



SHIRE OF GNOWANGERUP
BORDEN GNOWANGERUP ONGERUP

AGENDA

Audit Committee Meeting

22 November 2023
Commencing at 1:30pm

Council Chambers
Yougenup Road, Gnowangerup WA 6335

[COUNCIL'S VISION](#)

AUDIT COMMITTEE TERMS OF REFERENCE

Objectives of the Audit Committee

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate:

- the enhancement of the credibility and objectivity of external financial reporting;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- the provision of an effective means of communication between the external auditor, the CEO and the Council.

Powers of the Audit Committee

The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

Membership

The committee will consist of all elected members of Council. All members shall have full voting rights.

The CEO and employees are not members of the committee.

The Deputy CEO will attend meetings, not as a member but to assist the Committee with any queries or requests for information.

The Executive Assistant or another nominated staff member will attend meetings to take the minutes.

The Presiding Member and Deputy Presiding Member must be elected in accordance with section 5.12 and Schedule 2.3 of the Act.

Meetings

The committee shall meet at least quarterly.

Additional meetings shall be convened at the discretion of the Presiding Member.

Reporting

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council and must be moved by the Presiding Member, or in his/her absence the Deputy Presiding Member, or in both their absences, any other member of the committee.

Functions of the Audit Committee

The functions of the committee, pursuant to Reg. 16 of the *Local Government (Audit) Regulations 1996* will be to:

- a) guide and assist the local government in carrying out its functions:
 - i. under Part 6 (Financial Management) of the Act; and
 - ii. relating to other audits and other matters related to financial management;
- b) guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 (Audit) of the Act;
- c) review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to:
 - i. report to the council the results of that review; and
 - ii. give a copy of the CEO's report to the council;
- d) monitor and advise the CEO when the CEO is carrying out functions in relation to a review under
 - i. regulation 17(1); and
 - ii. the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- e) support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- f) oversee the implementation of any action that the local government:
 - i. is required to take by section 7.12A(3) of the Act; and
 - ii. has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a) of the Act; and
 - iii. has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and

- iv. has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- g) perform any other function conferred on the audit committee by these regulations or another written law.

Shire of Gnowangerup

NOTICE OF A COMMITTEE MEETING OF COUNCIL

Dear Committee Member

A meeting of the Audit Committee of the Shire of Gnowangerup will be held on Wednesday, 22 November 2023, in the Council Chambers, 28 Yougenup Road, Gnowangerup, commencing at 1:30pm.

Signed 

Chiara Galbraith
DEPUTY CHIEF EXECUTIVE OFFICER

Meaning of and CAUTION concerning Council's "In Principle" support:

When Council uses this expression it means that:

- (a) Council is generally in favour of the proposal BUT is not yet willing to give its consent; and*
- (b) Importantly, Council reserves the right to (and may well) either decide against the proposal or to formally support it but with restrictive conditions or modifications.*

Therefore, whilst you can take some comfort from Council's "support" you are clearly at risk if you act upon it before Council makes its actual (and binding) decision and communicates that to you in writing.



DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Gnowangerup for any act, omission or statement or intimation occurring during Council or committee meetings.

The Shire of Gnowangerup disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or committee meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or committee meeting does so at that person's or legal entity's own risk.

In particular and without detracting in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by any member or officer of the Shire of Gnowangerup during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Gnowangerup.

The Shire of Gnowangerup advises that anyone who has any application lodged with the Shire of Gnowangerup shall obtain and should only rely on **written confirmation** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Gnowangerup in respect of the application.

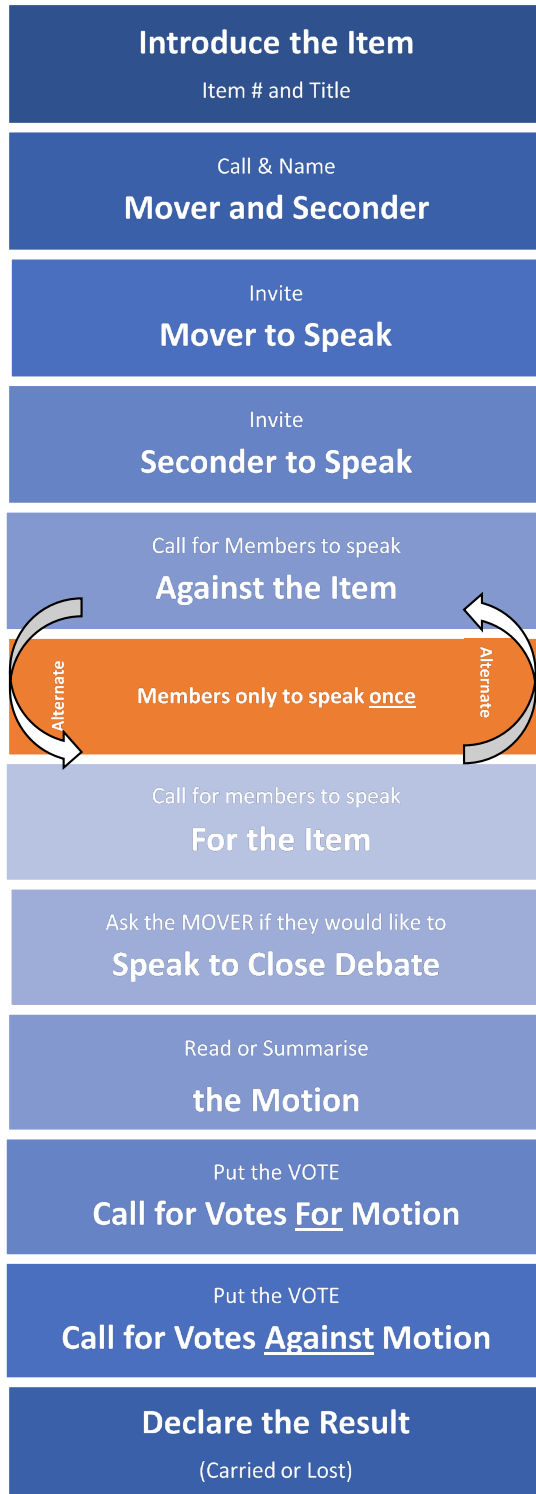
These minutes are not a verbatim record but include the contents pursuant to Regulation 11 of Local Government (Administration) Regulations 1996.

Signed  _____

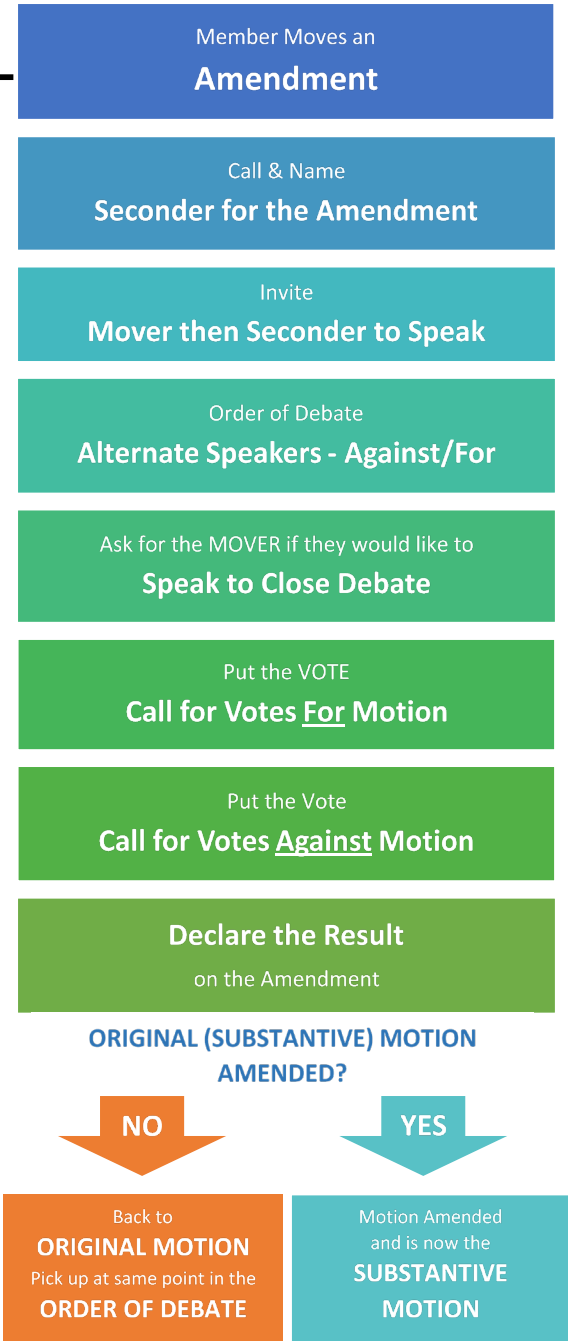
Chiara Galbraith
DEPUTY CHIEF EXECUTIVE OFFICER

Process of Motions

ORIGINAL MOTION



AMENDMENT



Slight clarification of wording of motion: A minor amendment of the motion can be done at any time through the President with the approval of the Mover and the Seconder. The Minor amendment must be minuted.

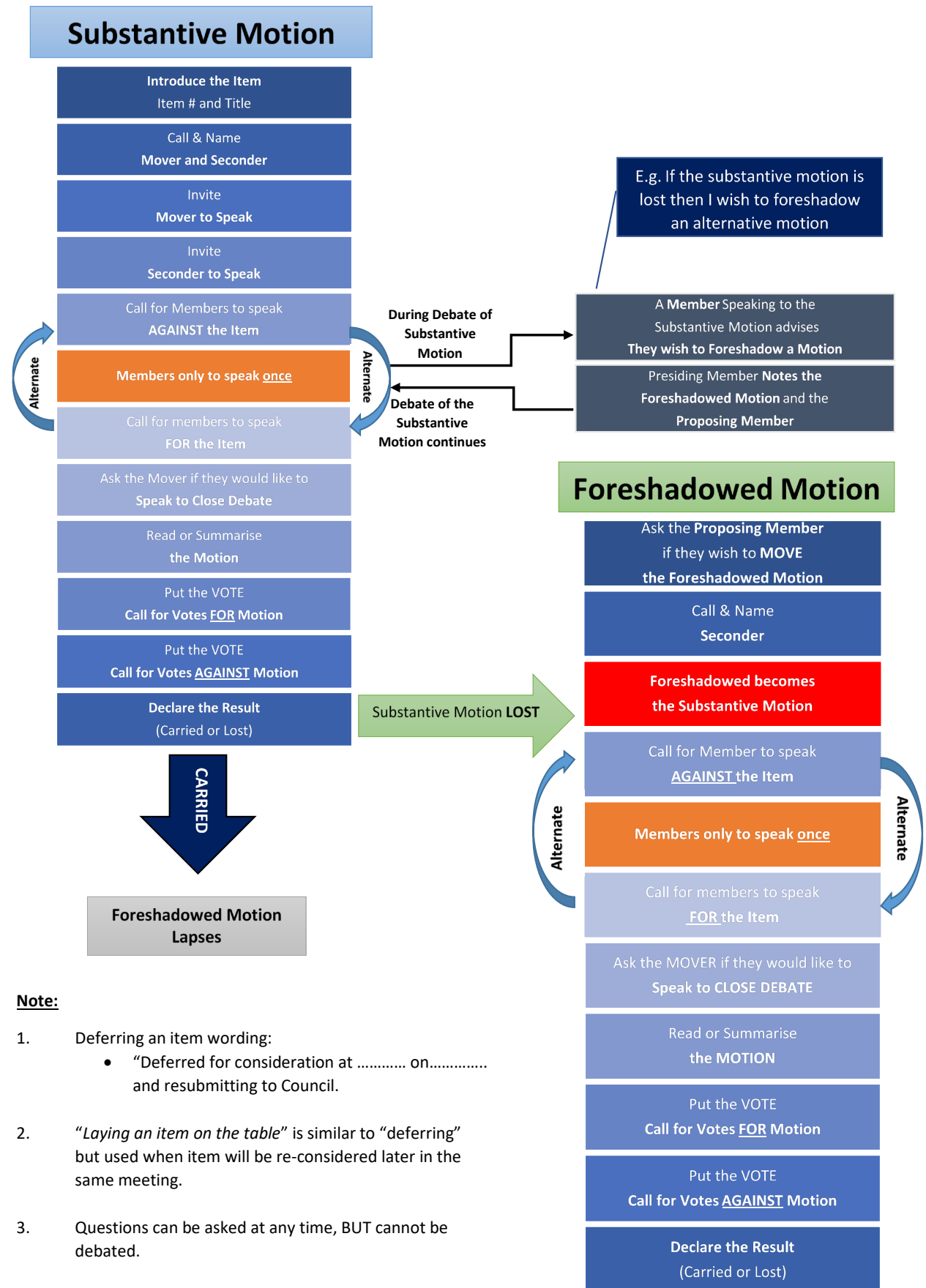


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OPENING PROCEDURES

1. OPENING AND ANNOUNCEMENT OF VISITORS

The Chief Executive Officer David Nicholson welcomes Committee members and staff and opens the meeting at ____pm.

2. ACKNOWLEDGEMENT OF COUNTRY

The Shire of Gnowangerup would like to acknowledge the Goreng people who are the Traditional Custodians of this land. The Shire of Gnowangerup would also like to pay respect to the Elders both past and present of the Noongar Nation and extend that respect to other Aboriginals present.

3. ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE

3.1 ATTENDANCE

3.2 APOLOGIES

4. ELECTION OF PRESIDING AND DEPUTY PRESIDING MEMBERS

As this is the first meeting of the Audit Committee since the 2023 Local Government elections, the Committee is required to elect a Presiding Member from amongst themselves in accordance with Section 5.12 of the Local Government Act 1995.

ELECTION OF PRESIDING MEMBER (CHAIRPERSON)

The Election of Presiding Member will be conducted by the Chief Executive Officer.

Nominations for the office are to be given to the Chief Executive Officer in writing before the meeting or during the meeting before the close of nominations.

Councillor _____ takes over as presiding member of the meeting.

ELECTION OF DEPUTY PRESIDING MEMBER (DEPUTY CHAIRPERSON)

The Presiding Member assumes the chair and calls for nominations for the position of Deputy Presiding Member.

Nominations for the office are to be given to the person conducting the election in writing before the meeting or during the meeting before the close of nominations.

5. CONFIRMATION OF PREVIOUS MEETING MINUTES

5.1 AUDIT COMMITTEE MEETING MINUTES 9th AUGUST 2023

OFFICER RECOMMENDATION:

AC1123. That the minutes of the Audit Committee Meeting held on 9 August 2023 be confirmed as a true record of proceedings.

6. OFFICER ITEMS

6.1	STRATEGIC RISK PROFILES STATUS REPORT
Location:	N/A
Proponent:	N/A
Date of Report:	13 November 2023
Business Unit:	Corporate and Community Services
Responsible Officer:	Chiara Galbraith – Deputy Chief Executive Officer
Author:	Anita Finn – Senior Governance & Risk Management Officer
Disclosure of Interest:	Nil

ATTACHMENT

- Strategic Risk Profiles Dashboard
- Strategic risks – full details

PURPOSE OF THE REPORT

To provide Council’s Audit Committee with the organisation’s strategic risk management status.

BACKGROUND

The Dashboard report provides the following information for each risk profile:

- A brief description of the risk.
- A list of current actions to mitigate the risk.
- A rating as to what degree the risk can be influenced.
- A risk rating.
- A rating of how successful existing controls are.

Officers presented a new Risk Management Policy and Procedure to Council at its Ordinary Meeting of 27 September 2018.

A review of the Risk Management Policy was approved by Council at its Ordinary Meeting of 27 September 2023. The reviewed Policy states:

“The Shire’s Strategic Risks will be presented to the Audit Committee every six months.”

During March and April 2023, the Shire’s Management Team undertook a review of the strategic and operational risks as previously listed in the Risk Management Plan. As part of this review, it was considered that Business Disruption and IT and Communications should be elevated from Operational to Strategic.

In addition the IT and Communications risk was elevated from a control level of adequate to inadequate, reflecting heightened cyber risk.

COMMENTS

As noted, a review of the Risk Management Plan was conducted in April 2023 and two risks were elevated to strategic in order that Council may monitor these through its Audit Committee.

It was ascertained that whilst all tasks noted in the risks listed as Operational were being adequately controlled, these should still be monitored by the Shire's Management Team.

Whilst no documented requirement for six monthly reporting on Risk Management could be located the current Policy review will ensure this is incorporated.

Business Disruption and IT and Communications are as with other risk categories, interrelated to some extent, in that an issue with IT or communications would impact on the organisation's ability to operate. IT and Communication risks are ever present and increasing. So it is important that these not only be managed, by the Shire's Management Team, but also be reported to Council on a periodic basis and not just when an issue arises.

A review of the Risk Management Plan is planned in January 2024 and February 2024 and will be presented to the Audit Committee in March 2024.

CONSULTATION

Shire's Management Team

LEGAL AND STATUTORY REQUIREMENTS

Nil specific to this report

POLICY IMPLICATIONS

Risk Management Policy

FINANCIAL IMPLICATIONS

Nil

STRATEGIC RISK MANAGEMENT CONSIDERATIONS

Nil specific to this report

IMPACT ON CAPACITY

Nil

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

Nil specific to this report

CONCLUSION

The Strategic Risk Profile Dashboard report is provided for noting by the Audit Committee.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION

AC1123. That the Audit Committee:

Notes that there were nil changes to the Strategic Risk Profiles Dashboard presented at the Audit Committee Meeting on 9 August 2023.

Shire of Gnowangerup Risk Dashboard Report May 2023

Strategic Risks

Population Decline	Influence Low	Risk Moderate	Control Adequate
Inability to control or stem a decline in the Shire's population.			
Actions	Due Date	Responsibility	
Resource sharing through membership of VROC	Ongoing	CEO	
Lobby for improved internet service	Ongoing	CEO	
Review land zoning to meet demand	Ongoing	CEO	
Release / develop surplus land and buildings	Dec-24	CEO	
Encourage new businesses and existing businesses in the Shire	Ongoing	CEO	
Expand portfolio of residential properties available for rent	Ongoing	DCEO	

Adverse Regulatory Change	Influence Low	Risk Moderate	Control Adequate
Potential changes to the regulatory landscape that will have an adverse effect on the Shire's ability to maintain compliance.			
Actions	Due Date	Responsibility	
Lobbying activities	Ongoing	CEO	
Training for staff	Ongoing	DCEO	
Mandatory training for Elected Members	Ongoing	CEO	
Review and update policies and procedures	Ongoing	DCEO	

Leadership	Influence High	Risk High	Control Effective
Risk of ineffective strategic leadership of Council. This includes the relationship between Council and the CEO.			
Actions	Due Date	Responsibility	
Mandatory training for Councillors	Ongoing	CEO	
Ongoing training and development for Executive staff	Ongoing	DCEO	
Refresh and promotion of the Shire's Vision, Mission and Core Values	Jun-24	CEO	

Financial Sustainability	Influence High	Risk Moderate	Control Adequate
Inability to maintain service and infrastructure levels for the Shire.			
Actions	Due Date	Responsibility	
Complete Asset Management Plans	Jun-24	MW	
Budgets workshoped with Councillors	Yearly	DCEO	
LTFP developed as part of budget process	Yearly	DCEO	
Resource sharing with neighbouring Shires	Ongoing	CEO	
All capital projects supported by a business plan	Jun-24	DCEO	
Maintain Asset Management Plans and Assets in accordance with plans	Ongoing	MW	

Community disruption	Influence Low	Risk High	Control Adequate
Failure to adequately prepare and respond to events that cause disruption to the local community.			
Actions	Due Date	Responsibility	
Update and maintain Bushfire Risk Management Plan	Dec-23	DCEO	
Incident Management Training for CEO and DCEO	Dec-23	DCEO	
Effective road asset monitoring to ensure DRFAWA funding	Ongoing	MW	
Employment of CESM	Jun-23	CEO	
Employment of BRMC	Dec-23	CEO	
Bushfire awareness training	Annual	DCEO	

Business disruption	Risk High	Control Adequate
Failure to adequately prepare and respond to events that cause disruption to the local community and/or normal business activities. This could be a natural disaster, weather event, or an act carried out by an external party (e.g. sabotage/terrorism).		
Actions	Due Date	Responsibility
Maintain Business Continuity Plan	Ongoing	DCEO
Staff awareness training of Business Continuity Plan	Ongoing	DCEO

IT or communication systems and infrastructure	Influence High	Risk High	Control Inadequate
Disruption, financial loss or damage to reputation from a failure of information technology systems. Instability, degradation of performance, or other failure of IT or communication system or infrastructure causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked.			
Actions	Due Date	Responsibility	
Full IT systems audit	Dec-23	DCEO	
Test for cyber vulnerability	Dec-23	DCEO	

Population Decline

Apr-23

Risk Description	
Inability to control or stem a decline in the Shire's population.	
Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> Services not matching community expectations Aging population Consolidation of farms Lack of affordable or quality homes Children being sent to schools out of the Shire 	<ul style="list-style-type: none"> Withdrawal of government and health services Challenges to financial sustainability Retail / Commercial enterprises close (or relocate) Increased unemployment Antisocial behaviour Reduction of service or level of service across the Shire. Amalgamation of Shires

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Inherent Risk	Consequence	Likelihood	High
	Major (4)	Possible (3)	

Risk Velocity	> 5 years	10 years +
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Ability to Influence	Low
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Key Controls	Type	Date	Control Operating Effectiveness
Business Engagement	Preventative	Ongoing	Adequate
Financial contribution to GP retention	Preventative	Ongoing	Effective
Recreation Facilities	Preventative	Ongoing	Effective
Community Engagement	Prevent / Detect	Ongoing	Adequate
TPS and Strategy - Scheme review	Preventative	Dec-23	Effective

4

Overall Control Effectiveness	Adequate
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8

Residual Risk	Consequence	Likelihood	Moderate
	Major (4)	Unlikely (2)	

Actions / Treatments	Due Date	Responsibility
Resource sharing through membership of VROC	Ongoing	CEO
Lobby for improved internet service	Ongoing	CEO
Review land zoning to meet demand	Ongoing	CEO
Release / develop surplus land and buildings	Dec-24	CEO
Encourage new businesses and existing businesses in the Shire	Ongoing	CEO
Expand portfolio of residential properties available for rent	Ongoing	DCEO

Key Indicators	Tolerance	Latest Result	Trend

Comments / Justifications
As determined by Bob Jarvis (CEO) and Ian Graham (DCEO) on 5 March 2020
As determined by MANEX 29 March 2023

Risk Description

Potential changes to the regulatory landscape that will have an adverse effect on the Shire's ability to maintain compliance.

Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> Inadequate staffing / resources Lack of training for staff / volunteers 	<ul style="list-style-type: none"> Litigation Reputational damage Reduction / removal of other services Management of change Investigation of Council for non-compliance Decrease of volunteer services Re-allocation of Shire priorities Increased workload of staff

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Inherent Risk	Consequence	Likelihood	High
	Catastrophic (5)	Possible (3)	

Risk Velocity	< 6mths
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Ability to Influence	Low
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Key Controls	Type	Date	Control Operating Effectiveness
Lobbying Activities (increase awareness for regional issues in implementing changes)	Preventative	Ongoing	Adequate
Training for staff	Preventative	Ongoing	Adequate
Mandatory training for Elected Members	Preventative	Ongoing	Effective
Department updates	Preventative	Ongoing	Effective
State Law Publisher legislative updates	Preventative	Ongoing	Effective

10

Overall Control Effectiveness	Effective
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5

Residual Risk	Consequence	Likelihood	Moderate
	Catastrophic (5)	Rare (1)	

Actions / Treatments	Due Date	Responsibility
Lobbying activities	Ongoing	CEO
Training for staff	Ongoing	DCEO
Mandatory training for Elected Members	Ongoing	CEO
Review and update policies and procedures	Ongoing	DCEO

Key Indicators	Tolerance	Latest Result	Trend

Comments / Justifications

As determined by Bob Jarvis (CEO) and Ian Graham (DCEO) on 5 March 2020

As determined by MANEX 29 March 2023

Risk Description	
Risk of ineffective strategic leadership of Council. This includes the relationship between Council and the CEO.	
Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> Inadequate skill set of CEO Elections - change of Councillors Poor internal relationships Inadequate training undertaken by Councillors Poor working relationship between President / CEO Ineffective community engagement 	<ul style="list-style-type: none"> Loss of strategic direction Elected members involvement in operational matters Loss of expertise Community dissatisfaction Increased staff turnover Loss of morale Disgruntled community

12

Inherent Risk	Consequence	Likelihood	High
	Major (4)	Possible (3)	

Risk Velocity	< 1 year
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Ability to influence	High
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Key Controls	Type	Date	Control Operating Effectiveness
Succession Planning - CEO and DCEO	Preventative	Ongoing	Effective
Mandatory Training programme (Elected Members)	Preventative	Ongoing	Effective

0

Overall Control Effectiveness	Effective
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12

Residual Risk	Consequence	Likelihood	High
	Major (4)	Possible (3)	

Actions / Treatments	Due Date	Responsibility
Mandatory training for Councillors	Ongoing	CEO
Ongoing training and development for Executive staff	Ongoing	DCEO
Refresh and promotion of the Shire's Vision, Mission and Core Values	Jun-24	CEO

Key Indicators	Tolerance	Latest Result	Trend

Comments / Justifications
As determined by Bob Jarvis (CEO) and Ian Graham (DCEO) on 5 March 2020
As determined by MANEX 29 March 2023

Risk Description	
Inability to maintain service and infrastructure levels for the Shire.	
Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> State cost shifting Loss of funding Increasing community expectations Legislative changes Change in State Gov't direction Socio-economic factors 	<ul style="list-style-type: none"> Reduction of services Removal of services Increase in rates Increase responsibility for additional services from State Gov't.

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Inherent Risk	Consequence	Likelihood	High
	Major (4)	Likely (4)	

Risk Velocity	< 3 years
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Ability to Influence	High
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Key Controls	Type	Date	Control Operating Effectiveness
Integrated Planning Suite of Plans	Prevent / Detect	Mar-23	Adequate
Lobby against Cost Shifting	Preventative	Mar-23	Adequate
Independent oversight of financials	Prevent / Detect	Mar-23	Effective
Training for staff	Preventative	Mar-23	Adequate
Alternative sources of funding	Preventative	Mar-23	Adequate

8

Overall Control Effectiveness	Adequate
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8

Residual Risk	Consequence	Likelihood	Moderate
	Major (4)	Unlikely (2)	

Actions / Treatments	Due Date	Responsibility
Complete Asset Management Plans	Jun-24	MW
Budgets workshopped with Councillors	Yearly	DCEO
LTFP developed as part of budget process	Yearly	DCEO
Resource sharing with neighbouring Shires	Ongoing	CEO
All capital projects supported by a business plan	Jun-24	DCEO
Maintain Asset Management Plans and Assets in accordance with plans	Ongoing	MW

Key Indicators	Tolerance	Latest Result	Trend

Comments / Justifications
As determined by Bob Jarvis (CEO) and Ian Graham (DCEO) on 5 March 2020
As determined by MANEX 29 March 2023

Community disruption

Apr-23

Risk Description	
Failure to adequately prepare and respond to events that cause disruption to the local community.	
Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> Bushfire Flooding Other weather event Sabotage / terrorism Epidemic / pandemic Major utility failure Social unrest 	<ul style="list-style-type: none"> Loss of community infrastructure Loss of life Potential litigation Severe reputational damage Major investigation Destruction of natural and built area Inability to perform core services to the community Residents move on Shops close Property values diminish

15

Inherent Risk	Consequence	Likelihood	High
	Catastrophic (5)	Possible (3)	

Risk Velocity	Unknown
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Ability to influence	Low
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Key Controls	Type	Date	Control Operating Effectiveness
Annual Works Plan	Preventative	Mar-23	Effective
LEMC Framework (inc. arrangements)	Prevent / Recovery	Mar-23	Adequate
Bushfire Risk Management Planning	Preventative	Mar-23	Adequate
Volunteer BFB Management & Training	Prevent / Recovery	Mar-23	Effective

5

Overall Control Effectiveness	Adequate
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10

Residual Risk	Consequence	Likelihood	High
	Catastrophic (5)	Unlikely (2)	

Actions / Treatments	Due Date	Responsibility
Update and maintain Bushfire Risk Management Plan	Dec-23	DCEO
Incident Management Training for CEO and DCEO	Dec-23	DCEO
Effective road asset monitoring to ensure DRFAWA funding	Ongoing	MW
Employment of CESM	Jun-23	CEO
Employment of BRMC	Dec-23	CEO
Bushfire awareness training	Annual	DCEO

Key Indicators	Tolerance	Latest Result	Trend

Comments / Justifications
As determined by Bob Jarvis (CEO) and Ian Graham (DCEO) on 5 March 2020
As determined by MANEX 29 March 2023

Risk Description

Failure to adequately prepare and respond to events that cause disruption to the local community and/or normal business activities. This could be a natural disaster, weather event, or an act carried out by an external party (e.g. sabotage/terrorism). This includes:
 - Lack of (or inadequate) emergency response / business continuity plans.
 - Lack of training for specific individuals or availability of appropriate emergency response.
 - Failure in command and control functions as a result of incorrect initial assessment or untimely awareness of incident.
 - Inadequacies in environmental awareness and monitoring of fuel loads, curing rates etc
 This does not include disruptions due to IT Systems or infrastructure related failures - refer "Failure of IT & communication systems and infrastructure".

Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> • Cyclone, storm, fire, earthquake • Terrorism / sabotage / criminal behaviour • Epidemic / Pandemic • Loss of suppliers • Extended utility outage • Economic factors • Loss of key staff • Loss of key infrastructure 	<ul style="list-style-type: none"> • Loss of community infrastructure • Loss of life • Potential litigation • Severe reputational damage • Major investigation • Destruction of natural and built area • Inability to perform core services to the community •

15

Inherent Risk	Consequence	Likelihood	High
	Catastrophic (5)	Possible (3)	

Risk Velocity	Unknown
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Ability to Influence	Low
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Key Controls	Type	Date	Rating
Business Continuity Plan	Recovery	Mar-23	Adequate
Bushfire Management Risk Plan	Prevent / Recovery	Mar-23	Adequate
Overall Control Ratings:			Adequate

15

Residual Risk	Consequence	Likelihood	High
	Catastrophic (5)	Possible (3)	

Actions / Treatments	Due Date	Responsibility
Review of Business Continuity Plan required	2023	DCEO
Staff awareness training of Business Continuity Plan	2023	DCEO

Key Indicators	Tolerance	Latest Result	Trend
Business Continuity Plan	Annual Review		
Local Emergency Management Arrangements	Annual Review		
Bushfire Management Risk Plan	Annual Review		

Comments / Justifications
 Reviewed at MANEX Meeting 11 January 2021 - Bob Jarvis, Ian Graham, Yvette Wheatcroft, Carol Shaddick, Geoff Carberry & Anrie van Zyl
 Reviewed at MANEX Meeting 29 March 2023

Risk Description	
Disruption, financial loss or damage to reputation from a failure of information technology systems. Instability, degradation of performance, or other failure of IT or communication system or infrastructure causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked. Disruption, financial loss or damage to reputation from a failure of information technology systems.	
Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> Weather impacts Power outage on site or at service provider premises Out-dated, inefficient or unsupported hardware or software Incompatibility between operating systems Cyber attack Non-renewal of licences Inadequate IT incident, problem management & disaster recovery processes Lack of process and training Vulnerability to user error 	<ul style="list-style-type: none"> Potential litigation Severe reputational damage Major investigation Inability to perform core services to the community

12

Inherent Risk	Consequence	Likelihood	High
	Major (4)	Possible (3)	

Risk Velocity	< 1 year
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Ability to Influence	High
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Key Controls	Type	Date	Rating
Data Back-up Systems	Recovery	Ongoing	Adequate
Outsourcing Performance Monitoring	Detective	Ongoing	Adequate
Vendor Support	Recovery	Ongoing	Adequate
Business Continuity Plan	Preventative	Ongoing	Effective
UPS/Generator entry point	Recovery	Ongoing	Adequate
IT Infrastructure Replacement Program	Preventative	Ongoing	Effective
Include instructions on emails and phishing emails in Induction Package	Preventative	Ongoing	Inadequate
Overall Control Ratings:			Inadequate

12

Residual Risk	Consequence	Likelihood	High
	Major (4)	Possible (3)	

Actions / Treatments	Due Date	Responsibility
Full IT systems audit	Dec-23	DCEO
Test for cyber vulnerability	Dec-23	DCEO

Key Indicators	Tolerance	Latest Result	Trend
System outages	1 per month	Within Tolerance	
Number of customer complaints due to IT/Comms issues	5 per outage	Within Tolerance	
Vendor Help Desk support requests	5 per outage	Within Tolerance	

Comments / Justifications
Reviewed at MANEX Meeting 7 September 2021 - Bob Jarvis, Ian Graham, Carol Shaddick, Yvette Wheatcroft, Geoff Carberry, Olivia Letter & Anrie van Zyl.
Reviewed at MANEX Meeting 29 March 2023

6.2	PURCHASE ORDER NON-COMPLIANCE REGISTER REPORT
Location:	N/A
Proponent:	N/A
Date of Report:	13 November 2023
Business Unit:	Strategy & Governance
Responsible Officer:	Chiara Galbraith – Deputy Chief Executive Officer
Author:	Anita Finn – Senior Governance & Risk Management Officer
Disclosure of Interest:	Nil

ATTACHMENTS

- Purchase Order Non-Compliance Register (July 23 – October 23)
- Purchasing Policy 4.1

PURPOSE OF THE REPORT

Highlight non-compliance purchase orders and/or emerging trends by delegated procurement staff. Non-compliance includes but not limited to instances like insufficient quotes, retrospective purchase orders, inconsistencies between purchase orders and invoices or the omission of purchase orders for invoices.

BACKGROUND

Butler Settineri (Dry Kirkness) undertook the 2021/2022 Interim Audit on behalf of the OAG in May 2022 and "Inadequate Procurement Practices" was identified as one of 3 moderate risk findings during the audit.

COMMENTS

As a result of the above finding the "Non-Compliance Purchase Order Register" was set up in August 2022. The register is used to track instances of non-compliance items providing name of supplier, date of EFT transfer, EFT number, the invoice amount, the date the purchase was order created, the responsible officer and reason why the instance occurred.

Since the creation of the register it has been noted that the Shire's current purchasing policy and procedure is in need of updating to included exemptions for instances where the issue of a purchase order is not possible, i.e. utility accounts, service provision items like media messaging services, postal services, Toll freight charges, etc. that greatly varies month to month, pending on usage.

The Shire's current procedure states that a *"Shire Purchase Order must be used for all purchases except for purchases made by Credit Card or petty cash."*

CONSULTATION

Nil

LEGAL AND STATUTORY REQUIREMENTS

Local Government Act 3.57

Local Government (Functions and General) Regulations – Regulation
11A State Record Act 2000

Shire of Gnowangerup Code of Conduct

Shire of Gnowangerup Purchasing Policy 4.1

Shire of Gnowangerup Purchasing
Procedure 4.8

The requirements that must be complied with by the Shire, including purchasing thresholds and processes, are prescribed within the Regulations, and associated purchasing procedures and policies.

POLICY IMPLICATIONS

Shire of Gnowangerup Purchasing Policy 4.1 and Purchasing Procedure 4.8 sets out the process and thresholds to be adhered to. Not following these processes reduces the likelihood the Shire will get value for money and increases the potential for misappropriation of funds.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

As per Integrated Strategic Plan

Theme	Our Organisation
Community Priority	Forward planning and implementation of plans to achieve strategic objectives

STRATEGIC RISK MANAGEMENT CONSIDERATIONS

This item has been evaluated against the current Council approved Risk Management Register.

Risk description	Not to note the Compliance Purchase Order Register Report
Primary Strategic Risk Category	Adverse Regulatory Change
Primary Strategic Risk Category Description	<ul style="list-style-type: none"> • Investigation of Council for non-compliance • Litigation • Reputational damage
Consequence: (Insignificant, Minor, Moderate, Major, Catastrophic)	Catastrophic
Likelihood: (Almost Certain, Likely, Possible, Unlikely, Rare)	Possible

IMPACT ON CAPACITY

Nil

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

Nil

CONCLUSION

The Non-Compliance Purchase Order Register was created to track and address instances of non-compliance to help ensure compliance with the Regulations and the Shire’s purchasing policy and procedure.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION:

AC1123. That the Audit Committee

Notes the Non-Compliance Purchase Order Register Report for the period July 2023 to October 2023

Procurement Non-Compliance

Purchase Order Registration

Creditor	Invoice Amount	Invoice Date	PO	PO Date	Responsible Manager	Responsible / Requesting Officer	EXPLANATION
THE BOTTLE-O NORTH ROAD	\$ 204.02	8/07/2023	22264	7/07/2023	David Nicholson	Bobbie van Rensburg	Variance greater than 10%: PO was an estimate only.
KATANNING HARDWARE	\$ 171.90	13/07/2023	22278	13/07/2023	David Nicholson	Damon Lukins	Variance greater than 10%: bought 2 rolls. PO was for one roll only
LGIS	\$ 171,942.79	3/07/2023	22308	25/07/2023	David Nicholson		Breakdown of Insurance schedule was received after the invoice date

Procurement Non-Compliance

Purchase Order Registration

Creditor	Invoice Amount	Invoice Date	PO	PO Date	Responsible Manager	Responsible / Requesting Officer	EXPLANATION
Bullseye Plumbing & Gas	\$ 6,545.00	17/07/2023	22304	25/07/2023	CEO	Damon Lukins	PO was created after the invoice date
Jerramungup Electrical	\$ 452.62	10/07/2023	22315	28/07/2023	CEO	Damon Lukins	PO was created after the invoice date
Ongerup Tyres & Aotomotive	\$ 3,802.50	20/07/2023	22298	21/07/2023	CEO	Damon Lukins	PO was created after the invoice date
WALGA	\$ 649.00	2/08/2023	22318	31/07/2023	CEO	Bobby van Rensburg	Variance greater than 10%: GST omitted from PO
WALGA	\$ 649.00	2/08/2023	22301	24/07/2023	CEO	Bobby van Rensburg	Variance greater than 10%: GST omitted from PO
ABA Security	\$ 2,072.46	28/07/2023	22314	28/07/2023	CEO	Damon Lukins	PO was created after work had already commenced
CORE SRM	\$ 7,796.25	27/07/2023	22184	8/06/2023	CEO	CEO	Variance greater than 10%: Acting Manager of Works – more hours worked than the 38hrs/week allocated
DA &KJ Murray	\$ 480.00	31/07/2023	22238	4/07/2023	Senior Finance Officer	Pamela Lemin	Variance greater than 10%: PO was for 3 nights, Llew stayed for 4 nights
Position Partners	\$ 2,623.50	31/07/2023	22325	4/08/2023	CEO	Damon Lukins	PO was created after the invoice date
Truck Centre (WA) Pty Ltd	\$ 1,169.19	31/07/2023	22302	25/07/2023	CEO	Damon Lukins	Variance greater than 10%: PO was based on an estimate only
Gnowangerup Smash Repairs	\$ 440.00	23/02/2023			Geoff Carberry	Romeo Mendoza	No purchase order for repair job was issued
Dhu South Electrical	\$ 1,434.40	19/07/2023			DCEO	Chiara Galbraith	No purchase order. This was emergency work as no lights in offices at admin building. Due to not knowing what was causing the fault no quote could be obtained.
Ongerup Tyres & Aotomotive	\$ 194.75	31/07/2023			CEO	Damon Lukins	No purchase order for repair job was issued
Reece	\$ 79.82	18/08/2023	22324	4/08/2023	Manager of Works	Robyn Rodney	Variance greater than 10%: PO was for only 3 taps, but 4 was required

Procurement Non-Compliance Purchase Order Registration

Creditor	Invoice Amount	Invoice Date	PO	PO Date	Responsible Manager	Responsible / Requesting Officer	EXPLANATION
CROWN PERTH	\$ 6,460.00	29/08/2023	22350	15/08/2023	CEO	EA	Variance greater than 10%: Original estimate received from Crow was for 2 nights. Councillors are staying 3 nights and not 2
DWER	\$ 1,303.50	7/08/2023	22307	25/07/2023	CEO	AWMC	Variance greater than 10%: Based on previous years liquid waste which was over our base limit of 100t and the fee charged moves to the next level charge
KATANING MAZDA	\$ 41.76	22/08/2023	22374	18/08/2023	MW	WORKS ASSISTANT	Variance greater than 10%: Freight was omitted from PO
LMH REPAIRERS	\$ 2,335.75	18/08/1929	22429	5/09/2023	MW	MECHANIC	PO was created after the invoice date
LMH REPAIRERS	\$ 115.50	4/09/2023	22429	5/09/2023	MW	MECHANIC	PO was created after the invoice date
LMH REPAIRERS	\$ 3,274.61	31/08/2023	22429	5/09/2023	MW	MECHANIC	PO was created after the invoice date
DWER	\$ 88.00	1/09/2023	22430	6/09/2023	CEO	MW	PO was created after the invoice date

Procurement Non-Compliance

Purchase Order Registration

Creditor	Invoice Amount	Invoice Date	PO	PO Date	Responsible Manager	Responsible / Requesting Officer	EXPLANATION
Sadlers Butchers	\$ 231.00	18/08/2023	22335	14/08/2023	CEO	EA	Variance greater than 10%: PO was made out for \$1 while waiting on estimate – omitted to change amount upon receipt of estimate
Sadlers Butchers	\$ 315.00	2/08/2023	23305	25/07/2023	CEO	EA	Variance greater than 10%: PO was an estimate only.
DA & KJ Murray	\$ 600.00	30/09/2023	22410	29/08/2023	SFO	CSO	Variance greater than 10%: PO was for 4 nights, WHS officer stayed 5 nights
DA & KJ Murray	\$ 600.00	30/09/2023	NO PO		SFO	CSO	No PO was created for the accommodation of EHO for the month on September
Department of Water and Environmental Regulation	\$ 44.00	15/09/2023	22535	13/10/2023	CEO	EMIA	PO was created after the invoice date
GNP Hardware	\$ 21.78	5/09/2023	22525	11/10/2023	EMIA	WA	PO was created after the invoice date
WALGA	\$ 10,372.19	30/08/2023	22354	15/08/2023	CEO	EA	Variance greater than 10%: PO error – EA accidentally used Crown Perth amount and not the WALGA booking confirmation amount
Yongergnow Australian Malleefowl Centre	\$ 360.00	16/10/2023	22475	26/09/2023	CEO	EA	Variance greater than 10%: PO was an estimate only.

4.1 PURCHASING POLICY

Policy Type:	Finance
Date Adopted:	22 June 1998

Policy No:	4.1
Date Last Reviewed:	28 July 2021

Legal (Parent):
<ol style="list-style-type: none"> 1. Local Government Act 1995 – Section 3.57. 2. Local Government (Functions and General) Regulations – Regulation 11A

Legal (Subsidiary):
<ol style="list-style-type: none"> 1. State Records Act 2000 2. Shire of Gnowangerup Code of Conduct

Delegation of Authority Applicable	Yes
Delegation Numbers	1.2.5, 1.2.7

Staff Procedure Applicable	Yes
Staff Procedure Number	4.7

ADOPTED POLICY	
Title:	PURCHASING POLICY
Objective:	<p>To ensure that all purchasing activities:</p> <p>This policy:</p> <ol style="list-style-type: none"> 1. Ensures compliance with the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996 to establish a framework of operational standards for contracts to purchase goods and services; 2. Provides guidance to all Council employees on all levels of procurement to ensure ethical behavior, and to ensure probity, and transparency; 3. Ensures that the Shire receives value for money as a result of its purchasing activities; 4. Aims to deliver a high level of accountability whilst providing a flexible, efficient and effective and transparent procurement framework; 5. Ensures that the Shire considers the environmental and sustainability implications of the procurement process across the life cycle of goods and services; and 6. Ensures that all purchasing transactions are recorded in compliance with the State Records Act 2000 and associated records management practices and procedures of the Shire.

1.0 Strategy

The Shire is committed to sustainable procurement practices. The Shire will advertise and assess quotes and tenders to secure supply arrangements that contribute to achieving the Shire's strategic goals and objectives in line with the following principles:

- Enhance our natural and built environment by purchasing products and services that demonstrate environmental best practice and will reduce negative impacts;
- Enhance our economic environment by ensuring value for money in all contracting and purchasing;
- Ensure Good Governance by maintaining transparency in contracting and purchasing, minimising the risk to the Shire of Gnowangerup through the application of a robust risk management mechanisms ensuring that the products and services it purchases are in line with the Shire's objectives; and
- Where appropriate, the Shire shall endeavour to provide an advantage to suppliers demonstrating that they minimise environmental and negative social impacts and embrace sustainable business practices.
- Where possible suppliers operating within the Great Southern Region are to be given the opportunity to quote for goods & services required by the Shire

2.0 Ethics and Integrity

Code of Conduct

All officers and employees of the Shire undertaking purchasing activities must have regard for the Code of Conduct requirements, shall observe the highest standards of ethics and integrity and act in an honest and professional manner at all times which supports the standing of the Shire.

3.0 Purchasing Procedure

For detailed purchasing procedures, please refer to the Purchasing Procedure

4.0 Purchasing Thresholds

The table below prescribes the purchasing process that the Shire must follow, based on the purchase value:

Purchase Value Threshold (Ex GST)	Purchasing Requirement
Up to \$5,000 annually	Purchase directly from a supplier using Petty Cash for minor items, a Purchase Order or Corporate Credit Card issued by the Shire, or seek at least one (1) oral or written quotation from a suitable supplier, either from: an existing panel of pre-qualified suppliers administered by the Shire; or a pre-qualified supplier on the WALGA Preferred Supply Program or State Government Common Use Arrangement (CUA); or

Purchase Value Threshold (Ex GST)	Purchasing Requirement
	from the open market.
Over \$5,000 and up to \$20,000 annually	<p>Seek at least two (2) verbal or written quotations from suppliers following a brief outlining the specified requirement, either from:</p> <p>an existing panel of pre-qualified suppliers administered by the Shire; or</p> <p>a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</p> <p>from the open market.</p>
Over \$20,000 and up to \$50,000 annually	<p>Seek at least two (2) written quotations from suppliers following a brief outlining the specified requirement, either from:</p> <p>an existing panel of pre-qualified suppliers administered by the Shire; or</p> <p>a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</p> <p>from the open market.</p>
Over \$50,000 and up to \$250,000 (over 3 year period)	<p>Seek at least three (3) written quotations from suppliers by formal invitation under a Request for Quotation, containing price and detailed specification of goods and services required. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy.</p> <p>Quotations within this threshold may be obtained from:</p> <p>an existing panel of pre-qualified suppliers administered by the Shire; or</p> <p>a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</p> <p>from the open market.</p> <p>Requests for quotation from a pre-qualified panel of suppliers (whether administered by the Shire through the WALGA preferred supply program or</p>

Purchase Value Threshold (Ex GST)	Purchasing Requirement
	State Government CUA) are not required to be invited using a Request for Quotation form, however at least three written quotes are still required to be obtained.
Over \$250,000 and up to \$600,000 Request for Tender (RFT) Required	<p>1. Tender Exempt arrangements: i.e. WALGA PSA, CUA or other tender exemption under F&G Reg.11(2). This requires at least three (3) written quotes from suppliers under a formal Request for Quotation (RFQ),</p> <p>OR</p> <p>2. Public Tender: conduct a public Request for Tender (RFT) process in accordance with the <i>Local Government Act 1995 and Local Government (Functions and General) Regulations 1996</i>, this Policy and the Shire's tender and purchasing procedures. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy.</p>
Emergency Purchases	Refer to Purchasing Procedure.
LGIS Services LG Act 1995 Section 9.58(6)(b)	<p>The suite of LGIS insurances are established in accordance with s.9.58(6)(b) of the <i>Local Government Act 1995</i> and are provided as part of a mutual, where WALGA Member Local Governments are the owners of LGIS. Therefore, obtaining LGIS insurance services is available as a member-base service and is not defined as a purchasing activity subject to this Policy.</p> <p>Should Council resolve to seek quotations from alternative insurance suppliers, compliance with this Policy is required.</p>
Over \$600,000 RFT Required	As above AND Council is to approve the tender process prior to commencement of tender (as per Delegations Register 1.2.4 Expressions of Interest and Tenders for Goods & Services).

5.0 Records Management

All Local Government purchasing activity, communications and transactions must be evidenced and retained as local government records in accordance with the *State Records Act 2000* and the Shire's Recordkeeping Plan.

In addition, the Shire must consider and will include in each contract for the provision of works or

services, the contractor's obligations for creating, maintaining and where necessary the transferal of records to the Shire relevant to the performance of the contract.

6.0 Application and Quality Assurance

Responsibility for the application, implementation and quality assurance of this policy rests with the Chief Executive Officer, Management, Shire President and Councilors.

7. CLOSURE

There being no further business, Presiding Member _____ thanks committee members and staff and closed the meeting at _____pm.