entities

Following are examples of control weaknesses identified in the major categories of audit findings.

Expenditure

We reported that good procurement procedures, such as obtaining quotes and completing purchase orders to start the ordering process and accountability trail, were not routinely practiced. In summary:

- We found purchase order control weaknesses at 33 entities. Purchase orders were often raised after the goods had been supplied or after the supplier’s invoice had been received. The lack of adequate controls over purchase ordering increases the risk of inappropriate purchases or the entity being committed to pay for purchases made by officers who do not have authority or who have exceeded their delegated purchase limits.
- At 22 entities we continued to find instances where quotes were not obtained as required by the entities’ policy guidelines. There were also instances where evidence of quotes was not kept. This increases the risk of favouring specific suppliers and/or not obtaining value for money.
- At 15 entities we reported that changes were made to the supplier master file without appropriate evidence of authorisation or there was no independent review to confirm checking for related party interests, authorisation, completeness and accuracy. These review procedures are essential as technology has increased the risk of fraud.
- We identified credit card control weaknesses at 14 entities. These included instances such as:

- transactions not listed separately in the payments submitted to council each month
- certain staff allocated a credit card who had not signed a credit card holder agreement
- no evidence of independent review for staff credit card monthly expenditure
- receipts not available for certain credit card transactions.
- In some entities there was not adequate separation of tasks between ordering and receiving goods. Without this segregation, the entity needs other controls to ensure that all payments for goods are reviewed and authorised by an independent officer.

Financial management

The accounting procedures and practices of the financial management team should include appropriate controls for preparing the entity's financial report and mandatory annual reporting requirements.

- At 27 entities we found that bank reconciliations were either not routinely prepared on a monthly basis or were not reviewed by a second officer. The bank reconciliation is a key control. If not performed regularly and independently reviewed, there is a risk of erroneous or unusual (including fraudulent) reconciling items not being detected and investigated in a timely manner.
- At 17 entities we found instances where journal entries were made without supporting documentation or were not reviewed by an independent officer. These can represent significant adjustments to previously approved accounting transactions. Unauthorised journals could result in errors in financial reports or fraud. They should therefore be clearly explained and subject to independent review.
- At 15 entities we found a lack of review of policies and procedures.
- At 11 entities we found that access to the financial management, payroll and human resources systems was not restricted to appropriate staff. In some instances, we considered more staff than necessary had passwords to access key systems. Access privileges need to be monitored on a regular basis by a senior staff member.

Payroll and human resources

Payroll and human resource management are essential elements of any employer's business. During our interim and final audits of entities we reported:

- Across 20 entities we found some employees were not taking their annual and long service leave entitlements and therefore accumulating excessive leave balances. Entities should have a leave management plan to ensure suitable staff can undertake the roles of key staff while they are on leave and to continue to deliver the entity's required services. Infrequent taking of leave and associated rotation of staff roles increase the likelihood of fraud remaining undetected.
- At 12 entities we found commencement and termination processes were not completed promptly to ensure timely and accurate processing and payment of staff. Evidence needs to be retained of all employment contracts, which should be signed by both parties on execution.
- At 12 entities we found monthly payroll reconciliations were not prepared in a timely manner and independently reviewed, increasing the risk of errors and/or potential fraud remaining undetected and misstated financial statements.

- At 11 entities we found instances where changes made to employee master files were either not supported by appropriate authorisation from the employee or not independently reviewed for accuracy and completeness. This is important to reduce the risk of payroll errors or fraud.

Asset management

We identified several weaknesses in the controls over assets. These included:

- a lack of evidence of review of fixed asset reconciliations at 14 entities
- asset management plans not completed or sufficiently updated at eight entities. This may impact the strategic planning process and is likely to result in misstatement of the asset renewal funding ratio in the financial report
- no asset stocktake policy or procedures in place at seven entities. The absence of a periodic asset stocktake means that discrepancies between the accounting and physical records will not be detected and corrected on a timely basis. This could result in failure to detect theft or loss and/or a misstatement of asset balances in the annual financial report
- a lack of comprehensive asset management procedures to manage non-current assets at six entities. Good policies and procedures provide essential guidance for staff to manage an entity's assets in accordance with management's expectations. Lack of formal and comprehensive policies and procedures that are readily available to staff increases the risk of mismanagement and recording of assets.

Other asset issues we found included:

- the entity not performing an assessment to determine the correct classification of vested improvements on vested land required to be separately classified as right-of-use assets
- asset revaluations not completed in a timely manner
- no documented inventory control policy and procedure for employees to follow to ensure that inventory is physically safeguarded and all movements are recorded accurately and completely in the accounting records
- incorrect application of the useful life of assets in depreciation calculations which could result in an over/understatement of the depreciation and hence of the carrying value of the assets in the financial statements.

Revenue

Good controls over revenue help to ensure that all monies due to the entity are accurately charged, collected and reported in the financial statements. During our interim and final audits, we reported:

- charges being raised prior to a completed review of the rates billing verification register
- fees were not correctly recorded in the financial system and customers were charged the incorrect fee
- no register of infringements issued by the entity
- interim rate notices had not been issued throughout the year by the entity
- rateable values reconciliation not completed

- a lack of a formal process to assess the revenue recognition criteria for new grant funding received
 - revenue not recognised in accordance with AASB 15 or AASB 1058. As application of these standards may result in delayed income recognition, the entity's revenue may be overstated for the 2020-21 financial year.
-

Recommendation

2. Local government entities should ensure they maintain the integrity of their financial control environment by:
 - a. periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to staff
 - b. conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments
 - c. regularly monitoring compliance with relevant legislation
 - d. promptly addressing control weaknesses brought to their attention by our audits, and other audit and review mechanisms
 - e. maintain currency with new and revised accounting standards for their impact on financial operations in order to prepare a compliant financial report at year end.

PUBLIC ATTACHMENTS

Information system controls

In 2020-21, we reported 358 information system control weaknesses to 45 entities, with 10% (37) of these rated as significant and 71% (254) as moderate. Last year we reported 328 control weaknesses to 50 entities. As these weaknesses could significantly compromise the confidentiality, integrity and availability of information systems, entities should act promptly to resolve them.

Entities rely on information systems to prepare their financial statements and to deliver a wide range of services to their communities. It is important that entities implement appropriate controls to maintain reliable, secure and resilient information systems.

Audits of general computer controls help entities measure and improve the effectiveness and reliability of services and financial reporting. These audits are performed as an integral part of, and inform, our financial audit program

Our capability assessments at 12 of the 45 entities show that none met our expectations across all six control categories and 68% of the audit results were below our minimum benchmark. Information and cyber security remain significant risks again this year and need urgent attention. Compared to 2019-20, there have been some improvements in change control but very little progress in management of information technology (IT) risks, physical security and IT operations. Entities need to improve in all six control categories.

Of the weaknesses identified in 2020-21:

- 47% related to information security issues. These included system and network vulnerabilities, and unauthorised and inappropriate access
- 28% related to IT operations issues. In particular, there were issues in inadequate monitoring and logging of user activity, poor handling of information and lack of review of user access privileges
- 13% related to business continuity. For example, disaster recovery and business continuity plans were lacking or out-of-date
- 12% related to inappropriate IT risk management, poor environmental controls for the server room and a lack of change management controls.

The information provided above is included in our *Information Systems Audit Report 2022 – Local Government Entities*, tabled on 28 June 2022. Further details of the information systems audit work and case studies are included in that report.

Issues impacting entity reporting

Rehabilitation of landfill sites

Issue

Many entities have landfill sites which they manage. Depending on the size and scale of these sites, there are different requirements to rehabilitate them. Where entities have an obligation to remediate the landfill site, they should include the rehabilitation costs as a provision in their financial report. The absence of a rehabilitation plan and cost estimate does not remove the need to record a provision.

From the time it is evident that recognising a liability is required, to actually reporting one, a process of planning is needed, and this can take a while. In the meantime, readers should be alerted to the fact that a liability will be created by the entity showing a contingent liability in their financial reports. This is shown in the example below.

What we found

We've found that some entities are not including these provisions for rehabilitation and others that are, are accounting for them differently. There is a possible role for the DLGSC to provide guidance in this area to ensure entities are correctly accounting for rehabilitation provisions.

Example: City of Kalgoorlie-Boulder

The City has operated the Yarri Road Refuse Facility in east Kalgoorlie since 1993. The site operates under a Class II landfill license under Part V of the *Environmental Protection Act 1986* which requires licensing.

The City has never previously recognised a provision for landfill rehabilitation. It has disclosed a contingent liability for at least the three previous annual financial reports to fully restore the site at the end of its useful life. The City was also undertaking work to establish the scope and estimate the cost of the restoration, which was unable to be reliably estimated in previous financial reports.

During the 2020-21 period, the City engaged a third-party expert to prepare a closure and post-closure management plan and provide a comprehensive estimation of the future costs for the site closure, capping, restoration and monitoring activities. The plan was finalised in March 2021 and a landfill rehabilitation provision of \$28.8 million was recognised.



Figure 4: Broome landfill

Source: OAG

Recommendation

3. The Department of Local Government, Sport and Cultural Industries should provide guidance to assist entities with understanding the requirements of and interpreting the AASB accounting requirements to ensure greater accounting consistency across the sector, including recognising provisions for the rehabilitation of landfills and other contaminated sites.

Valuation of assets

Issue

As reported in previous years, we have concerns about inconsistencies in the valuation of property and infrastructure in the local government sector, including the variety of valuation methods used, especially for land assets with restricted use.

Valuation concerns arise from entities engaging different valuers who use different methods or interpret some principles of the Australian Accounting Standards differently. Consequently, entities can see significant valuation swings when they change their valuer, depending on which assumptions the valuer uses. Most entities revalued their restricted land assets in 2017 or 2018 in accordance with the FM Regulations. Their next three to five yearly valuations are due at the latest by 2022 or 2023.

As mentioned last year, the AASB and the International Public Sector Accounting Standards Board have projects underway relating to fair value of public assets. Our Office will work with other audit offices to prepare a submission to these fair value projects and with the DLGSC on the audit impacts of any changes.

Even though a formal valuation is not required to be undertaken every year, the requirement for such assets to be at fair value remains. Thus, each entity needs to do enough, at a minimum, to be able to conclude that the carrying value at the reporting period approximates its fair value. This would entail, amongst other things, condition assessments, assessing recent pricing movements in materials and labour, and other relevant material factors.

What we found

A few examples of entities experiencing some valuation issues were:

- City of Albany – the City has no formal process for assessing the valuation of infrastructure assets, land and buildings in financial years between the formal valuation assessments required by the FM Regulations. Without this, an asset may not be correctly recorded at fair value in accordance with AASB 116 and AASB 13. The City was notified of the finding during an interim audit and completed an assessment as part of its end of financial year procedures.
- City of Subiaco – the City's investment property increased by \$12.3 million (11%) compared to the prior year due to a revaluation to fair value at 30 June 2021 based on an independent valuation of \$125 million, which resulted in a net gain of \$29 million. The City also reported an increase to Revaluation Surplus of \$35.8 million (28%) compared to the prior year.
- Town of Cottesloe – during 2020-21, an independent valuation of land and buildings resulted in a decrease in fair value of \$20.5 million compared to the prior year. This related to an interest the Town has in the Wearne Hostel (refer below).

- Four entities hold an equal share in the Wearne Hostel site at 1 Gibney Street, Cottesloe but value it differently. We found one valuation almost double that of the other. The Towns of Claremont and Mosman Park have valued their respective interests separately without restrictions, while the Shire of Peppermint Grove and Town of Cottesloe have valued with restrictions (i.e. title showing zoning for use only as an aged care facility), resulting in a much lower valuation. We acknowledged the inconsistency in financial reporting for the same asset but accepted both valuations (restricted and unrestricted) as they are currently permissible under the relevant accounting standard and DLGSC financial reporting framework.

Developer contributions – Accounting for cash in lieu of public open space

Issue

When subdividing residential land in WA, a minimum of 10% of the gross subdivisible area must be given up free of cost by the landowner for public open space. The landowner can make a cash payment to an entity in lieu of all or part of the public open space contribution, which must be agreed by the entity and approved by the Western Australian Planning Commission.

Amendments to section 154 of the *Planning and Development Act 2005* (PD Act) changed the accounting treatment for cash in lieu of public open space contributions received on or after 12 September 2020. Entities receiving any cash in lieu funds should now place them in a reserve account for each subdivision within the municipal account, in accordance with section 6.11 of the LG Act.

The account should clearly set out the purpose for which the money is held, the landholding from which it was obtained and the date on which it was paid to the entity. Section 154(3) of the PD Act also requires interest earned on any invested funds to be applied to the respective reserve account.

The DLGSC provided guidance to entities on the accounting treatment for cash in lieu received on or after 12 September 2020, from 10 April 2006 until 11 September 2020, and prior to 10 April 2006. One entity sought its own legal advice.



Source: [bmphotographer/shutterstock.com](https://www.shutterstock.com/author/bmphotographer)

Figure 5: Park and playground in a suburban area of Perth

What we found

While some entities were not prepared, the majority of affected entities accounted for the funds appropriately and complied with revised legislative requirements.

Some entities had differing treatments, for example:

- We noted that money paid to the City of Albany in lieu of open space, post 12 September 2020 and amounting to \$30,000, was not placed in a reserve account in accordance with section 6.11 of the LG Act. On being notified of the finding during the interim audit, the City rectified this as part of their annual procedures, had a newly created public open space reserve account endorsed by Council and correctly reported the received funds in the annual financial statements for the year ended 30 June 2021.
- The City of Cockburn, on obtaining legal advice, chose to adopt a different accounting treatment than recommended by the DLGSC. It accounted for all cash in lieu of public open space in the municipal fund, rather than some in trust and some in the municipal fund.
- We found the accounting for cash in lieu by the City of Greater Geraldton is classified in accordance with the PD Act, with an exception that funds amounting to \$378,000 should have been classified as trust rather than in reserves, as it was received between 10 April 2006 and 11 September 2020. We accepted this as reasonable and agreed with management on the classification of the funds.

Implementation of Service Concession Grantors Standard AASB 1059

Issue

Entities were required to apply a new standard, AASB 1059 *Service Concession Arrangements: Grantors*, for years beginning on or after 1 January 2020 (the 2020-21 reporting year). This standard is applicable to entities (grantors) that enter service concession arrangements with generally private sector operators.

It requires grantors to recognise a service concession asset and, where applicable, a service concession liability on the balance sheet. Alternatively, a service concession asset may result from the reclassification of an existing item of property, plant and equipment.

An arrangement within the scope of this standard typically involves an operator constructing the assets used to provide a public service or upgrading the assets (for example, by increasing their capacity) and operating and maintaining the assets for a specified period. Such arrangements are often referred to as public-private partnerships.

An example of a major service concession arrangement for WA local government is the Resource Recovery and Facility Agreement involving the Mindarie Regional Council, a regional entity, and its constituent member entities - the Cities of Perth, Stirling, Joondalup, Wanneroo and Vincent, and the Towns of Victoria Park and Cambridge.

Under this agreement the operator constructed and has the responsibility to manage the facility for the purpose of waste processing activities on behalf of the Mindarie Regional Council. The agreement was entered into for a 20-year term ending June 2030. On termination of the agreement, the Mindarie Regional Council would assume all rights and responsibilities in relation to the assets and liabilities of the Service Concession Arrangement.

What we found

For most entities there was no material impact to the financial statements in 2020-21.

Other changes to accounting standards

What we found

As we reported in November 2021⁵, the reporting of revenue and income by not-for-profit entities under AASB 15 and AASB 1058, which were applied from 1 July 2019, has brought challenges in interpretation and implementation. It is expected that the AASB will propose further guidance and examples in 2022 that have the potential to change current accounting practice.

PUBLIC ATTACHMENTS

⁵ Office of the Auditor General, [Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities](#), OAG, Perth, 2021, p 43.

Impact of emergencies

COVID-19

We have continued to note the impact of COVID-19 responses on entities' financial reporting processes and control environments. Part of our 2020-21 audits considered the impact faced by entities, given State and international border restrictions were in place during the financial year and in February, April and May 2021 the WA Government announced lockdowns and other restrictions in response to managing COVID-19 community transmission. Some of the impacts are summarised below.

Disruption of services and reduced revenue

Entities were faced with venue closures and restrictions for public and private gatherings resulting in event cancellations and reduced capacity. A few examples identified during our audits are listed below where entities experienced an impact to the community and disruption of services:

- City of Greater Geraldton – reported that Recreation and Culture income was down from \$4.2 million in the prior year to \$1.6 million in 2020-21 (62%). This decrease is mainly due to the recreation and culture sector being heavily impacted by COVID-19 restrictions including the stand down of theatre and events staff. The Queens Park Theatre was completely closed for the nine months to March 2021 with partial reopening from April to June 2021. All events and cultural projects at the City were either scaled back or not held due to State mandated restrictions.
- City of Melville – the City reported a 10% decrease in rates revenue for 2020-21 compared to the prior year. Rates concessions (approved by the Council in April 2020) applied in the 2020-21 budget under the COVID-19 Stimulus package amounted to approximately \$10 million. The City also reported a 56% decrease in interest earnings from \$4.4 million in the prior year to \$1.9 million in 2020-21. As part of section 6.45 of the LG Act modified under the Local Government (COVID-19 Response) Order 2020 to cushion ratepayers from the adverse economic effects of COVID-19, the City reduced interest rates to 2% on:
 - unpaid rates subject to an instalment program (previously 4%)
 - all unpaid rates and services (previously 8%)
 - unpaid underground power and streetscape charges (previously 4%).

This also led to a decrease in rates receivable balances at year end.

- The City of Rockingham – committed to a rate freeze for 2020-21 due to the COVID-19 pandemic. In addition, the City provided a concession totalling \$846,773. The concession was to ensure that residential properties were not charged more rates than they would have paid in 2019-20 due to the statutory Gross Rental Value revaluation the City was required to apply. The City also reduced interest rate charges on unpaid rates and other service charges and therefore reported a \$2.2 million (67%) decrease in interest earnings compared to the prior year. Payments by residents however have continued to be repaid in 2021 with a resulting effect of lower receivable balances compared to the prior year.
- City of Stirling – as part of the City's COVID-19 response in 2020-21, the Council committed to a one-off concession to ensure no ratepayer was asked to pay more than the previous year. The City also introduced rates smoothing in addition to its one, two

and four instalment options. In accordance with the Local Government (COVID-19 Response) Order 2020, the City did not charge

- interest where an owner selected to pay rates and service charges through an instalment option
- overdue interest to ratepayers with overdue rates and service charges.
- Shire of Harvey – reported a reduction in interest earnings from \$1.3 million in the prior year to \$395,000 in 2020-21 (69%) mostly due to the decrease in interest rates paired with a decrease in interest earnings from rates revenue due to rate relief from COVID-19.
- Shire of Ngaanyatjaraku – statutory environmental health functions such as food inspections were delayed as they were not deemed to be an essential service by the WA Police Force and G2G passes were not approved for the visiting environmental health officer. Indoor sport and recreation activities were cancelled and program changes were made to enable limited activities to provide food and essential services in compliance with COVID-19 directions.

Entities' expenses for directly managing the impact of COVID-19

Differentiating between COVID-19 specific expenditure and normal expenditure was difficult as entities generally did not separately account for these expenses. In general, entities did not report incurring any significant expenditure as potential extra expenses were offset by savings elsewhere. Some interesting examples are noted below:

- Shire of Broome – the Shire's current three year COVID-19 recovery plan focuses on significant infrastructure projects. The State and Commonwealth Governments have co-invested in most of these projects. The intent of the projects is to reinvigorate the region and stimulate the local economy (e.g. jobs and tourism) which will assist in COVID-19 recovery.
- Shire of Denmark – the Shire experienced challenges in securing contractors and equipment from interstate and intrastate due to COVID-19 restrictions. Cost of contractors, materials and supplies has risen on average 20% over the past 12 months. Due to significant increases in available State and Commonwealth funding, it is increasingly difficult to secure available contractors to complete works within funding condition timeframes. The impact of COVID-19 has fast-tracked the Shire to implement more services and application processes online for the community to access.
- Shire of Dowerin – while the financial impact of COVID-19 on the Shire was minimal throughout 2020-21, additional resources were allocated including:
 - staff resources to keep up-to-date with relevant information and mandates
 - preparing and implementing the Shire's COVID-19 plan and working-from-home processes
 - increased community communication and engagement
 - additional cleaning.

The Shire had also experienced delays in completion of road construction and building projects due to contractors not being available and an increased cost of materials, freight and contractors.

- Shire of Gnowangerup – the main impact for the Shire includes significantly reduced availability of contractors, particularly building-related trades, and reduced availability of

vehicles. This has impacted the Shire's ability to complete projects within timeframes and budgets. Some capital expenditure items in the current year budget will carry over to the new financial year as a result.

Stimulus or initiatives administered by entities

Below are some examples where entities played a role in distributing funds and providing relief to their communities in 2020-21:

- City of Gosnells – the City reported \$1.4 million in COVID-19 concessions for ratepayers and relief for lessees.
- City of Greater Geraldton – the City offered rent relief to some tenants who were badly affected by the pandemic. The rent relief was in line with the *Commercial Tenancies (COVID-19 Response) Act 2020* and was available to tenants that had experienced a reduction of revenue of at least 30% over the previous year. The relief was in two parts: a portion of the rent was to be waived and another portion was to be deferred.
- City of Kalamunda – a COVID-19 Crisis Relief Fund reserve was established by the City at the beginning of the financial year of \$1 million to provide innovation grants of up to \$5,000 and \$1,000 rate relief to each eligible ratepayer. However, only \$216,000 was paid out during the year to 30 June 2021. The balance of the fund was returned to the City's bank account and the Crisis Relief Fund reserve was closed with the Council's approval. The City also offered a total of \$22,000 in rates exemptions under its COVID-19 financial hardship policy for the year ended 30 June 2021.
- City of Karratha – the City received a one-off contribution of \$1 million from Rio Tinto for COVID-19 recovery which was used to support the City's business and community funding packages. This included Try Local Vouchers, sporting group grants, tourism operator incentives, health fee waivers, business grants and Meet the Street funding. In addition, the City provided a number of other COVID-19 business and community support initiatives such as a freeze on rate and fee increases, deferral of rate collection, financial hardship support and lease fee relief.
- City of Subiaco – in response to the pandemic, the City resolved through its annual budget 2020-21 to provide a one-off contribution of \$2 million against total rates levied. This contribution was funded through a transfer from the Capital Investment Reserve. The \$2 million contribution to rates was applied proportionately to the number of rates levied per property, including properties paying minimum rates.
- Shire of Dalwallinu – the Shire adopted a financial hardship policy during 2019-20 to assist the community members who may have been affected by the COVID-19 pandemic. This policy was amended during 2020-21 to also include other unexpected items that may result in payment difficulties.
- Shire of Dandaragan – the Shire implemented a range of measures to respond to the challenges of COVID-19 including removing or heavily discounting interest charges on rates and debts, deferring community group loans and providing \$5,000 cash grants to community groups to enhance their facilities. A significant increase in infrastructure investment was undertaken targeting civil works that could employ the local workforce, in particular deckhands, who were impacted by disruption to the crayfishing industry. A COVID-19 community building program was established to support those at high risk including seniors, people with a disability or underlying health issue, people from culturally and linguistically diverse backgrounds, and indigenous people. The Shire also developed a COVID-19 webpage providing information and tools for its community such as the COVID-Readiness Household Plan.

Future potential effect of COVID-19

As responses to COVID-19 continue to impact well beyond this reporting period and constrain the functions and responsibilities of entity operations, the risk increases that other critical areas may not receive the focus or priority they deserve. We encourage staff and management to be mindful of gaps where more visible financial and operational controls may cease to operate effectively, including in altered work arrangements such as staff working from home.

Cyclone Seroja

On 11 April 2021, Cyclone Seroja intensified into a category 3 tropical cyclone and crossed the WA coast just south of Kalbarri. Impacts to Kalbarri and the nearby town of Northampton were severe, with many locations recording maximum wind gusts more than 170 km/h. Many buildings and roads sustained significant structural damage or were destroyed. An emergency situation was declared at 3.50 pm on 11 April for 45 local government areas. Services were disrupted, facilities were closed and significant damage occurred to critical infrastructure. Secondary impacts included loss of power and communications for an extended period, and a primary focus for affected communities on repair and recovery.

Examples of the financial implications arising from this emergency event in the region are as follows:

- Shire of Mingenew – at its May 2021 Ordinary Council Meeting, Council voted unanimously to waive a range of building and planning application fees to assist those impacted to rebuild, and waived some planning requirements for temporary buildings at its August 2021 Ordinary Meeting.
- Shire of Northampton – cyclone damage led to a write-down of Property, Plant and Equipment of \$1.1 million and Infrastructure of \$178,000 for the 2020-21 financial year. Additional funding of \$500,000 was received from the Local Government Insurance Scheme for operational repairs, and materials and contracts costs increased by \$1 million from \$2.3 million in the prior year to \$3.3 million in 2020-21 due to additional work required to restore the Shire's townsites.
- Shire of Chapman Valley – damages to the Shire's assets were not extensive. However, the cyclone impacted staff resources due to time taken away from core business to attend to local recovery initiatives. During the financial year the Shire restored some properties and certain work had to be carried forward to financial year 2021-22.
- City of Greater Geraldton arranged additional resources immediately following the cyclone to aid clean-up efforts. The City also spent more than \$500,000 on clearing vegetation and concentrated on rural road maintenance and removing and mulching fallen vegetation.
- Shire of Morawa experienced 202 requests for emergency welfare assistance, with 104 homes damaged and 23 primary producer properties impacted. The council spent \$141,962 in the immediate response to the cyclone with the majority being for the clearing of roads, removing fallen trees and town clean-up.

Opportunities for the DLGSC to improve the efficiency of financial reporting

Our audits have once again highlighted the need for the DLGSC to provide centralised professional support to assist entities to fulfil their financial reporting requirements. We have previously raised the need for the DLGSC to provide professional advice on preparing for changes in accounting standards and legislation. This would be both financially beneficial and time efficient for all entities. This section includes updated information on the steps the DLGSC is taking to enhance financial reporting, reduce complexity and costs, and enable improved governance. It is important to note that while some of these issues may relate to all entities, others may only be applicable to some.

Quality and timeliness

In 2019-20, and in prior reports, we reported that many entities would benefit from centralised support from the DLGSC similar to that provided to State government entities by the Department of Treasury through the Treasurer's Instructions. This would help to improve the overall quality of the sector's financial reports and also reduce the reporting burden on smaller entities. We identified the need for actions such as:

- decluttering entities' financial reports
- implementing tiered reporting for entities that differ in the size or complexity of their operations
- providing a model financial report with current sample notes
- providing technical and accounting standards support to entities through a help desk.

Further, we suggested the DLGSC's support should pursue timely regulation amendments and provide suitable guidance to assist entities to update their accounting practices. This would help ensure that their future reporting is compliant with all current accounting standards and improve the financial report framework.

While our Office produced the *Western Australian Public Sector Financial Statements – Better Practice Guide* to assist entities to implement better practices for more efficient and timely financial reporting, centralised assistance offered by the DLGSC will achieve consistency, improve financial reporting standards and could offer practical accounting assistance.

Response from the DLGSC

DLGSC has made significant progress towards addressing the recommendations via its local government model financial statements project which commenced in September 2021. DLGSC expects to fully address all recommendations by the end of financial year 2022-23. This has been largely driven by DLGSC's commitment to deliver efficiencies and better financial reporting outcomes for the local government sector. As a result, DLGSC has met and is on track to meet several critical milestones, including:

- delivery of the first tranche of decluttered financial reports for 2021-22 by 1 July 2022. The required amendments to the FM Regulations and LG Audit Regulations were gazetted on 17 June 2022
- delivery of a further second tranche of decluttered financial reports for 2022-23 by 28 April 2023
- implementing reduced financial reporting for smaller entities for the financial year 2022-23, onwards
- providing model financial statements templates with guidelines for the financial year 2022-23, onwards
- providing technical and accounting standards support from June 2022 via a dedicated email support line.

Review of financial ratios

We are required by Regulation 10(3)(a) of the LG Audit Regulations to report 'any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government'.

It has been our view since becoming the auditor for the sector that the annual financial report audit does not provide the opportunity for a thorough assessment of any adverse trends that may be apparent from the ratios. We have also previously supported the need for the DLGSC to develop more thorough and balanced performance assessment criteria to replace the existing reporting and audit of seven financial ratios and any adverse trends in these ratios.

In 2019-20, we also reported that the Western Australian Local Government Association (WALGA) had recommended changes to the ratios in its Local Government Financial Ratios Report provided to the WALGA State Council Meeting on 5 May 2021. The report included recommendations for prescribed ratios and other financial reporting related matters. Along with ratio changes, the group also recommended the DLGSC prepare a model set of financial statements and annual budget statements in consultation with the local government sector.

Response from the DLGSC

The DLGSC has taken on board the OAG's views and recognised the contributions of key stakeholders in respect of the financial ratios and their intended purpose and outcomes. The DLGSC's approach to financial reporting of ratios has been largely underpinned by the OAG recommendations and the need to bring local government financial reporting in line with better practice frameworks.

While the DLGSC has taken action to remove the reporting of financial ratios from the 2021-22 annual financial report, and the audit reporting of significant adverse trends and attestation of ratios, it is still committed to ensuring reliable information on local government financial and sustainability measures is available.

The DLGSC is undertaking a comprehensive review of the current financial health indicator, taking into consideration WALGA's Financial Ratios Working Group recommendations. The review will assess the appropriateness of the current financial ratios and recommend a set of financial and sustainability measures that are evidence based and fit for purpose. This will then inform the information reported via the MyCouncil website.

The Western Australian Treasury Corporation (WATC) was engaged in late March 2022 to undertake a review of the financial health indicator to identify the most appropriate ratios to underpin it. A stakeholder group consisting of WATC, the DLGSC, WALGA, LG Professionals WA and a local government finance consultant has been established to help inform the review. Targeted stakeholder engagement is to be undertaken in due course for input and feedback on the proposed ratios and methods used to underpin the new financial health indicator.

The scope prepared for WATC requests that a report and new financial health indicator product is provided to the DLGSC by 31 August 2022. The DLGSC will then review the outcomes of the report before implementing the changes for the MyCouncil website in 2023.

Reduced disclosure reporting by entities

The quantity of information that is reported in the annual financial reports of entities is onerous and exceeds that reported by most State government entities. Entities also include several disclosures that are not common practice in other Australian states. This contributes to the time and cost to prepare and audit annual financial reports.

In 2019-20, we reported that opportunities still exist to introduce a tiered reporting structure and reduce the amount of detail in entity financial reports without impacting the usefulness and completeness for users. While the FM Regulations do not provide entities as much opportunity to reduce financial report disclosures as State government entities, we continue to encourage efforts to streamline financial framework obligations, particularly for small and medium sized entities, wherever it does not impair accountability and transparency.

Response from the DLGSC

The DLGSC fully recognises the need for tiered reporting based on complexity and size of entities, while still meeting the needs of the users of financial reports. The DLGSC has developed model financial statement templates based on Salaries and Allowances Tribunal banding.

The model financial statement template for Band 1 and 2 entities significantly reduces the existing level of disclosures required to be audited. Our recommendations to the Parliamentary Select Committee into Local Government have largely guided the DLGSC in the removal of the disclosures.

The Band 3 and 4 entity model financial statement template is also streamlined and removes further disclosures without compromising the accountability and transparency of financial reporting. The DLGSC has been working closely with the OAG to ensure critical information and compliance with Accounting Standards is retained. After sector consultation, it was agreed that the model financial statements for both Band 1 and 2, and Band 3 and 4 should be introduced from the 2022-23 financial year onwards.

Local Government Regulations Amendment (Financial Management and Audit) Regulations 2022

The first component of regulatory amendments to enable the model financial statements, the *Local Government Regulations Amendment (Financial Management and Audit) Regulations 2022*, were gazetted on 17 June 2022.

Key changes which are welcomed by our Office include the removal of the requirement for an annual financial report by an entity to include:

- financial ratios
- an auditor's opinion on financial ratios, significant adverse trends and matters of non-compliance.

The changes made to the FM Regulations will reduce local government reporting requirements and the scope of audit reports and come into effect from 1 July 2022. As some 2021-21 audits are still in train, transitional provisions apply to financial reports in relation to 30 June 2021 whose audits are yet to be finalised.

Recommendation







4. The Department of Local Government, Sport and Cultural Industries should continue to work with local government stakeholders towards the introduction of model financial statements for the 2022-23 financial year.

































Appendix 1: Status and timeliness of 2020-21 audits

We completed 132 of the 148 audits for 2020-21 by 30 June 2022. All entities are listed in alphabetical order below, as well as the type of audit opinion they received, when they received it and the timeliness of providing their financial statement to us for audit.

Timeliness of financial statements does not indicate quality. Roughly half of the entities' financial statements submitted to us for audit were not of a reasonable standard and required revisions or adjustments due to errors or disclosure requirements not being met. In some cases more than a dozen versions of financial statements were submitted to our audit teams, with changes or availability of staff or information also impacting timelines. More information on issues around quality and timeliness is provided on pages 14 and 15.

Key

Type of audit opinion		Financial statement (FS) timeliness	
Clear opinion		Received by the statutory deadline of 30 September 2021	
Clear opinion with emphasis of matter		Extension to the statutory deadline was granted and met	
Qualified or a disclaimer of opinion		Extension or statutory deadline was not met	
















Entity	Type of opinion	Opinion issued	FS timeliness
Bunbury-Harvey Regional Council		14/12/2021	
City of Albany		3/12/2021	
City of Armadale		15/03/2022	
City of Bayswater	Audit in progress		
City of Belmont		17/02/2022	
City of Bunbury		7/12/2021	
City of Busselton		15/11/2021	
City of Canning		30/11/2021	
City of Cockburn		30/11/2021	
City of Fremantle	Audit in progress		
City of Gosnells		10/12/2021	
City of Greater Geraldton		9/12/2021	
City of Joondalup		14/12/2021	
City of Kalamunda		22/11/2021	
City of Kalgoorlie-Boulder		4/05/2022	
City of Karratha		8/03/2022	
City of Kwinana		9/12/2021	

Entity	Type of opinion	Opinion issued	FS timeliness
City of Mandurah		17/12/2021	
City of Melville		9/12/2021	
City of Nedlands		30/11/2021	
City of Perth		23/03/2022	
City of Rockingham		23/11/2021	
City of South Perth		19/11/2021	
City of Stirling		23/12/2021	
City of Subiaco		17/11/2021	
City of Swan		24/11/2021	
City of Vincent		15/12/2021	
City of Wanneroo		17/12/2021	
Eastern Metropolitan Regional Council		17/11/2021	
Mindarie Regional Council		14/01/2022	
Murchison Regional Vermin Council		22/11/2021	
Pilbara Regional Council		28/04/2022	
Rivers Regional Council		30/09/2021	
Shire of Ashburton	Audit in progress		
Shire of Augusta-Margaret River		6/12/2021	
Shire of Beverley		22/02/2022	
Shire of Boddington		7/04/2022	
Shire of Boyup Brook	Audit in progress		
Shire of Bridgetown-Greenbushes		23/11/2021	
Shire of Brookton		30/03/2022	
Shire of Broome		3/12/2021	
Shire of Broomehill-Tambellup	Audit in progress		
Shire of Bruce Rock		16/12/2021	
Shire of Capel		3/03/2022	
Shire of Carnamah		12/04/2022	
Shire of Carnarvon	Audit in progress		
Shire of Chapman Valley		7/12/2021	

Entity	Type of opinion	Opinion issued	FS timeliness
Shire of Chittering		18/02/2022	
Shire of Christmas Island		14/03/2022	
Shire of Cocos (Keeling) Islands		8/04/2022	
Shire of Collie		16/02/2022	
Shire of Coolgardie		17/12/2021	
Shire of Coorow		10/03/2022	
Shire of Corrigin		16/12/2021	
Shire of Cranbrook		9/12/2021	
Shire of Cuballing		22/12/2021	
Shire of Cue		6/05/2022	
Shire of Cunderdin		18/02/2022	
Shire of Dalwallinu		16/12/2021	
Shire of Dandaragan		16/12/2021	
Shire of Dardanup		8/12/2021	
Shire of Denmark		2/12/2021	
Shire of Derby-West Kimberley	Audit in progress		
Shire of Donnybrook-Balingup		23/02/2022	
Shire of Dowerin		17/02/2022	
Shire of Dumbleyung		17/03/2022	
Shire of Dundas		6/04/2022	
Shire of East Pilbara		30/03/2022	
Shire of Esperance		10/11/2021	
Shire of Exmouth		17/11/2021	
Shire of Gingin		29/06/2022	
Shire of Gnowangerup		22/12/2021	
Shire of Goomalling	Qualified	22/12/2021	
Shire of Halls Creek		18/03/2022	
Shire of Harvey		20/12/2021	
Shire of Irwin		28/03/2022	
Shire of Jerramungup		14/12/2021	
Shire of Katanning		21/12/2021	

Entity	Type of opinion	Opinion issued	FS timeliness
Shire of Kellerberrin	✓	8/12/2021	🕒
Shire of Kent	✓	15/03/2022	🕒
Shire of Kojonup	✓	17/06/2022	🕒
Shire of Kondinin	✓	21/12/2021	🕒
Shire of Koorda	✓	25/02/2022	🕒
Shire of Kulin	✓	23/02/2022	🕒
Shire of Lake Grace	✓	18/03/2022	🕒
Shire of Laverton	✓	17/02/2022	🕒
Shire of Leonora	✓	8/12/2021	🕒
Shire of Manjimup	✓	29/11/2021	🕒
Shire of Meekatharra	⚠	3/12/2021	🕒
Shire of Menzies	✓	15/12/2021	🕒
Shire of Merredin	Audit in progress		🕒
Shire of Mingenew	⚠	10/12/2021	🕒
Shire of Moora	Audit in progress		🕒
Shire of Morawa	✓	21/12/2021	🕒
Shire of Mount Magnet	✓	4/03/2022	🕒
Shire of Mount Marshall	✓	6/12/2021	🕒
Shire of Mukinbudin	✓	17/12/2021	🕒
Shire of Mundaring	✓	10/12/2021	🕒
Shire of Murchison	Audit in progress		🕒
Shire of Murray	✓	15/02/2022	🕒
Shire of Nannup	✓	18/02/2022	🕒
Shire of Narembeen	✓	15/12/2021	🕒
Shire of Narrogin	✓	22/12/2021	🕒
Shire of Ngaanyatjarraku	✓	30/11/2021	🕒
Shire of Northam	✓	7/12/2021	🕒
Shire of Northampton	✓	17/12/2021	🕒
Shire of Nungarin	✓	16/12/2021	🕒
Shire of Peppermint Grove	✓	22/12/2021	🕒
Shire of Perenjori	✓	7/04/2022	🕒

Entity	Type of opinion	Opinion issued	FS timeliness
Shire of Pingelly		17/12/2021	
Shire of Plantagenet		16/12/2021	
Shire of Quairading		17/02/2022	
Shire of Ravensthorpe	Audit in progress		
Shire of Sandstone	Qualified	31/05/2022	
Shire of Serpentine-Jarrahdale		22/12/2021	
Shire of Shark Bay		5/04/2022	
Shire of Tammin		7/12/2021	
Shire of Three Springs		22/03/2022	
Shire of Toodyay	Audit in progress		
Shire of Trayning		23/11/2021	
Shire of Upper Gascoyne		11/11/2021	
Shire of Victoria Plains		23/03/2022	
Shire of Wagin		10/11/2021	
Shire of Wandering		22/12/2021	
Shire of Waroona		22/12/2021	
Shire of West Arthur		2/03/2022	
Shire of Westonia		16/12/2021	
Shire of Wickepin		9/03/2022	
Shire of Williams		18/11/2021	
Shire of Wiluna	Audit in progress		
Shire of Wongan-Ballidu		21/12/2021	
Shire of Woodanilling	Audit in progress		
Shire of Wyalkatchem		19/11/2021	
Shire of Wyndam-East Kimberley		22/02/2022	
Shire of Yalgoo	Audit in progress		
Shire of Yilgarn		16/12/2021	
Shire of York		16/12/2021	
Southern Metropolitan Regional Council		15/12/2021	
Tamala Park Regional Council		14/10/2021	
Town of Bassendean		15/12/2021	

Entity	Type of opinion	Opinion issued	FS timeliness
Town of Cambridge	Audit in progress		
Town of Claremont		22/12/2021	
Town of Cottesloe		16/12/2021	
Town of East Fremantle		14/12/2021	
Town of Mosman Park		3/12/2021	
Town of Port Hedland		9/12/2021	
Town of Victoria Park		20/01/2022	
Western Metropolitan Regional Council		18/10/2021	

Source: OAG

PUBLIC ATTACHMENTS

Appendix 2: 2019-20 disclaimers of opinion

Entity and opinion	Opinion issued
<p>Shire of Wiluna – Disclaimer of opinion</p> <p>It has not been possible to obtain sufficient appropriate audit evidence on the books and records of the Shire. This lack of evidence arises from numerous significant deficiencies in the internal controls implemented by the Shire and, in some cases, the necessary records not being adequately maintained.</p> <p>As a result of this matter, we are unable to determine if any adjustments might have been found necessary to the elements making up the Statement of Financial Position as at 30 June 2020, Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended and related notes and disclosures.</p> <p>A qualified opinion was also issued for the year ended 30 June 2019 on the completeness of bank accounts for that year because we were unable to obtain a bank confirmation from a financial institution where at least one account was held for that year.</p>	22/12/2021
<p>Shire of Yalgoo – Disclaimer of opinion</p> <p>We were unable to obtain sufficient appropriate audit evidence on the books and records of the Shire. This lack of evidence arises from numerous significant deficiencies in the internal controls implemented by the Shire and in some cases the necessary records not being maintained.</p> <p>As a result of this matter, we are unable to determine if any adjustments might have been found necessary to the elements making up the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, related notes and disclosures and the Statement by the Chief Executive Officer.</p>	3/03/2022

Source: OAG

Appendix 3: 2020-21 qualified opinions

Entity and opinion	Opinion issued
<p>Shire of Goomalling – Qualified opinion</p> <p>The Shire of Goomalling was issued a qualified opinion as the Shire’s infrastructure assets were last valued in June 2015 for roads, drainage and footpaths and June 2016 for sewerage and other infrastructure. Because these infrastructure assets have not been revalued with sufficient regularity or in accordance with Regulation 17A(4)(b) of the FM Regulations, we were unable to determine if infrastructure assets reported in Note 9 of the annual financial report at \$43,394,718 and \$38,841,166 at 30 June 2021 and 30 June 2020 respectively are stated at fair value in the Statement of Financial Position.</p> <p>Additionally, we were unable to determine where there may be any consequential impact on the related balances, amounts and disclosures of depreciation on non-current assets, revaluation surplus in the Statement of Financial Position and Statement of Comprehensive Income and Note 19 Total Assets Classified by Function and Activity, or if any adjustments to these amounts are necessary.</p> <p>We also issued a qualified opinion for the year ended 30 June 2020 in relation to this matter.</p>	22/12/2021
<p>Shire of Sandstone – Qualified opinion</p> <p>The Shire of Sandstone was issued a qualified opinion as the Shire’s roads and footpaths infrastructure, reported at values as at 30 June 2021 of \$37,755,629 (2020: \$36,803,492) and \$71,845 (2020: \$75,711) respectively in Note 9 of the annual financial report, were last valued in June 2014. Because the assets have not been revalued with sufficient regularity or in accordance with Regulation 17A(4)(b) of the FM Regulations, we were unable to determine if infrastructure as at 30 June 2021 of \$39,718,887 (2020: \$38,820,445) in the Statement of Financial Position is fairly stated. Additionally, we were unable to determine if any adjustments are necessary to the related balances and disclosures of revaluation surplus in the Statement of Financial Position and Statement of Changes in Equity and Note 11, Other Comprehensive Income in the Statement of Comprehensive Income and Note 17 Total Assets Classified by Function and Activity, as it was impracticable to do so.</p> <p>We also issued a qualified opinion for the year ended 30 June 2020 in relation to this matter.</p>	31/05/2022

Source: OAG

Appendix 4: Emphasis of matter paragraphs included in auditor's reports

The following list describes the matters that we highlighted through EoM paragraphs in 2021 audit reports:

Entity	Description of emphasis of matter paragraphs
City of Bunbury	Recording of joint venture – The City's opinion draws attention to Note 25 to the financial statements which states that the City's equity share in the Investment in Associate is still being negotiated and therefore cannot be reliably estimated at this time. Consequently, the investment is not currently reflected in the financial statements. The opinion is not modified in respect of this matter.
City of Busselton	Restatement of comparative balances – Our EoM draws attention to the City's Note 33 to the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
City of Joondalup	Associate entity restatement and guarantee payment – Note 23 of the financial report (a) discloses the 2020 financial impact of the initial application of accounting standards AASB 1059 from the associate entity and (b) discloses a guarantee payment made by the City subsequent to the reporting date. The opinion is not modified in respect of this matter.
City of Kalgoorlie-Boulder	Restatement of comparative balances – The opinion draws attention to Note 34 to the financial report which states that the amounts reported in the previously issues 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
City of Perth	Associate entity restatement and guarantee payment – Note 32 of the financial report which (a) discloses the 2020 financial impact of the initial application of accounting standards AASB 1059 from the associated entity and (b) discloses a guarantee payment made by the City subsequent to reporting date. The opinion is not modified in respect of this matter.
City of Stirling	Associate entity restatement and guarantee payment – The City's opinion draws attention to Note 26 of the financial report which (a) discloses the 2020 financial impact of the initial application of accounting standards AASB 1059 from the associate entity and (b) discloses a guarantee payment made by the City subsequent to reporting date. The opinion is not modified in respect of this matter.
City of Vincent	Events occurring after the end of the reporting period – The City's opinion included an EoM drawing attention to Note 30 of the financial report, which discloses a payment made by the City subsequent to the reporting period. The opinion is not modified in respect of this matter. Restatement of comparative balances – The City's Opinion also includes an EoM drawing attention to Note 32 of the financial report which states that the amounts reported in the

Entity	Description of emphasis of matter paragraphs
	previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
City of Wanneroo	Associate entity restatement and guarantee payment – The City’s opinion draws attention to Note 38 of the annual financial report, which discloses (a) the 2020 financial impact of the initial application of accounting standard AASB 1059 from the associate and (b) a guarantee payment made by the City subsequent to reporting date. The opinion is not modified in respect of this matter.
Mindarie Regional Council	Contingent liability – The Council’s opinion included an EoM drawing attention to Note 34 which disclosed a contingent liability relating to the Tamala Park Waste Management Facility site. The opinion is not modified in respect of this matter.
Pilbara Regional Council	Basis of accounting – The Council’s opinion draws attention to Note 1(a) of the annual financial report, which discloses that the Council has decided to wind up. Consequently, the annual financial report has been prepared on a liquidation basis. The opinion is not modified in respect of this matter.
Rivers Regional Council	Basis of accounting – The Council’s opinion draws attention to Note 1(a) of the annual financial report, which discloses that the Council has decided to wind up after ministerial approval is received for the formation of a regional subsidiary. Consequently, the annual financial report has been prepared on a liquidation basis. The opinion is not modified in respect of this matter.
Shire of Carnamah	Restatement of comparative balances – The Shire’s opinion draws attention to Note 24 (correction of error) and subsequently Note 27 (financial ratios) to the financial report which states that the amounts reported in the previously issued 30 June 2020 (including comparative figures) financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Christmas Island	Restatement of comparative balances – The Shire’s opinion draws attention to Note 29 of the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Cocos (Keeling) Islands	Restatement of comparative balances – The Shire’s opinion draws attention to Note 25 of the financial report which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Coorow	Restatement of comparative figures – The Shire’s opinion draws attention to Note 31 to the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.

Entity	Description of emphasis of matter paragraphs
Shire of East Pilbara	Restatement of comparative figures – The Shire’s opinion draws attention to Note 29 of the financial report which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Gingin	Restatement of comparative figures – The EoM paragraph draws attention to Note 30 to the financial statements which states that the amounts reported in the previously issued 30 June 2020 annual financial report have been restated and disclosed as comparatives in this annual financial report. The opinion is not modified in respect of this matter.
Shire of Halls Creek	Restatement of comparative balances – The Shire’s opinion draws attention to Note 26 to the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Harvey	Recording of joint venture – The EoM paragraph draws attention to Note 26 to the financial statements which states that the Shire’s equity share in the Investment in Associate is still being negotiated and therefore cannot be reliably estimated at this point of time. Consequently, the investment is not currently reflected in the financial statements. The opinion is not modified in respect of this matter.
Shire of Meekatharra	Basis of accounting – The EoM paragraph draws attention to Note 1 to the financial report, which describes the basis for accounting. The financial report has been prepared for the purpose of fulfilling the Shire’s financial reporting responsibilities under the Act. Regulation 17A of the FM Regulations requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 Leases which would have required the entity to measure the vested improvements also at zero cost. The opinion is not modified in respect of this matter.
Shire of Mingenew	Basis of accounting – The Shire’s opinion included an EoM drawing attention to Note 28 of the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Plantagenet	Restatement of comparative balances – The Shire’s opinion draws attention to Note 29 to the financial statements which states that the amounts reported in the previously issued 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Tamala Park Regional Council	Basis of accounting – The Council’s opinion draws attention to Notes 1 and 10 to the financial report, which describes the basis for accounting. The financial report has been prepared for the purpose of fulfilling the Council’s financial reporting responsibilities under the Act. Regulation 17A of the

Entity	Description of emphasis of matter paragraphs
	<p>FM Regulations requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 Leases which would have required the entity to measure the vested improvements also at zero cost. The opinion is not modified in respect of this matter.</p>
<p>Town of Victoria Park</p>	<p>Basis of accounting – The Town’s opinion draws attention to Note 36 of the annual financial report, which (a) discloses the 2020 financial impact of the initial application of accounting standards AASB 1059 from the associate entity and (b) discloses a guarantee payment made by the Town subsequent to reporting date. The opinion is not modified in respect of these matters.</p>

Source: OAG

PUBLIC ATTACHMENTS

Appendix 5: Material matters of non-compliance with legislation

Issue	Finding
Financial ratios not reported	<p>Twenty-eight entities did not report the Asset Renewal Funding Ratio, mostly for the three years, 2020, 2019 and 2018, in their annual financial report as required by FM Regulation 50(1)(c). Reasons for non-reporting included:</p> <ul style="list-style-type: none"> • management had not updated the asset management plan for a number of years • planned capital renewals and required capital expenditures were not estimated as required to support the long term financial plan and asset management plan respectively • management could not confirm the reliability of the available information on planned capital renewals and required capital expenditure • information on planned capital renewals and required capital expenditure over a 10 year period was not available.
Quotes not obtained or no evidence retained	<p>At 22 entities there was inadequate or no evidence that enough quotations were obtained to test the market and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement and/or favouritism of suppliers.</p>
Controls over accounting journal entries	<p>At 13 entities we found that accounting journal entries were often posted to the financial ledger with no evidence of independent review and approval by another person. Accounting journals can represent significant adjustments to previously approved accounting transactions and could result in, for example, one type of expenditure being re-coded to another type of expenditure. If not closely controlled, unauthorised journals could result in errors in financial reports or fraud. Journals should therefore be subject to independent review.</p>
Financial management review not completed	<p>At 13 entities the Financial Management Review was not completed every three years as required by Regulation 5(2)(c) of the FM Regulations.</p> <p>This regulation requires the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report those reviews to the local government.</p>
Masterfile changes and access	<p>At 12 entities changes made to the supplier master files were not independently reviewed and approved by a staff member. This increases the risk of unauthorised changes to key information and may make fraud or error more difficult to detect.</p>
Bank reconciliation process incomplete	<p>At 12 entities bank reconciliation processes of their municipal, reserve and/or trust account were not prepared, had long</p>

Issue	Finding
	outstanding unreconciled items and/or there was no independent review by management.
Procurement without purchase orders	At seven entities purchase orders were not prepared or were prepared after the suppliers' invoices were received.
No fixed asset reconciliation	At seven entities monthly reconciliations of fixed assets were not completed for the majority of the financial year. This increased the risk of misstatements, fraud and errors not being detected in a timely manner.
Payroll and human resources findings	<p>Several findings of payroll and employment non-compliance were also reported at seven entities. Some examples include:</p> <ul style="list-style-type: none"> • a lack of segregation of duties as the staff member preparing the payroll and entering new employees into the system is also the first authoriser of payroll payments through the shire's bank account, increasing the risk of unauthorised or fraudulent transactions • payroll reconciliations not performed regularly to reconcile the payroll report to the general ledger • no formal policy or procedure in place to remove user access on termination of staff. This could lead to inappropriate access to shire information and possible financial loss to the shire if not addressed.
Procurement without appropriate segregation of duties	At five entities we identified the same officer requisitioned, approved and raised the purchase order then also approved the associated invoice payment for a significant proportion of sampled purchase transactions.
Review not performed of risk management, internal control and legislative compliance	At four entities a review of systems and procedures in relation to risk management, internal control and legislative compliance was not completed at least once every three years as required by LG Audit Regulation 17.
Depreciation	Three entities did not have adequate controls to determine if depreciation was being correctly calculated and recorded for certain infrastructure assets. This increased the risk of expenses being understated and assets being overstated.
Accessed monies in reserve to fund operations	At one entity, a review of the cash and cash equivalents account revealed that the entity has accessed monies in reserve accounts to fund its operations. This is a breach of section 6.11(2)(a) of the LG Act, which requires the entity to give one month's local public notice if the money in a reserve account is proposed to be used for another purpose.
Procurement without tender	At one entity, we identified no public tenders were invited for a contract with the value above \$250,000 as required by section 11(1) of the Local Government (Functions and General) Regulations 1996. This increases the likelihood of not receiving value for money in procurement, and/or favouritism of suppliers.
Records not presented to Council meetings as required by FM Regulations	At one entity the statements of financial activity for the months of October and December 2020 were not prepared and presented to Council as required by section 6.4 of the LG Act and Regulation 34(1) of the FM Regulations.

Issue	Finding
<p>Other procurement and miscellaneous findings</p>	<p>We reported other instances of non-compliance with procurement policies and procedures such as:</p> <ul style="list-style-type: none"> • credit card transactions were not separately listed in the payments submitted to council each month as required by Regulation 13(1) of the FM Regulations. We also found an instance where staff allocated a credit card did not sign the credit card acknowledgement form prior to using the card • insufficient documentation to demonstrate and evidence the on-going management of contract progress and supplier performance from contract award through to completion for its infrastructure projects • at one entity the purchasing policy is silent on declaring conflicts of interest in relation to open tenders. It has also not been reviewed since 2011. This entity's buying goods and service's manual, supporting the purchasing policy, has not been reviewed since 2012 • non-compliance with the <i>Unclaimed Money Act 1990</i> that requires monies over \$100 be transferred to the Department of Treasury if they have been held for six years without being returned to owners.
<p>General computer control findings</p>	<p>In depth findings of our information system audits at a selection of 45 entities are detailed in our <i>Information Systems Audit Report 2022 - Local Government Entities</i>, Report 22, tabled on 28 June 2022.</p> <p>In 2020-21, we reported 358 control weaknesses to 45 entities. Ten percent (37) of these rated as significant and 71% (254) as moderate. As these weaknesses could significantly compromise the confidentiality, integrity and availability of information systems, the entities should act promptly to resolve them.</p>

Source: OAG

Appendix 6: Certifications issued

In addition to annual auditor's reports, some entities needed to acquit moneys received from other sources under grant agreements or other legislation. We issued the following 275 certifications on statements of income and expenditure of entities, to help them discharge their financial reporting obligations, some being for Commonwealth grants.

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
City of Albany	28/10/2021	29/10/2021
City of Armadale	16/11/2021	16/11/2021
City of Bayswater	29/10/2021	In progress
City of Belmont	26/10/2021	26/10/2021
City of Bunbury	29/10/2021	29/10/2021
City of Busselton	25/10/2021	26/10/2021
City of Canning	28/10/2021	28/10/2021
City of Cockburn	28/10/2021	29/10/2021
City of Fremantle	27/10/2021	In progress
City of Gosnells	29/10/2021	29/10/2021
City of Greater Geraldton	28/10/2021	28/10/2021
City of Joondalup	25/10/2021	26/10/2021
City of Kalamunda	26/10/2021	29/10/2021
City of Kalgoorlie-Boulder	21/03/2022	23/02/2022
City of Karratha	27/10/2021	27/10/2021
City of Kwinana	28/10/2021	29/10/2021
City of Mandurah	5/11/2021	5/11/2021
City of Melville	19/11/2021	19/11/2021
City of Nedlands	29/10/2021	In progress
City of Perth	26/10/2021	29/10/2021
City of Rockingham	29/10/2021	29/10/2021
City of South Perth	29/10/2021	1/11/2021
City of Subiaco	29/10/2021	29/10/2021
City of Stirling	8/10/2021	18/01/2021
City of Swan	29/10/2021	29/10/2021
City of Vincent	29/10/2021	28/10/2021
City of Wanneroo	28/10/2021	29/10/2021
Shire of Ashburton	7/12/2021	13/12/2021
Shire of Augusta-Margaret River	28/10/2021	18/02/2022
Shire of Beverley	28/10/2021	18/11/2021

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Boddington	2/02/2022	2/02/2022
Shire of Boyup Brook	29/10/2021	In progress
Shire of Bridgetown-Greenbushes	5/11/2021	22/11/2021
Shire of Brookton	5/11/2021	31/01/2022
Shire of Broome	26/10/2021	26/10/2021
Shire of Broomehill-Tambellup	In progress	In progress
Shire of Bruce Rock	27/10/2021	27/10/2021
Shire of Capel	8/12/2021	8/12/2021
Shire of Carnamah	29/10/2021	29/10/2021
Shire of Carnarvon	12/11/2021	16/11/2021
Shire of Chapman Valley	25/10/2021	28/10/2021
Shire of Chittering	26/05/2022	29/04/2022
Shire of Christmas Island	28/10/2021	18/11/2021
Shire of Cocos (Keeling Islands)	1/12/2021	7/12/2021
Shire of Collie	16/11/2021	18/11/2021
Shire of Coolgardie	14/12/2021	8/02/2022
Shire of Coorow	1/12/2021	16/11/2021
Shire of Corrigin	27/10/2021	27/10/2021
Shire of Cranbrook	26/10/2021	30/09/2021
Shire of Cuballing	28/10/2021	4/11/2021
Shire of Cue	11/11/2021	17/12/2021
Shire of Cunderdin	2/05/2022	2/03/2022
Shire of Dalwallinu	28/10/2021	8/03/2022
Shire of Dandaragan	29/10/2021	29/10/2021
Shire of Dardanup	27/04/2022	27/04/2022
Shire of Denmark	28/10/2021	29/10/2021
Shire of Derby-West Kimberley	30/03/2022	17/06/2022
Shire of Donnybrook-Balingup	9/11/2021	15/12/2021
Shire of Dowerin	11/11/2021	15/12/2021
Shire of Dumbleyung	26/10/2021	28/10/2021
Shire of Dundas	3/12/2021	6/05/2022
Shire of East Pilbara	3/05/2022	In progress
Shire of Esperance	23/03/2022	23/03/2022
Shire of Exmouth	25/10/2021	28/10/2021
Shire of Gingin	31/10/2021	22/11/2021

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Gnowangerup	29/10/2021	29/10/2021
Shire of Goomalling	29/10/2021	22/04/2022
Shire of Halls Creek	19/11/2021	29/10/2021
Shire of Harvey	1/11/2021	26/11/2021
Shire of Irwin	29/10/2021	26/10/2021
Shire of Jerramungup	12/10/2021	23/12/2021
Shire of Katanning	3/11/2021	22/12/2021
Shire of Kellerberrin	26/10/2021	23/08/2021
Shire of Kent	29/10/2021	26/10/2021
Shire of Kojonup	26/10/2021	28/10/2021
Shire of Kondinin	28/10/2021	29/10/2021
Shire of Koorda	5/11/2021	31/03/2022
Shire of Kulin	9/12/2021	6/12/2021
Shire of Lake Grace	29/10/2021	26/11/2021
Shire of Laverton	29/10/2021	13/12/2021
Shire of Leonora	26/10/2021	3/11/2021
Shire of Manjimup	28/10/2021	17/02/2022
Shire of Meekatharra	25/10/2021	27/10/2021
Shire of Menzies	21/12/2021	17/02/2022
Shire of Merredin	28/06/2022	29/06/2022
Shire of Mingenew	27/10/2021	29/10/2021
Shire of Moora	22/12/2021	In progress
Shire of Morawa	28/10/2021	28/10/2021
Shire of Mount Magnet	28/10/2021	29/10/2021
Shire of Mount Marshall	27/10/2021	27/10/2021
Shire of Mukinbudin	25/02/2022	25/02/2022
Shire of Mundaring	29/10/2021	13/12/2021
Shire of Murchison	22/03/2022	21/03/2022
Shire of Murray	28/10/2021	29/10/2021
Shire of Nannup	8/12/2021	In progress
Shire of Narembeen	28/10/2021	28/10/2021
Shire of Narrogin	26/10/2021	26/10/2021
Shire of Northam	3/11/2021	3/11/2021
Shire of Northampton	26/10/2021	1/12/2021
Shire of Nungarin	29/10/2021	29/10/2021

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Ngaanyatjaraku	28/10/2021	29/10/2021
Shire of Peppermint Grove	In progress	In progress
Shire of Perenjori	28/10/2021	28/10/2021
Shire of Pingelly	29/10/2021	29/10/2021
Shire of Plantagenet	26/10/2021	27/10/2021
Shire of Quairading	8/11/2021	25/03/2022
Shire of Ravensthorpe	21/12/2021	21/12/2021
Shire of Sandstone	3/11/2021	In progress
Shire of Serpentine-Jarrahdale	1/11/2021	1/11/2021
Shire of Shark Bay	25/10/2021	26/10/2021
Shire of Tammin	26/10/2021	29/10/2021
Shire of Three Springs	29/10/2021	2/11/2021
Shire of Toodyay	29/10/2021	29/10/2021
Shire of Trayning	27/10/2021	29/10/2021
Shire of Upper Gascoyne	27/10/2021	27/10/2021
Shire of Victoria Plains	17/11/2021	17/11/2021
Shire of Wagin	29/10/2021	31/03/2022
Shire of Wandering	3/11/2021	5/11/2021
Shire of Waroona	28/10/2021	28/10/2021
Shire of West Arthur	29/10/2021	29/10/2021
Shire of Westonia	27/10/2021	25/02/2022
Shire of Wickopin	29/10/2021	16/05/2022
Shire of Williams	29/10/2021	23/12/2021
Shire of Wiluna	In progress	In progress
Shire of Wongan-Ballidu	29/10/2021	In progress
Shire of Woodanilling	23/02/2022	13/05/2022
Shire of Wyalkatchem	26/10/2021	28/10/2021
Shire of Yalgoo	22/03/2022	22/03/2022
Shire of Yilgarn	24/11/2021	23/11/2021
Shire of York	27/10/2021	27/10/2021
Shire of Wyndham-East Kimberley	6/05/2022	In progress
Town of Bassendean	29/10/2021	29/10/2021
Town of Cambridge	28/10/2021	1/11/2021
Town of Claremont	3/11/2021	10/11/2021
Town of Cottesloe	26/10/2021	21/12/2021

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Town of East Fremantle	8/10/2021	Deferred*
Town of Mosman Park	29/10/2021	29/10/2021
Town of Port Hedland	4/04/2022	28/02/2022
Town of Victoria Park	30/10/2021	30/10/2021

Source: OAG

* Approval obtained from the Commonwealth to defer certification of financial statements

Entity	Date certification issued
Claims by administrative authorities – Pensioner deferments under the <i>Rates and Charges (Rebates and Deferments) Act 1992</i>	
City of Belmont	2/03/2022
City of Busselton	1/11/2021
City of Joondalup	2/11/2021
City of Kalamunda	8/12/2021
City of South Perth	2/11/2021
City of Vincent	10/11/2021
Shire of Dandaragan	17/01/2022
Shire of Narrogin	25/02/2022
Shire of York	21/12/2021
Town of Cambridge	4/01/2022
Town of Mosman Park	15/12/2021

Source: OAG

Entity certification	Date certification issued
Other certifications	
City of Kalamunda – Development Contribution Area 1 – Forrestfield Light Industrial Area Stage 1	8/12/2021
Shire of Brookton – Drought Communities Programme - Extension	17/09/2021
Shire of Dandaragan – Jurien Bay Civic Centre Outgoings	20/01/2022

Source: OAG

Appendix 7: Other opinions and certifications issued since 18 November 2021

State government entity opinions

Entity	Opinion relates to	Opinion issued
Albany Cemetery Board	Audit report on the Statement of Financial Position at 30 June 2021	15/12/2021
Bunbury Cemetery Board	Audit report on the Statement of Financial Position at 30 June 2021	4/02/2022
Kalgoorlie-Boulder Cemetery Board	Audit report on the Statement of Financial Position at 30 June 2020	21/12/2021
Kalgoorlie-Boulder Cemetery Board	Audit report on the Statement of Financial Position at 30 June 2021	21/02/2022

Source: OAG

State government entity certifications

The following certifications were for the year ended 30 June 2021. The statements prepared by management were confirmed and no adverse reports were issued.

Entity	Certification relates to	Date issued
Commissioner of Main Roads	Statement of amounts expended or retained for expenditure under the Land Transport Infrastructure Projects (<i>National Land Transport Act 2014</i>).	10/12/2021
Commissioner of Main Roads	Statement of amounts expended or retained for expenditure under the National Partnership on Infrastructure Projects in Western Australia.	10/12/2021
Department of Local Government, Sport and Cultural Industries	Statement of payments made to Local Governments under the <i>Local Government (Financial Assistance) Act 1995</i> .	26/11/2021

Source: OAG

Royalties for Regions certifications

Entity	Royalties for Regions approved project	Date issued
Department of Primary Industries and Regional Development	Gascoyne Foodbowl Land Release	3/02/2022
Department of Treasury	Governance of Royalties for Regions Program	3/12/2021
WA Country Health Service	Albany Radiation Oncology	29/11/2021
	Bunbury Hospital Redevelopment	29/11/2021
	Carnarvon Residential Aged Care Facility	29/11/2021
	Collie Hospital Upgrade	29/11/2021

Entity	Royalties for Regions approved project	Date issued
	Derby Community Health Service	29/11/2021
	Digital Innovation, Transport and Access to Care	29/11/2021
	Dongara Aged Care	29/11/2021
	Country Health Innovation – Emergency and Acute Workforce	29/11/2021
	Expand the Ear Bus Program	29/11/2021
	Geraldton Health Campus Redevelopment	29/11/2021
	Kalgoorlie Health Campus Magnetic Resonance Imaging Suite	29/11/2021
	Karratha Health Campus	29/11/2021
	Kimberley Mobile Dialysis Unit	29/11/2021
	Meet and Greet Unit	29/11/2021
	Newman Health Service Redevelopment Project	29/11/2021
	Nickol Bay Hospital Site	29/11/2021
	Onslow Health Service Redevelopment Project	29/11/2021
	Pilbara Health Initiative Phase 3	29/11/2021
	Remote Indigenous Health Clinics	29/11/2021
	Renal Dialysis Services	29/11/2021
	Renal Hostels	29/11/2021
	Residential Aged and Dementia Care Investment Program	29/11/2021
	Southern Inland Health Initiative – Stream 2a, 3 and 4	29/11/2021
	Tom Price Hospital Redevelopment	29/11/2021

Source: OAG

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Auditor General's 2022-23 reports

Number	Title	Date tabled
4	Payments to Subcontractors Working on State Government Construction Projects	11 August 2022
3	Public Trustee's Administration of Trusts and Deceased Estates	10 August 2022
2	Financial Audit Results – Universities and TAFEs 2021	21 July 2022
1	Opinion on Ministerial Notification – Wooroloo Bushfire Inquiry	18 July 2022

PUBLIC ATTACHMENTS



SHIRE OF VICTORIA PLAINS

PUBLIC ATTACHMENTS

CORPORATE BUSINESS PLAN – INTERIM ACTION PLAN UPDATE

November 2022

IMPLEMENTATION PLAN

Community Engagement

Purpose To share information, gather views and opinions, develop options, build consensus, and make effective decisions that consider stakeholder input.

Guiding Principles Taken from IAP2 drivers of contemporary engagement practice:

- Based on the belief that those who are affected by a decision have the right to be involved in the decision-making process
- Communicates to participants how their input impacts the decision
- Includes the promise that the public's contribution will influence the decision
- Provides participants with the information they need to participate in a meaningful way
- Promotes sustainable decisions by recognising and communicating the needs and interests of all participants including decision makers
- Seeks out and facilitates the involvement of those potentially affected by or interested in a decision
- Seeks input from participants in designing how they participate

Key Inputs Community Engagement Policy: Various engagement techniques that are identified for each engagement activity such as community and stakeholder workshops, surveys, social media, face to face interviews, submissions, pop up engagement hubs

Reviewed By utilising feedback received to inform the decision-making process

Reported Strategic Plan Reference section of ordinary meeting of Council items
Integrated Strategic Plan reports
Summary of key engagement activities in the Annual Report
Community Engagement Policy Reviews
Communications Strategy Report

Resource Management - Integrating Asset, Finance, and Workforce Planning

<u>Purpose</u>	To use our people and resources to protect and enhance our infrastructure and natural environment and to deliver Shire services in a financially sustainable manner
<u>Guiding Principles</u>	Demonstrated compliance Enhanced community consultation Improved management of risk Improved social responsibility Skilled and motivated workforce Sustainable financial performance Well informed investment decisions
<u>Key Inputs</u>	Asset condition data Community service level expectations Long Term Financial Plan Technical and quality requirements
<u>Reviewed</u>	Annually to update financial modelling using current data Major review of the LTFP every 4 years
<u>Reported</u>	Annual Report Asset Ratios Plant Replacement and Utilisation reporting Financial and strategic implications of Ordinary Meeting of Council items

PUBLIC ATTACHMENTS

<u>Purpose</u>	To ensure that relevant risks and opportunities have been identified, assessed, and mitigated as part of any decision or action.
<u>Guiding Principles</u>	<p>Based on the best available information</p> <ul style="list-style-type: none"> Clarifies uncertainty Facilitates continual improvement and enhancement of the organisation Integral part of organisational processes Informs decision making Systematic, structured, and timely Tailored to suit all environment types Takes human and cultural factors into account Transparent and adaptive to all areas of risk
<u>Key Inputs</u>	<ul style="list-style-type: none"> Governance Compliance Calendar Officer Reports Risk Reporting Framework Audit Report
<u>Reviewed</u>	<p>Risk Management and Governance falls on all levels of the organisation including Council, Committees of Council, the Management Team, Staff and Persons who perform functions or deliver services on behalf of the Shire.</p> <p>Council is responsible for ensuring that Council strategy and Shire operations through the CEO are managed within an effective risk management framework. Key processes and tools include:</p> <ul style="list-style-type: none"> • Regulation 17 review every 3 years; • Risk Management profiling tool, reviewed quarterly; • The Audit Committee, working with the CEO is responsible for reviewing the Risk exposure of the Shire and recommending to Council the acceptable level of risk tolerance.
<u>How Reported</u>	<ul style="list-style-type: none"> Audit Committee meeting minutes Risk section of ordinary Council meeting Items

Note: The allocations in this plan will be reviewed yearly in accordance with the annual review of the Implementation Plan (Corporate Business Plan).

The annual rate of inflation for 2022 is set to reach 7.75% by 31 December 2022 before reducing to 3.5% in the out years.

IMPLEMENTATION OF COMMUNITY PRIORITIES

1. COMMUNITY				
STRATEGY	ACTION	Who	22/23	Comment
1.1 Healthy, connected and safe communities	a. Achieve strategies in the Disability Access Inclusion Plan	EHO	See 2.3d	EHO and Caroline Robinson have developed draft
	b. Seniors - Activities?	GDO	850	<ul style="list-style-type: none"> Seniors lunch held 6 November Christmas in July next event Old Road Board building hub Feb 2023
	c. Achieve strategies in the Aged Friendly Community Plan	CDO	0	Plan to commence 2024/2025
	d. Annual footpath maintenance, upgrade and extension	MWS	40,000	Six projects identified. Site visit conducted November
	e. Achieve strategies in the Public Health Plan	EHO	5,000	EHO and Caroline Robinson have developed draft
	f. MoUs with local community organisations implemented	CDO	5,000	All MOUs drafted. Now finalizing with each group
1.2 Inclusive community activities, events and initiatives	a. Community Development Officer employed	CEO	Salary	Implemented
	b. Source funding and co-ordinate delivery on initiatives that support arts, culture, learning and recreation	CDO	5,000	Ongoing - CDO has established Grants Register. COTA Grant successful for Seniors Lunch
	c. Community Grant Scheme for volunteer groups	CDO	20,000	Commence May 2023
	d. Support existing community events to attract people to our communities and businesses	CDO	15,720	Grant for Australia Day successful \$10,000. Plaque for Anzac Day 2023 secured
1.3 Recreational, social and heritage spaces are safe and are activated	a. Develop and implement a Sport and Recreation Master Plan	MFA	0	Plan to commence 2024/2025
	b. Promote and maintain heritage facilities	CDO	15,000	<ul style="list-style-type: none"> Laura Gray has held heritage survey workshop with Council CDO has applied for DLGSC Grant for \$7,500
	c. Provide a community gym	MFA	4,550	Gym is in place. Action to be removed

1.4 Support emergency services planning, risk mitigation, response and recovery	a. Active leadership and participation in LEMC	CoSO	5,000	LEMCS are being held quarterly
	b. Scenario planning and training Training for volunteers is covered in the LGGs, however training for spontaneous volunteers and scenario exercises are not. Budget \$1,500 pa to be able to provide printed items, welfare, equipment etc.	CESM	DFES + 1,500	Training has been rolled out as per plan
	c. Community Safety Officer provides education and support to residents to prepare for natural disasters and bushfires	CoSO	5,000	One workshop held in November
	d. Plan and deliver Emergency Service facility upgrades when required When a LGGs Capital is approved it comes with a condition that LG needs to pay for land, cost of site works and gardens. Need to create a program of upgrades to facilities as some are getting on.	CESM	0	TBA
	e. Support emergency service volunteer attraction and retention	CESM	DFES 40,000	Thank a volunteer post season planned. Videos is in engagement schedule. Open Day fell over. Targeting schools instead

Note

DFES = Department of Fire and Emergency Services Annual Grant

PUBLIC ATTACHMENTS

2. ECONOMY				
STRATEGY	ACTION	Who	22/23	Comment
2.1 Support the diverse industry across the Shire	a. Develop and implement townsite improvement plans in collaboration with each community	MWS CDO	0	Develop Plan and cost stages 30,000 from 23/24
	b. Develop and implement a business and industry attraction strategy	CEO	0	Develop Plan and cost stages 20,000 from 23/24
	c. Forward plan for additional industrial lots	MFA MWS TP	0	Scheme Review 30,000 23/24 Survey and Planning 24/25
	d. Facilitate expansion of telecommunications networks across the Shire and advocate for reduced number of black spots across the Shire	CEO	0	23/24 TBA
	e. Review town planning scheme	TP	N/A	25/26 Commence next 5 Yearly Review
	f. Develop and implement a Marketing Plan that promotes the lifestyle and opportunities	CEO	0	23/24 TBA
	g. Demonstrated progress towards securing consistent supply of water across the Shire	MWS	See 3.1e	23/24 Imp Strategy & Project
	h. Maintain and upgrade Shire housing stock	PBS	5,000	<ul style="list-style-type: none"> Management Team reviewing plan re 12 Harrington St 23/24 LRC14 & 100,000
	i. Advocate for power reliability and safety across the Shire	CEO	0	23/24 TBA
2.2 Safe and efficient transport network enables economic growth	a. Active participation in the Wheatbelt Secondary Freight Network group	CEO	WSFN	Ongoing. Tenders for 22/23 to be issued December 2022
	b. Demonstrated achievement of our 10yr Road Plans	MWS	Monitor and report to Council. Links to funding options such as WSFN, RRG,	Review plans and extend as required, (consultant). Ensure funding in annual budgets re major projects

			AgLime, R2R	
	c. Equipment replacement as per our Plant and Equipment Schedule	MWS	\$1M Develop 10 year replacement plan.	All plant ordered. Final ute and Prime Mover to be delivered Feb 23
	d. Stormwater infrastructure activities completed annually	MWS	Confirm infrastructure asset list	Expenditure in out years: <ul style="list-style-type: none"> • 23/24 Annual program allocation within budget. 50,000 • 24/25 Annual program allocation within budget. 51,750 • 25/26 Annual program allocation within budget. 53,500
	e. RAV Network assessment is completed	ENG	External Consultant 10,000	Engineer to undertake assessment
	f. Safe and clean truck bays and roadside parking (under Shire ownership)	MWS	0	In out years: <ul style="list-style-type: none"> • 23/24 Liaise with transport companies and determine requirements • 24/25 and 25/26 Plan and cost projects eg 100,000
2.3 Visitors have a positive experience across our communities	a. Shire owned gardens and verges maintained and enhanced	MWS	Annual budget allocations continued.	In out years: <ul style="list-style-type: none"> • 23/24 Annual budget allocations continued. • 24/25 Review all parks infrastructure and assets, create master plan for upgrades. • 25/26 Commence upgrade program with funding as required up to \$200,000 p/a
	b. Regular cleaning, maintenance and improvements of public toilets	PBS CSO	Maintain staff. Annual budget allocations	Ongoing

	c. Consistent online visitor information and promotion of our attractions	PO CDO	0	As per budget allocations re salary
	d. Upgrade the Bolgart Caravan Park Ablution block	MWS	LRCI3 180,000	<ul style="list-style-type: none"> Design agreed with Bolgart PA Ablutions under construction Delivery Feb 2023
	e. Enhance Caravan Parks in line with asset management planning and annual budget	MWS CDO	0	In out years: <ul style="list-style-type: none"> 23/24 Review requirements and create plan 15,000 24/25 Seek funding 100,000 25/26 Implement any upgrades 100,000
	f. Install RV Dump Point in Bolgart	EHO	Quotations received.	Out years: <ul style="list-style-type: none"> 23/24 Dump Ezy point 20,000 24/25 Maintain - ongoing
	g. Implement townscape, visitor and signage plan	MWS CDO	LRCI funding to plan/ implement	Out years: <ul style="list-style-type: none"> 23/24 Additional municipal funds to complete plan 50,000 24/25 Other 25/26 Other

PUBLIC ATTACHMENTS

3. ENVIRONMENT				
STRATEGY	ACTION	WHO	22/23	Comment
3.1 Maintain a high standard of environmental health and waste services	a. Deliver environmental health services	EHO	40,000	<ul style="list-style-type: none"> Service is one day per week. Onsite at least twice per month
	b. Continue to educate the community about waste minimization and recycling	EHO	0	
	c. Capacity and infrastructure enhancements at our landfill sites	EHO MWS	<ul style="list-style-type: none"> LRCI3A 50,000 Mogumber Landfill Fence 35,000 	Ongoing – as per Waste Management Plan, once implemented
	d. With the community forward plan the aesthetics of our cemeteries	MWS CDO	0	Some remedial works are required re Bolgart and Calingiri
	e. Develop and implement a Water Strategy (Includes development of framework for the strategy and key CWSP grant funding)	CEO	CWSP (See Major Projects No. 14)	<ul style="list-style-type: none"> Request for CWSP Grant of 89,000 to improve Piawaning Desal Plant, submitted Possible funding re outyears of up to \$100,000
	f. Improve Sewerage Schemes (Forms part of the Rate Review)	EHO MWS	10,000	Draft rate review received
3.2 Conservation of our natural environment	a. Promotion and management of invasive species programs to the community	EHO	TBA	Nil report
	b. Preparation and management of nature reserves and roadside verges to reduce bushfire risk	MWS CESM	MAF LRCI3B	<ul style="list-style-type: none"> Piawaning Waddington Rd completed Old Plains Road 50% completed
	c. Animal control program is reviewed annually	CoSO	0	Nil report

Notes:

CWSP = Community Water Supply Program Grants

LRCI3A = Local Roads and Community Infrastructure Program. Finish fencing Calingiri Landfill

LRCIB = Local Roads and Community Infrastructure Program. Vegetation control works

MAF = Mitigation Activity Fund.

WMP = Waste Management Plans

PUBLIC ATTACHMENTS

4. CIVIC LEADERSHIP				
STRATEGY	ACTION	WHO	22/23	Comment
4.1 Forward planning and implementation of plans to achieve community priorities	a. Deliver quarterly reviews of the Shire Community Strategic Plan and Corporate Business Plan.	GO	15,000	Initial review of CBP submitted to December ACM
	b. Active participation in AROC and Avon Midland CZ	CEO	5,000	President/CEO attending meetings as required
4.2 Shire communication is regular, clear and transparent	a. Implement and review the community engagement policy	CEO		Next due 25/26
	b. Implement the Communications Strategy	CEO	0	Implemented Next due 25/26
	c. Continue to uphold our Customer Service Charter and undertake a survey to measure our performance	MFA	2,500	Review underway
	d. Shire newsletter made available online, print and emailed to residents	PA	0	Ongoing
4.3 Proactive and well governed Shire	e. Continue to meet compliance with statutory and regulatory requirements (Calendar, CAR, FMR, R17)	GO	23,500	<ul style="list-style-type: none"> R17 and FMR Report to be provided by Dry Kirkness 13 December Compliance Calendar transitioning to Monday.com
	f. Review financial and asset management policies and practices	MFA	15,000	Draft AMP completed
	g. Develop and implement long term financial plan	MFA	15,000	Draft LTFP due early December
	h. Elected members attend professional development	CEO	31,500	<ul style="list-style-type: none"> Councillors have completed Essentials Modules (Mandatory Training) 86% of councilors attended LG Week
	i. Update and implement the Workforce Plan strategies	CEO	20,000	
	j. Invest in new IT operating system (Altus or Council First)	MFA	0	<ul style="list-style-type: none"> Currently reviewing IT systems market

				<ul style="list-style-type: none"> Commence roll out of new system in 23/24
	k. Investigate and Implement cybersecurity measures	MFA	7,000	<ul style="list-style-type: none"> Staff and councilors have commenced cyber awareness training; Shire in the process of implementing multifactor identification

PUBLIC ATTACHMENTS

Major Projects

#	Capital Projects	22 23	23 24	24 25	25 26	Total Cost	Shire contribution	Other	Status	Quarterly Update
1.	LRCI 2	55,000				55,000	0			Appealing decision to withdraw \$50,000 for Yerecoin Sewerage Hatch project due to non-completion
2.	LRCI 3	762,824				762,824	0			<ul style="list-style-type: none"> • Calingiri Tip Fence • Toilet Block Mogumber - M • Signage/Branding • Culvert Program • Repair Bolgart Bridge • Golf Course Rd - M • Old Plains Road - M • Piawaning Waddington Rd - C • Parker Road Bore – no longer required
3.	LRCI 4		381,412			381,412	0			Staff Housing?
4.	Ag Lime Project – Calingiri Realignment	830,214								<ul style="list-style-type: none"> • Clearing permit issued in November. • Initial surveying on Shire side undertaken in November. • Finalising land purchase agreement letter

5.	WSFN	3.67M	6.12M	2.2M		11.99M	6.7%			Tender specifications reviewed in November
6.	Roads to Recovery	344,595								
7.	Regional Road Group	0					One-Third	MRWA		Nil to report
8.	Plant Replacement	1M				1M	1M	Loan		All plant ordered and secured. Prime Mover and final ute to arrive in Feb 2023
9.	Mogumber Tip Fence	35,000				35,000	35,000			Nil to report
10.	Water Security Program (Based on Shire Water Strategy)	100,000		30,000	30,000	\$160,000	60,000			See 14 and 3.1e
#	Operational Projects	22 23	23 24	24 25	25 26	Total Cost	Shire contribution	Other	Status	Quarterly Update

11.	Mitigation Activity Fund	250,000	100,00	100,000	100,000	550,000	0	MAF		Approval now pending
12.	Waste Management Plans	40,000								60% completed
13.	Local Heritage Survey	15,000								See 1.3b
14.	Water Strategy	100,000	30,000	100,000	100,000	400,000				See 10
15.	AGRN962	4.25M				4.25M	0			Core currently compiling data for Main Roads WA re Shire's opening works.

PUBLIC ATTACHMENTS

Community Facilities, Infrastructure and Services

Community Facilities	Service Objective	Level of Service (LOS)	Legislated
Caravan Parks	Maintain and enhance the Caravan Park to provide a safe and inviting experience for visitors	Check and clean twice weekly	N
Gardens	To manage and maintain gardens so that they are seen as clean, fit for purpose and attractive	<ul style="list-style-type: none"> • Annual renovations • Irrigation systems checked • Garden beds mulched annually 	N
Housing	To maintain Shire owned houses to a level that retains their capital value	Bi-annual inspections	N
Library	To provide library services that engage and meet the needs of the local communities	Initial survey to develop LOS	N
Parks and Playgrounds	To manage and maintain parks and playgrounds that attract community members and visitors	<ul style="list-style-type: none"> • Annual renovations • Irrigation systems checked • Garden beds mulched annually • Play equipment pits screened annually 	N
Public Toilets	To maintain public toilets so that they are seen as clean, tidy and usable	Check and clean twice weekly	N
Recreation Grounds & Pavilions	To partner with local communities to manage and maintain to an acceptable standard relevant to current usage	MOUs are relevant and up to date	N
Reserves	To retain and maintain reserves for community use relevant to current usage	Follow annual fire management plan	N
Town Halls/Public Buildings	To manage and maintain to an acceptable standard relevant to current usage	Bi-annual inspections	N
Community Infrastructure			
Sewerage	To plan, renew and maintain infrastructure to a safe operating	As per AMP	Y

Footpaths	standard that meets community needs	As per AMP	Y
Drainage & Stormwater		As per AMP	Y
Aged Care		As per AMP	Y
Roads & Verges		As per AMP	Y
Shire Services			Legislated
Community Engagement	To keep the community informed through various communication platforms and to involve them in relevant issues, events, and projects	As per the communication plan: <ul style="list-style-type: none"> • Monthly newsletter; • Social media posts; • Emergency Services engagement plan; • Website re events, news etc 	Y
Customer Service & Payments	To provide a high level of customer service and access to convenient payment options	<ul style="list-style-type: none"> • Follow Customer Service Charter • Maintain personalised service 	Y
Economic Development	To promote the shire and region as an attractive place for business	Increase in business activity. Reports by: <ul style="list-style-type: none"> • Regional Development Australia • Wheatbelt Development Commission • Wheatbelt Business Network 	N
Finance and Governance	To deliver open and transparent systems and reporting that ensure the prudent use of funding streams	Consistent Financial Reporting: <ul style="list-style-type: none"> • Audits • Audit Committee • Monthly Financial Reports • Annual Meeting of Electors 	Y
Fire & Emergency	To partner with relevant agencies and volunteers to ensure adequate resources to respond to emergencies	<ul style="list-style-type: none"> • Maintain CESM MOU • Adhere to BFAC procedures 	Y

Maintenance - Roads	To schedule and deliver maintenance programs in line with resource capacity that support a reliable transport network	Follow Road Hierarchy	Y
Natural Resource Management	To conserve, enhance, promote and rehabilitate the natural environment to ensure appropriate management and use	<ul style="list-style-type: none"> Follow Bushfire Risk Management Plan; Review every 3 years 	Y
Public Health	To ensure that public health legislation is understood, managed and complied with	<ul style="list-style-type: none"> Food inspections annually Waste annual licensing and reporting 	Y
Regional Collaboration	To support regional co-operation and share resources with other LG's (includes mutual aid agreements re fire, other hazards)	<ul style="list-style-type: none"> AROC – two monthly Zone quarterly CESM – MoU Roadwise – Biannually Rural Water Council quarterly 	N
Town Main Streets	To maintain streetscapes that are neat, tidy and welcoming	<ul style="list-style-type: none"> Annual review of requirements Roads/footpaths swept Irrigation systems checked Garden beds renovated/mulched annually 	N
Town Planning and Building Control	To ensure that legislative requirements and building standards are complied with	Ensure the provision of professional advice	Y
Tourism Promotion	To promote and develop tourism and maintain local attractions	<ul style="list-style-type: none"> Review with respective community groups Monitor Caravan Park bookings Promote tourism opportunities through media publications and printed brochures 	N
Volunteer & Community Group Support	To actively support community groups and volunteers to encourage community driven activities	<ul style="list-style-type: none"> Provide annual community grant CDO available for advice and grant assistance 	N
Waste, Recycling & Refuse Sites	To provide waste services throughout the shire which are	Maintain contract services: <ul style="list-style-type: none"> Landfill sites; 	Y

	convenient to the community while meeting our legislative requirements	<ul style="list-style-type: none">Waste service recycling appropriate)	collection (including where	
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PUBLIC ATTACHMENTS



Elected Member Training Matrix – 5 November 2022

Cr P Bantock	Understanding Local Government	Conflicts of Interest	Serving on Council	Meeting Procedures	Understanding Financial Reports and Budgets
Completion Date	5/11/2020	5/11/2020	26/10/2020	5/11/2020	3/11/2020
Cr N Clarke	Understanding Local Government	Conflicts of Interest	Serving on Council	Meeting Procedures	Understanding Financial Reports and Budgets
Completion Date	5/11/2020	5/11/2020	26/10/2020	3/11/2020	3/11/2020
Cr S Woods	Understanding Local Government	Conflicts of Interest	Serving on Council	Meeting Procedures	Understanding Financial Reports and Budgets
Completion Date	10/07/2022	10/07/2022	12/10/2022	18/09/2022	24/05/2022
Cr G O'Brien	Understanding Local Government	Conflicts of Interest	Serving on Council	Meeting Procedures	Understanding Financial Reports and Budgets
Completion Date	12/04/2021	27/04/2021	15/05/2021	13/06/2021	13/08/2021
Cr J Kelly	Understanding Local Government	Conflicts of Interest	Serving on Council	Meeting Procedures	Understanding Financial Reports and Budgets
Completion Date	5/11/2020	5/11/2020	9/10/2022	3/11/2020	9/10/2022
Cr S Penn	Understanding Local Government	Conflicts of Interest	Serving on Council	Meeting Procedures	Understanding Financial Reports and Budgets
Completion Date	21/04/2022	18/04/2022	21/04/2022	18/04/2022	19/04/2022
Cr D Lovelock	Understanding Local Government	Conflicts of Interest	Serving on Council	Meeting Procedures	Understanding Financial Reports and Budgets
Completion Date	15/10/2022	14/10/2022	12/10/2022	E Link sent through.	15/10/2022



Exit Meeting

FINANCIAL ATTEST AUDIT OF SHIRE OF VICTORIA PLAINS FOR THE YEAR ENDED 30 JUNE 2022

ATTENDEES:

Shire of Victoria Plains

Shire staff:

Sean Fletcher	Chief Executive Officer
Colin Ashe	Finance Manager
Glenn Deocampo	Finance Coordinator
Travis Bates	External Accountant

Audit Committee

Cr Pauline Bentock
CR Neville Clarke
Cr Suzanne Woods

Office of the Auditor General

Fatima Padia Acting Assistant Director, Financial Audit

William Buck

Conley Manifis Audit Director
Rebekah Bissett Auditor

Meeting Date & Time: 12th December 2022 1:30pm

Location: Shire of Victoria Plains

Agenda

1. Introduction

2. Matters Arising from the Audit

2.1. Financial Statements – unqualified opinion will be recommended

- No uncorrected misstatement in the financial statements are noted.

2.2. Management letter

- Issues noted on the final management letter discussed.

3. Actions for Next Year's Audit

- No issues noted.

4. General & Closing Comments

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Fair value of Infrastructure Assets	✓		
2. Management of Unrestricted Funds		✓	
3. Accounts Payable Suspense account			✓
4. Mismanagement of Legal Costs			✓
5. Depreciation rates and useful lives			✓
6. Outstanding Cheque in Bank reconciliations			✓
7. Noncompliance with control procedures for grant acquittal reporting			✓

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 report, 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.

1. Fair Value of Infrastructure Assets - Frequency of Valuations

Finding

The Shire has not performed an assessment to determine whether its infrastructure assets represent fair value.

Rating: Significant

Implication

Without a robust assessment of fair value of the Shire's Infrastructure Assets there is a risk that the fair value of infrastructure assets may not have been assessed adequately and in compliance with *AASB 13 Fair Value Measurement*, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

Recommendation

We recommend that the Shire consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist that would trigger a requirement to perform a formal revaluation of Infrastructure Assets. This process is to ensure that the Shire's infrastructure assets are recorded at fair value in compliance with *AASB 13 Fair Value Measurement* and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets are likely to have been impacted to any significant / material extent from the prior year.

Management comment

Management performed an assessment of impairment factors and fair value for all Property, Plant and Equipment and Infrastructure Asset Classes as at 30 June 2022 as documented in the Asset Valuation and Impairment Memo provided to your auditors. The main focus of this assessment was in regard to impairment triggers and downside risks to fair value. The assessment undertaken was consistent with that performed in prior years.

The impairment process itself would then arguably trigger if an independent assessment is then required. Notwithstanding, the Shire acknowledges changes in the macro economic environment, such as inflation or weather events may impact on replacement costs and will ensure such factors are explicitly addressed in future assessments.

The formal process would need to include what would be the material threshold and timing as to when this needs to be considered. Given something like a weather event could occur on the 30 June, time to engage an independent assessment, demand for this service and also meeting audit deadlines may not be possible.

Responsible person: Colin Ashe

Completion date: 07/12/22

2. Management of Unrestricted Funds

Finding

It was noted that the Shire had a negative unrestricted cash balance at year end of \$214,424. This resulted due to the transfer of funds on 30 June 2022 from unrestricted cash to restricted cash on account of contract liabilities (i.e., unexpended grants). We acknowledge that funds were received subsequent to year end rectifying the Shire's negative unrestricted cash position.

The temporary negative unrestricted cash position does not represent good management of cash resources. The management of cash resources is a key control and forms part of the CEO's responsibility in ensuring that the resources of the local government are effectively and efficiently managed.

Rating: Moderate

Implication

Without adequate controls in the management of cash resources, there is an increased risk of incurring expenditure that the local government may not be able to fund.

Recommendation

Management should implement procedures to ensure there is appropriate management of cash resources.

Management Comment

Management accepts the finding and recommendation.

For 2022-23 the shire has implemented a Restricted Funding separate bank account that will highlight when the municipal account is starting to reduce and better manage cash resources.

Responsible Person: Colin Ashe

Completion Date: 07/12/22

3. Accounts Payable Suspense Account

Finding

The Shire had 1 suspense account which amounted to \$2,400.30 at 30 June 2022 which arose mainly from miscellaneous payments received to the Shire with no information provided on what the payments related to. The suspense account has yet to be reconciled as at 22 November 2022 due to the Shire being uncertain where the funds should be properly allocated in the accounts.

Rating: Minor

Implication

The suspense account balance (if not reconciled on a timely basis) will continue to grow and there is an increased risk that the reconciliation will become onerous.

Recommendation

We recommend that the reconciliation of accounts payable suspense accounts be performed on a timely basis where possible.

The Shire should remind people to include an adequate description when they make payments to the Shire.

Management Comment

Whilst acknowledging the issue, the recommendation may not provide tangibility to achieve an outcome;

- The suspense account is reconciled in the sense of a bank reconciliation as it has been identified and accounted cash wise, but the shire cannot identify where the monies came from to allocate to a debtor or revenue account.*
- We could remind people on descriptions, but this is superficial and would be after the fact of receiving the monies so does not alleviate the problem.*
- As reminder notices for failure of payment is sent out for debtors, this would trigger a person to query that they made payment and with evidence of payment, then allow this amount be allocated.*

The amount will be transferred to the trust account and managed from here as and when the payment is identified and/or statutory holding of unclaimed monies.

Responsible Person: Colin Ashe

Completion Date: 07/12/22

4. Mismanagement of Legal Fees

Finding

We noted that legal fees incurred were higher than we had expected. The Shire spent \$261,679 on legal fees for the year and this exceeded budget for legal fees of \$145,300. Management advised that this was largely due to a particular legal matter which involved a barrister and a senior councillor who attended court hearings. This court representation escalated costs very quickly. Legal costs were not evaluated and monitored in a timely manner as the court case was progressing and management only became aware of the total cost when the solicitor's bill arrived.

The Shires management reflected that in hindsight the legal matter could have been resolved without court action.

Rating: Minor

Implication

Overspend on legal fees if not properly managed.

Recommendation

Where possible management should aim to resolve legal matters without seeking court action to keep legal costs to a minimum. If a matter requires court action costs should be tracked and monitored closely.

Management Comment

Management accepts the finding and recommendation.

Ensuring that the Senior Management Team understands the requirements of this practice;

- *Applying Policy 1.15 Legal Proceedings and Prosecutions:*

1. No action shall be taken to institute legal proceedings or prosecution unless by specific resolution of Council or by specific delegation.

NOTE: For the purpose of paragraph (1) the issue of a modified penalty under a local law or Regulation or where uniform guidelines are already in place shall not be deemed to be legal proceedings

- *Keeping Council informed of costs regarding a matter that incurs court costs. This process includes:*

- o *Advising the President in the first instance;*
- o *Advising Council in the CEO's weekly update;*
- o *Advising Council at the monthly briefing session;*

• *The legal fees for the 2022/23 Budget was set at \$50,000, that reflects a key change in approach. The Shire has just finished its first budget review (December) and has recommended to Council that this is adjusted to \$40,000 to reflect the low level of legal fees incurred YTD.*

Responsible Person: Sean Fletcher

Completion Date: 07/12/22

5. Depreciation rates and useful lives

Finding

During our testing of additions, we noted that for 3 assets purchased during the year, two assets had been allocated incorrect useful lives that were not within the range as per the Shire's policy disclosures as per the financial report. One asset had also not been allocated a depreciation rate and therefore the asset did not properly depreciate during FY2022.

Rating: Minor

Implication

There is a risk that the Shire will be understating their depreciation expense if the incorrect depreciation rates and useful lives are allocated to assets.

Recommendation

We recommend that upon purchasing property, plant and equipment, all depreciation rates and useful life are properly allocated to each asset to ensure depreciation is calculated correctly.

Management Comment

Management accepts the finding and recommendation.

Responsible Person: Colin Ashe

Completion Date: 07/12/22

PUBLIC ATTACHMENTS

6. Outstanding Cheque in Bank reconciliation

Finding

As at 30 June 2022, we noted that the Municipal Bank reconciliation contained an un-presented cheque for \$11,078.63 which had remained outstanding since the prior financial year. We noted that the Shire has subsequently cancelled the cheque in July 2022 and reissued it as an EFT payment to the supplier.

Rating: Minor

Implication

Un-presented cheques that are not followed up on a timely basis will become stale.

Recommendation

We recommend that cheques are followed up on a timely basis with the relevant supplier and reissued via EFT payment if the cheque is to be cancelled. If the supplier cannot be contacted, then the cheque should be sent as unclaimed monies.

Management Comment

Management accepts the finding and recommendation.

Now that Senior Management positions have been filled there is a monthly review and sign off.

Responsible Person: Colin Ashe

Completion Date: 07/12/22

PUBLIC ATTACHMENTS

7. Noncompliance with control procedures for grant acquittal reporting

Finding

In the prior years we noted that the Shire had some control procedures in place to facilitate accurate reporting of amounts on grant acquittals. Invoices were stamped with codes that identified the relevant grant and project it related to. Staff included codes in their time sheets which identified the project and grant the work they performed related to. The timesheets and the invoices were classified accordingly in the accounting system.

In this financial year due to staff turnover there was a change in the Shire's management team. The control procedures noted above were not strictly adhered to. The Shire reconciled grant spending retrospectively and the acquittals were submitted on a timely basis. The acquittals were audited and no material misstatements were noted.

Rating: Minor Implication

Misstatement in amounts reported as spent on acquittals

Recommendation

We recommend that the Shire adhere to the control procedures they had in place previously. The control procedures were recommended practice and they facilitate accurate reporting.

Management Comment

Management accepts the finding and recommendation but this is related more to staff turnover in which case this may not ever be mitigated against.

Whilst there maybe an argument that previous processes were better, there were no material misstatements so technically not sure what the management report qualification is for except to argue an opinion on best practice.

Currently there are better controls in reporting where this is provided monthly to management and therefore errors, anomalies are timely revealed. Progress in terms of the grant expenditure is also provided monthly, a different method to what may have occurred in previous years but equally effective accurate reporting.

Responsible Person: Colin Ashe
Completion Date: 07/12/22

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1. Executive Summary

This executive summary provides a brief overview of the more detailed sections covered in the remainder of this report.

Section	Overview
Purpose and scope	This report sets out the major matters arising from this year's audit, which has been performed in order to enable the Auditor General to express an opinion on the Shire of Victoria Plains' (the Shire) financial statements.
Outstanding matters	Our audit of the financial report is substantially complete. We propose to recommend to the Auditor General to issue an unmodified audit opinion on the financial report subject to the completion of: <ul style="list-style-type: none"> – Appropriate procedures relating to subsequent events; – Receipt of the signed management representation letter; – Certification of the financial report.
Basis of preparation of the financial report	The accounting policies adopted are materiality consistent with the accounting policies in the 30 June 2021 annual financial report.
Summary of unadjusted differences	There were no unadjusted differences relating to the financial report in the financial year ended 30 June 2022.
Key areas of focus and audit response	Our audit procedures were focused on those activities that are considered to represent the key audit risks identified in our audit plan and through discussions with management during the course of our audit. These areas of focus are consistent with those set out in the Audit Strategy Memorandum tabled at the entrance meeting on 2 May 2022. We are satisfied that these key areas of focus have been addressed appropriately and are properly reflected in the financial report. Please refer to Section 3 of this report for a more detailed discussion on the key areas of focus.
Independence	We confirm that we are independent with respect to professional requirements.

2. Purpose and scope

Overview

We have conducted an audit of the Shire of Victoria Plains ('the Shire') for the year ended 30 June 2022.

Our audit is conducted in accordance with Australian Auditing Standards, with the objective of enabling the Auditor General to express an opinion on the financial report for the year ended 30 June 2022.

We perform audit procedures to assess whether, in all material respects, the annual financial report is presented fairly in accordance with Local Government Act 1995, Local Government (Financial Management) Regulation 1996 and the Australian Accounting Standards. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements will be detected.

We form our audit opinion on the basis of these procedures, which include:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Shire.

This report has been prepared to:

- summarise any major changes affecting the Shire during the year;
- report the key issues arising from our audit;
- provide a summary of any significant changes in financial reporting; and
- draw to the attention of the Audit Committee for any other matters of relevance.

We also confirm that all significant matters that we have discussed with management are documented in this report and that we are not aware of any other matters that should be brought to the attention of the Audit Committee.

Acknowledgement

We would like to take this opportunity to thank Sean Fletcher, Colin Ashe and all the support staff of the Shire for their co-operation during the course of our audit, who helped to facilitate a smooth year-end audit process.

3. Key areas of focus and audit response

Our audit procedures were focused on those areas of the Shire's activities that are considered to represent the key audit risks. These areas of focus were identified as a result of:

- The risk assessment process undertaken during the planning phase of our engagement and were presented to the Audit Committee in our Audit Strategy Memorandum; and
- Discussions with management during the course of our audit.

We are satisfied that the key areas of focus have been addressed appropriately and are properly reflected in the financial report:

1) Revenue recognition

The Shire's main sources of revenue are rates, fees and charges. The Shire also receives significant grants, subsidies, and contributions. Completeness, existence, and accuracy of revenue are identified as a risk.

We reviewed management's revenue recognition policy and determined whether the policy is in accordance with AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income for Not For Profit Entities*. We ensured revenue is recognised in accordance with the requirements of the Australian Accounting Standards. We also performed cut-off testing by evaluating revenue transactions either side of the balance sheet date.

Revenue recognition appeared appropriate.

2) Property, Plant and Equipment, and Infrastructure

The Shire owns significant amounts of property, plant and equipment, and infrastructure. Impairment, accuracy of the depreciation charge, and appropriateness of asset capitalisation are identified as risks. Property, Plant and Equipment, and Infrastructure includes land, buildings and infrastructure assets, which are measured at fair value and revalued at least every 5 years in accordance with Regulation 17A(4) of the Local Government (Financial Management) Regulations 1996.

We reviewed the asset capitalisation policy and its implementation to ensure that it is in accordance with AASB 116 Property, Plant and Equipment, and Regulation 17A(5) of the Local Government (Financial Management) Regulations. We also:

- Recalculated depreciation and review the reasonableness of assets useful life;
- Verified significant asset additions and disposals;
- Evaluated management's assessment of asset impairment; and
- Considered the appropriateness of the accounting treatment of costs incurred as either maintenance or capitalised as asset enhancements.

During our testing of asset additions we noted that depreciation had not been calculating correctly for a few assets and we have raised this as a minor point in our management letter. Other than this issue raised, asset capitalisation and depreciation appeared reasonable.

Frequency of revaluation

Although Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 requires the local government to revalue land, buildings and infrastructures no more than 5 years after the last valuation, we recommend that management consider assessing whether there are trigger events that would indicate movement in these assets annually. Where indicators exist a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Movements. Where an entity undertakes the formal valuation internally it is recommended this assessment be peer reviewed (i.e. review the valuation methodology, inputs and model etc for reasonableness) by an approved independent valuer.

3) Provision for Landfill Site Rehabilitation

The Shire has 3 landfill sites - Mogumber, Bolgart and Calingiri. These sites are licensed under the Department of Water and Environment Regulation. Completeness and accuracy of this provision is identified as a risk.

Management have determined that there is no requirement to rehabilitate the sites at this stage. We discussed with management and confirmed that a provision is not required for the year ended 30 June 2022.

4) Employee expenses and provisions

Employee expenses are the Shire's largest cost components.

We documented and assessed controls relating to the payroll process. We also performed:

- Walkthroughs of the payroll process;
- Test of internal controls relating to payroll and employee related liabilities; and
- Substantive analytical review of employee costs and related liabilities.

For annual leave and long service leave provisions which are derived from accounting estimates, we reviewed the method and underlying data that management uses when determining critical accounting estimates. We considered the reasonableness of assumptions and corroborating representations. Leave liability and employee expenses have been recorded and accounted for appropriately.

5) Cash and cash equivalents

The Shire has a significant cash and cash equivalent balance (restricted and unrestricted cash). There is a risk of misappropriation, unauthorised use and incorrect classification of cash in the annual financial report in accordance with the relevant accounting standards.

We have performed the following:

- obtained and reviewed bank reconciliations of the municipal and term deposit statements as at reporting date and ensured evidence of the preparer and reviewer are recorded;
- obtain bank statements and investigate any significant exceptions;
- performed control testing on the process around receipt and payment of cash balances;
- ensured unrestricted and restricted cash balances have been correctly disclosed in the annual financial report.

Cash and cash equivalent balances appear to have been recorded and disclosed appropriately.

6) Joint Arrangements

The Shire together with Homeswest have a joint arrangement agreement with regards to the provision of two aged persons units in Bolgart, and four aged persons units in Calingiri. The agreement represents a joint operations. We will ensure the Shire's share of income earned, expenses incurred as well as the assets and liabilities of the joint operations have been appropriately disclosed in the annual financial report.

Joint arrangements appear to be disclosed appropriately.

7) Materials and Contracts

Another major expense of the Shire are materials and contracts, whereby it was noted in prior year management letter that 2 out of 25 samples tested were for expenses incurred without adhering to the procurement process.

We have documented and assessed controls relating to the materials and contracts process.

Our procedures included:

- perform walkthroughs on the materials and contracts expenditure process;
- test of internal controls relating to materials and contracts expenditure with regard to areas such as tendering, supplier's selection process (including checking to completed verbal quotation forms where necessary), approval and contracting;
- perform substantive analytical review of materials and contracts expenditure; and
- obtain the current policies and procedures implemented on the procurement process and ensure that they are reviewed on a regular basis and that they are aligned with the Local Government Act and Regulations.

We did not note any issues in our testing of materials and contracts in our audit this year and these expenses appear to have been recorded and disclosed appropriately.

8) Disclosure of Related parties

The Shire has transactions with related parties which are on normal commercial terms and conditions. There is a risk that related party transactions and balances are not appropriately disclosed in the financial report in accordance with the Shire's applicable accounting policies and the relevant accounting standards.

We have performed the following procedures:

- review and determine whether the Shire's accounting policy is in line with AASB 124 *Related Party Disclosures*;
- make enquiries to understand the process for identification of related parties, review the register of related party transactions, and assess whether the disclosures made in the notes to the annual financial report are appropriate; and
- review the signed declarations from Key Management Personnel and ensure appropriate disclosures (if any) have been included in the notes to the annual financial report.

9) Financial ratios

Regulation 50 of the *Local Government (Financial Management) Regulations 1996* has been removed during the year. As a result, financial ratios are not required to be included in the annual financial reports by local government for the financial year ended 2022 and future years. As such, the scope of work in relation to the financial ratios were not performed.

10) Local Government Regulations

Regulation 10(3)(b) of the *Local Government (Audit) Regulations 1996* (LG Audit Regulations) requires the auditor to report, in the auditor's report, any matters indicating non-compliance with Part 6 of the LG Act 1995, LG Financial Management Regulations 1996 or applicable financial controls in any other written law. These matters may relate to the financial report or to other financial management matters. There is a risk of breach of the Local Government Regulations.

We have enquired with management of any breaches with the LG Act 1995 and the LG Financial Management Regulations 1996 and throughout the audit checked for non-compliance. There were no non-compliance noted.

Since our Audit strategy memorandum was prepared, there is no longer a requirement for us to report on any non-compliance in our audit report.

Current year findings

Further details on findings can be found in the management letter.

PUBLIC ATTACHMENTS

4. Control environment

Accounting systems and controls

As part of our normal statutory audit procedures, we considered the systems and controls existing in respect of the operational and financial activities of the Shire. This allowed us to:

- develop our understanding of the financial and operating procedures;
- document the processes for our permanent files for future reference;
- review the systems for potential weaknesses and assess the likelihood that errors could occur;
- determine our audit approach (including the degree of reliance on internal controls); and
- ensure that the accounting systems and records were sufficient for the preparation of true and fair financial statements.

Our audit is planned and conducted so as to enable us to express a professional opinion on the statutory financial statements. It is not designed, nor can it be expected to disclose, all defalcations or irregularities. Such matters might be revealed during the course of our work. If this were the case, the matters would be reported to you.

Design effectiveness

Our review indicated that, based on the size of the Shire, the current systems and processes are well designed and controlled. We are of the view that the Shire's controls are adequate and comply with relevant legislative provisions. We did not identify any control weaknesses.

PUBLIC ATTACHMENTS

5. Independence

Overview

Our audit services are subject to the Office of the Auditor General's, William Buck's and the profession's strict rules and policies regarding auditor independence, as well as certain statutory requirements. We enforce these policies and values in order to maintain objectivity and to be free of conflicts of interest when discharging our professional responsibilities.

The Office of the Auditor General and William Buck understand the importance of our role as auditors in the external reporting framework and we work hard to maintain an extensive system of quality controls over our audit practices.

6. Summary of unadjusted audit differences

There are no uncorrected misstatements in the financial report.

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