Shire of Denmark

Regulation 17 Review

13 March 2026

FINAL Review Report

For Management Comment

(Review in Confidence)

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Regulation 17 Review Summary and Conclusion

Introduction

Lincolns has been engaged by the Shire of Denmark to undertake a comprehensive Regulation 17 Review of the systems and processes established by management in relation to Risk Management, Internal Control, and Legislative Compliance, as required under the Local Government (Audit) Regulations 1996.

The objective of the review was to assess whether the Shire's systems and processes are appropriately designed and operating effectively, to identify areas of strength, and to highlight opportunities for improvement consistent with better-practice expectations for Western Australian local governments, having regard to the Shire's size, complexity and risk profile.

The engagement was conducted independently and in accordance with *ASAE 3000 – Assurance Engagements Other than Audits or Reviews of Historical Financial Information.* The review was not designed to identify all control deficiencies or instances of non-compliance, but rather to provide reasonable insight into the overall adequacy and effectiveness of the Shire's governance, risk and compliance frameworks.

Scope and Methodology

The review focused on evaluating whether the Shire has implemented appropriate and effective systems, policies and procedures to support sound governance, accountability and compliance with legislative requirements.

Consistent with the agreed engagement documentation, the scope of the review included the following prescribed areas under Regulation 17:

- **Risk Management:** Identification, assessment, treatment, monitoring and reporting of strategic and operational risks, including integration with business continuity planning and ICT disaster recovery arrangements.
- **Internal Control:** Financial and non-financial controls, policy and delegation frameworks, ICT governance and controls, fraud and corruption prevention mechanisms, and accountability and oversight processes.
- **Legislative Compliance:** Systems and procedures to support compliance with applicable legislation and regulations, including Integrated Planning and Reporting (IPR) obligations under the *Local Government Act 1995* and subsidiary regulations.

The methodology adopted was risk-based and practical, designed to balance compliance testing with the identification of governance maturity and improvement opportunities.

Key elements of the methodology included:

1. **Planning and Liaison**
   Review of prior Regulation 17 reports, confirmation of scope and objectives, and identification of key stakeholders, documentation and information sources.
2. **Information Gathering**
   Discussions with relevant officers to understand the design and operation of systems and controls, together with examination of supporting documentation including policies, registers, plans, Council and previous Audit Committee minutes, and management reports**.**
3. **Testing and Evaluation**
   Assessment of the design and operating effectiveness of selected controls through targeted sampling, document review and cross-referencing to governance and reporting processes.
4. **Reporting**
   Compilation of findings, conclusions and recommendations, clearly distinguishing between mandatory legislative requirements and better-practice improvement opportunities, and calibrating risk ratings accordingly.

The review provides limited assurance in line with the professional standards above. The procedures undertaken were designed to obtain sufficient evidence to form a conclusion but not to identify every possible deficiency.

Review Work Program

The review work program was structured around the three prescribed areas of Regulation 17, supported by specific testing and document verification activities.

Risk Management

The review evaluated the Shire's risk management framework, including the existence and maintenance of strategic and operational risk registers, risk ownership arrangements, and governance and reporting processes. Consideration was given to the integration of risk management with business continuity planning, ICT disaster recovery arrangements and insurance coverage. The frequency and nature of risk reporting to the Audit, Risk and Improvement Committee and Council were also assessed.

Internal Control

The review assessed the design and implementation of internal controls across key business functions. This included examination of the policy framework, delegation and approval processes, segregation of duties, ICT controls (including user access, backups and system resilience), fraud and corruption prevention mechanisms, and awareness and reporting processes. Testing also considered the currency of policies and the adequacy of procedures to support consistent application of controls across the organisation.

Legislative Compliance

The review verified the existence and effectiveness of systems and processes to support compliance with legislative and regulatory obligations. This included consideration of Compliance Audit Returns, records management practices, and Integrated Planning and Reporting documentation such as the Strategic Community Plan, Corporate Business Plan, Asset Management Plans, Workforce planning arrangements and the Long-Term Financial Plan. The review focused on whether these documents are in place, aligned and subject to appropriate governance oversight.

Review Conclusions

Based on our assessment of the management controls and processes that exist at the Shire regarding the above three key areas of the Regulation 17 review — Risk Management, Internal Control, and Legislative Compliance — we wish to conclude as follows:

Risk Management

The Shire maintains a documented Risk Management Policy and Risk Register supported by defined ownership and mitigation strategies. Governance oversight is provided through the Audit, Risk & Improvement Committee and integration with broader compliance reporting processes. The framework is appropriate and operational for a Local Government of the size and scale of the Shire of Denmark.

Opportunities exist to improve visibility of key organisation-wide risks, particularly those relating to ICT, cyber security and business continuity risks. Providing periodic risk reports to the Audit, Risk & Improvement Committee would further strengthen oversight.

Key Points:

- Risk Management Policy and Risk Register are in place.
- Risks are assigned owners and treatments.
- Governance oversight occurs through established committee processes.
- Enterprise-level ICT and business continuity risks could be more explicitly articulated.
- Structured periodic reporting would enhance transparency.

Overall, the Shire's risk management systems are appropriate and effective, with identified recommendations aimed at strengthening structured oversight rather than addressing control deficiencies.

Internal Control

The Shire maintains a generally sound internal control environment supported by documented policies, defined delegations, external audit oversight and recurring Financial Management Reviews (FMR).

Foundational fraud and corruption controls are embedded within the Shire's governance, financial and ICT control frameworks. While a consolidated Fraud Control Framework has not been formalised, existing controls provide reasonable assurance that fraud risks are mitigated. Formalising these arrangements into a single documented framework would further enhance clarity and governance visibility under Regulation 17.

ICT governance documentation is in place, including the Responsible Use of ICT Operational Standard, daily backup monitoring processes and documented disaster recovery arrangements supported by quarterly recovery testing. While current controls provide reasonable assurance, further enhancement through more formalised documentation of testing outcomes, structured log review processes and clearer alignment of ICT risks within the enterprise risk register would strengthen demonstrable ICT control assurance under Regulation 17

While a standalone internal audit plan is not maintained, assurance is obtained through statutory audits and governance review mechanisms. Targeted assurance reviews in higher-risk or emerging areas may provide additional value over time, however the cost benefit needs to be assessed on a case by case basis.

Key Points:

- Governance and financial control frameworks are documented and current.
- External audit and Financial Management Reviews provide independent oversight.
- ICT governance documentation and operational controls are established, supported by active monitoring and disaster recovery testing.
- Fraud and corruption controls are embedded within existing frameworks; however, further consolidation into a formalised framework would enhance governance visibility. Refresher Fraud Awareness Training should also be undertaken.
- Consideration of targeted, risk-based internal assurance activities may strengthen forward-looking oversight.

Overall, internal control systems are appropriate and functioning, with recommendations focused on structured enhancement and governance maturity.

Legislative Compliance

The Shire demonstrates appropriate processes to support legislative compliance. Compliance Audit Returns (CAR) are completed and reviewed, Regulation 17 reviews are undertaken as required and governance matters are reported to the Audit, Risk & Improvement Committee.

Public reporting pathways for complaints and Public Interest Disclosures are established and accessible via the Shire's website.

Key Points:

- Compliance Audit Returns are completed and formally reviewed.
- Regulation 17 and external audit processes support oversight.
- Public Interest Disclosure mechanisms are established and publicly accessible.

Legislative compliance systems are considered appropriate and effective for the purposes of Regulation 17, with recommendations directed toward strengthening transparency and structured oversight.

Overall Summary

The review confirms that:

- The Shire has established appropriate systems and procedures across Risk Management, Internal Control and Legislative Compliance.
- Core governance frameworks are in place and functioning.
- External and statutory assurance mechanisms are active and effective.
- One medium governance enhancement was identified relating to fraud control formalisation.
- All other matters are recommendation-only improvements aimed at strengthening governance maturity, structured reporting and assurance transparency.

No systemic control failures were identified. The recommendations provided support progressive governance enhancement and continued strengthening of the Shire's assurance environment under Regulation 17

Findings and Recommendations

The following matters were identified which have been reported below for consideration by Shire management:

Medium Risk Issues

1. Fraud & Corruption Controls

Finding

The Shire has established foundational fraud and corruption controls, including a documented Fraud Policy outlining reporting pathways and expected standards of conduct. Fraud awareness is incorporated into staff induction processes, and governance oversight of fraud-related matters occurs through the Audit, Risk & Improvement Committee and broader risk management processes.

While these arrangements provide a baseline level of fraud risk management, the Shire does not currently maintain a consolidated Fraud Control Framework integrating prevention, detection, response and monitoring mechanisms within a structured program. In particular:

- A documented fraud risk assessment was not evidenced.
- Fraud risk is not clearly articulated within the corporate risk register.
- Periodic reporting of fraud risk exposure and control effectiveness to the Audit, Risk & Improvement Committee is not formalised.
- Ongoing refresher fraud awareness training beyond induction is not structured or documented.

These matters do not indicate that fraud risks are unmanaged. However, greater formalisation of fraud control mechanisms would strengthen internal control assurance, improve visibility of fraud risk exposure and align the Shire more closely with contemporary better practice standards under Regulation 17.

Recommendation

It is recommended that the CEO formalise fraud and corruption controls through the development and adoption of a documented Fraud Control Framework. This framework should:

• Incorporate a documented and periodically reviewed fraud risk assessment.
• Clearly articulate fraud risks within the Corporate Risk Management Register.
• Define prevention, detection, investigation and reporting protocols within a structured framework.
• Establish structured refresher fraud awareness training for staff and elected members, in addition to induction training.
• Provide for periodic reporting of fraud risk exposure and control effectiveness to the Audit, Risk & Improvement Committee.

Formalising these arrangements would strengthen internal control assurance, enhance governance transparency and support the CEO's responsibilities under Regulation 17 relating to internal control and risk management.

Management Comments

Management acknowledges the recommendation and supports the development of a consolidated Fraud Control Framework. As a small regional local government with limited staffing and financial capacity, the Shire will adopt a staged and proportionate approach that builds on existing controls already in place, including the Fraud Policy, induction processes and committee oversight.

Initial work will focus on documenting current practices and undertaking a fraud risk assessment, with further enhancements—such as refresher training and periodic reporting—implemented progressively as resources allow.

This approach meets the intent of Regulation 17 by strengthening internal control assurance while remaining achievable within available capacity.

Recommendations Only

2. Risk Register

Finding

The Shire maintains a documented "Risk Management Register" identifying key operational and service delivery risks, with assigned risk owners and mitigation strategies. The register provides a structured mechanism for identifying and managing risk and is supported by a Risk Management Policy aligned to recognised standards.

The register, however, primarily reflects operational-level risks. Enterprise-level exposures — including ICT, cyber security and business continuity risks — are not explicitly articulated at a whole-of-organisation level. While elements of these risks are managed operationally (e.g., through ICT controls, insurance coverage and disaster recovery planning), formal recognition within the corporate risk register would enhance governance visibility and strategic alignment.

The absence of explicit enterprise-level ICT and continuity risks does not indicate unmanaged exposure, but it limits consolidated oversight of emerging risks and alignment with insurance and continuity planning arrangements.

Recommendation

That management consider incorporating clearly defined enterprise-level ICT, cyber security and business continuity risks within the Risk Management Register, including documented controls and review mechanisms, to enhance whole-of-organisation risk transparency and governance oversight under Regulation 17.

Management Comments

Management supports the recommendation to incorporate enterprise-level ICT, cyber security and business continuity risks into the Risk Management Register. While ICT considerations have informed consequence ratings to date, the Shire will update the register to explicitly document organisation-wide ICT-related risks, associated controls and review mechanisms.

This will help ensure the Shire continues to meet Regulation 17 expectations for maintaining appropriate risk management systems, while aligning improvements with available staff capacity.

3. Insurance Coverage

Finding

The Shire maintains a comprehensive insurance program through LGIS, providing coverage across public liability, property, fleet, volunteer protection, management liability and cyber exposures. The overall insurance program is appropriate and broadly aligned with the Shire's operational risk profile.

Cyber insurance coverage is currently subject to a $1.0 million aggregate limit. While this provides a level of financial risk transfer, evolving cyber threats and increasing reliance on digital systems suggest that periodic reassessment of coverage adequacy would be prudent. In addition, certain

governance, compliance and control risks are inherently uninsurable and therefore require continued mitigation through robust internal controls, policies and management oversight.

Recommendation

That management periodically review the adequacy of cyber insurance coverage in the context of the Shire's evolving cyber risk profile and risk appetite. Management should also ensure that uninsurable risks continue to be mitigated through effective internal control frameworks and ongoing Audit, Risk & Improvement Committee oversight.

Management Comments

Management agrees that periodic reassessment of cyber insurance coverage is appropriate. This review is incorporated into the annual LGIS renewal process, which provides an efficient and cost-effective mechanism for evaluating coverage against emerging cyber risks and the Shire's financial capacity.

Given the Shire's limited resources, integrating this assessment into existing renewal processes avoids additional administrative burden while ensuring that cyber exposures are regularly considered.

This approach maintains prudent financial management and meets the intent of Regulation 17 by ensuring that risk mitigation strategies remain aligned with the Shire's operational context and risk appetite.

4. Internal Audit

Finding

The Shire does not maintain a standalone internal audit function or formal internal audit plan. Assurance over governance, risk management and internal control is primarily obtained through statutory external audits by the Office of Auditor General WA, Regulation 17 reviews, Financial Management Reviews and compliance reporting. This approach provides reasonable independent oversight consistent with the Shire's size and complexity.

The Audit, Risk & Improvement Committee is functioning effectively and provides active oversight of audit, compliance and governance matters. However, in the absence of a structured internal audit plan, there is limited formal capacity for risk-based, forward-looking assurance over emerging or non-financial risks. A formal periodic self-assessment of Committee performance was also not evidenced.

These matters represent governance maturity enhancements rather than control deficiencies.

Recommendation

That the Audit, Risk & Improvement Committee consider whether targeted internal audit or assurance activities would add value in higher-risk or emerging areas not routinely covered by statutory audits.

The Committee may also consider undertaking a light-touch self-assessment of its effectiveness every two to three years and retaining documentation of any review undertaken.

Management Comments

Management acknowledges the recommendation. Due to the Shire's size and limited budget, establishing a standalone internal audit function is not feasible. The Shire will continue to rely on statutory external audits, Financial Management Reviews and Regulation 17 reviews as its primary assurance mechanisms.

The Audit, Risk & Improvement Committee will consider targeted, low-cost assurance reviews in higher-risk areas where clear value can be demonstrated. The Committee will also adopt a light-touch self-assessment approach to monitor its effectiveness, focused on periodic review of core governance arrangements rather than a resource-intensive evaluation. For example, the Committee will review the Audit and Risk Improvement Committee Charter (including the Terms of Reference drawn from Regulation 16 of the Local Government (Audit) Regulations 1996) at least every two years following local government elections and document the outcomes and any agreed improvements in the Committee minutes.

This approach aligns with Regulation 17 by maintaining effective oversight and proportionate assurance activities, consistent with organisational capacity.

5. Regular Risk Reports

Finding

The Risk Management Register provides a structured basis for identifying and managing risks; however, formalised periodic reporting of risk status, risk movement or treatment effectiveness to the Audit, Risk & Improvement Committee or Council was not consistently evidenced.

While risk matters are addressed through broader governance processes, introducing a scheduled reporting mechanism would improve structured visibility of risk trends and changes in exposure.

Recommendation

That management consider incorporating periodic risk reporting (for example, annually or biannually) to the Audit, Risk & Improvement Committee or Council, drawing directly from the Risk Management Register to enhance oversight of key risks and treatment progress.

Management Comments

Management has introduced structured risk reporting following the endorsement of the Risk Policy in April 2025 and the Risk Management Operational Standard in December 2025. To balance governance expectations with available resources, the Shire will communicate any reportable risks to both the Audi, Risk & Improvement Committee and Council.

This approach ensures compliance with Regulation 17's requirement for effective monitoring and reporting of risks, while remaining practical and achievable within current staffing levels.

6. Whistleblower / Complaints Handling

Finding

The Shire has established publicly accessible mechanisms for complaints handling and public interest disclosures, including a documented Public Interest Disclosure Policy and designation of a Public Interest Disclosure Officer in accordance with the Public Interest Disclosure Act 2003 (WA).

While the framework exists and reporting pathways are accessible, a detailed standalone procedure outlining how disclosures are recorded, assessed, investigated, protected and reported was not evidenced as publicly available. Formalising and publishing such procedures would strengthen transparency, consistency and staff awareness.

Recommendation

That management consider formalising and publishing a clear Public Interest Disclosure procedure aligned to legislative requirements, covering disclosure handling, confidentiality protections, investigation processes and reporting arrangements, and referencing the procedure in staff induction and governance materials.

Management Comments

Management agrees that publishing a detailed Public Interest Disclosure (PID) procedure enhances transparency and staff awareness. A comprehensive PID procedure was originally developed in 2005, reviewed in 2009, and was previously available on the Shire's website; however, it was inadvertently removed during a website refresh approximately two years ago.

The procedure continues to be incorporated into staff induction materials and will be reinstated on the Shire's website to ensure it is easily accessible to staff and the community. Restoring public access to this document ensures compliance with the Public Interest Disclosure Act 2003 and supports Regulation 17 expectations by strengthening visibility of disclosure pathways and reinforcing consistent governance practices.

Overall Summary and Next Steps

This Regulation 17 Review confirms that the Shire of Denmark has established appropriate and generally effective systems and processes relating to Risk Management, Internal Control and Legislative Compliance.
The review identified one medium-risk governance enhancement relating to the formalisation of fraud and corruption controls. All other matters identified are classified as recommendation-only improvement opportunities aimed at strengthening governance maturity, reporting transparency and structured assurance.

Importantly:

- No systemic control failures were identified.
- Core governance frameworks are in place.
- External oversight mechanisms are functioning.
- Risk and compliance matters are actively considered through established governance processes.

The recommendations provided should be viewed as progressive enhancements aligned with better-practice standards for Western Australian local governments.

Next Steps

It is recommended that:

1. Management reviews the findings and determines appropriate implementation timeframes for consideration by the Audit, Risk & Improvement Committee.
2. An action plan be developed for consideration by the Audit, Risk & Improvement Committee.
3. Progress against agreed actions be periodically reported to the Audit, Risk & Improvement Committee until completed.
4. The next Regulation 17 review incorporate follow-up testing of implemented enhancements.

Subject to the implementation of agreed recommendations, the Shire's governance framework will continue to mature and strengthen its assurance environment under Regulation 17.

Shire of Denmark

Financial Management Review

4 June 2026

FINAL Review Report

(Review in Confidence)

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Financial Management Review Summary and Conclusion

Introduction

Lincolns was engaged by the Shire of Denmark to undertake a Financial Management Review of the Shire's financial management systems, processes, and controls, in accordance with Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996.

The objective of the review was to assess the appropriateness and effectiveness of the Shire's financial management framework, identify areas of strength, and highlight opportunities for improvement consistent with better-practice standards in Western Australian local government.

The review was conducted independently and in accordance with ASAE 3000 – Assurance Engagements Other than Audits or Reviews of Historical Financial Information, providing limited assurance over the design and operation of key financial management controls.

This report outlines the work undertaken as part of the review and presents findings and recommendations for management consideration.

CEO's Responsibility for the Review Report

In accordance with Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996, the Chief Executive Officer is required to ensure that a Financial Management Review is undertaken at least once every three financial years.

This final review report, including management comments, is to be presented to the Audit Risk and Improvement Committee for consideration and acceptance.

Our Responsibility for the Review

Our responsibility was to conduct the Financial Management Review in accordance with ASAE 3000 and to report to the Chief Executive Officer and or delegated management team members on the findings arising from the review, including recommendations to strengthen financial management controls and processes where appropriate.

We confirm that we are independent of the Shire of Denmark and its operations in relation to this engagement.

Review Limitations

The matters raised in this report are those identified during the course of performing the Financial Management Review and may not represent a comprehensive statement of all possible control weaknesses or process improvement opportunities within the Shire.

The review was risk-based and did not involve the examination of every financial system, transaction, or procedure. Accordingly, assurance is limited to the areas examined and the information made available during the review.

This engagement was not an audit, and as such, the procedures performed were not designed to identify all matters that might be identified in an audit conducted in accordance with Australian Auditing Standards.

This report has been prepared solely to satisfy the requirements of Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 and should not be used for any other purpose or distributed beyond the Shire without prior consent.

Scope and Methodology

Our review adopted a structured, risk-based approach and included the following key activities:

- Review of relevant financial policies, procedures, registers, reports, and supporting documentation
- Discussions with management and relevant officers to understand financial management processes and controls
- Assessment of the design and operating effectiveness of key financial management systems and procedures through testing that these systems were being observed
- Evaluation of practices against legislative requirements and better-practice guidance released by Western Australia Local Government Association (WALGA) and the Office of Auditor General WA (OAG)

The review provides limited assurance, consistent with the professional standard applied.

Review Work Program

The Financial Management Review encompassed key financial management systems and processes as required under Regulation 5(1) of the Local Government (Financial Management) Regulations 1996. The review focused on areas assessed as having higher inherent risk and those critical to the effective management of public funds.

The following key financial management areas were included within the scope of the review:

- Procurement (including quotation and tender processes)
- Contract management
- Accounts payable
- Cash collection and handling
- Payroll and employee-related expenses
- General ledger controls, including general journals
- Rates, revenue, and debt management
- Investment management
- Asset management (excluding infrastructure assets)
- Budget development and financial reporting, including monthly Statements of Financial Activity

For each area, the review involved a combination of inquiry, walkthroughs, and sample-based testing to assess whether key controls were appropriately designed and operating in practice.

The work performed included, but was not limited to:

- Review of relevant policies, procedures, and governance frameworks to assess alignment with legislative requirements and better-practice guidance
- Examination of system-generated reports, registers, and supporting documentation to verify the existence and operation of key controls
- Sample testing of transactions across multiple periods to assess the consistency of financial processes, including:

    - Creditor payment cycles, including supporting documentation, approvals, and reconciliation to system reports
    - Payroll processing and superannuation reporting
    - General ledger journals and account reallocations
    - Investment activity and register maintenance
- Review of audit trails and system reports to assess the integrity of financial data and the operation of control processes
- Consideration of the timeliness and completeness of financial reporting to management and Council
- Discussions with relevant officers to confirm understanding of processes and to corroborate documentation reviewed

Testing was performed on a sample basis across the review period and was designed to provide reasonable, but not absolute, assurance that key financial management controls were operating as intended.

No reliance was placed on the work of internal audit, and no additional procedures were performed beyond those considered necessary to support the objectives of this review.

Review Conclusions

The Financial Management Review identified that the Shire of Denmark has established financial management systems and processes that generally support the effective management of public funds in all material respects and meet the intent of the Local Government (Financial Management) Regulations 1996.

The review was conducted on a risk-based, sample testing basis across key financial management areas. Based on the procedures performed, controls were found to be operating consistently and supported by appropriate documentation and governance practices.

One medium risk matter was identified in relation to contract management oversight. In addition, several low-risk matters were noted relating primarily to documentation, evidencing of review, and compliance with prescribed timeframes.

These matters do not indicate fundamental weaknesses in the Shire's financial management framework but represent opportunities to strengthen existing processes and control documentation.

Testing also identified a number of areas where financial management controls are operating effectively and consistently. In particular, processes relating to accounts payable, general ledger management, payroll processing, and investment monitoring were supported by appropriate documentation and demonstrated consistent application across the review period.

No high-risk matters were identified.

Overall, based on the procedures performed, nothing has come to our attention that causes us to believe that the Shire's financial management systems and processes are not operating effectively in all material respects.

This conclusion is based on sample testing and risk-based procedures and does not represent an exhaustive review of all financial transactions or controls.

Executive Management Detailed Observations

The following matters, based on testing performed and documentation reviewed as part of the Financial Management Review, were identified during the review and are reported below for consideration by Shire management. The matters identified are intended to support continuous improvement and strengthen existing governance and control practices:

Medium Risk Issues

1. Contract Management

Finding

The Shire currently maintains contract information at a directorate level; however, a consolidated, organisation-wide contract management framework has not been established. This limits central oversight and consistency application of contract management practices across the organisation. In particular, the following elements of contract management are not supported by a formal, organisation-wide approach:

- Maintenance of a consolidated contract register to monitor contract expiry and key obligations
- Monitoring of cumulative supplier expenditure across directorates
- Formalised processes for managing contract variations and approvals
- Consistent processes for contract renewal and extension approvals

In the absence of these controls, there is a risk that contractual commitments are not consistently tracked, and that cumulative expenditure with individual suppliers may exceed procurement thresholds without being readily identified. This may result in reduced visibility over contract performance and procurement compliance.

Recommendation

That management:

- Establish and maintain a consolidated, organisation-wide contract register to support effective oversight of contractual commitments, including contract expiry, variations, and compliance with procurement requirements; and
- Implement formal processes to monitor cumulative supplier expenditure and key contract management activities across directorates to support consistent and compliant practices.

Management Comments

Contract management systems are costly for our organisation and do not integrate with our current Synergy system, which would result in double handling for officers. Given the historic value of the contracts we manage, we have explored implementing a system; however, the lack of integration and competing organisational priorities mean it is not feasible at this stage. We continue to assess and monitor the associated risks, and our current processes including the use of Microsoft Project for planning and oversight are considered proportionate to the level of risk identified.

Low Risk Issues

2. Revenue - Cash Handling

Finding

Based on testing performed, cash handling procedures are in place across the Shire; however, review of supporting documentation identified opportunities to strengthen the consistency of control practices and evidencing of key cash handling activities that are occurring.

In particular:

- Documentation supporting daily cash reconciliations was not consistently retained or evidenced for the library, camp grounds and tip sites
- Independent review of cash reconciliations was not consistently documented for the library, camp grounds and tip sites

Testing also identified that while secure custody arrangements are in place for the recreational centre, physical security controls such as surveillance or monitoring are not consistently implemented across all cash collection points.

Although not a Shire priority due to the level of cash received daily, they do serve as a deterrent and a safety mechanism for staff collecting and handling cash.

While no discrepancies or errors were identified through testing, the absence of consistent documentation and evidencing of control activities, reduces the ability to demonstrate that key cash handling controls are consistently operating as intended.

Recommendation

That management:

- Formalise and document cash handling procedures, including reconciliation, review, and record retention requirements;
- Ensure that cash reconciliations are consistently prepared, independently reviewed, and appropriately evidenced across all locations where cash is received; and
- Consider the implementation of appropriate physical security measures, such as surveillance or monitoring controls, at key cash handling locations, where appropriate.

Management Comments

Management will reinforce existing cash handling requirements and strengthen documentation and review practices across collection points. Proportionate security measures will also be assessed and applied in line with the level of risk at each location.

3. Council Rates – Exempt Properties

Finding

Based on testing performed, a register of rate-exempt properties is maintained by the Shire; however, review of the register and supporting documentation identified opportunities to strengthen the completeness and evidencing of exemption status.

In particular:

- Supporting documentation to substantiate exemption status was not consistently retained or readily accessible for all properties sampled
- The basis for exemption was not consistently recorded within the register
- Evidence of periodic review or validation of exemption status was not consistently documented

While exemptions are being applied in practice, a formalised and consistently applied process to periodically verify the ongoing eligibility of exempt properties was not clearly evidenced.

In the absence of complete supporting documentation and regular review, there is a risk that exemptions may not be consistently validated or that changes in eligibility are not identified in a timely manner.

Recommendation

That management:

- Ensure the register of rate-exempt properties is supported by appropriate documentation substantiating exemption status for each property; and
- Implement and document a periodic review process to confirm the ongoing eligibility of exempt properties and maintain the accuracy and completeness of the register.

Management Comments

Management will strengthen the exempt properties register by improving supporting documentation, recording the basis for exemption, and formalising periodic review.

4. Procurement - Purchase Orders

Finding

Based on testing performed, purchase orders were in place for all transactions tested; however, in a small number of instances, the purchase order was raised after the invoice date.

This indicates that the purchase order process is generally operating effectively across the Shire, with only limited exceptions identified. In these instances, purchase orders were raised retrospectively, reducing the extent to which they function as a preventative control prior to the commitment of expenditure.

While the occurrence was not widespread, raising purchase orders after the invoice date reduces he ability to demonstrate that expenditure was approved prior to goods or services being obtained.

Recommendation

That management reinforce the requirement for purchase orders to be raised and approved prior to goods or services being ordered, except where an approved exemption applies.

Consideration could also be given to periodic monitoring of purchase order dates against invoice dates to identify and address any instances of retrospective purchase order creation.

Management Comments

Management will reinforce the requirement for purchase orders to be raised before commitment of expenditure and will monitor for any recurring exceptions.

Overall Summary and Next Steps

This review was undertaken to meet the requirements of Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 and provides limited assurance over the Shire's financial management systems and procedures.

The review identified that the Shire has established financial management processes and controls that are generally operating effectively and are appropriate for the size and complexity of the organisation.

The matters identified during the review are not indicative of systemic control failure. Rather, they relate to opportunities to strengthen oversight, improve consistency in the application of controls, and enhance documentation and evidencing of key processes.

The medium risk matter relating to contract management reflects an opportunity to improve organisation-wide visibility and monitoring of contractual arrangements. The low-risk matters identified are primarily associated with control documentation, evidencing of review, and compliance with established procedures.

Management responses to the findings, including proposed actions and timeframes, should be monitored through the Shire's governance processes to ensure timely implementation. Where appropriate, progress should be reported to the Audit, Risk and Improvement Committee as part of ongoing oversight.

This report concludes the Financial Management Review for the current review period, based on the procedures performed.

Appendix A – Risk Criteria

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

Risk Assessment Matrix

Likelihood of Risk:

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

Consequence of Risk:

Description	Financial Loss	Operation	Compliance	Reputation
1. Insignificant	<$50,000	Little Impact	Minor breach of policy, or process requiring approval or variance	Unsubstantiated, low impact, low profile or no news item.
2. Minor	$50,000 to $250,000	Inconvenient Delays	Breach of policy, process or legislation requiring attention of minimal damage control	Substantiated, low impact, low news profile.
3. Moderate	$250,000 to $1 million	Significant Delays to major deliverables	Breach Requiring internal investigation, treatment or moderate damage control	Substantiated, public embarrassment, moderate impact moderate news profile.
4. Significant	$1 million to $3 million	Non achievement of major deliverables	Breach resulting in external investigation or third-party actions resulting in tangible loss and damage to reputation	Substantiated, public embarrassment, moderate impact, high news profile and 3rd party actions
5. Severe	>$3 million	Non achievement of major deliverables	Breach resulting in external investigation or third-party actions resulting in significant tangible loss and damage to reputation	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, 3rd party

Risk Rating:

Risk = Likelihood x Consequence

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