



## *Minutes Certification*

### **AUDIT COMMITTEE MEETING**

MINUTES of the Audit Committee Meeting of the  
Shire of Coolgardie held on 29 March 2022,  
Commencing at 5 pm were presented to  
Council and confirmed.

James Trail  
Chief Executive Officer

Cr Malcolm Cullen  
Shire President

Shire President Signed

Date Signed

26/4/2022



# **CONFIRMED MINUTES**

**Audit Committee Meeting**

**29 March 2022**

**12:30 pm**

**Electronic - Zoom**

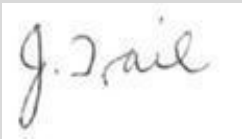


**SHIRE OF COOLGARDIE**

**NOTICE OF AUDIT COMMITTEE MEETING**

Dear Elected Member

The next Audit Committee Meeting of the Shire of Coolgardie will be held on Tuesday 29 March 2022 commencing at 12:30 pm.

A rectangular box containing a handwritten signature in cursive script that reads "J. Trail".

**JAMES TRAIL**  
**CHIEF EXECUTIVE OFFICER**

**DISCLAIMER**

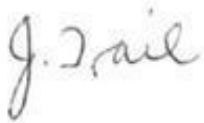
INFORMATION FOR PUBLIC ATTENDING COUNCIL MEETINGS

**PLEASE NOTE:**

**THE RECOMMENDATIONS CONTAINED IN THIS AGENDA ARE OFFICERS RECOMMENDATIONS ONLY AND SHOULD NOT BE ACTED UPON UNTIL COUNCIL HAS RESOLVED TO ADOPT THOSE RECOMMENDATIONS.**

**THE RESOLUTIONS OF COUNCIL SHOULD BE CONFIRMED BY PERUSING THE MINUTES OF THE COUNCIL MEETING AT WHICH THESE RECOMMENDATIONS WERE CONSIDERED.**

**MEMBERS OF THE PUBLIC SHOULD ALSO NOTE THAT THEY ACT AT THEIR OWN RISK IF THEY ENACT ANY RESOLUTION PRIOR TO RECEIVING OFFICIAL WRITTEN NOTIFICATION OF COUNCILS DECISION.**



James Trail  
**CHIEF EXECUTIVE OFFICER**

## COUNCIL MEETING INFORMATION NOTES

1. Your Council generally handles all business at Ordinary or Special Council Meetings.
2. From time to time Council may form a Committee to examine subjects and then report to Council.
3. Generally all meetings are open to the public; however, from time to time Council will be required to deal with personal, legal and other sensitive matters. On those occasions Council will generally close that part of the meeting to the public. Every endeavour will be made to do this as the last item of business of the meeting.
4. Public Question Time. It is a requirement of the Local Government Act 1995 to allow at least fifteen (15) minutes for public question time following the opening and announcements at the beginning of the meeting. Should there be a series of questions the period can be extended at the discretion of the Chairman.

***Written notice of each question should be given to the Chief Executive Officer prior to 12:30pm on the day of the meeting. A summary of each question and response is included in the Minutes.***

***When a question is not able to be answered at the Council Meeting a written answer will be provided after the necessary research has been carried out. Council staff will endeavour to provide the answers prior to the next meeting of Council.***

5. **Councillors** may from time to time have a financial interest in a matter before Council. Councillors must declare an interest and the extent of the interest in the matter on the Agenda. However, the Councillor can request the meeting to declare the matter **trivial, insignificant or in common with a significant number of electors or ratepayers**. The Councillor must leave the meeting whilst the matter is discussed and cannot vote unless those present agree as above.

**Members of staff**, who have delegated authority from Council to act on certain matters, may from time to time have a financial interest in a matter on the Agenda. The member of staff must declare that interest and generally the Chairman of the meeting will advise the Officer if he/she is to leave the meeting.

6. Agendas including an Information Bulletin are delivered to Councillors within the requirements of the Local Government Act 1995, i.e. seventy-two (72) hours prior to the advertised commencement of the meeting. Whilst late items are generally not considered there is provision on the Agenda for items of an urgent nature to be considered.

**Should an elector wish to have a matter placed on the Agenda the relevant information should be forwarded to the Chief Executive Officer in time to allow the matter to be fully researched by staff. An Agenda item including a recommendation will then be submitted to Council for consideration.**

**The Agenda closes the Monday week prior to the Council Meeting (i.e. ten (10) days prior to the meeting).**

The Information Bulletin produced as part of the Agenda includes items of interest and information, which does not require a decision of Council.

7. Agendas for Ordinary Meetings are available in the Coolgardie and Kambalda Offices/Libraries seventy-two (72) hours prior to the meeting and the public are invited to secure a copy.
8. Agenda items submitted to Council will include a recommendation for Council consideration. Electors should not interpret and/or act on the recommendations until after they have been considered by Council. Please note the Disclaimer in the Agenda (page 3).
9. Public Question Time – Statutory Provisions – Local Government Act 1995

Time is to be allocated for questions to be raised by members of the public and responded to at:

- (a) Every ordinary meeting of a council; and
- (b) Such other meetings of councils or committees as may be prescribed

Procedures and the minimum time to be allocated for the asking of and responding to questions raised by members of the public at council or committee meetings are to be in accordance with regulations.

9A. Question Time for the Public at Certain Meetings – s5.24 (1) (b)

**Local Government (Administration) Regulations 1996**

Reg 5 For the purpose of section 5.24(1)(b), the meetings at which time is to be allocated for questions to be raised by members of the public and responded to are:

- (a) every special meeting of a council; and
- (b) every meeting of a committee to which the local government has delegated a power or duty.

Minimum Question Time for the Public – s5.24 (2)

- Reg 6 (1) The minimum time to be allocated for the asking of and responding to questions raised by members of the public at ordinary meetings of councils and meetings referred to in regulation 5 is fifteen (15) minutes.
- (2) Once all the questions raised by members of the public have been asked and responded to at a meeting referred to in sub regulation (1), nothing in these regulations prevents the unused part of the minimum question time period from being used for other matters.

Procedures for Question Time for the Public – s5.24 (2)

**Local Government (Administration) Regulations 1996**

- Reg 7 (1) Procedures for the asking of and responding to questions raised by members of the public at a meeting referred to in regulation 6 (1) are to be determined:
- (a) by the person presiding at the meeting; or
  - (b) in the case where the majority of members of the council or committee present at the meeting disagree with the person presiding, by the majority of members, having regard to the requirements of sub regulations (2) and (3).
- (2) The time allocated to the asking and responding to questions raised by members of the public at a meeting referred to in regulation 6(1) is to precede the discussion of any matter that requires a decision to be made by the council or the committee, as the case may be.
- (3) Each member of the public who wishes to ask a question at a meeting referred to in regulation 6(1) is to be given an equal and fair opportunity to ask the question and receive a response.
- (4) Nothing in sub regulation (3) requires:
- (a) A council to answer a question that does not relate to a matter affecting the local government;
  - (b) A council at a special meeting to answer a question that does not relate to the purpose of the meeting; or
  - (c) A committee to answer a question that does not relate to a function of the committee.

**2. Public Inspection of Unconfirmed Minutes (Reg 13)**

A copy of the unconfirmed Minutes of Ordinary and Special Meetings will be available for public inspection in the Coolgardie and Kambalda Offices/Libraries within ten (10) working days after the Meeting.

**NOTE:****10.3 Unopposed Business**

- (1) Upon a motion being moved and seconded, the person presiding may ask the meeting if any member opposes it.
- (2) If no member signifies opposition to the motion the person presiding may declare the motion in sub clause (1) carried without debate and without taking a vote on it,
- (3) A motion carried under sub clause (2) is to be recorded in the minutes as a unanimous decision of the Council or committee.
- (4) If a member signifies opposition to a motion the motion is to be dealt with according to this Part.
- (5) This clause does not apply to any motion or decision to revoke or change a decision which has been made at a Council or committee meeting.

**Order Of Business**

|          |  |            |
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**MINUTES OF SHIRE OF COOLGARDIE  
AUDIT COMMITTEE MEETING  
HELD AT THE ELECTRONIC - ZOOM  
ON TUESDAY, 29 MARCH 2022 AT 12:30 PM**

**1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS**

Shire President, Malcolm Cullen declared the meeting open at 12:36 pm and welcomed fellow Councillors and staff, thanked them for their attendance.

**2 RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE**

**PRESENT:**

Cr Malcolm Cullen (President), Cr Tracey Rathbone (Deputy President), Cr Rose Mitchell, Cr Kathie Lindup

**IN ATTENDANCE:**

(Cr) Sherryl Botting, (Cr) Tammee Keast James Trail (Chief Executive Officer), Robert Hicks (Deputy Chief Executive Officer) Jackie Pilkington (Executive Assistant) Rebecca Horan (Governance) Martin Whiteley (Financial Consultant)

**APOLOGIES**

Nil

**LEAVE OF ABSENCE**

Nil

**3 DECLARATIONS OF INTEREST**

**3.1 Declarations of Financial Interests – Local Government Act Section 5.60A**

**3.2 Declarations of Proximity Interests – Local Government Act Section 5.60B**

**3.3 Declarations of Impartiality Interests – Shire of Coolgardie Code of Conduct for Council Members, Committee Members and Candidate for Election, Code of Conduct for Employees**



**4 REPORTS OF OFFICERS****4.1 Executive Services****4.1.1 INTERNAL AUDIT REPORTS**

**Location:** N/A  
**Applicant:** N/A  
**Disclosure of Interest:** Nil  
**Date:** 25 March 2022  
**Author:** James Trail, Chief Executive Officer

**SUMMARY**

That the Audit Committee receive the attached internal audit reports and recommend to Council the Chief Executive Officer prepare a report on what proposed recommendations from the internal audit reports attached to implement in the 2022/2023 Financial Year inclusive of any financial implications.

**BACKGROUND**

The Shire appointed Moore Australia as its internal auditor for the three-year period 31 December 2021 to 31 December 2023, with the overall intent to support the Shire to accomplish its objectives and to improve the effectiveness of its risk management, governance, and control processes.

- to assist the Shire to adopt best practice principles.
- perform the internal audit in accordance with the approved Internal Audit Charter, if implemented at the Shire, or the Audit Committee Charter.
- engagement Director and Manager to attend exit interviews with the Audit Committee via teleconference, as required.
- provide relevant internal audit reports to the CEO for presentation to the Audit Committee including audit findings, risks identified, opportunities for improvement and root cause analysis.
- the possible use of data analytics, where relevant to the engagement to discover useful information to inform decision making, assist with identification of fraud and/or error, learn or predict human behaviour, and examining whole population of data, rather than relying on traditional sampling techniques.
- prepare a Strategic Internal Audit Plan at the commencement of the contract for review and approval by the Audit Committee.
- virtual attendance at the Audit and Risk Committee, if required.
- perform the internal audit of the following audit topics:

**31-12-2021**

1. Records Management
2. Fraud and Corruption
3. Conflict of Interest
4. Contract Management
5. Business Continuity

**31-12-2022**

1. Procurement and Tendering
2. Risk Management
3. Infrastructure assets maintenance and replacement - strategies and inspection programs
4. Post-implementation Review of Financial and Non-financial Systems

**31-12-2023**

1. Complaints Management
2. Customer Service
3. Waste Management
4. Data Analytics review
5. Application systems review

## 5. Financial reporting and governance

Internal audit planning is important as it aligns internal audit activity with organisational objectives and the key risk areas to ensure that internal audit resources are targeted in an efficient manner.

The WA Auditor General recognises that there are four lines of defence which underpin a strong governance framework, of which internal audit is the third line of defence:

- First line of defence – internal control measures.
- Second line of defence – internal oversight, monitoring and reporting.
- Third line of defence – internal audit and review.
- Fourth line of defence – external audit, investigations and reviews.

Internal audit is an independent and objective appraisal service designed to add value and assist an organisation achieve its objectives through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

The Office of the Auditor General also places reliance on internal audit activities when conducting their annual financial audit of the Shire.

### COMMENT

Internal audit reports have been finalised for;

1. Records Management
2. Conflict of Interest
3. Contract Management
4. Business Continuity

All four reports have been reviewed by Shire staff. Management comments were provided to Moore Australia which have been included in the finalised reports.

### CONSULTATION

Not Applicable

### STATUTORY ENVIRONMENT

Part 7, Local Government Act 1995.

Section 14 and 15, Local Government (Audit) Regulations 1996.

Regulation 17, Local Government (Audit) Regulations 1996.

Regulation 5(2)(c), Local Government (Financial Management) Regulations 1996.

### POLICY IMPLICATIONS

Nil Applicable

### FINANCIAL IMPLICATIONS

Nil Applicable

**STRATEGIC IMPLICATIONS****Accountable and effective leaders**

High quality corporate governance, accountability and compliance

**ATTACHMENTS**

1. Business Continuity Report
2. Conflict Of Interest Report
3. Contract Management Report
4. Records Management Report

**VOTING REQUIREMENT**

Simple majority

**AUDIT COMMITTEE RESOLUTION AND OFFICER RECOMMENDATION #67/2022**

**Moved:** Cr Tracey Rathbone

**Seconded:** Cr Kathie Lindup

**That the Audit Committee;**

1. Receive Internal Audit Business Continuity Report
2. Receive Internal Audit Conflict of Interest Report
3. Receive Audit Contract Management Report
4. Receive Audit Records Management Report
5. Recommend to Council the Chief Executive Officer prepare a report on what proposed recommendations from the internal audit reports attached to implement in the 2022/2023 Financial Year inclusive of any financial implications

**In Favour:** Crs Malcolm Cullen, Tracey Rathbone, Rose Mitchell and Kathie Lindup

**Against:** Nil

**CARRIED 4/0**



INTERNAL AUDIT  
BUSINESS CONTINUITY

Shire of Coolgardie

15 March 2022



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# 1. EXECUTIVE SUMMARY

## 1.1. Introduction

Business continuity is the capability of an organisation to continue the delivery of services within acceptable time frames at predefined capacity during a disruption (source: ISO 22301:2020). Disruption incident, whether anticipated or unanticipated, causes an unplanned, negative deviation from the expected delivery of services according to an organisation’s objective (source: ISO 22301:2020).

In line with the Shire of Coolgardie’s (“the Shire”) Strategic Internal Audit Plan, an internal audit review of Business Continuity Planning (“BCP”) was performed in line with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia (WA) Pty Ltd Internal Audit Methodology.

## 1.2. Context

Business Continuity response forms part of the prevention, preparedness, response and recovery (PPRR) model that is commonly used by Australian emergency management agencies when responding to a disaster. The PPRR steps are:

- **Prevention** – planning actions that identify and manage the likelihood and/or effects of an incident (risk management).
- **Preparedness** – business impact analysis, which identify and prioritise the key activities that may be adversely affected by any disruptions.
- **Response** – immediate actions taken to respond to an incident in terms of containment, control and minimising impacts.
- **Recovery** – actions taken to recover from an incident in order to minimise disruption and recovery times.

The relationships between these elements are outlined in Figure 1 below.

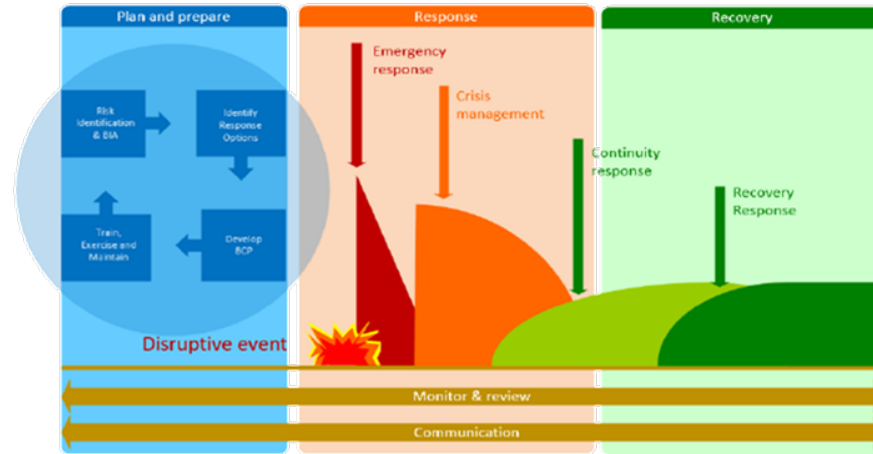


Figure 1: Prevention, Preparedness, Response and Recovery Model

# 1. EXECUTIVE SUMMARY (CONTINUED)

## 1.2 Context (continued)

The contemporary standard in business continuity management is *ISO 22301:2020 – Security and Resilience – Business continuity management systems – Requirements* (approved by the Council of Standards Australia on 9 September 2020) (“AS ISO 22301:2020”). The key elements of ISO 22301:2020 are outlined in Figure 2 below.

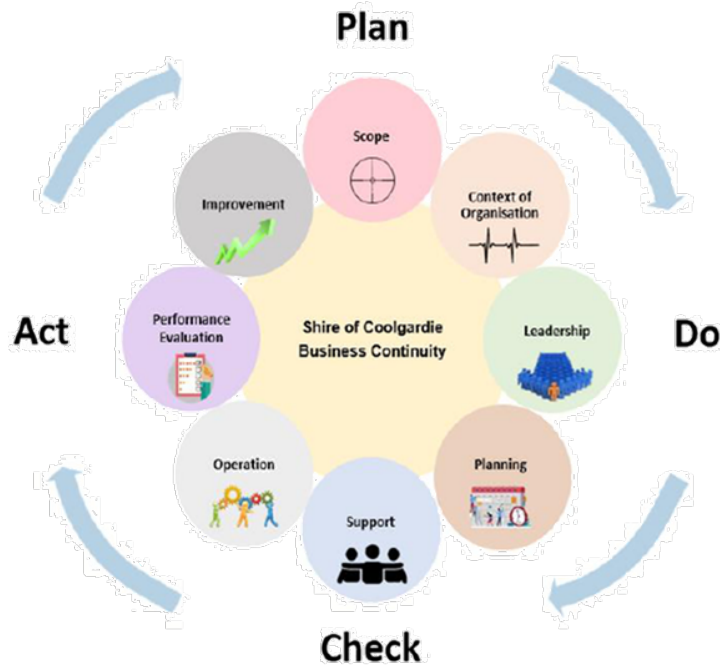


Figure 2: Business Continuity Management System Requirements: ISO 22301-2020

As indicated in the PPRR model (Figure 1), Risk Management is integral to emergency management and business continuity planning. The relationships between Risk Management, Business Continuity Planning, Emergency Management and the Shire’s responsibilities are depicted in Figure 3 below.



Figure 3: Relationship Between Risk Management, Business Continuity Management and Emergency Management

This report presents our observations and recommendations arising from the internal audit. These observations and recommendations are presented, together with management’s comments, in Section 3 and summarised below.



# 1. EXECUTIVE SUMMARY (CONTINUED)

## 1.3. Overall Findings

Market Creations, an external consultant, was engaged to facilitate the development of the Shire's 'ICT Disaster Recovery/Business Continuity Plan'. This plan outlines recovery and response processes and strategies specific to ICT disasters. It documents the relevant internal and external stakeholders responsible for responding to disruptions and the appropriate communication procedures between such stakeholders during incidents. The plan also records testing exercises and outcomes from such exercises.

The 'ICT Disaster Recovery/Business Continuity Plan' was last updated by the Operations Manager on 30 June 2020. Overall responsibility for the coordination of ICT Disaster Recovery and ICT Business Continuity Planning across the Shire is assigned to the Manager of Executive Services who takes on the role of Disaster Recovery Incident Manager during incidents and Recovery Team Leader after incidents.

This is the only Business Continuity Plan ("BCP") that the Shire has in place.

Management can be commended for the development of the ICT Disaster Recovery/Business Continuity Plan. However, the ICT Disaster Recovery Plan/Business Continuity Plan only covers the ICT-related aspects of Business Continuity and is not sufficient to cover the entirety of the Shire's operational areas. The Shire also has not performed a Business Impact Analysis which is necessary to identify its operational risks to be considered for Business Continuity.

The current ICT Disaster Recovery/Business Continuity Plan could be enhanced by including all the Shire's critical operational risk areas as well as plans, policies or procedures as suggested by AS ISO 22301:2020. There is a lack of awareness and communication amongst all levels of stakeholders and developing training programs.

## 1.4. Maturity Model

We have assessed the Shire's BCP to be in a 'Formative' state, which has been outlined in the Moore Australia's Maturity Model in [Appendix 1](#).

## 1.5. Acknowledgement

We would like to thank the Shire's personnel for their assistance during the internal audit. Key personnel contacted are outlined in [Appendix 2](#).

## 1.6. Summary of Results

The results of our review are summarised in the table below and detailed in the audit working papers.

| Summary of Findings     |       |         |      |        |     |            |
|-------------------------|-------|---------|------|--------|-----|------------|
| Risk Rating             | Total | Extreme | High | Medium | Low | Negligible |
| Findings / Observations | 7     | -       | 3    | 3      | 1   | -          |
| Recommendations         | 11    | -       | 5    | 5      | 1   | -          |

We have assigned, and agreed with Management, priority ratings for each observation based on the Key to Significance of Risk Rating included in [Appendix 3](#).





# 1. EXECUTIVE SUMMARY (CONTINUED)

## 1.6. Summary of Results (continued)

| Observations and Recommendations   | Rating        |
|--|---------------|
| <b>Finding 1 – BCP Framework</b>   | <b>High</b>   |
| <p>The current <i>ICT Disaster Recovery Plan/Business Continuity Plan</i> is insufficient as it does not cover the entirety of the Shire’s critical operational areas and the Shire has not assessed its <i>ICT Disaster Recovery Plan/Business Continuity Plan</i> with AS ISO 22301:2020.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>1. Enhance the current <i>ICT Disaster Recovery Plan/Business Continuity Plan</i> to include all the Shire’s critical operational areas in line with AS ISO 22301:2020 and the OAG’s report on <i>Information Systems Audit Report 2020 – State Government Entities</i>.</li> <li>2. Update the Shire’s Policy Manual to include the CEO’s roles pertinent to BCP.</li> <li>3. Assess the updated <i>ICT Disaster Recovery Plan/Business Continuity Plan</i> against the requirements of AS ISO 22301:2020 and document the results of assessment.</li> </ol> |               |
| <b>Finding 2 – Business Impact Analysis (BIA)</b>  | <b>High</b>   |
| <p>There is no formal BIA process implemented and conducted by the Shire.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>4. Perform a formal BIA in accordance with AS ISO 22301:2020 and document the results to inform the Shire’s BCP critical risk areas and responsibilities.</li> </ol>  |               |
| <b>Finding 3 – BCP Awareness and Communication Strategy</b>  | <b>High</b>   |
| <p>There is a lack of BCP awareness and a communication strategy within the Shire.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>5. Develop and implement a formal BCP Awareness and Communication Policy and tailor it to the various stakeholders that the Shire will need to communicate with.</li> </ol>  |               |
| <b>Finding 4 – BCP Training and Scenario Testing</b>   | <b>Medium</b> |
| <p>There are no formal BCP training and scenario testing procedures for non-IT related incidents and emergencies implemented by the Shire.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>6. Include formal BCP training and scenario testing for non-IT related incidents and emergencies in the Shire’s BCP Framework including induction training and subsequent periodic training.</li> <li>7. Develop and maintain a register to record all BCP related training and scenario testing.</li> </ol>   |               |



## 1. EXECUTIVE SUMMARY (CONTINUED)

### 1.6. Summary of Results (continued)

| Observations and Recommendations (continued)   | Rating        |
|--|---------------|
| <b>Finding 5 – BCP Monitoring and Reporting</b>  | <b>Medium</b> |
| <p>There are no BCP monitoring and reporting activities performed by the Shire.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>8. Develop and implement a formal BCP Monitoring and Reporting procedure.</li> <li>9. Implement a lesson learned register to document findings and results from monitoring and reporting activities.</li> </ul> |               |
| <b>Finding 6 – Risk Register</b>   | <b>Low</b>    |
| <p>The existing risk register is incomplete as it does not include all BCP-related operational risks.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>10. Enhance the existing risk register by including all BCP-related operational risks in line with the findings raised from the BIA.</li> </ul>   |               |
| <b>Finding 7 – Internal and External Dependencies and Interdependencies</b>  | <b>Medium</b> |
| <p>There are no assessments performed by the Shire to identify interdependencies issues.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>11. Implement and conduct an interdependencies exercise to identify issues and document the outcomes and findings from the exercise.</li> </ul>  |               |



## 2. SCOPE AND APPROACH

### 2.1. Objective and Scope

The objective of the internal audit was to assess the adequacy and effectiveness of the Shire's internal controls for BCP and their alignment with legislation and better practice principles and Office of the Auditor General (OAG).

The scope of the internal audit included the following:

- BCP Framework, including policies, procedures, plans and business continuity tools;
- Business Impact Analysis;
- Risk Registers (specifically, business disruption related risks);
- Disaster Recovery strategies (ICT infrastructure);
- Performance evaluations, lessons learnt or post-event briefings to events;
- Scenario testing;
- Monitoring and reporting of BCP activities;
- Communication and staff awareness of the BCPs;
- Dependences and inter-dependencies within and outside the Shire;
- Confirm role and responsibilities including engagement protocols with external stakeholders who are engaged directly with the Shire's BCP;
- Monitoring and reporting to the Executive, Audit Committee and Council; and
- Extent of alignment with policies and procedures, legislation, better practice principles, and OAG Tabled Reports.

### 2.2. Approach

The review was conducted primarily by applying discussion, observation, and review techniques, which concentrated on:

- Holding meetings with relevant stakeholders to understand the current environment, challenges, and opportunities;

- Reviewing the BCP Framework, including policies and procedures and assessing the extent of implementation within the Shire;
- Assessing the extent of alignment with the Local Government Act 1995, and the Shire's policies and procedures;
- Assessing the extent of alignment with *Security and Resilience Business Continuity Management Systems Requirements AS ISO 22301 2020*; and
- Assessing the extent of alignment with better practice by assessing the Shire's BCP Framework with the OAG tabled report – *Information Systems Audit Report 2020 – State Government Entities*.

### 2.3. Reporting

The internal audit report was prepared on an "exception-basis", which means we only provide commentaries on areas where we observe improvement opportunities on controls or enhancement to the compliance posture.

The following reporting activities had been undertaken:

- Convene exit meeting with key stakeholders to discuss high level findings;
- Develop a draft report outlining our findings and recommendations;
- Validate the draft report with process owners and responsible management;
- Convene an exit meeting with the responsible Executive member and responsible management to discuss the report;
- Seek management comments, actions and timelines for implementing actions;
- Issue the final report to the Chief Executive Officer; and
- Table final report at the Audit Committee.



## 2. SCOPE AND APPROACH (CONTINUED)

### 2.4. Limitations of Scope

Our work is limited by the following:

- The scope of our services and any deliverables will be limited to carrying out internal audit assignments in accordance with the strategic internal audit plan approved by the Audit Committee. We will only cover the scope of work approved by the Audit Committee and unless additional areas are specifically agreed with the Audit Committee during the year. The scope of work for this internal audit engagement was approved by Management in our Statement of Scope signed on 6 August 2021.
- Due to the inherent limitations of any internal control structure, we do not warrant that all weaknesses, fraud and corruption or fraud and corruption risks, error, and/or non-compliance in your control structures were detected during the course of the engagement.
- Any testing under the engagement is performed on a sample basis, unless otherwise advised and is not conducted continuously.
- Any projections as to the assessment of the control structures in future periods are subject to the risk that the structures may become inadequate as a result of changes in conditions, or that the degree of compliance with them may deteriorate.
- We conducted appropriate tests of key controls within our scope. Our findings only relate to the period of testing undertaken during our review and cannot be relied upon to be representative of the operation of control procedures prior to or after this period. Items may be identified in the internal audit engagement and where identified may require follow up by Management.
- We have only performed a desktop review and have not performed an on-site review.
- The provision of internal audit services is an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standard Board, and consequently no opinions or conclusions are intended to convey assurance.

Our report is for your purposes only and not for publication, quoting or reliance by any other party.



### 3. OBSERVATIONS AND RECOMMENDATIONS

| Finding 1   | Rating of Finding  |
|---|--------------------|
| <p><b>BCP Framework</b></p>   | <p><b>High</b></p> |
| <p>BCP requires a series of complex and interdependent tasks to be executed in a coordinated manner often under adverse conditions. The BCP framework should set out business continuity policies, procedures and plans in accordance with the appropriate legislation and better practice principles.</p> <p>The <i>Security and Resilience Business Continuity Management Systems Requirements AS ISO 22301:2020</i> (AS ISO 22301:2020) gives guidance and recommendations to BCP requirements and functions to be upheld by entities.</p> <p>On page 13 of <i>Information Systems Audit Report 2020 – State Government Entities</i>, the OAG recommends entities to maintain an up-to-date business continuity plan, disaster recovery plan (DRP) and incident response plan (IRP). The BCP should define and prioritise business critical operations in order to determine the resourcing and focus areas of the DRP.</p> <p>Through our analysis of Shire documents and email correspondence with the representatives of the Shire, we observed that the Shire’s current <i>ICT Disaster Recovery Plan/Business Continuity Plan</i> is insufficient as it does not cover the entirety of the Shire’s critical operational areas. Additionally, we could not identify a BCP for non-IT related incidents and emergencies.</p> <p>The Shire’s policy manual also does not outline the CEO’s roles and responsibilities regarding BCP during incidents and emergencies and we could not find evidence that the Shire assessed its <i>ICT Disaster Recovery Plan/Business Continuity Plan</i> with AS ISO 22301:2020.</p> <p><b>Implications</b></p> <p>Without appropriate continuity planning there is a heightened risk that key business functions and processes will not be restored promptly after a disruption; this could cause extended outages and disrupt the delivery of important services. The delayed recovery of core business activities following a disaster can also potentially lead to further financial losses.</p> <p>The lack of a comprehensive BCP hinders the CEO’s ability to fulfill his functions by way of “<i>manage the day to day operations of the local government</i>” and “<i>perform any other function specified or delegated by the local government or imposed under this Act or any other written law as a function to be performed by the CEO</i>” as set out under <i>S5.41 Functions of CEO</i> in the Local Government Act 1995, which may cause reputational damage to the Shire..</p> <p>The lack of formal roles and responsibilities including engagement protocols being put in place to manage incidents and emergencies may lead to ineffective responses to disasters.</p> |                    |
| <p><b>Management Comment</b></p>  |                    |
| <p>The Shire of Coolgardie will develop a Business Continuity Plan which covers all organizational capabilities and outline the key roles and responsibilities of critical business objectives in the face of uncertainty or disruption.</p> <p>The Plan will identify the required facilities, technical infrastructure, key responsibilities and process that will be required to position the Shire to be able to respond and recover from a business interruption event.</p>  |                    |



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 1 (continued)   |   |                                     | Rating of Finding |
|---|---|-------------------------------------|-------------------|
| BCP Framework (continued)   |   |                                     | High              |
| Recommendations   | Agreed Action   | Action Owner                        | Target Date       |
| 1. Enhance the current <i>ICT Disaster Recovery Plan/Business Continuity Plan</i> to include all the Shire's critical operational areas in line with AS ISO 22301:2020 and the OAG's report on <i>Information Systems Audit Report 2020 – State Government Entities</i> . | To develop a BCP which will include all critical operational functions within the Shire.  | Chief Executive Officer             | 31/07/2022        |
| 2. Update the Shire's Policy Manual to include the CEO's roles pertinent to BCP.  | Revise the Shire's Policy Manual and include the CEO's roles related to the BCP.  | Governance Officer                  | 01/05/2022        |
| 3. Assess the updated <i>ICT Disaster Recovery Plan/Business Continuity Plan</i> against the requirements of AS ISO 22301:2020 and document the results of assessment.  | Revise the current <i>ICT Disaster Recovery Plan/Business Continuity Plan</i> against the AS ISO 22301:2020 and document the results of the assessment. | Governance Officer / Integrated ICT | 31/07/2022        |

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 2  | Rating of Finding |
|--|-------------------|
| <b>Business Impact Analysis</b>  | <b>High</b>       |
| <p>A business impact analysis ("BIA") predicts the consequences of disruption of a business function or process and gathers information needed to develop recovery strategies and limit potential losses. Completing a BIA will assess the risks of a disaster on the entity. It will enable each department or business unit within the entity to explain and discuss how an unexpected event would affect their business function. The point in time when a business function or process is disrupted can have a significant bearing on the loss sustained.</p> <p>The BIA will identify the operational and financial impacts resulting from the disruption of business functions and processes. Impacts to consider in the context of the Shire include:</p> <ul style="list-style-type: none"> <li>• Lost/delayed sales or income</li> <li>• Increased expenses (e.g., overtime labour, outsourcing, expediting costs)</li> <li>• Regulatory fines</li> <li>• Contractual penalties or loss of contractual bonuses</li> <li>• Stakeholder dissatisfaction or defection</li> <li>• Delay of new business plans</li> </ul> <p><i>Section 8.2.2 Business impact analysis of AS ISO 22301:2020</i> requires entities to use the process for analysing the business impacts to determine business continuity priorities and requirements. The standard states that this process shall:</p> <ol style="list-style-type: none"> <li>a) define the impact types and criteria relevant to the organisation's context;</li> <li>b) identify the activities that support the provision of products and services;</li> <li>c) use the impact types and criteria for assessing the impacts over time resulting from the disruption of these activities;</li> <li>d) identify the time frame within which the impacts of not resuming activities would become unacceptable to the organisation;</li> <li>e) NOTE 1 This time frame can be referred to as the "maximum tolerable period of disruption (MTPD)</li> <li>f) set prioritised time frames within the time identified in d) for resuming disrupted activities at a specified minimum acceptable capacity;</li> <li>g) NOTE 2 This time frame can be referred to as "recovery time objective (RTO)"</li> <li>h) use this analysis to identify prioritised activities;</li> <li>i) determine which resources are needed to support prioritised activities;</li> <li>j) determine the dependencies, including partners and suppliers and interdependencies of prioritised activities.</li> </ol> <p>Upon completion of a BIA, a report should be produced which documents the potential impacts resulting from disruption of business functions and processes. Scenarios resulting in significant business interruption should be assessed in terms of financial impact, if possible. These costs should be compared with the costs for possible recovery strategies. The BIA report should prioritise the order of events for restoration of the business. Business processes with the greatest operational and financial impacts should be restored first.</p> <p>Through our analysis of Shire documents and email correspondence with representatives of the Shire, we observed that the Shire has not performed a BIA to identify all BCP risks.</p> |                   |

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

|  |   |                         |                          |
|--|---|-------------------------|--------------------------|
| <b>Finding 2 (continued)</b>   |   |                         | <b>Rating of Finding</b> |
| <b>Business Impact Analysis (continued)</b>  |   |                         | <b>High</b>              |
| <b>Implications</b>  |   |                         |                          |
| A lack of BIA hinders the continuous development and management of business continuity and disaster recovery within the entity This can result in severe losses due to unidentified and mismanaged risks and a lack of preparedness during incidents and emergencies. Priorities for recovery may also be incorrectly assigned causing adverse outcomes for the Shire. |   |                         |                          |
| <b>Management Comment</b>  |   |                         |                          |
| Management acknowledges the need for a Business Impact Analysis.   |   |                         |                          |
| <b>Recommendations</b>   | <b>Agreed Action</b>  | <b>Action Owner</b>     | <b>Target Date</b>       |
| 4. Perform a formal BIA in accordance with AS ISO 22301:2020 and document the results to inform the Shire's BCP critical risk areas and responsibilities.  | Develop a formal Business Impact Analysis (BIA) in accordance with AS ISO 22301:2020 and document the results to inform the Shire's BCP Critical risk areas and responsibilities. | Chief Executive Officer | 31/08/2022               |





### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 3   | Rating of Finding  |
|---|--------------------|
| <p><b>BCP Awareness and Communication Strategy</b></p>  | <p><b>High</b></p> |
| <p>Awareness means having knowledge or cognisant of business continuity planning activities. The effective implementation of a BCP relies on the entity's personnel knowledge and awareness of the plan. The BCP is only as effective as its extent of communication and dissemination amongst the various levels of stakeholders who perform different business functions for the entity. Stakeholders who are aware of their roles and responsibilities pertinent to BCP across the different stages of incidents and emergencies will allow entities to manage such scenarios efficiently and effectively.</p> <p><i>Section 7.3 Awareness of AS ISO 22301:2020 states that "Persons doing work under the organisation's control shall be aware of:</i></p> <ul style="list-style-type: none"> <li><i>a) the business continuity policy;</i></li> <li><i>b) their contribution to the effectiveness of the BCMS, including the benefits of improved business continuity performance;</i></li> <li><i>c) the implications of not conforming with the BCMS requirements;</i></li> <li><i>d) their own role and responsibilities before, during and after disruptions."</i></li> </ul> <p><i>Section 7.4 Communication of AS ISO 22301:2020 states that "The organisation shall determine the internal and external communications relevant to the BCMS, including:</i></p> <ul style="list-style-type: none"> <li><i>a) on what it will communicate;</i></li> <li><i>b) when to communicate;</i></li> <li><i>c) with whom to communicate;</i></li> <li><i>d) how to communicate;</i></li> <li><i>e) who will communicate."</i></li> </ul> <p>A communication plan is essential to raise awareness and outline the communication systems and process used to manage any crisis or emergency situation. It should provide details on how the Shire communicates with internal and external stakeholders in the event of an emergency or crisis to effectively manage corporate, reputational and communication impacts for the organisation as required by <i>Section 8.4.3 Warning and communication</i> in the AS ISO 22301:2020.</p> <p>It is Senior Management's responsibility to ensure all BCP plans, procedures and policies are communicated accordingly across all relevant channels internal and external to the entity.</p> <p>Through our analysis of Shire documents and email correspondence with representatives of the Shire, we observed that the Shire has no formal BCP awareness and communication strategy or policy in place.</p> <p><b>Implications</b></p> <p>A lack of BCP awareness amongst stakeholders, especially when the BCP is invoked, may create delays in the recovery of core business activities following a disaster and affect the recovery time objective (RTO). Additionally, further reputational and financial damage may be caused to the Shire when it portrays poor and inefficient incident and emergency handling due to a lack stakeholder communication pertinent to BCP.</p> |                    |



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

|  |  |                        |                          |
|--|--|------------------------|--------------------------|
| <b>Finding 3 (continued)</b>   |  |                        | <b>Rating of Finding</b> |
| <b>BCP Awareness and Communication Strategy (continued)</b>  |  |                        | <b>High</b>              |
| <b>Management Comment</b>  |  |                        |                          |
| Management acknowledges the need for a Business Continuity Plan (BCP). Awareness and Communications Strategy.  |  |                        |                          |
| <b>Recommendations</b>   | <b>Agreed Action</b>                                   | <b>Action Owner</b>    | <b>Target Date</b>       |
| 5. Develop and implement a formal BCP Awareness and Communication Policy and tailor it to the various stakeholders that the Shire will need to communicate with. | Communicate the BCP with Shire's current stakeholders. | Director of Operations | 30/11/2022               |

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 4   | Rating of Finding |
|---|-------------------|
| <b>BCP Training and Scenario Testing</b>  | <b>Medium</b>     |
| <p>The effective implementation of a BCP relies on the entity's ability to perform the series of activities within the plan. Such ability can be fostered by means of BCP training which pertains to the exercise of the execution of the BCP itself.</p> <p>BCP training is designed to give all employees an appropriate level of understanding of the BCP, strategies and important procedures under the plan. For employees with direct responsibilities, the training needs to be focused on the precise roles and responsibilities that the employees will have under the BCP.</p> <p>The absence of guidelines means that staff, who have a direct role, have no reference points to understand what the expectations are and how to execute their parts in the event of a disruption. Employee competency in fulfilling designated roles and responsibilities pertinent to BCP should be prioritised as high, if not higher than other job competencies due to the surrounding nature of risk and potential losses that may incur.</p> <p>A formal training policy that outlines BCP training upon staff induction and subsequent periodic should be developed as part of the greater BCP framework.</p> <p>Additionally, scenario training involves practical exercises designed to confirm staff members' understanding of the BCP, to raise their skill levels in the execution of the tasks and to identify issues relating to the further development of the BCP. A formal scenario testing policy should also be developed to ensure assessments of BCP strategies and solutions are performed periodically.</p> <p><i>Section 8.5 Exercise programme [sic] of AS ISO 22301:2020 requires entities to implement and maintain exercise and testing programs to assess the effectiveness of BCP strategies and solutions. The section states that "The organisation shall conduct exercises and tests that:</i></p> <ul style="list-style-type: none"> <li><i>a) are consistent with its business continuity objectives;</i></li> <li><i>b) are based on appropriate scenarios that are well planned with clearly defined aims and objectives;</i></li> <li><i>c) develop teamwork, competence, confidence and knowledge for those who have roles to perform in relation to disruptions;</i></li> <li><i>d) taken together over time, validate its business continuity strategies and solutions;</i></li> <li><i>e) produce formalized post-exercise reports that contain outcomes, recommendations and actions to implement improvements;</i></li> <li><i>f) are reviewed within the context of promoting continual improvement;</i></li> <li><i>g) are performed at planned intervals and when there are significant changes within the organisation or the context in which it operates."</i></li> </ul> <p>Through our analysis of Shire documents and email correspondence with representatives of the Shire, we observed that the Shire has not implemented any formal BCP training and scenario testing policies and have not performed training or scenario testing for non-IT related incidents and emergencies.</p> <p><b>Implications</b></p> <p>A lack of BCP training creates an environment of unpreparedness amongst stakeholders pertinent to dealing with BCP-related incidents and emergencies. This may result in unwarranted delays in incident recovery and may incur further costs at the detriment of the Shire. A lack of scenario training exercises and activities hinders the deployment of BCP strategies and solutions as potential weaknesses and improvements may not be identified. This may negatively impact the effectiveness and efficiency of strategies and solutions over time as scenarios and stakeholders evolve.</p> |                   |



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

|  |  |                     |                          |
|--|--|---------------------|--------------------------|
| <b>Finding 4 (continued)</b>   |  |                     | <b>Rating of Finding</b> |
| <b>BCP Training and Scenario Testing (continued)</b>   |  |                     | <b>Medium</b>            |
| <b>Management Comment</b>  |  |                     |                          |
| The Shire will provide the appropriate training and scenario testing.  |  |                     |                          |
| <b>Recommendations</b>   | <b>Agreed Action</b>   | <b>Action Owner</b> | <b>Target Date</b>       |
| 6. Include formal BCP training and scenario testing for non-IT related incidents and emergencies in the Shire's BCP Framework including induction training and subsequent periodic training. | Implement BCP training and scenario testing for non-IT related incidents and or emergencies. | HR Officer          | 01/07/2022               |
| 7. Develop and maintain a register to record all BCP related training and scenario testing.  | To record all BCP related trainings and attendance within our Records system.                | Governance Officer  | 01/07/2022               |

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 5  | Rating of Finding    |
|--|----------------------|
| <p><b>BCP Monitoring and Reporting</b></p>   | <p><b>Medium</b></p> |
| <p>BCP monitoring and reporting is a form of evaluation that is performed to assess the BCP framework and its activities. It is essential for the longevity of the BCP framework as it allows the entity to identify deficiencies and areas of improvement which in turn can foster a healthy process for continuous improvement.</p> <p>BCP activities should be monitored and reported to the Executive, Audit Committee and Council to allow for oversight and transparency.</p> <p><i>Section 9.1 Monitoring, measurement, analysis and evaluation of AS ISO 22301:2020 states that "The organisation shall determine:</i></p> <ul style="list-style-type: none"> <li><i>a) what needs to be monitored and measured;</i></li> <li><i>b) the methods for monitoring, measurement, analysis and evaluation, as applicable, to ensure valid results;</i></li> <li><i>c) when and by whom the monitoring shall be performed;</i></li> <li><i>d) when and by whom the results from monitoring and measurement shall be analysed and evaluated.</i></li> </ul> <p><i>The organisation shall retain appropriate documented information as evidence of the results."</i></p> <p>Through our analysis of Shire documents and email correspondence with representatives of the Shire, we observed that the Shire has not performed any BCP monitoring and reporting activities.</p> <p><b>Implications</b></p> <p>A lack of monitoring and reporting of BCP activities may create poor oversight which can lead to unidentified issues within the BCP framework. Unmonitored and unreported activities allow room for mismanagement as there is a lack of review and evaluation performed. Poor evaluation controls can incur financial and reputational losses for the Shire if deficiencies in the BCP framework are not identified.</p> |                      |
| <p><b>Management Comment</b></p>   |                      |
| <p>Management acknowledge the importance of monitoring and reporting.</p>  |                      |



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 5 (continued)   |   |                        | Rating of Finding |
|---|---|------------------------|-------------------|
| BCP Monitoring and Reporting (continued)  |   |                        | Medium            |
| Recommendations   | Agreed Action   | Action Owner           | Target Date       |
| 8. Develop and implement a formal BCP Monitoring and Reporting procedure.   | To include within the BCP a reporting and monitoring procedure.   | Director of Operations | 31/07/2022        |
| 9. Implement a lesson learned register to document findings and results from monitoring and reporting activities. | To develop a register of findings and results from monitoring and reporting activities, which may be included within the current risk register. | Governance Officer     | 01/07/2023        |





### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 6   |  |                    | Rating of Finding |
|---|--|--------------------|-------------------|
| <b>Risk Register</b>  |  |                    | <b>Low</b>        |
| <p>A risk register is a document that lists the risks that can affect an organisation. It should also include information on the potential impact of the risk and the probability of the risk materialising. A risk register provides significant benefits to an entity when it is utilised properly as it allows entities to have oversight and awareness to mitigate risks by taking the appropriate actions. The risk register therefore needs to be filled in with accuracy and completeness, communicated to the relevant stakeholders and monitored for action when required.</p> <p>Business continuity risks need to be recorded and documented appropriately in the register. It acts as tool to supplement the continuous improvement of the entity's BCP framework in regard to aligning strategies and solutions to potential risks. The use of the risk register compliments the BIA as the BCP risks identified from the BIA should be recorded in the risk register.</p> <p>Through our analysis of Shire documents and email correspondence with representatives of the Shire, we observed that the Shire's existing risk register is incomplete as it does not include all BCP-related operational risks. The register has only recorded normal operational risks and IT-related BCP risks. The risk register also does not record other risks within the Shire related to natural disasters and emergencies including COVID.</p> <p><b>Implications</b></p> <p>Any risk that is unrecorded or that the Shire is unaware of may create unwanted surprises for the Shire when the risk occurs in the form of a disaster or emergency. This creates a lack of preparedness on managing risks and can cause reputational and financial detriment to the Shire if the risks are not mitigated in a timely and effective manner</p> |  |                    |                   |
| <b>Management Comment</b>   |  |                    |                   |
| Management acknowledge the importance of including having a 'Complete' risk register that includes BCP risks.   |  |                    |                   |
| Recommendations   | Agreed Action  | Action Owner       | Target Date       |
| 10. Enhance the existing risk register by including all BCP-related operational risks in line with the findings raised from the BIA.  | Update the Risk register to incorporate the BCP related operational risks. | Governance Officer | 30/06/2023        |

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 7  | Rating of Finding    |
|--|----------------------|
| <p><b>Internal and External Interdependencies</b></p>  | <p><b>Medium</b></p> |
| <p>Interdependency is a mutual dependence, connection or correlation. In the context of the Shire, the Shire maintains such relationships with internal stakeholders within its business units and functions such as employees and members and external stakeholders such as suppliers and contractors. Interdependencies between an entity and its stakeholders play a role in disaster recovery and business continuity as disasters that occur may not solely impact the entity but also affect their internal and external stakeholders.</p> <p>To enhance business continuity, entities have to not only focus on their own recovery but also consider how the recovery efforts of relevant stakeholders such as customers, suppliers and contractors must be coordinated so that normal, or near normal operations could resume. Outages of the public infrastructure or the actions of public agencies or officials could impact individual or collective abilities to recover.</p> <p>Interdependencies exercise can be conducted in the form of a workshop with the intention for the entity to understand the interdependencies of business to business interactions and reliance's, as well as local physical infrastructure components and the effect of an outage on entities in a given geographic area, should a terrorist or other crippling disaster scenario occur. It is vital that the Shire considers this issue when developing disaster recovery strategies. Organizations that must be considered for their interdependence include other major businesses, communications, electric power, oil/gas, water, and transportation providers, as well as government services, hospitals, and any other major service suppliers.</p> <p>The graphic below illustrates the interactions which must be considered during an Interdependencies Workshop exercise:</p> <div data-bbox="779 742 1534 1252" data-label="Diagram"> </div> <p>Source: (<a href="https://www.riskandresiliencehub.com/interdependencies-a-key-aspect-of-continuity-that-executives-need-to-understand/">https://www.riskandresiliencehub.com/interdependencies-a-key-aspect-of-continuity-that-executives-need-to-understand/</a>)</p> |                      |





### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 7 (continued)  |   |                                | Rating of Finding |
|--|---|--------------------------------|-------------------|
| <b>Internal and External Interdependencies (continued)</b>   |   |                                | <b>Medium</b>     |
| <p>The interdependencies workshop is an important first step leading to a focus on the recoverability of companies and governmental agencies outside of an individual companies' purview, from an information protection and business infrastructure (offices, computers, phones, personnel) point of view.</p> <p>The results of an interdependencies exercise would include:</p> <ul style="list-style-type: none"> <li>• A high-level understanding of critical resources which might impact an organization's ability to recover in a timely manner</li> <li>• Organizational awareness of weaknesses in business recovery strategies</li> <li>• Development of a matrix listing identified weaknesses, so those weaknesses can be addressed</li> <li>• A clear understanding of the high-level contingencies currently in place</li> </ul> <p>Through our analysis of Shire documents and email correspondence with representatives of the Shire, we observed that the Shire has not performed any assessments to identify interdependencies issues.</p> <p><b>Implications</b></p> <p>Failure to assess and identify interdependencies can prevent the Shire from effectively managing risks and may hinder disaster recovery. A lack of consideration for other stakeholders' recovery processes may hinder overall recovery and result in further losses for all parties involved.</p> |   |                                |                   |
| Management Comment   |   |                                |                   |
| Management agree that an assessment to identify interdependency issues should be undertaken.   |   |                                |                   |
| Recommendations  | Agreed Action   | Action Owner                   | Target Date       |
| 11. Implement and conduct an interdependencies exercise to identify issues and document the outcomes and findings from the exercise.   | Implement and conduct an interdependencies exercise to identify issues and document the outcomes and findings from the exercise | Deputy Chief Executive Officer | October 2022      |



## 4. OTHER

### 4.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Australia (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

### 4.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- Other than use by you for the purpose, our report cannot be issued, accessed, or relied upon by any third party without our prior written approval. Furthermore, neither the report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form, and context in which it is proposed to be released. We reserve the right to refuse to grant approval to issue the reporting to any other party.
- Our internal audit work was performed in accordance with the International Standards for the Professional Practice of Internal Auditing contained in the International Professional Practices Framework issued by the Institute of Internal Auditors. It did not constitute an audit or review in accordance with standards issued by the Auditing and Assurance Standards Board and accordingly no such assurance under those standards is provided in this report.
- The matters raised in this report are only those which came to our attention while performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the client. The Internal Audit findings expressed in this report have been formed on the above basis.
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

### 4.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

### 4.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.

## APPENDIX 1: MATURITY MODEL

|                                |  |    |                                        |              |                                 |  |
|--------------------------------|--|--|---|---|--|---|
|                                |  | Formative  | Repeatable  | Defined   | Managing   | Optimising  |
|                                |  | Ad hoc/Basic – Controls are not a priority. An unstable environment leads to dependency on individuals. Little or no plan documentation. | Intuitive – Processes are established and repeating. Reliance on people continues, and controls documentation is lacking. | Qualitative/Quantitative – Policies, processes and standards are defined and institutionalised. | Quantitative – Risks are managed quantitatively organisation wide. Detailed statistical measurement and KPIs used. | Continuous Improvement – Controls are continuously improved organisation wide.      |
| Business Continuity Management | Executive Management Support and Sponsorship |  |   |   |  |   |
|                                | Risk Assessment and Business Impact Analysis |  |   |   |  |   |
|                                | Business Continuity Strategy Design          |  |   |   |  |   |
|                                | Plan Development and Strategy Implementation |  |   |   |  |   |
|                                | Training and Awareness                       |  |   |   |  |   |
|                                | Testing and Maintenance                      |  |   |   |  |   |
|                                | Compliance Monitoring and Auditing           |  |   |   |  |   |





## APPENDIX 2: KEY PERSONNEL CONTACTED

We would like to thank the following personnel for their assistance in the conduct of this internal audit.

| Name        | Role                    |
|-------------|-------------------------|
| James Trail | Chief Executive Officer |
| Bec Horan   | Projects EA             |



## APPENDIX 3: KEY TO SIGNIFICANCE OF RISK RATING

### Risk Matrix

|                |   | Insignificant | Minor  | Moderate | Major   | Catastrophic |
|----------------|---|---------------|--------|----------|---------|--------------|
|                |   | 1             | 2      | 3        | 4       | 5            |
| Almost Certain | 1 | Medium        | High   | High     | Extreme | Extreme      |
| Likely         | 2 | Medium        | Medium | High     | High    | Extreme      |
| Possible       | 3 | Low           | Medium | Medium   | High    | High         |
| Unlikely       | 4 | Low           | Low    | Medium   | Medium  | High         |
| Rare           | 5 | Negligible    | Low    | Low      | Medium  | Medium       |

### Likelihood Ratings

| Likelihood     | Definition   | Frequency of Noted        |
|----------------|--|---------------------------|
| Almost Certain | Expected to occur in most circumstances or occurs regularly. A clear opportunity already apparent, which can easily be achieved. | More than once per year   |
| Likely         | Occurrence is noticeable or is likely to occur. An opportunity that has been explored and may be achievable.                     | At least once per year    |
| Possible       | Occurs occasionally or may occur. Possible opportunity identified.   | At least once in 5 years  |
| Unlikely       | Occurs infrequently or is not likely to occur. Opportunity that is fairly unlikely to happen.                                    | At least once in 10 years |

## APPENDIX 3: KEY TO SIGNIFICANCE OF RISK RATING (CONTINUED)

### Consequence Ratings

| Consequence Ratings |  |  |  |   |  |  |
|---------------------|--|--|--|---|--|--|
| Description         | Performance  | Financial  | Environment                                | Reputation  | Service Delivery / Business Disruption   | Legislative / Regulatory / Policy /OSH   |
| Catastrophic        | Unable to achieve key objectives. External resources required. Ongoing loss of critical infrastructure.  | >15% of asset value. Adverse >15% deviation from budget. Audit unable to be completed.                                       | Catastrophic long term environmental harm. | Significant damage to public confidence leading to sustained compromise in the achievement of strategic objectives. | Major, including several important areas of service and/or a protracted period. Ongoing loss of business systems.                        | Criminal instances of regulatory non-compliance. Extreme breaches of Code of Conduct. Personal details compromised / revealed – all. Death.  |
| Major               | Major impact on ability to achieve key objectives. Impact cannot be managed with current allocated resources. Long-term loss of critical infrastructure.     | 5%-15% of asset value. Adverse 5%→15% deviation from budget. Audit qualification on the report and accounts.                 | Significant long-term environmental harm.  | Local publicity of a major and persistent nature, affecting the perception/standing within the community.           | Complete loss of an important service area for a short period. Major disruption to business processes.                                   | Major revenue or cost implications. Individuals at risk of harm. Significant breaches of Code of Conduct. Personal details compromised / revealed – many. Multiple serious injuries. |
| Moderate            | Moderate impact on ability to achieve key objectives. Significant adjustment to resource allocation. Loss of support infrastructure.                         | 2%-5% of asset value. Adverse 2%→5% deviation from budget. Management letter contains significant issues.                    | Significant short-term environmental harm. | Damage to reputation to a specific audience, may not have significant long-term or community effects.               | Major effect to an important service area for a short period, brief impact on multiple areas. Moderate disruption to business processes. | Minor revenue or cost implications. Breach of Code of Conduct. Personal details compromised / revealed – some. Serious injury and/or illness.  |
| Minor               | Minor impact on ability to achieve key objectives. Additional internal management efforts required. Interruption to support infrastructure.                  | < 2 of asset value. Adverse impact on revenues and costs <2% deviation from budget. Management letter contains minor issues. | Minor transient environmental harm.        | Minor damage to reputation to a small audience, complaint from a large group of people.                             | Brief disruption of important service area. Noticeable effect to non-crucial service area. Minor disruption to business processes.       | Minor breaches of Code of Conduct. Personal details compromised / revealed – isolated. First aid or minor lost time injury.  |
| Insignificant       | Negligible impact on ability to achieve key objectives. Impact can be managed through routine activities. Negligible interruption to support infrastructure. | Insignificant loss. Insignificant adverse impact on annual revenue or costs. Matters discussed with management not reported. | Negligible transient environmental harm.   | Minor unsubstantiated publicity or damage to reputation to a small audience, complaint from individual/small group. | Negligible impact on the effectiveness of the organisation's processes. Negligible disruption to business processes.                     | Little or no impact to Code of Conduct. Personal details compromised / revealed - an individual's. Incident with or without minor injury.  |

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**HELPING YOU THRIVE IN A CHANGING WORLD**





INTERNAL AUDIT  
CONFLICT OF INTEREST

Shire of Coolgardie

15 March 2022





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# 1. EXECUTIVE SUMMARY

## 1.1. Context

The Shire of Coolgardie (“the Shire”), as a local government organisation, along with its Council members, Chief Executive Officer (“CEO”) and employees are expected to make decisions in the best interests of their community, which are impartial and are not influenced by their personal or other professional activities.

Decision-making could be actually, potentially or perceived to be influenced in a number of ways, including through self-interest, self-review, intimidation, advocacy, and familiarity threats. The *Local Government Act 1995* (“Act”) sets out requirements on Council members, CEOs, and other employees to ensure transparency and accountability in decision-making.

Local Governments need to understand where there may be potential threats to impartial decision making (i.e. conflicts of interests (“COI”) and identify, safeguard, monitor and report these to ensure there is transparency and accountability.

Local government Council members and employees are required to disclose any interest that may adversely affect their impartiality in any matter discussed at a Council or Committee meeting. In addition, employees are also required to disclose interests when providing advice or reports to be discussed at a Council or Committee meeting.

*Managing Conflicts of Interest in the NSW Public Sector- June 2019*, published by Independent Commission Against Corruption (“ICAC”) NSW, acts as a better practice guide as it provides guidance in relation to conflicts of interest. It explains how to identify, disclose, and manage a COI and sets out a broad control framework for public sector entities to consider. ICAC NSW’s ‘Conflict of interest control framework’ in [Appendix 3](#) can be used by entities as guidance to develop or enhance their COI framework.

In accordance with the Strategic Internal Audit Plan for the year ending 30 June 2022, an internal audit of the Shire’s COI practices was performed.

Moore Australia (WA) Pty Ltd (“Moore Australia”) performed the internal audit in accordance with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia Internal Audit Methodology.

This report presents our observations and recommendations arising from the internal audit performed. These observations and recommendations are presented, together with Management’s comments, in **Section 3 Observations and Recommendations**, and summarised below.

## 1.2. Overall Findings

Overall, the Shire does not adequately and effectively manage COI, and this may present a significant risk that decision making within the Shire is not impartial.

This is demonstrated by a lack of current procedural documentation and COI registers. We observed that COI training has not been provided to employees and does not form part of the Shire’s induction processes.

## 1.3. Acknowledgement

We would like to thank the Shire’s personnel for their assistance during the internal audit. Key personnel contacted are outlined in [Appendix 2](#).

## 1.4. Summary of Results

The results of our review are summarised in the table below and detailed in the audit working papers.

| Summary of Findings |       |         |      |        |     |            |
|---------------------|-------|---------|------|--------|-----|------------|
| Risk Rating         | Total | Extreme | High | Medium | Low | Negligible |
| Findings            | 5     | -       | 4    | 0      | 1   | -          |
| Recommendations     | 7     | -       | 6    | 0      | 1   | -          |

We have assigned, and agreed with Management, priority ratings for each observation based on the Key to Significance of Risk Rating included in [Appendix 1](#).





# 1. EXECUTIVE SUMMARY (CONTINUED)

## 1.6. Summary of Results (continued)

| Findings and Recommendations   | Rating |
|--|--------|
| <p><b>Finding 1 – Risk Management</b></p> <p>The Shire does not have a nominated person and budget which broadly covers risk management and COI-related activities such as developing formal COI plans, policies and procedures as well as COI induction and refresher training.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>1. Consider developing and implementing a formal budget dedicated to funding risk management and COI-related practices.</li> <li>2. Consider appointing a resource (which may be a current employee with dual roles) to perform risk management and COI practices within the Shire.</li> </ol> | High   |
| <p><b>Finding 2 – Completeness and Accuracy of References to Legislation</b></p> <p>The Shire has outdated, inaccurate, and incomplete legislative references within their policies relating to COI.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>3. Amend and update the references in the stated policies in accordance with the Local Government Act 1995 and Local Government (Administration) Regulations 1996.</li> </ol>  | Low    |
| <p><b>Finding 3 – Employee COI Training</b></p> <p>The Shire does not provide COI training to its Council, Management, employees, contractors or volunteers, nor have a COI training program in place.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>4. Develop and implement a COI training program for Council, Management, employees, contractors and volunteers which is supplemented by assessment components and scheduled refresher training. This should be underpinned by a COI training program for risk and COI related activities.</li> </ol>   | High   |
| <p><b>Finding 4 – Completeness and Accuracy of Induction Checklists</b></p> <p>The Shire does not provide COI induction to new employees and the current checklists used by the Shire appears to be the checklists of another Council as it contains no branding of information relating to the Shire.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>5. Formalise and approve the induction checklists to include Shire branding and information.</li> <li>6. Include COI as part of the Shire’s induction process as well as within the induction checklists.</li> </ol>   | High   |



# 1. EXECUTIVE SUMMARY (CONTINUED)

## 1.6. Summary of Results (continued)

| Findings and Recommendations   | Rating      |
|--|-------------|
| <b>Finding 5 – Management and Approval of COI</b>  | <b>High</b> |
| <p>The Shire does not have approved procedures to identify, manage, monitor, report and approve actual, perceived, and potential conflicts of interest.</p> <p><b>Recommendations</b></p> <p>7. Develop, approve and implement procedures to effectively identify manage, monitor, report and approve actual, perceived, and potential conflicts of interest and outline the roles and responsibilities of the individual(s) required to evaluate COI.</p> |             |





## 2. SCOPE AND APPROACH

### 2.1. Objective and Scope

The objective of the internal audit was to assess the adequacy and effectiveness of the Shire's COI framework and the management of the actual, perceived, and potential conflict of interests and their alignment with legislation and better practice principles.

The scope of the internal audit included the following:

- Conflict of Interest framework, including policies and procedures;
- Awareness of and training on conflict of interest;
- Understand the reporting to the Executive, Audit Committee and Council; and
- Extent of alignment with policies and procedures, legislation and better practice principles.

### 2.2. Approach

The review was conducted primarily by applying discussion, observation, and review techniques, which concentrated on:

- Meetings held with relevant stakeholders to understand the current environment, challenges, and opportunities;
- Reviewing the COI Framework including policies and procedures and assessing the extent of implementation within the Shire;
- Assessing the extent of alignment with the Local Government Act 1995; and
- Assessing the extent of alignment with better practice by assessing the Shire's COI Framework with Managing Conflicts of Interest in the NSW Public Sector- June 2019.

The internal audit report was prepared on an "exception-basis", which means we only provide commentaries on areas where we observe improvement opportunities on controls or enhancement to the compliance posture.

### 2.3. Reporting

The following reporting activities had been undertaken:

- Develop a draft report outlining our findings and recommendations;

- Requested a meeting to validate the draft report with process owners and responsible management;
- Requested an exit meeting with the responsible Executive member and responsible management to discuss the report; and
- Requested management comments, actions and timelines for implementing actions to finalise the report.

### 2.4. Limitations of Scope

Our work was limited by the following:

- The scope of our services and any deliverables was limited to carrying out internal audit assignments in accordance with the strategic internal audit plan approved by the Audit and Risk Committee. We only covered the scope of work approved by the Audit and Risk Committee and unless additional areas are specifically agreed with the Audit and Risk Committee during the year. The scope of work for this internal audit engagement was approved by Management in our Statement of Scope signed on 6 August 2021.
- Due to the inherent limitations of any internal control structure, we do not warrant that all weaknesses, fraud and corruption or fraud and corruption risks, error, and/or non-compliance in your control structures were detected during the course of the engagement.
- Any testing under the engagement was performed on a sample basis, unless otherwise advised and is not conducted continuously.
- We conducted appropriate tests of key controls within our scope. Our findings only relate to the period of testing undertaken during our review and cannot be relied upon to be representative of the operation of control procedures prior to or after this period. Items may be identified in the internal audit engagement and where identified may require follow up by Management.



## 2. SCOPE AND APPROACH (CONTINUED)

### 2.4 Limitations of Scope (continued)

- We have only performed a desktop review as requested by Management and have not performed an on-site review. Our desktop review was further limited in that the following was requested by Moore Australia but was not provided by the Shire to enable the internal auditors to test the adequacy and effectiveness of COI controls in place at the Shire. The Shire did not respond to queries and questions posed by the internal auditors to obtain relevant information to finalise the internal audit. The results included in this report is therefore limited by the above limitation. There may be other matters which if we could have finalised the audit may have been included in this report. There may be significant and material actual, perceived or potential conflicts of interest which have not been identified and/ or tested in this audit as a result of the above limitation.
  - A copy of the COI register for staff and for Council members for the FY2021.
  - Copies of all completed induction checklists for new staff for the FY2021.
  - Evidence to support COI awareness to suppliers or potential suppliers.
  - Evidence to indicate that Gift disclosures were made within 10 days of receiving the gift, as required by Section 5.87 (s) of the Local Government Act 1995.
- Evidence to indicate that the CEO of the Shire maintains a register of financial interests as required by Section 5.88 of the Local Government Act 1995.
- Evidence to support "Related Party Disclosures" have been made within the Shire.
- Evidence to support the assessment of conflict of interest during recruitment and selection processes.
- Evidence to support COI reporting to Management and / or Council.
- The provision of internal audit services is an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standard Board, and consequently no opinions or conclusions are intended to convey assurance.

Our report is for your purposes only and not for publication, quoting or reliance by any other party.





### 3. OBSERVATIONS AND RECOMMENDATIONS

| Risk Management   |  |                         | Rating of Finding |
|---|--|-------------------------|-------------------|
| <b>Finding 1</b>  |  |                         | <b>High</b>       |
| <p>The efficacy of the overall risk management practices which include COI related activities within the Shire is dependent on the physical and financial resources allocated to its development, implementation and maintenance. As with every business unit, there needs to be sufficient resourcing in order to successfully develop and implement such a function.</p> <p>Budgeting allows for the forecasting and allocation financial costs and other resources to perform a specific function and to achieve certain objectives. In the context of developing and implementing risk management practices including COI related artefacts and activities, manpower and financial resources should be budgeted for.</p> <p>Through our analysis of Shire documents and email correspondence with the representatives of the Shire, we noted that the Shire does not have a formal budget for risk management including COI-related functions and activities and has no dedicated function or employee to plan, manage and execute risk management related practices and activities.</p> <p><b>Implications</b></p> <p>The lack of a risk management including COI budget may hinder the governance and management of COI within the Shire. COI-related activities may not be performed efficiently and effectively if physical and financial resources are budgeted in an ad-hoc manner.</p> |  |                         |                   |
| Management Comment  |  |                         |                   |
| Management acknowledges the need for physical and financial resources for the development, implementation and maintenance of risk and conflict of interest.   |  |                         |                   |
| Recommendations   | Agreed Action  | Action Owner            | Target Date       |
| 1. Consider developing and implementing a formal budget dedicated to funding risk management and COI-related practices.   | Develop and implementing a formal budget dedicated to funding risk management and COI-related practices. | Chief Executive Officer | 31/05/2022        |
| 2. Consider appointing a resource (which may be a current employee with dual roles) to perform risk management including COI practices within the Shire.  | Appoint a resource to oversee risk management including COI practices within the Shire.                  | Chief Executive Officer | 31/05/2022        |

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Completeness and Accuracy of References to Legislation   | Rating of Finding |
|--|-------------------|
| <b>Finding 2</b>   | <b>Low</b>        |
| <p><i>The Local Government Act 1995 and Local Government (Administration) Regulations 1996</i> set out the appropriate legislation related to code of conduct and COI for local government entities to follow. Entities need to ensure the content of plans, policies and procedures adheres to the appropriate legislation whilst ensuring the correct legislative references are used when required.</p> <p>Entities should adopt a proactive approach in ensuring their plans, policies and procedures are maintained and kept up to date. Entities need to be aware of the legislative amendments and changes made by governing authorities and ensure the legislations being used and referenced in current plans, policies and procedures are updated accordingly. Where required, the content of plans, policies and procedures may also need to be amended accordingly.</p> <p>Through our analysis of Shire documents and email correspondence with the representatives of the Shire, we observed four (4) instances of outdated, inaccurate and incomplete legislative references within the Shire's policies:</p> <ul style="list-style-type: none"> <li>i) The Shire's <i>'Policy Number 1.03 Code of Conduct'</i>, page 14, incorrectly references s5.103 and s5.103(1) of the Local Government Act 1995 as "s.103" and "s103(1)". S5.103 and s5.103(1) of the Local Government Act 1995 requires local governments to adopt a code of conduct to be observed by council members, committee members and employees.</li> <li>ii) The Shire's notifiable gift register for employees, published on the Shire's website, explicitly references r.34B. However, r.34B has been deleted from the most recent version of the Local Government (Administration) Regulations 1996 and thus, its reference should be removed and updated accordingly on the Shire's website.</li> <li>iii) The Shire's <i>'Financial Interest'</i> section in the <i>'Conflict and Disclosure of Interest'</i> policy found under <i>'Policy Number 1.03 Code of Conduct'</i> on page 16 of the Shire's Policy Manual, states that <i>"Employees will adopt the principles of disclosure of financial interest as contained within the Local Government Act"</i>. This section does not make specific references to any legislation and does not list out any relevant principles. The definitions and principles legislated in S5.60A and s5.71 should be stated and referenced in this section.</li> <li>iv) The Shire's <i>'Disclosure of Interest'</i> section in the <i>'Conflict and Disclosure of Interest'</i> policy found under <i>'Policy Number 1.03 Code of Conduct'</i> on page 16 of the Shire's Policy Manual references r.34C which has been deleted from the most recent (3 Feb 2021) Local Government (Administration) Regulations 1996. This means the contents of this Disclosure of Interest section needs to be updated to include S5.87(b) which states that <i>"A relevant person may, at his or her discretion, disclose in any return any direct or indirect benefits, advantages or liabilities, whether financial or not — which the person considers might appear to raise a conflict between the person's private interests and the person's duty as a council member or a designated employee or which he or she otherwise desires to disclose."</i></li> <li>v) The Shire's <i>'Gifts'</i> policy found under <i>'Policy Number 1.03 Code of Conduct'</i> from page 17 to 21 of the Shire's Policy Manual, has combined the CEO and Council Member gift disclosure obligations together under CEO disclosures. This policy contains incorrectly referenced legislation as there is no dedicated section for council members. S5.87A is specific to council members and states that council members must disclose gifts received and that the disclosure must be made in writing to the CEO. S5.87B is specific to the CEO and states that the CEO must disclose gifts received and that the disclosure must be made in writing to the Shire President. The Shire's Gift policy should have these clear separations and correct references to the sections contained within the Local Government Act 1995.</li> </ul> <p><b>Implications</b></p> <p>Inaccurate and incomplete references to legislation may result in incorrect information being used to develop the content in plans, policies and procedures. The Shire may increase their susceptibility to breaches of legislation if their plans, policies and procedures contain incorrect and inaccurate information and instructions.</p> |                   |







### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Completeness and Accuracy of References to Legislation (continued)  |  |                      | Rating of Finding |
|---|--|----------------------|-------------------|
| Finding 2 (continued)   |  |                      | Low               |
| Management Comment  |  |                      |                   |
| Management acknowledges the Shire may increase their susceptibility to breaches of legislation if their plans, policies and procedures contain incorrect and inaccurate information and instructions. |  |                      |                   |
| Recommendations   | Agreed Action                                  | Action Owner         | Target Date       |
| 3. Amend and update the references in the stated policies in accordance with the Local Government Act 1995 and Local Government (Administration) Regulations 1996.                                    | Amend and update references to stated policies | Projects Coordinator | 30/06/2022        |



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| COI Training  |   | Rating of Finding    |             |
|---|---|----------------------|-------------|
| <b>Finding 3</b>  |   | <b>High</b>          |             |
| <p>COI training, when implemented appropriately, is an effective tool to ensure all employees in an organisation are knowledgeable on matters related to COI. A comprehensive COI training program would cover the definitions, legislative requirements, risks, responsibilities and penalties pertinent to this matter. Better practice guide "Managing Conflicts of Interest in the NSW Public Sector- June 2019" has also suggested that such training should be tailored to and targeted at the areas of greatest risk. The guide also emphasises the necessity to explain to all employees the importance of proper management of conflict of interest and the key issues that arise with poor conflict of interest processes.</p> <p>Through a review of the Shire's training register published on its website, we identified that there were only 3 instances of COI training undertaken by 2 different Councillors since 2020. We have not identified any other records of regular employee training nor an employee training program pertinent to COI set out by the Shire.</p> <p><b>Implications</b></p> <p>The lack of COI training amongst employees may lead to inadvertent breaches of COI legislative requirements due to unawareness and a lack of knowledge in this matter.</p> <p>A lack of urgency to educate employees on COI may lead to complacency and carelessness in managing potential conflicts of interest and may cause reputational damage to the Shire.</p> |   |                      |             |
| <b>Management Comment</b>   |   |                      |             |
| Management acknowledge the need for an employee training program pertinent to COI set out by the Shire  |   |                      |             |
| Recommendations   | Agreed Action   | Action Owner         | Target Date |
| 4. Develop and implement a COI training program for Council, Management, employees, contractors and volunteers which is supplemented by assessment components and scheduled refresher training. This should be underpinned by a COI training program for risk and COI related activities.   | Develop and implement a COI training program for Council, Management, employees, contractors and volunteers | Projects Coordinator | 31/07/2022  |

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Completeness and Accuracy of Induction Checklists   |  | Rating of Finding    |             |
|---|--|----------------------|-------------|
| <b>Finding 4</b>  |  | <b>High</b>          |             |
| <p>Induction checklists are a key component to the onboarding of new employees. These checklists should contain items that cover the most updated legislative requirements pertinent to the organisations, and especially the employee’s field of work as well as organisation-specific matters, including COI. Comprehensive induction checklists act as a step-by-step guide for an organisation to follow to ensure they cover all the necessary matters when inducting new starters.</p> <p>Better practice guide “<i>Managing Conflicts of Interest in the NSW Public Sector - June 2019</i>” recommends a “More is More” approach when it comes to disclosures of conflict of interest. Hence, emphasising the need to ensure COI is covered during employee inductions as new starters should be aware of COI, the risks and their responsibilities in mitigating such risks and the attitude they should adopt regarding COI.</p> <p>Through a review of the Shire’s induction checklists for new admin staff, temporary agency admin staff and contractor staff, we observed they contain a Code of Conduct section which covers disclosure of token gifts, however it does not explicitly cover COI.</p> <p>Additionally, we also noted that these induction checklists bear no branding associated to the Shire and contain no information specific to the Shire. However, these checklists reference the <b>City of Armadale</b> instead, and it appears that they were obtained from the City of Armadale. We also confirmed that the Induction and Orientation procedure also reads the same as that of the City of Armadale and it refers to “management practices”, terminology used by the City of Armadale and not by the Shire.</p> <p><b>Implications</b></p> <p>The lack of COI coverage during induction processes may result in the lack of appropriate knowledge of new employees relating to COI and may lead to employees leveraging on this gap to attribute any negligence and unfulfillment of obligations whether advertent or inadvertent.</p> |  |                      |             |
| <b>Management Comment</b>   |  |                      |             |
| Management acknowledges the need to review induction checklists and process to include COI.   |  |                      |             |
| Recommendations   | Agreed Action  | Action Owner         | Target Date |
| 5. Formalise and approve the induction checklists to include Shire branding and information.  | Formalise and approve induction checklists   | Projects Coordinator | 31/05/2022  |
| 6. Include COI as part of the Shire’s induction process as well as within the induction checklists.   | Include COI as part of the Shire’s induction process as well as within the induction checklists. | Projects Coordinator | 31/05/2022  |

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Management and Approval of COI  |  |                      | Rating of Finding |
|---|--|----------------------|-------------------|
| <b>Finding 5</b>  |  |                      | <b>High</b>       |
| <p>Organisations should aim to prevent matters of conflict of interest rather than to treat them. However, should such issues arise, COI matters need to be managed appropriately to safeguard the reputation of the organisation and to ensure no legislative breaches occur. The handling of COI within an organisation should be methodically documented and be readily available as a clearly defined process or procedure. Such processes or procedures should cover the steps to manage, monitor, report and approve of any actual, perceived and potential conflicts of interest. These should also define the roles and responsibilities of the individual(s) required to evaluate COI.</p> <p>The Shire's Code of Conduct states that "<i>Employees will ensure that there is no actual (or perceived) conflict of interest between their personal interests and the impartial fulfilment of their professional duties</i>" and that employees have an obligation to report suspected breaches of the code of conduct to the CEO who will then have to investigate the breaches and deal with it according to the principles of procedural fairness.</p> <p>Although this outline employees' obligations with regards to COI, the Policy Manual does not sufficiently and explicitly outline the processes for the management and approval of COI.</p> <p><b>Implication</b></p> <p>A lack of clearly defined procedures and delegated responsibility to manage, monitor, report and approve COI matters increase the risk of effectively managing COI related concerns and may create a perception of bias within the community causing reputational damage to the Shire.</p> |  |                      |                   |
| Management Comment  |  |                      |                   |
| Management acknowledge the need to develop procedures and delegated responsibility to manage, monitor, report and approve COI matters.  |  |                      |                   |
| Recommendations   | Agreed Action  | Action Owner         | Target Date       |
| 7. Develop, approve and implement procedures to effectively identify manage, monitor, report and approve actual, perceived, and potential conflicts of interest and outline the roles and responsibilities of the individual(s) required to evaluate COI.   | Develop, approve and implement procedures to effectively identify manage, monitor, report and approve actual, perceived, and potential conflicts of interest and outline the roles and responsibilities of the individual(s) required to evaluate COI. | Projects Coordinator | 30/06/2022        |

## 4. OTHER

### 4.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Australia (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

### 4.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- Other than use by you for the purpose, our report cannot be issued, accessed, or relied upon by any third party without our prior written approval. Furthermore, neither the report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form, and context in which it is proposed to be released. We reserve the right to refuse to grant approval to issue the reporting to any other party.
- Our internal audit work was performed in accordance with the International Standards for the Professional Practice of Internal Auditing contained in the International Professional Practices Framework issued by the Institute of Internal Auditors. It did not constitute an audit or review in accordance with standards issued by the Auditing and Assurance Standards Board and accordingly no such assurance under those standards is provided in this report.
- The matters raised in this report are only those which came to our attention while performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the client. The Internal Audit findings expressed in this report have been formed on the above basis.
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

### 4.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

### 4.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.



## APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING

### Risk Matrix

|                |   | Insignificant | Minor  | Moderate | Major   | Catastrophic |
|----------------|---|---------------|--------|----------|---------|--------------|
|                |   | 1             | 2      | 3        | 4       | 5            |
| Almost Certain | 1 | Medium        | High   | High     | Extreme | Extreme      |
| Likely         | 2 | Medium        | Medium | High     | High    | Extreme      |
| Possible       | 3 | Low           | Medium | Medium   | High    | High         |
| Unlikely       | 4 | Low           | Low    | Medium   | Medium  | High         |
| Rare           | 5 | Negligible    | Low    | Low      | Medium  | Medium       |

### Likelihood Ratings

| Likelihood     | Definition   | Frequency of Noted        |
|----------------|--|---------------------------|
| Almost Certain | Expected to occur in most circumstances or occurs regularly. A clear opportunity already apparent, which can easily be achieved. | More than once per year   |
| Likely         | Occurrence is noticeable or is likely to occur. An opportunity that has been explored and may be achievable.                     | At least once per year    |
| Possible       | Occurs occasionally or may occur. Possible opportunity identified.   | At least once in 5 years  |
| Unlikely       | Occurs infrequently or is not likely to occur. Opportunity that is fairly unlikely to happen.                                    | At least once in 10 years |

## APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING (CONTINUED)

### Consequence Ratings

| Consequence Ratings  |  |  |   |   |  |  |
|----------------------|--|--|---|---|--|--|
| Description          | Performance  | Financial  | Environment                                 | Reputation  | Service Delivery / Business Disruption   | Legislative / Regulatory / Policy /OSH   |
| <b>Catastrophic</b>  | Unable to achieve key objectives. External resources required. Ongoing loss of critical infrastructure.  | >15% of asset value. Adverse >15% deviation from budget. Audit unable to be completed.                                       | Catastrophic long term environmental harm.  | Significant damage to public confidence leading to sustained compromise in the achievement of strategic objectives. | Major, including several important areas of service and/or a protracted period. Ongoing loss of business systems.                        | Criminal instances of regulatory non-compliance. Extreme breaches of Code of Conduct. Personal details compromised / revealed – all. Death.  |
| <b>Major</b>         | Major impact on ability to achieve key objectives. Impact cannot be managed with current allocated resources. Long-term loss of critical infrastructure.     | 5%-15% of asset value. Adverse 5%→15% deviation from budget. Audit qualification on the report and accounts.                 | Significant long- term environmental harm.  | Local publicity of a major and persistent nature, affecting the perception/ standing within the community.          | Complete loss of an important service area for a short period. Major disruption to business processes.                                   | Major revenue or cost implications. Individuals at risk of harm. Significant breaches of Code of Conduct. Personal details compromised / revealed – many. Multiple serious injuries. |
| <b>Moderate</b>      | Moderate impact on ability to achieve key objectives. Significant adjustment to resource allocation. Loss of support infrastructure.                         | 2%-5% of asset value. Adverse 2%→5% deviation from budget. Management letter contains significant issues.                    | Significant short- term environmental harm. | Damage to reputation to a specific audience, may not have significant long-term or community effects.               | Major effect to an important service area for a short period, brief impact on multiple areas. Moderate disruption to business processes. | Minor revenue or cost implications. Breach of Code of Conduct. Personal details compromised / revealed – some. Serious injury and/or illness.  |
| <b>Minor</b>         | Minor impact on ability to achieve key objectives. Additional internal management efforts required. Interruption to support infrastructure.                  | < 2 of asset value. Adverse impact on revenues and costs <2% deviation from budget. Management letter contains minor issues. | Minor transient environmental harm.         | Minor damage to reputation to a small audience, complaint from a large group of people.                             | Brief disruption of important service area. Noticeable effect to non-crucial service area. Minor disruption to business processes.       | Minor breaches of Code of Conduct. Personal details compromised / revealed – isolated. First aid or minor lost time injury.  |
| <b>Insignificant</b> | Negligible impact on ability to achieve key objectives. Impact can be managed through routine activities. Negligible interruption to support infrastructure. | Insignificant loss. Insignificant adverse impact on annual revenue or costs. Matters discussed with management not reported. | Negligible transient environmental harm.    | Minor unsubstantiated publicity or damage to reputation to a small audience, complaint from individual/small group. | Negligible impact on the effectiveness of the organisation's processes. Negligible disruption to business processes.                     | Little or no impact to Code of Conduct. Personal details compromised / revealed - an individual. Incident with or without minor injury.  |

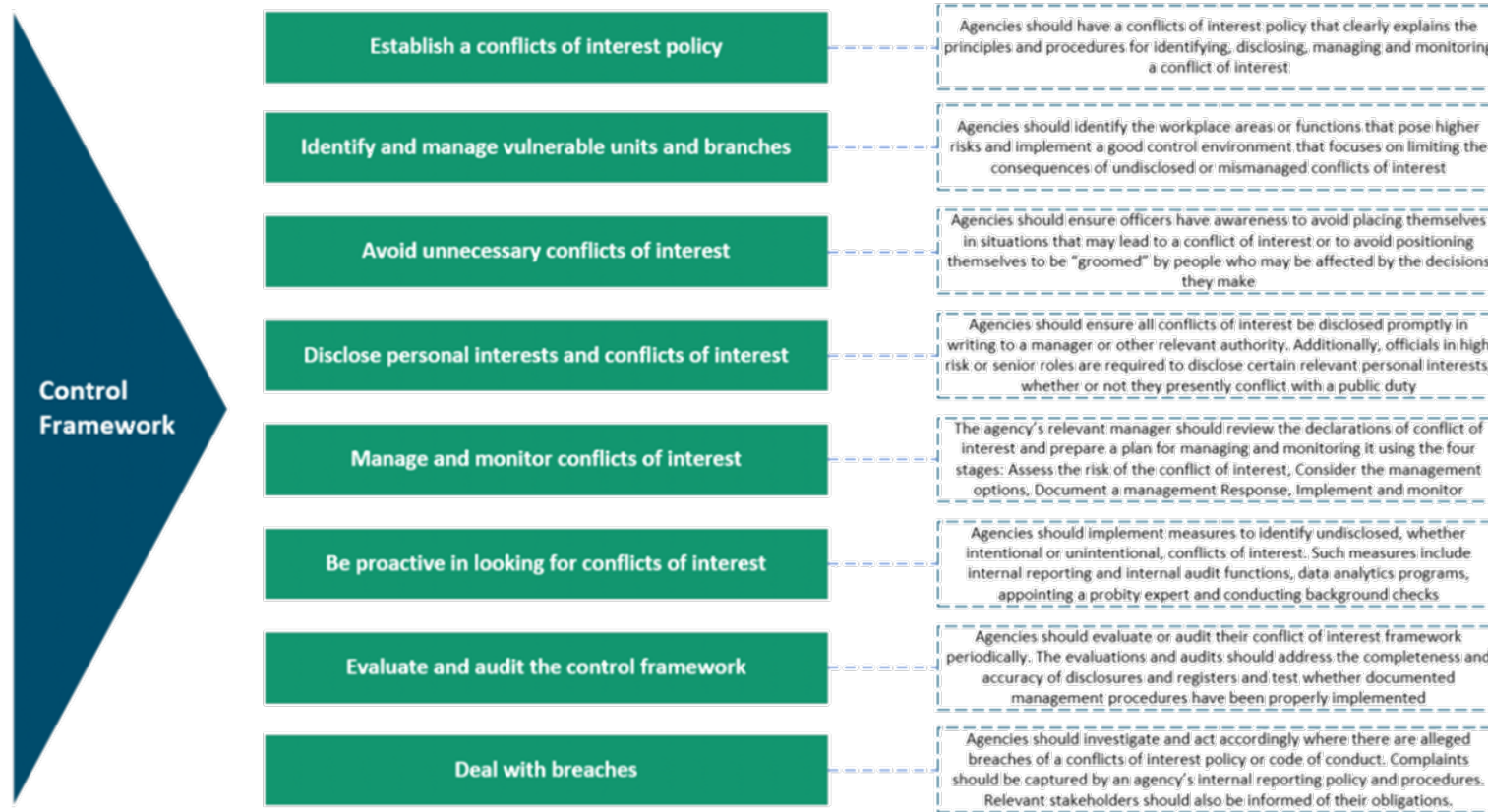
## APPENDIX 2: KEY PERSONNEL CONTACTED

We would like to thank the following personnel for their assistance in the conduct of this internal audit.

| Name         | Role                       |
|--------------|----------------------------|
| Bec Horan    | Projects EA                |
| James Trail  | Chief Executive Officer    |
| Julie Copley | Manager Executive Services |



## APPENDIX 3: ICAC NSW CONFLICT OF INTEREST CONTROL FRAMEWORK



Source: NSW ICAC – Managing conflicts of interest in the NSW public sector

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**HELPING YOU THRIVE IN A CHANGING WORLD**



INTERNAL AUDIT  
CONTRACT MANAGEMENT

Shire of Coolgardie

15 March 2022



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# 1. EXECUTIVE SUMMARY

## 1.1. Context

Robust contract management processes are essential for local government entities as it ensures that contracting is effective, meets the standards expected by the community and provides good value for money for the ratepayers.

The Shire of Coolgardie ("the Shire"), as a government entity, is required to maintain adequate and appropriate records and policies and procedures to manage contracts effectively.

In accordance with the Strategic Internal Audit Plan for the year ending 31 December 2021, an internal audit of the Shire's contract management practices was performed.

We have assessed the Shire's contract management practices against better practice principles such as the *Western Australian Procurement Rules 2021/02*, the Department of Finance's *Western Australian Contract Management Framework ("WACMF") Principles* and the Office of the Auditor General's ("OAG") report dated May 2020 - *Local Government Contract Extensions and Variations*.

Moore Australia (WA) Pty Ltd ("Moore Australia") performed the internal audit in line with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia Internal Audit Methodology.

This report presents our observations and recommendations arising from the internal audit performed. These observations and recommendations are presented, together with management's comments, in **Section 3 Observations and Recommendations**, and summarised below.

## 1.2. Overall Findings

We found there is a lack of a formalised documented contract management framework to support the effective management of contracts, including a lack of policies and procedures.

We have also identified opportunities to enhance the Shire's Records Management practices in relation to contract management as in 11 out of 12 instances we could not verify information in the contract register due to the absence of critical contract documents such as the "Letter of Acceptance".

## 1.3. Maturity Model

We have assessed the maturity of the Shire's contract management practices against the Department of Finance's WACMF Principles attached hereto as [Appendix 1](#).

We have assessed the Shire's Contract Management to be in a 'Developing' state, which has been outlined in the Moore Australia's Maturity Model in [Section 1.7. Maturity Assessment](#).

## 1.4. Acknowledgement

We would like to thank the Shire's personnel for their assistance during the internal audit. Key personnel contacted are outlined in [Appendix 2](#).

## 1.5. Summary of Results

The results of our fieldwork are summarised in the table below and detailed in Section 3 – Observations and Recommendations of this report.

| Summary of Findings     |       |         |      |        |     |            |
|-------------------------|-------|---------|------|--------|-----|------------|
| Risk Rating             | Total | Extreme | High | Medium | Low | Negligible |
| Findings / Observations | 4     | -       | 1    | 2      | 1   | -          |
| Recommendations         | 6     | -       | 1    | 4      | 1   | -          |

We have assigned, and agreed with Management, priority ratings for each observation based on the *Key to Significance of Risk Rating* included in [Appendix 3](#).





# 1. EXECUTIVE SUMMARY (CONTINUED)

## 1.5 Summary of Results (continued)

| Observations and Recommendations  | Rating               |
|---|----------------------|
| <p><b>Finding 1 — Contract Management Framework</b></p> <p>The Shire has not developed a comprehensive documented contract management framework, including policies, procedures, and guidelines to ensure that contracting is effective, meets the standards expected by the community and provides good value for money for the ratepayers. This is also not in line with better practice principles such as the <i>Western Australian Procurement Rules 2021/02</i>, the <i>WA Contract Management Framework Principles</i> and the OAG report - <i>Local Government Contract Extensions and Variations</i>.</p> <p>We acknowledge the Shire, with the assistance of a third party service provider, is planning the development and implementation of the necessary policies, procedures, and guidelines.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>1. Develop and implement a comprehensive documented Contract Management Framework, including policies, procedures and guidelines in line with better practice principles such as the <i>Western Australian Procurement Rules 2021/02</i>, the <i>WA Contract Management Framework Principles</i> and the OAG report dated May 2020 - <i>Local Government Contract Extensions and Variations</i>.</li> </ol> | <p><b>High</b></p>   |
| <p><b>Finding 2 — Contract Management Training</b></p> <p>The Shire has not implemented or provided formal training to ensure staff are aware of the legislative, policy framework, and better practice principles related to contract management in local government, and the roles and responsibilities in managing contracts for the best outcomes for the Shire.</p> <p>We acknowledged certain staff have received training in respect of the new contract management system ("Portt"), with the intention to fully train staff on the use of the online platform.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>2. Develop and implement appropriate contract management training for all staff involved in managing contracts using the <i>Procurement Competency Matrix</i>.</li> </ol>  | <p><b>Medium</b></p> |

# 1. EXECUTIVE SUMMARY (CONTINUED)

## 1.5 Summary of Results (continued)

| Observations and Recommendations (continued)  | Rating |
|---|--------|
| <b>Finding 3 — Contract Performance Management</b>  | Medium |
| <p>There is a lack of regular contract performance management within the Shire with contractors.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>3. Implement and perform regular performance reviews with contractors irrespective of whether a contract extension option is exercised.</li> <li>4. Develop a KPI index, in accordance with the <i>Department of Finance’s Supplier Performance Management Framework</i>, for contract managers to use during contract performance reviews.</li> <li>5. Enhance the current “<i>Contractor Performance Review</i>” form to include, but not limited to, the following:                             <ul style="list-style-type: none"> <li>• Details of the performance reviewer;</li> <li>• Date when the performance review was conducted;</li> <li>• Criteria for the performance review; and</li> <li>• Results of the performance review against the criteria.</li> </ul> </li> </ol> |        |
| <b>Finding 4 — Records Management</b>   | Low    |
| <p>The Shire was unable to provide relevant documentation to support compliance with the General Contract Conditions.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>6. Ensure appropriate record keeping practices in line with the Shire’s Recordkeeping Plan to support compliance with the Shire’s General Contract Conditions.</li> </ol>  |        |

# 1. EXECUTIVE SUMMARY (CONTINUED)

## 1.6. Maturity Assessment

We have assessed the Shire's process against better practice principles adapted from the [WA Contract Management Framework Principles](#) published by the Department of Finance WA.

We recognise that these principles are not mandatory for the Shire, however, we have identified these as better practice in Western Australia for management to consider.

The Director General from Department of Finance, Jodie Cant, says within the document: *"Good practice contract management is at the core of successful program delivery. It ensures the distribution of cost-effective services and ultimately delivers better outcomes for the community."*

The results of the assessment are outlined in the following diagram. We have included our detailed maturity assessment in [Appendix 1](#) - Department of Finance's Western Australian Contract Management Framework Principles.

|                  |             |  |  |  |  |  |
|------------------|-------------|---|---|---|---|---|
|                  |             | Basic   | Developing  | Operational   | Integrated  | Leading Practice  |
|                  |             | Almost nothing exists for the element   | Some parts of this element exist; application on different levels is inconsistent   | Element is defined; Consistently applied on some but not all levels                 | Element is defined with more detail and applied Consistently on most levels         | Element is defined in detail and consistently applied on all levels involved        |
| WACMF PRINCIPLES | People      |   |   |   |   |   |
|                  | Governance  |   |   |   |   |   |
|                  | Practice    |   |   |   |   |   |
|                  | Strategy    |   |   |   |   |   |
|                  | Performance |   |   |   |   |   |





## 2. SCOPE AND APPROACH

### 2.1. Objective and Scope

The objective of the internal audit was to assess the processes and controls in relation to the contract management practices, and assessment against better practice principles adapted from the [WA Contract Management Framework Principles](#) published by the Department of Finance WA.

The scope of the internal audit includes the following:

- Contract Management Framework, including policies and procedures;
- Contract Register;
- Delegation of authority;
- Systems and access control;
- Compliance with contract conditions;
- Key performance indicators for Project Managers and Contractors; and
- Monitoring, review, and management of spend (including variation, extensions of time, risk management, delegated financial authority).
- Monitoring and reporting to the Executive, Audit Committee and Council; and
- Extent of alignment with policies and procedures, legislation, better practice principles, and OAG Tabled Reports.

### 2.2. Approach

We have performed the services as outlined, conducted in line with the 'International Standards for the Professional Practice of Internal Auditing' and 'Code of Ethics'. The procedures performed were limited exclusively to those related to this purpose.

The review approach included the following:

- Held meetings with relevant stakeholders to understand the current environment; challenges, and opportunities;

- Reviewed of the Contract Management Framework, including relevant policies and procedures and assess the extent of implementation within the Shire;
- Assessed the extent of alignment to the [WA Contract Management Framework Principles](#) and the *Western Australian Procurement Rules 2021/02*; and
- Assessed the extent of alignment with better practice by assessing the Shire's Contract Management Framework with the OAG tabled report – *Local Government Contract Extensions and Variations* dated May 2020.

The internal audit report was prepared on an "exception-basis", which means we only provide commentaries on areas where we observe improvement opportunities on controls or enhancement to the compliance posture.

### 2.3. Reporting

The following reporting activities had been undertaken:

- Develop a draft report outlining our findings and recommendations.
- Validate the draft report with process owners and responsible management.
- Hold an exit meeting with the responsible Executive member and responsible management to discuss the report.
- Seek Management comments, actions, and timelines for implementing actions.
- Issue the final report to the Chief Executive Officer.
- Table final report to the Audit Committee.



## 2.4. Limitations of Scope

Our work is limited by the following:

- The scope of our services and any deliverables will be limited to carrying out internal audit assignments in accordance with the strategic internal audit plan approved by the Audit Committee. We will only cover the scope of work approved by the Audit Committee and unless additional areas are specifically agreed with the Audit Committee during the year.
- The scope of work for this engagement as approved by Management in our *Statement of Scope* signed on 6 August 2021.
- Due to the inherent limitations of any internal control structure, we do not warrant that all weaknesses, fraud, error, or non-compliance in your control structures were detected during the course of the Engagement.
- Any testing under the Engagement was performed on a sample basis and is not conducted continuously
- Any projections as to the assessment of the control structures in future periods are subject to the risk that the structures may become inadequate as a result of changes in conditions, or that the degree of compliance with them may deteriorate.
- We conducted appropriate tests of key controls within our scope. Our findings only relate to the period of testing undertaken during our review and cannot be relied upon to be representative of the operation of control procedures prior to or after this period.
- The internal audit was performed remotely, and no site visits have been performed. We have relied solely on the information and documentation provided to us by the Shire and have not performed a review on the authenticity of the information and documentation provided. There is a risk the information may have been altered prior to being provided to Moore Australia and there is a risk this may not be identified by Moore Australia. This may impact on the results reported within this report.



### 3. OBSERVATIONS AND RECOMMENDATIONS

#### Governance

| Finding 1  | Rating of Finding  |
|--|--------------------|
| <p><b>Contract Management Framework</b></p>  | <p><b>High</b></p> |
| <p>A Contract Management Framework is vital for the Shire as it is the process of managing contract creation, execution, and analysis to maximise operational and financial performance and reducing financial risk.</p> <p><b>Better Practice Principles</b></p> <p>A comprehensive Contract Management Framework should include, but not be limited to, the following: <i>(Refer to <a href="#">Appendix 1 - Department of Finance WA Contract Management Framework Principles</a>)</i></p> <ul style="list-style-type: none"> <li>• <b>Governance</b> – ensures there is clear ownership of the contracts within the agency, including definition of the accountable authority, budget holder and contract manager with continuity of ownership where possible.</li> <li>• <b>Governance</b> – is supported to access assistance and to develop their understanding of processes, procedures and systems supporting the contract management function. This could include internal governance structures, contract management systems and risk governance.</li> <li>• <b>Strategy</b> – aligns contract management processes with whole of agency processes and wider government initiatives</li> <li>• <b>Practice</b> – Uses any tools and resources (e.g., software, templates, policies) provided by the agency to assist in contract management. This includes developing and maintaining a formal Contract Management Plan if required.</li> </ul> <p>The Western Australian Procurement Rules 2021/02, Rule F1 states that 'State agencies must maintain internal processes and procedures to support compliance with the Procurement Rules.'</p> <p>The OAG report dated May 2020 - Local Government Contract Extensions and Variations states that contract management polies and procedures should be regularly reviewed to ensure compliance with current legislation and relevance to current operations.</p> <p>Through discussions and a review of documents provided by the Shire, we observe the following:</p> <p>Whilst there are demonstrable practices of contract management, the Shire has not developed a comprehensive documented contract management framework, including policies, procedures, and guidelines to ensure that contracting is effective, meets the standards expected by the community and provides good value for money for the ratepayers. This is also not in line with better practice principles such as the Western Australian Procurement Rules 2021/02, the WA Contract Management Framework Principles and the OAG report - Local Government Contract Extensions and Variations.</p> <p>We acknowledge the Shire, with the assistance of a third party service provider, is planning the development and implementation of the necessary policies, procedures, and guidelines.</p> <p><b>Implications</b></p> <p>The lack of a formal contract management system may lead to poor operational performance and increase financial and reputational risk.</p> |                    |



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

#### Governance (continued)

| Finding 1 (Continued)  |   | Rating of Finding       |             |
|--|---|-------------------------|-------------|
| <b>Contract Management Framework</b>   |   | <b>High</b>             |             |
| <b>Management Comment</b>  |   |                         |             |
| The Shire has a contract management framework in place. Furthermore, a register is being maintained and reported on to Council. It is agreed the framework including policies, procedures and guidelines exists however needs to be documented.  |   |                         |             |
| Recommendations  | Agreed Action   | Action Owner            | Target Date |
| 1. Develop and implement a comprehensive documented Contract Management Framework, including policies, procedures and guidelines in line with better practice principles such as the <i>Western Australian Procurement Rules 2021/02</i> , the <i>WA Contract Management Framework Principles</i> and the OAG report dated May 2020 - <i>Local Government Contract Extensions and Variations</i> . | Document contract management framework including policies, procedures and guidelines. | Chief Executive Officer | 31/05/2022  |

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

#### Governance (continued)

| Finding 2   |  | Rating of Finding  |             |
|---|--|--------------------|-------------|
| <b>Contract Management Training</b>   |  | <b>Medium</b>      |             |
| <p>Contract management requires a broad range of knowledge and skills. Appropriate training should be provided to ensure staff are aware of legislative requirements, policy framework, and better practice principles relating to procurement and contract management, and the roles and responsibilities in managing contracts to achieve the best outcomes for the Shire.</p> <p>The <i>Western Australian Contract Management Framework Principles</i> states that agencies should be: <i>'proactive in recognising the development needs of contract management staff and uses the Procurement Competency Matrix to assist in their development.'</i></p> <p>We observed that the Shire has not implemented or provided formal training to staff responsible on a documented contract management framework.</p> <p>We acknowledged that certain staff have received training in respect of the new contract management system ("Portt"), with the intention to fully train staff on the use of the online platform.</p> <p><b>Implications</b></p> <p>The lack technical expertise, competencies, and experience for the contract management function may lead to inefficiencies and non-compliance with legislation and better practice principles causing financial loss to the Shire.</p> |  |                    |             |
| Management Comment  |  |                    |             |
| Management acknowledges importance of Contract Management Training.   |  |                    |             |
| Recommendations   | Agreed Action  | Action Owner       | Target Date |
| 2. Develop and implement appropriate contract management training for all staff involved in managing contracts using the <i>Procurement Competency Matrix</i> .   | The training will be a part of the Contract management framework document. | Governance Officer | 30/06/2022  |



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

**Performance**

| Finding 3  | Rating of Finding |
|--|-------------------|
| <b>Contract Performance Management</b>   | <b>Medium</b>     |
| <p>Contract performance management is important for the Western Australian community and the Shire to effectively monitor the performance of contractor and their compliance with contractual obligations to ensure value for money outcomes.</p> <p>Better practice suggest that Contract Managers regularly provides both written and verbal performance feedback to the supplier(s) and feels empowered to address performance issues when they first emerge.</p> <p>We reviewed a sample of 12 contracts extracted from the Shire’s contract register and tender register, seven (7) from the contract register and five (5) from the tender register. <b>Please refer to <a href="#">Appendix 4 – List of Selected Contract Samples</a>.</b></p> <p>We observed that, although performance reviews are conducted on some service providers, regular performance reviews are not performed on all service providers. In four (4) of the sampled instances, performance reviews were documented in the “Contractor Performance Review” form which appears to be completed only for the purpose of exercising contract extensions. The “Contractor Performance Review” forms does not indicate how the performance was measured and who conducted the performance review.</p> <p><b>Implications</b></p> <p>The lack of contract performance management could lead to possible risk of ineffective contract management. These risks include failure to provide contract deliverables on time, to agreed quality standards, and to agreed budget or failure to comply with all contract provisions, for example, privacy, security, and record keeping.</p> <p>The absence of regular performance reviews may pose as a threat to maximizing the value of the contract and satisfying the needs of the Shire.</p> |                   |
| <b>Management Comment</b>  |                   |
| <p>The Portt system was implemented in September 2020. Performance review templates are now available within the Port system and are being utilized by Management for Contractor Performance Reviews. The form includes how the performance is measured and who conducted the review.</p>  |                   |





### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

#### Performance (continued)

| Finding 3  |  |                      | Rating of Finding |
|--|--|----------------------|-------------------|
| Contract Performance Management  |  |                      | Medium            |
| Recommendations  | Agreed Action  | Action Owner         | Target Date       |
| 3. Implement and perform regular performance reviews with contractors irrespective of whether a contract extension option is exercised.  | Will implement and perform annually Contractor performance reviews.  | Projects Coordinator | 31/07/2022        |
| 4. Develop a KPI index, in accordance with the <i>Department of Finance's Supplier Performance Management Framework</i> , for contract managers to use during contract performance reviews.  | Contract management framework document will include a KPI index for contract managers to utilise during performance reviews.   | Projects Coordinator | 31/07/2022        |
| 5. Enhance the current " <i>Contractor Performance Review</i> " form to include, but not limited to, the following: <ul style="list-style-type: none"> <li>• Details of the performance reviewer;</li> <li>• Date when the performance review was conducted;</li> <li>• Criteria for the performance review; and</li> <li>• Results of the performance review against the criteria.</li> </ul> | The current 'Contractor Performance Review' form is in place and includes: <ul style="list-style-type: none"> <li>• Details of the performance reviewer;</li> <li>• Date when the performance review was conducted;</li> <li>• Criteria for the performance review; and</li> </ul> Results of the performance review against the criteria. | Projects Coordinator | Completed         |



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

Performance (continued)

|  |   |                      |                    |
|--|---|----------------------|--------------------|
| <b>Finding 4</b>   |   |                      |                    |
| <b>Records Management</b>  |   | <b>Low</b>           |                    |
| <p>Section 3.3.1 of the General Conditions of Contracts entered into by the Shire states:<br/> <i>'The Contract shall be evidenced by the Letter of Acceptance, the Request for Tender (Include Specification), the General Conditions of Contract and Tender.'</i></p> <p>We tested a sample of seven (7) contracts from the contract register and a sample of five (5) contracts from the tender register year and performed a review of the contract management practices followed by the Shire. Our sample selection included contracts in progress as at 1 September 2021. <b>Please refer to <a href="#">Appendix 4 – List of Selected Contract Samples</a></b></p> <p>We observed not all contract management documents were retained as the following records could not be provided:</p> <ul style="list-style-type: none"> <li>Referring to Table 1, for all seven (7) contracts (100%), evidence of the "Letter of Acceptance" could not be provided, therefore the agreed estimated contract values at the date of award of the contract could not have been verified.</li> <li>Referring to Table 2, for four (4) contracts (80%), evidence of the "Letter of Acceptance" could not have been provided, therefore the agreed estimated contract values at the date of award of the contract could not be verified.</li> </ul> <p><b>Implications</b><br/>                     Lack of evidence to demonstrate compliance with Contract Conditions policy and procedures may lead to non-compliance and reputational damage to the Shire.</p> |   |                      |                    |
| <b>Management Comment</b>  |   |                      |                    |
| Noted by Management. All documentation kept in Portt system. Needs to be referenced in documented framework.   |   |                      |                    |
| <b>Recommendations</b>   | <b>Agreed Action</b>  | <b>Action Owner</b>  | <b>Target Date</b> |
| 6. Ensure appropriate record keeping practices in line with the Shire's Recordkeeping Plan to support compliance with the Shire's General Contract Conditions.   | All contracts, variations and related documents are kept within the Portt system. | Projects Coordinator | Completed          |



## 4. OTHER

### 4.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Australia (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

### 4.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- Other than use by you for the purpose, our report cannot be issued, accessed, or relied upon by any third party without our prior written approval. Furthermore, neither the report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form, and context in which it is proposed to be released. We reserve the right to refuse to grant approval to issue the reporting to any other party.
- Our internal audit work was performed in accordance with the International Standards for the Professional Practice of Internal Auditing contained in the International Professional Practices Framework issued by the Institute of Internal Auditors. It did not constitute an audit or review in accordance with standards issued by the Auditing and Assurance Standards Board and accordingly no such assurance under those standards is provided in this report.
- The matters raised in this report are only those which came to our attention while performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and

procedures under examination, or potential instances of non-compliance that may exist.

- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the client. The Internal Audit findings expressed in this report have been formed on the above basis.
- Recommendations for improvement should be assessed by management for their full commercial impact before they are implemented.

### 4.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

### 4.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.



## APPENDIX 1: DEPARTMENT OF FINANCE WA CONTRACT MANAGEMENT FRAMEWORK PRINCIPLES MATURITY MODEL ASSESSMENT

| MATURITY MODEL ASSESSMENT  | Unmanaged                             | Developing  | Operational   | Integrated  | Leading Practice   |
|--|---------------------------------------|---|---|---|--|
|  | Almost nothing exists for the element | Some parts of this element exist; application on different levels is inconsistent | Element is defined; Consistently applied on some but not all levels | Element is defined with more detail and applied consistently on most levels | Element is defined in detail and consistently applied on all levels involved |
| <b>PEOPLE</b>  |                                       |   |   |   |  |
| <b>The Agency:</b>   |                                       |   |   |   |  |
| Defines the contract management role and ensures there are accurate job descriptions and levels for all contract management staff                        |                                       |   |   |   |  |
| Resources contract management adequately, with the appropriate range of skills to meet current needs and flexibility to meet changing needs              |                                       |   |   |   |  |
| Is proactive in recognising the development needs of contract management staff and uses the Procurement Competency Matrix to assist in their development |                                       |   |   |   |  |
| Ensures there are clear and appropriate reporting lines for contract managers and that performance of contract managers is actively managed              | <b>Finding 1</b>                      |   |   |   |  |
| Facilitates and encourages contract managers to share knowledge and experience and build a culture of best practice                                      | Not Reviewed                          |   |   |   |  |
| <b>The Contract Manager:</b>   |                                       |   |   |   |  |
| Has a sound understanding of their role and recognises how they contribute to broader agency initiatives and community outcomes                          |                                       |   |   |   |  |



## APPENDIX 1: DEPARTMENT OF FINANCE WA CONTRACT MANAGEMENT FRAMEWORK PRINCIPLES MATURITY MODEL ASSESSMENT

| MATURITY MODEL ASSESSMENT  | Unmanaged                             | Developing  | Operational   | Integrated  | Leading Practice   |
|--|---------------------------------------|---|---|---|--|
|  | Almost nothing exists for the element | Some parts of this element exist; application on different levels is inconsistent | Element is defined; Consistently applied on some but not all levels | Element is defined with more detail and applied consistently on most levels | Element is defined in detail and consistently applied on all levels involved |
| Has the skills, expertise and contractual knowledge required to manage the contracts assigned and feels supported to further develop these skills  |                                       |   |   |   |  |
| Uses the Procurement Competency Matrix to guide their professional development   |                                       |   |   |   |  |
| Is involved as early as possible in the procurement process, to ensure continuity across all phases of the procurement lifecycle   |                                       |   |   |   |  |
| <b>GOVERNANCE</b>  |                                       |   |   |   |  |
| <b>The Agency:</b>   |                                       |   |   |   |  |
| Ensures there is clear ownership of the contracts within the agency, including definition of the accountable authority, budget holder and contract manager with continuity of ownership where possible |                                       |   |   |   |  |
| Has a clear delegation matrix, that details who is allowed to approve contract variations. The matrix takes into account both value and risk of the contract   |                                       |   |   |   |  |
| Ensures there is senior executive oversight for all contracts, especially high value and/or high-risk contracts with contract managers able to easily report any contract issues in a timely manner    | <b>Finding 1</b>                      |   |   |   |  |



## APPENDIX 1: DEPARTMENT OF FINANCE WA CONTRACT MANAGEMENT FRAMEWORK PRINCIPLES MATURITY MODEL ASSESSMENT

| MATURITY MODEL ASSESSMENT   | Unmanaged                             | Developing  | Operational   | Integrated  | Leading Practice   |
|---|---------------------------------------|---|---|---|--|
|   | Almost nothing exists for the element | Some parts of this element exist; application on different levels is inconsistent | Element is defined; Consistently applied on some but not all levels | Element is defined with more detail and applied consistently on most levels | Element is defined in detail and consistently applied on all levels involved |
| Has clear payment processes, which are efficient and include appropriate checks and authorisation points such as, tracking payments against contract rates, identifying duplicate and non-payments and ensuring a contract is in place                    |                                       |   |   |   |  |
| Ensures all staff act in an accountable and ethical manner and comply with relevant policy and practice requirements  | <b>Finding 1</b>                      |   |   |   |  |
| <b>The Contract Manager:</b>  |                                       |   |   |   |  |
| Understands the governance structures and responsibilities that relate to their role and allocated contracts  |                                       |   |   |   |  |
| Is supported to access assistance and to develop their understanding of processes, procedures and systems supporting the contract management function. This could include internal governance structures, contract management systems and risk governance |                                       |   |   |   |  |
| Is empowered to manage risk and other contractual issues and is supported by clear escalation processes if needed   |                                       |   |   |   |  |





## APPENDIX 1: DEPARTMENT OF FINANCE WA CONTRACT MANAGEMENT FRAMEWORK PRINCIPLES MATURITY MODEL ASSESSMENT

| MATURITY MODEL ASSESSMENT  | Unmanaged                             | Developing  | Operational   | Integrated  | Leading Practice   |
|--|---------------------------------------|---|---|---|--|
|  | Almost nothing exists for the element | Some parts of this element exist, application on different levels is inconsistent | Element is defined; Consistently applied on some but not all levels | Element is defined with more detail and applied consistently on most levels | Element is defined in detail and consistently applied on all levels involved |
| <b>PRACTICE</b>  |                                       |   |   |   |  |
| <b>The Agency:</b>   |                                       |   |   |   |  |
| Behaves ethically and looks to identify where a potential, perceived or actual conflict of interest occurs   | Not Reviewed                          |   |   |   |  |
| Is aware of and follows all internal and external policies and practice guidance which influences the management of contract   |                                       |   |   |   |  |
| Recognises the importance of contract management when planning for the procurement process and secures sufficient budget and resourcing                              |                                       |   |   |   |  |
| Allows sufficient time in procurement processes to ensure that contract scope and deliverables are designed with contract management requirements taken into account |                                       |   |   |   |  |
| Ensures that the administration and reporting requirements are relevant and focused and are not overly burdensome for the contract manager or suppliers              | Finding 1 & 3                         |   |   |   |  |
| Ensures there is a planned transition from the tendering phase to the contract management phase, including a clear and documented contract handover                  |                                       |   |   |   |  |
| Requires regular reviews of all contracts, with both performance and ongoing needs of the agency assessed  | Finding 3                             |   |   |   |  |



## APPENDIX 1: DEPARTMENT OF FINANCE WA CONTRACT MANAGEMENT FRAMEWORK PRINCIPLES MATURITY MODEL ASSESSMENT

| MATURITY MODEL ASSESSMENT  | Unmanaged<br>Almost nothing exists for the element | Developing<br>Some parts of this element exist; application on different levels is inconsistent | Operational<br>Element is defined; Consistently applied on some but not all levels | Integrated<br>Element is defined with more detail and applied consistently on most levels | Leading Practice<br>Element is defined in detail and consistently applied on all levels involved |
|--|--|---|--|---|--|
| <b>The Contract Manager:</b>   |  |   |  |   |  |
| Receives a contract handover for any new contract assigned and ensures that all contract documentation is current and stored in a secure and easily accessible location  |  |   |  |   |  |
| Is aware of all contractual terms and conditions, including those relating to their obligations, and ensures these are actively monitored over the course of the contract  |  |   |  |   |  |
| <b>PRACTICE</b>  |  |   |  |   |  |
| <b>The Contract Manager:</b>   |  |   |  |   |  |
| Uses any tools and resources (e.g., software, templates, policies) provided by the agency to assist in contract management. This includes developing and maintaining a formal Contract Management Plan if required |  |   |  |   |  |
| Ensures that all administration requirements, including statutory record keeping, are undertaken routinely and as required   |  |   |  |   |  |
| Includes end users and other stakeholders in consultation as and when needed   | Not Reviewed                                       |   |  |   |  |



## APPENDIX 1: DEPARTMENT OF FINANCE WA CONTRACT MANAGEMENT FRAMEWORK PRINCIPLES MATURITY MODEL ASSESSMENT

| MATURITY MODEL ASSESSMENT   | Unmanaged                             | Developing  | Operational   | Integrated  | Leading Practice   |
|---|---------------------------------------|---|---|---|--|
|   | Almost nothing exists for the element | Some parts of this element exist; application on different levels is inconsistent | Element is defined; Consistently applied on some but not all levels | Element is defined with more detail and applied consistently on most levels | Element is defined in detail and consistently applied on all levels involved |
| <b>STRATEGY</b>   |                                       |   |   |   |  |
| <b>The Agency:</b>  |                                       |   |   |   |  |
| Has an overarching procurement strategy, which includes a strategic approach to the full procurement lifecycle, planning for future contractual requirements and mapping total procurement costs, including contract management, against future budgets       | Not Reviewed                          |   |   |   |  |
| Aligns contract management processes with whole of agency processes and wider government initiatives (employment, sustainability and use of local businesses)   | <b>Finding 1</b>                      |   |   |   |  |
| Analyses market intelligence and agency strategy to determine procurement and contract management strategies. Relevant contract management strategies for the Agency's contracting mix (e.g., category management) are then developed based on these findings | Not Reviewed                          |   |   |   |  |
| Has a structured supplier relationship management program for key suppliers to develop these relationships, maximise value and reduce associated risk   | Not Reviewed                          |   |   |   |  |
| Encourages innovation from both contract management staff and contracted suppliers, in an effort to improve value for money outcomes  | Not Reviewed                          |   |   |   |  |



## APPENDIX 1: DEPARTMENT OF FINANCE WA CONTRACT MANAGEMENT FRAMEWORK PRINCIPLES MATURITY MODEL ASSESSMENT

| MATURITY MODEL ASSESSMENT   | Unmanaged<br>Almost nothing exists for the element | Developing<br>Some parts of this element exist; application on different levels is inconsistent | Operational<br>Element is defined; Consistently applied on some but not all levels | Integrated<br>Element is defined with more detail and applied consistently on most levels | Leading Practice<br>Element is defined in detail and consistently applied on all levels involved |
|---|--|---|--|---|--|
| <b>STRATEGY</b>   |  |   |  |   |  |
| <b>The Contract Manager:</b>  |  |   |  |   |  |
| Is aware of the strategies, policies and plans in place within their agency and for each of their contracts, and has the support required to realise these strategies           | Finding 1 & 2                                      |   |  |   |  |
| Has the opportunity to contribute to strategies relating to their contracts and the broader team  |  |   |  |   |  |
| Considers contract issues and the broader impacts both internal and external before implementing solutions  | Not Reviewed                                       |   |  |   |  |
| Proactively encourages innovation and continuous improvement from all suppliers, and negotiates with suppliers to embed contractual changes throughout the life of the contract | Not Reviewed                                       |   |  |   |  |
| Understands the supplier(s) business strategy and motivation and leverages this to ensure supplier performance meets the contract requirements                                  | Not Reviewed                                       |   |  |   |  |
| <b>PERFORMANCE</b>  |  |   |  |   |  |
| <b>The Agency:</b>  |  |   |  |   |  |
| Has clear and consistent guidelines for supplier performance management, which are available to all staff for reference   | Finding 1 & 3                                      |   |  |   |  |



## APPENDIX 1: DEPARTMENT OF FINANCE WA CONTRACT MANAGEMENT FRAMEWORK PRINCIPLES MATURITY MODEL ASSESSMENT

| MATURITY MODEL ASSESSMENT   | Unmanaged<br>Almost nothing exists for the element | Developing<br>Some parts of this element exist; application on different levels is inconsistent | Operational<br>Element is defined; Consistently applied on some but not all levels | Integrated<br>Element is defined with more detail and applied consistently on most levels | Leading Practice<br>Element is defined in detail and consistently applied on all levels involved |
|---|--|---|--|---|--|
| <b>PERFORMANCE</b>  |  |   |  |   |  |
| <b>The Agency:</b>  |  |   |  |   |  |
| Is aware of issues impacting the industries which they work with on a regular basis and uses this information to negotiate and drive value for money outcomes   | Not Reviewed                                       |   |  |   |  |
| Has guidelines regarding incentive-based terms (both financial and non-financial), and empowers staff to use these to drive improved contracting performance  | Finding 1  |   |  |   |  |
| Undertakes a performance review of its contract management capabilities on an annual basis (at a minimum), and actively addresses capability gaps   | Finding 3  |   |  |   |  |
| <b>The Contract Manager:</b>  |  |   |  |   |  |
| Allocates suitable time and resources to develop relationships with the supplier(s) and ensures there are defined roles and responsibilities for all parties  |  |   |  |   |  |
| Understands and monitors the service level agreements and key performance indicators as part of their day-to-day contract management requirements   | Finding 2 & 3                                      |   |  |   |  |
| Regularly provides both written and verbal performance feedback to the supplier(s) and feels empowered to address performance issues when they first emerge. The contract manager is aware of dispute resolution processes, and is supported by senior staff to use these if required | Finding 4  |   |  |   |  |





## APPENDIX 1: DEPARTMENT OF FINANCE WA CONTRACT MANAGEMENT FRAMEWORK PRINCIPLES MATURITY MODEL ASSESSMENT

| MATURITY MODEL ASSESSMENT  | Unmanaged<br>Almost nothing exists for the element | Developing<br>Some parts of this element exist; application on different levels is inconsistent | Operational<br>Element is defined; Consistently applied on some but not all levels | Integrated<br>Element is defined with more detail and applied consistently on most levels | Leading Practice<br>Element is defined in detail and consistently applied on all levels involved |
|--|--|---|--|---|--|
| Assesses all applications to vary the contract in an objective way, and ensures variations are only accepted when they demonstrate value for money |  |   |  |   |  |
| Is aware of any changes to end user requirements, and works with the suppliers to address these changes  | Not Reviewed                                       |   |  |   |  |
| Undertakes actions to identify, monitor and inform buying behaviour to align performance to intended contract outcomes                             | Not Reviewed                                       |   |  |   |  |



## APPENDIX 2: KEY PERSONNEL CONTACTED

We would like to thank the following personnel for their assistance in the conduct of this internal audit.

| Name          | Role                    |
|---------------|-------------------------|
| Bec Horan     | Project EA              |
| Celia Jordaan | Uniqco (WA) Pty Ltd     |
| James Trail   | Chief Executive Officer |



## APPENDIX 3: KEY TO SIGNIFICANCE OF RISK RATING

### Risk Matrix

|                |   | Insignificant | Minor  | Moderate | Major   | Catastrophic |
|----------------|---|---------------|--------|----------|---------|--------------|
|                |   | 1             | 2      | 3        | 4       | 5            |
| Almost Certain | 1 | Medium        | High   | High     | Extreme | Extreme      |
| Likely         | 2 | Medium        | Medium | High     | High    | Extreme      |
| Possible       | 3 | Low           | Medium | Medium   | High    | High         |
| Unlikely       | 4 | Low           | Low    | Medium   | Medium  | High         |
| Rare           | 5 | Negligible    | Low    | Low      | Medium  | Medium       |

### Likelihood Ratings

| Likelihood     | Definition   | Frequency of Noted        |
|----------------|--|---------------------------|
| Almost Certain | Expected to occur in most circumstances or occurs regularly. A clear opportunity already apparent, which can easily be achieved. | More than once per year   |
| Likely         | Occurrence is noticeable or is likely to occur. An opportunity that has been explored and may be achievable.                     | At least once per year    |
| Possible       | Occurs occasionally or may occur. Possible opportunity identified.   | At least once in 5 years  |
| Unlikely       | Occurs infrequently or is not likely to occur. Opportunity that is fairly unlikely to happen.                                    | At least once in 10 years |







## APPENDIX 3: KEY TO SIGNIFICANCE OF RISK RATING (CONTINUED)

### Consequence Ratings

| Description          | Performance  | Consequence Ratings  |  |   |  |  |
|----------------------|--|--|--|---|--|--|
|                      |  | Financial  | Environment                                | Reputation  | Service Delivery / Business Disruption   | Legislative / Regulatory / Policy / OSH  |
| <b>Catastrophic</b>  | Unable to achieve key objectives. External resources required. Ongoing loss of critical infrastructure.  | >15% of asset value. Adverse >15% deviation from budget. Audit unable to be completed.                                       | Catastrophic long term environmental harm. | Significant damage to public confidence leading to sustained compromise in the achievement of strategic objectives. | Major, including several important areas of service and/or a protracted period. Ongoing loss of business systems.                        | Criminal instances of regulatory non-compliance. Extreme breaches of Code of Conduct. Personal details compromised / revealed – all. Death.  |
| <b>Major</b>         | Major impact on ability to achieve key objectives. Impact cannot be managed with current allocated resources. Long-term loss of critical infrastructure.     | 5%-15% of asset value. Adverse 5%—15% deviation from budget. Audit qualification on the report and accounts.                 | Significant long-term environmental harm.  | Local publicity of a major and persistent nature, affecting the perception/standing within the community.           | Complete loss of an important service area for a short period. Major disruption to business processes.                                   | Major revenue or cost implications. Individuals at risk of harm. Significant breaches of Code of Conduct. Personal details compromised / revealed – many. Multiple serious injuries. |
| <b>Moderate</b>      | Moderate impact on ability to achieve key objectives. Significant adjustment to resource allocation. Loss of support infrastructure.                         | 2%-5% of asset value. Adverse 2%—5% deviation from budget. Management letter contains significant issues.                    | Significant short-term environmental harm. | Damage to reputation to a specific audience, may not have significant long-term or community effects.               | Major effect to an important service area for a short period, brief impact on multiple areas. Moderate disruption to business processes. | Minor revenue or cost implications. Breach of Code of Conduct. Personal details compromised / revealed – some. Serious injury and/or illness.  |
| <b>Minor</b>         | Minor impact on ability to achieve key objectives. Additional internal management efforts required. Interruption to support infrastructure.                  | < 2 of asset value. Adverse impact on revenues and costs <2% deviation from budget. Management letter contains minor issues. | Minor transient environmental harm.        | Minor damage to reputation to a small audience, complaint from a large group of people.                             | Brief disruption of important service area. Noticeable effect to non-crucial service area. Minor disruption to business processes.       | Minor breaches of Code of Conduct. Personal details compromised / revealed – isolated. First aid or minor lost time injury.  |
| <b>Insignificant</b> | Negligible impact on ability to achieve key objectives. Impact can be managed through routine activities. Negligible interruption to support infrastructure. | Insignificant loss. Insignificant adverse impact on annual revenue or costs. Matters discussed with management not reported. | Negligible transient environmental harm.   | Minor unsubstantiated publicity or damage to reputation to a small audience, complaint from individual/small group. | Negligible impact on the effectiveness of the organisation's processes. Negligible disruption to business processes.                     | Little or no impact to Code of Conduct. Personal details compromised / revealed - an individual. Incident with or without minor injury.  |





## APPENDIX 4: LIST OF SELECTED CONTRACT SAMPLES

**TABLE 1 (Samples from Contract Register)**

| No. | Contract Number | Contract Description   | Letter of Acceptance Received? |
|-----|-----------------|--|--------------------------------|
| 1   | COS-AGR-016     | IGV33572_Managed Service Agreement                                   | No                             |
| 2   | COS-AGR-031     | LG Corporate Solutions   | No                             |
| 3   | COS-AGR-013     | Millbridge   | No                             |
| 4   | COS-AGR-014     | RAVIM  | No                             |
| 5   | COS-AGR-016     | Steven Tweedie   | No                             |
| 6   | COS-AGR-017     | Uniqco   | No                             |
| 7   | COS-AGR-041     | Supply Contract 22 Dec 2020 RFQ 04/2020 Bayley Street Reconstruction | No                             |

**TABLE 2 (Samples from Tender Register)**

| No. | Contract Number | Contract Description                                     | Letter of Acceptance Received? |
|-----|-----------------|--|--------------------------------|
| 1   | RFQ 03-20       | Wet and Dry Hire of equipment                            | No                             |
| 2   | RFQ 02-20       | Kambalda Aquatic Facility                                | No                             |
| 3   | Ten Ref 03/20   | Roadworks Coolgardie North Road                          | No                             |
| 4   | Ten Ref 06/20   | Local Government Services                                | No                             |
| 5   | Ten Ref 07/20   | Coolgardie post Office Complex Alterations and Additions | Yes                            |

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**HELPING YOU THRIVE IN A CHANGING WORLD**



INTERNAL AUDIT  
RECORDS MANAGEMENT

Shire of Coolgardie

15 March 2022



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# 1. EXECUTIVE SUMMARY

## 1.1. Context

The Shire of Coolgardie (“the Shire”), as a government organisation, is required to maintain adequate and appropriate records in line with the State Records Act 2000 and the State Records Commission standards and principles.

Records of information are at the core of Western Australian government organisations. Records are assets which allow the government to function effectively. They provide evidence of actions taken and decisions made by government organisations and allow the government to account for its actions. Good records management is a necessary element of good governance and integrity.

In accordance with the Strategic Internal Audit Plan for the year ending 30 June 2022, an internal audit of the Shire’s Records Management practices was performed.

Moore Australia (WA) Pty Ltd (“Moore Australia”) performed the internal audit in accordance with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia Internal Audit Methodology.

This report presents our observations and recommendations arising from the internal audit performed. These observations and recommendations are presented, together with management’s comments, in **Section 3 Observations and Recommendations**, and summarised below.

## 1.2. Overall Findings

The Shire’s Records Management Framework is well established with relevant policies, procedures and a *Recordkeeping Plan 2019 – NFN7342* (“RKP”) and is based on the *State Records Principles and Standards 2002*. The RKP is due for review in five years (2024) however the Shire could consider an earlier review as the State Records Office (“SRO”) is planning to implement a new State Records Commission (“SRC”) Standard for State Records Management, including a new Records Management Plan which will replace the Recordkeeping plans and a new Information Management Maturity Model.

We have identified enhancement opportunities that will assist the Shire in better complying with its current RKP, to assist in effectively safeguard the Shire’s records against potential environmental and to adequately monitor and report on its compliance posture.

## 1.3. Records Management Maturity Model

The Shire’s Records Management practices has been assessed as being “**Operational**” as summarised in **Section 1.7 – Records Management Maturity Assessment** (Refer to **Appendix 1 – Records Management Maturity Model**). This is Moore Australia’s Assessment of the Shire’s maturity with regards to the key components of the new draft SRC Standard for States Records Management.

## 1.4. Acknowledgement

We would like to thank the Shire’s personnel for their assistance during the internal audit. Key Personnel contacted are outlined in **Appendix 2**.

## 1.5. Summary of Results

The results of our fieldwork are summarised in the table below and detailed in **Section 3 – Observations and Recommendations** of this report. We have assigned, and agreed with Management, priority ratings for each observation based on the *Key to Significance of Risk Rating* included in **Appendix 3 – Key to Significance of Risk Rating**.

| Summary of Findings     |       |         |      |        |     |            |
|-------------------------|-------|---------|------|--------|-----|------------|
| Risk Rating             | Total | Extreme | High | Medium | Low | Negligible |
| Findings / Observations | 4     | -       | -    | 3      | 1   | -          |
| Recommendations         | 6     | -       | -    | 5      | 1   | -          |





# 1. EXECUTIVE SUMMARY

## 1.6. Summary of Results (continued)

Our observations for the Records Management internal audit engagement are summarised below:

| Observations and Recommendations  | Rating |
|---|--------|
| <p><b>Finding 1 – Security and Recovery of Shire Hardcopy Records</b></p> <p>There Shire is not performing regular and/ or annual assessments on the storage facilities used and the Shire does not have a "Records Recovery Plan for hardcopy records.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>1. Develop an annual program to assess the Shire’s storage facilities and report to Council on the results of the assessment.</li> <li>2. Develop and implement a "Records Recovery Plan".</li> <li>3. Develop an annual program to test the efficiency of the "Records Recovery Plan".</li> </ol> | Medium |
| <p><b>Finding 2 – Record Keeping Audits</b></p> <p>The Shire is not performing annual Record Keeping Audits as required by its RKP. There.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>4. As required by the Shire’s RKP, develop, and perform annual Record Keeping Audits and report, record and track identified deficiencies.</li> </ol>   | Medium |
| <p><b>Finding 3 – Records Management Training and Awareness</b></p> <p>The Shire is not providing Records Management training and awareness sessions to ensure compliance with records management practices.</p> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>5. Develop and implement regular Records Management training to all staff and record, monitor and report on the training held.</li> </ol>   | Medium |

# 1. EXECUTIVE SUMMARY (CONTINUED)

## 1.6 Summary of Results (continued)

| Observations and Recommendations (continued)   | Rating     |
|--|------------|
| <b>Finding 4 – Monitoring and Reporting</b>  | <b>Low</b> |
| <p>The Shire is not monitoring and reporting on its Records Management practices and systems or performing self-assessments against tabled OAG reports.</p> <p><b>Recommendations</b></p> <p>6. Develop and implement regular monitoring and reporting process to ensure efficient and effective records management practices.</p> |            |



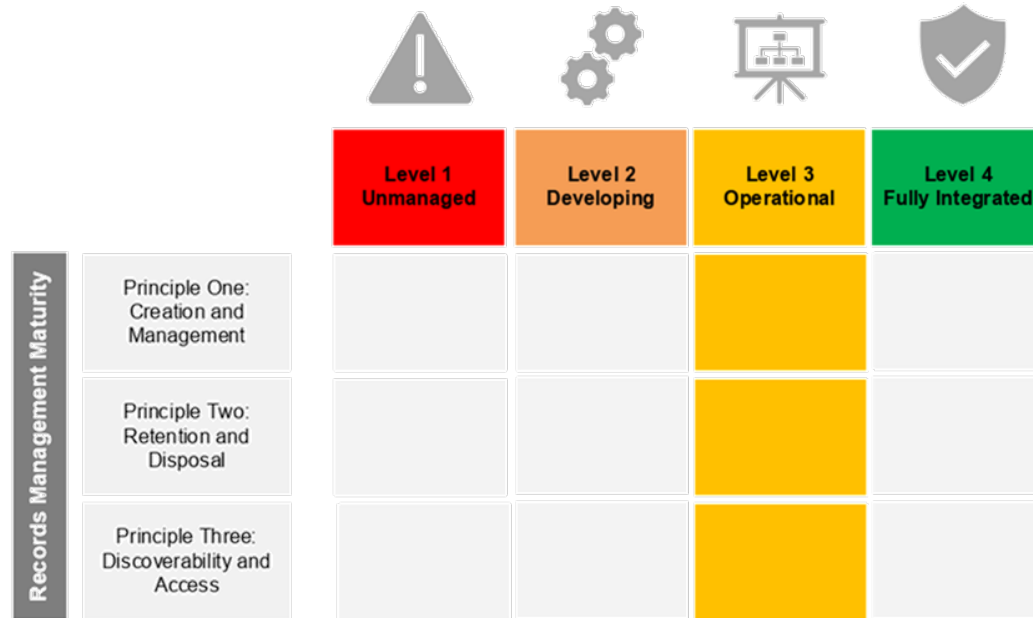
# 1. EXECUTIVE SUMMARY (CONTINUED)

## 1.7. Records Management Maturity Assessment

The New draft SRC Standard: State Records Management consolidates the existing eight Standards with three overarching Principles. These Principles are:

- **Principle 1** – Creation and Management: Organisations create, capture and manage records of information which properly and adequately records the performance of the organisation’s functions and supports business operations.
- **Principle 2** – Retention and Disposal: All records of information have a minimum retention period for which they must be kept. Some records of information have continuing value and are kept permanently as State archives.
- **Principle 3** – Organisations must be able to efficiently and effectively locate and retrieve records of information when required for business purposes and in order to allow discovery and provide a right of access to government information.

With the New draft SRC Standard: State Records Management, a new draft Information Management Maturity Model has been published which is based on the three overarching Principles. The new draft Information Management Maturity Model has been adopted to assess the current state of maturity of the Shire’s records management practices





## 2. SCOPE AND APPROACH

### 2.1. Objective and Scope

The objective of the internal audit was to assess the systems and processes for the creation, retrieval, issuing, storage, security, archiving, and disposal of documents and their alignment with legislation, better practice principles and Office of the Auditor General (OAG) Tabled Reports.

The internal audit encompassed the following scope areas:

- Records Management Framework, including Recordkeeping plan, policies, and procedures;
- Creation, retrieval, issuing, storage, security, archiving, and disposal of documents;
- Staff training and record keeping awareness;
- Monitoring and reporting to the Executive, Audit Committee and Council; and
- Extent of alignment with policies and procedures, legislation, better practice principles, and OAG Tabled Reports.

### 2.2. Approach

The review was conducted through:

- Discussions with relevant stakeholders to understand the current environment, challenges, and opportunities;
- Reviewing the Records Management Framework, including policies and procedures and assess the extent of implementation within the Shire;
- Assessing the extent of alignment with legislation by reviewing the policies and practice and assess it against the new draft SRC Standard for States Records Management published by the State Records Commission in June 2020;

- Assessing the extent of alignment with better practice by reviewing the extent of alignment with OAG tabled report - Records Management in Local Government (2019).
- We considered the application of the State Records Office of WA's New draft SRC Standard: State Records Management together with their Draft Information Management Maturity Model which are both published on their website and considered by the public sector as representing better practice.

### 2.3. Reporting

The internal audit report was prepared on an "exception-basis", which means we only provide commentaries on areas where we observe improvement opportunities on controls or enhancement to the compliance posture.

The following reporting activities had been undertaken:

- Convene exit meeting with key stakeholders to discuss high level findings.
- Develop a draft report outlining our findings and recommendations.
- Validate the draft report with process owners and responsible management.
- Convene an exit meeting with the responsible Executive member and responsible management to discuss the report.
- Seek management comments, actions and timelines for implementing actions.
- Issue the final report to the Chief Executive Officer.
- Table final report at the Audit, Finance & Risk Committee.



## 2. SCOPE AND APPROACH (CONTINUED)

### 2.4. Limitations of Scope

Our work is limited by the following:

- The scope of our services and any deliverables will be limited to carrying out internal audit assignments in accordance with the Strategic Internal Audit Plan approved by the Audit Committee. We will only cover the scope of work approved by the Audit and Risk Committee and unless additional areas are specifically agreed with the Audit Committee during the year. The scope of work for this internal audit engagement was approved by Management in our Statement of Scope signed on 6 August 2021.
- Due to the inherent limitations of any internal control structure, we do not warrant that all weaknesses, fraud and corruption or fraud and corruption risks, error, and/or non-compliance in your control structures were detected during the course of the engagement.
- Any testing under the engagement is performed on a sample basis, unless otherwise advised, and is not conducted continuously.
- Any projections as to the assessment of the control structures in future periods are subject to the risk that the structures may become inadequate as a result of changes in conditions, or that the degree of compliance with them may deteriorate.
- We conducted appropriate tests of key controls within our scope. Our findings only relate to the period of testing undertaken during our review and cannot be relied upon to be representative of the operation of control procedures prior to or after this period. Items may be identified in the internal audit engagement and where identified may require follow up by Management.
- We have only performed a desktop review and have not performed an on-site review.
- We have not viewed or assessed the security measures in place at the Shire with regards to hardcopy documents.
- The provision of internal audit services is an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standard Board, and consequently no opinions or conclusions are intended to convey assurance.
- Our report is for your purposes only and not for publication, quoting or reliance by any other party.

### 3. OBSERVATIONS AND RECOMMENDATIONS

| Finding 1   | Rating of Finding    |
|---|----------------------|
| <p><b>Security and Recovery of Shire Hardcopy Records</b></p>   | <p><b>Medium</b></p> |
| <p>The Shire’s hardcopy records are stored offsite at the Goldfields Records Storage facility. The <i>Recordkeeping Plan 2019 – NFNT342 (“RKP”)</i>, Section 4.3.5 – <i>Storage Reviews</i> states that the Shire will annually review the storage facilities to ensure that conditions are appropriate for the organisation’s records. <i>Appendix 5 – Record Keeping Policies &amp; Procedures</i> of the RKP states that the Shire will regularly monitor and assess storage areas to check for signs of mold, insects or pollutants and that records are stored away from direct sunlight and ultraviolet light sources.</p> <p>Furthermore, <i>Section 4.3.6 – Recovery of Lost Information</i> of the RKP states that the Shire has develop a set of quick response strategies to recover lost information, in all formats, should a disaster occur. <i>Appendix 5 – Record Keeping Policies &amp; Procedures</i> of the RKP states that <i>Disaster Recovery Plans</i> will be in place as per the RKP and drills will be conducted to test the efficiency of the <i>Disaster Recovery Plan</i> on an annual basis.</p> <p>Through discussions and a review of documentation, we observed the following:</p> <ul style="list-style-type: none"> <li>• the Shire is not performing regular and/ or annual assessments on the storage facilities used;</li> <li>• the Shire’s ICT Disaster Recovery / Business Continuity Plan (“BCP”), approved on 29 July 2020, does not include a plan to recover records after or during a disaster event as it states that it “specifically does NOT cover” a “Records Recovery Plan”; and</li> <li>• A “Records Recovery Plan” does not otherwise exist within the Shire.</li> </ul> <p>We acknowledge that the Shire’s BCP covers softcopy records stored within the Shire’s ICT systems, however it does not cover hardcopy documents.</p> <p><b>Implications</b></p> <p>There is a lack of governance for Records Management to effectively safeguard the Shire’s records against potential environmental issues and plan for and recover hardcopy records during or after disaster events.</p> |                      |
| <p><b>Management Comment</b></p>  |                      |
| <p>The Shire of Coolgardie will incorporate ‘Records Recovery plan’ into its current Business Continuity Plan. The Plan will demonstrate the process on the recovery of hardcopy records post emergency should there be a long outage or disaster.</p>  |                      |





### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 1 (continued)   |  |   | Rating of Finding |
|---|--|---|-------------------|
| Security and Recovery of Shire Hardcopy Records (continued)   |  |   | Medium            |
| Recommendations   | Agreed Action  | Action Owner                                    | Target Date       |
| 1. Develop an annual program to assess the Shire's storage facilities and report to Council on the results of the assessment. | Implement an annual program to assess the current storage facilities of Council hard copy records. | Governance Officer / Records Management Officer | 30/09/2022        |
| 2. Develop and implement a "Records Recovery Plan".   | Incorporate a Records Recovery Plan within the current BCP.  | Governance Officer / Records Management Officer | 30/06/2022        |
| 3. Develop an annual program to test the efficiency of the "Records Recovery Plan".   | Develop an annual program to test the efficiency of the "Records Recovery Plan".                   | Governance Officer / Records Management Officer | 30/06/2022        |



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 2  |   | Rating of Finding          |             |
|--|---|----------------------------|-------------|
| <b>Record Keeping Audits</b>   |   | <b>Medium</b>              |             |
| <p>To identify deficiencies within Records Management practices, the Shire's <i>RKP Annexure 5 – Monitoring – Record Keeping Audits</i> states that annual record keeping audits will be performed on one of the Shire's business units by the Compliance and Records Officer and that these audits will rotate through each business unit at least once during a five-year period.</p> <p>Through discussions and a review of documentation we observed the Shire has not been performing these Record Keeping Audits.</p> <p><b>Implications</b></p> <p>Unidentified deficiencies within Records Management practices may cause reputational damage to the Shire, especially when private and/ or confidential information or records are exposed.</p> |   |                            |             |
| Management Comment   |   |                            |             |
| <p>The Shire of Coolgardie has a set security level within the Synergy Software that allows only certain staff members to access confidential &amp; personnel Records. Such as private and confidential information are accessible by the CEO, HR has access to Staff personnel information only, Administration staff have access to administration records only.</p>   |   |                            |             |
| Recommendations  | Agreed Action   | Action Owner               | Target Date |
| 4. As required by the Shire's RKP, develop, and perform annual Record Keeping Audits and report, record and track identified deficiencies.   | Will implement an annual review of Record Keeping audits and reports. | Records Management Officer | 30/08/2022  |



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 3  |   |   | Rating of Finding |
|--|---|---|-------------------|
| <b>Records Management Training and Awareness</b>   |   |   | <b>Medium</b>     |
| <p><i>Standard 2 – Recordkeeping plans</i> of the State Records Commission (“SRC”) comprises of six (6) recordkeeping principles. <i>Principle Six (6) - Compliance</i> requires government organisations to ensure their employees comply with the recordkeeping plan by providing regular staff training and awareness sessions.</p> <p>The Shire indicated in its RKP it has implemented several activities to ensure all staff are aware of their recordkeeping responsibilities and compliance with the Shire’s RKP. Activities listed in the RKP are:</p> <ul style="list-style-type: none"> <li>• Presentations on various aspects of the Shire’s recordkeeping program, delivered to all staff on a regular basis;</li> <li>• In-house recordkeeping training sessions;</li> <li>• Recordkeeping training, from time to time, by an external consultant;</li> <li>• Staff information sessions are conducted on a regular basis;</li> <li>• Provision of brochures or newsletters and the Intranet to publish recordkeeping information, highlight issues, or bring particular recordkeeping matters to staff attention; and</li> <li>• The Shire’s Induction Training Program for new employees includes an introduction to the organisation’s recordkeeping system and program, and information on their recordkeeping responsibilities.</li> </ul> <p>Through discussions and a review of documentation, the Shire is not providing training or awareness sessions to any staff.</p> <p><b>Implications</b></p> <p>The lack of Records Management training may lead to non-compliance of recordkeeping requirements and non-compliance of the Shire’s RKP, policies and procedures.</p> |   |   |                   |
| <b>Management Comment</b>  |   |   |                   |
| The Shire will conduct a review of current Record Management procedures and provide staff access to these through the Shire’s Intranet portal.   |   |   |                   |
| Recommendations  | Agreed Action   | Action Owner                                    | Target Date       |
| 5. Develop and implement regular Records Management training to all staff and record, monitor and report on the training held.   | Develop an Induction training program for new employees of their key responsibilities within Records Management. Current RKP & Procedures will be made available online through the Intranet. A review of these procedures will be conducted every 12months to ensure Record Keeping Practices are being updated as per the State Records Act 2000. | Governance Officer / Records Management Officer | 30/06/2022        |



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONTINUED)

| Finding 4  |  | Rating of Finding          |             |
|--|--|----------------------------|-------------|
| <b>Monitoring and Reporting</b>  |  | <b>Low</b>                 |             |
| <p>Section 6.2 of the RKP states that the Shire developed and implemented performance indicators to measure the efficiency and effectiveness of the Shire's recordkeeping systems. Through discussions and a review of documentation we observed that the Shire is not monitoring and reporting on the performance of its recordkeeping practices and systems. The Shire is also not performing any self-assessments against reports tabled by the Office of the Auditor General.</p> <p><b>Implications</b></p> <p>The lack of monitoring and reporting may lead to unidentified deficiencies causing the Shire's to be non-compliant with RKP and recordkeeping practices.</p> |  |                            |             |
| <b>Management Comments</b>   |  |                            |             |
| Shire acknowledges the need to regularly monitor and report on the efficiency and effective records management practices   |  |                            |             |
| Recommendations  | Agreed Action  | Action Owner               | Target Date |
| 6. Develop and implement regular monitoring and reporting process to ensure efficient and effective records management practices.  | To develop and implement regular monitoring and reporting methods to ensure efficient and effective record management practices are met. | Records Management Officer | 30/09/2022  |



## 4. OTHER

### 4.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Australia (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

### 4.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- Other than use by you for the purpose, our report cannot be issued, accessed, or relied upon by any third party without our prior written approval. Furthermore, neither the report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form, and context in which it is proposed to be released. We reserve the right to refuse to grant approval to issue the reporting to any other party.
- Our internal audit work was performed in accordance with the International Standards for the Professional Practice of Internal Auditing contained in the International Professional Practices Framework issued by the Institute of Internal Auditors. It did not constitute an audit or review in accordance with standards issued by the Auditing and Assurance Standards Board and accordingly no such assurance under those standards is provided in this report.
- The matters raised in this report are only those which came to our attention while performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the client. The Internal Audit findings expressed in this report have been formed on the above basis.
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

### 4.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

### 4.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.



## APPENDIX 1: RECORDS MANAGEMENT MATURITY MODEL

### Principle One: Creation and Management

| Level 1 – UNMANAGED  | Level 2 – DEVELOPING  | Level 3 – OPERATIONAL   | Level 4 – FULLY INTEGRATED  | Finding Reference        |
|--|---|---|---|--------------------------|
| <b>1.1 Records of information created, managed and kept in accordance with legislative and business requirements</b> |   |   |   |                          |
| <b>Clear business functions are well documented</b>  |   |   |   |                          |
| There is no clear identification of what records of information need to be captured                                  | There are some guidelines to identify business functions and the records of information to be captured within individual business units | Processes to identify business functions and the records of information to be captured are in place across the organisation | The organisation has a clear and comprehensive understanding of its business functions and the records of information to be captured            | <b>Finding 2 &amp; 4</b> |
| <b>Everyday business practice routinely incorporates IM policies and procedures</b>                                  |   |   |   |                          |
| No policies and procedures have been adopted for IM  | Some policies and procedures for IM are applied in an ad-hoc manner   | IM policies and procedures are mandated and are being incorporated into business practices                                  | IM policies and procedures are routinely updated and incorporated into all relevant business practices  | <b>Finding 2 &amp; 4</b> |
| <b>Business Information System (BIS) purchase and design considers IM requirements</b>                               |   |   |   |                          |
| The functional requirements of IM are never considered when systems are purchased / designed                         | The functional requirements of IM are occasionally considered when systems are purchased / designed                                     | The functional requirements of IM are often considered when systems are purchased / designed                                | The functional requirements of IM are always considered when systems are purchased / designed   | <b>Finding 1</b>         |
| <b>All BIS (including legacy systems) and the information they contain are controlled</b>                            |   |   |   |                          |
| IM is unaware of what systems business units have / are purchasing   | IM has identified few systems within their organisation and what records of information they contain                                    | IM has identified most systems within their organisation and what records of information they contain                       | Senior management controls an Information Asset Register or equivalent which identifies all systems and the records of information they contain | <b>Finding 1</b>         |



## APPENDIX 1: RECORDS MANAGEMENT MATURITY MODEL (CONTINUED)

### Principle One: Creation and Management (continued)

| Level 1 – UNMANAGED  | Level 2 – DEVELOPING   | Level 3 – OPERATIONAL   | Level 4 – FULLY INTEGRATED   | Finding Reference           |
|--|--|---|--|-----------------------------|
| <b>1.2 Accountability and approvals for implementing and reviewing Records Management Plans</b>  |  |   |  |                             |
| <b>An accountable executive sets the strategic direction for IM</b>  |  |   |  |                             |
| There is no strategic direction for IM within the organisation   | There is no strategic direction for IM within the organisation, IM is carried out at the operational level   | The strategic direction for IM is coordinated across the organisation by middle management  | The strategic direction for IM within the organisation is an integral part of strategic planning, coordinated by the executive   | <b>Finding 2, 3 &amp; 4</b> |
| <b>Senior management implements the strategic direction for IM</b>   |  |   |  |                             |
| Senior management has little understanding of the importance of IM   | The need for senior management to deliver IM has been identified but is rarely acted upon  | IM is recognised as important for the organisation but is not implemented consistently by most senior management                  | Senior management is fully aware of IM requirements and actively delivers IM within the organisation   | <b>Finding 3 &amp; 4</b>    |
| <b>Information Management is reviewed and aligned with business needs</b>  |  |   |  |                             |
| There is little understanding of the requirement to manage records of information  | Records of information are managed at a business unit or project level, without any over-arching planning to implement an RMP / Recordkeeping Plan | An RMP / Recordkeeping Plan has been adopted and applied organisation-wide but does not always align with the strategic direction | The organisation regularly updates its RMP / Recordkeeping Plan and implementation plans to ensure alignment with strategic plans and maximise benefit to the organisation | <b>Finding 3 &amp; 4</b>    |
| <b>1.3 All employees, including contractors and third-parties providers engaged in outsourcing arrangements, comply with the Records Management Plan</b> |  |   |  |                             |
| <b>New staff are trained in IM</b>   |  |   |  |                             |
| No inductions are provided to new staff  | IM training does not form part of the organisation's induction process   | Some new staff receive IM training as part of the organisation's induction process  | All new staff receive IM training as part of the organisation's induction process  | <b>Finding 4</b>            |

## APPENDIX 1: RECORDS MANAGEMENT MATURITY MODEL (CONTINUED)

### Principle One: Creation and Management (continued)

| Level 1 – UNMANAGED   | Level 2 – DEVELOPING   | Level 3 – OPERATIONAL  | Level 4 – FULLY INTEGRATED  | Finding Reference |
|---|--|--|---|-------------------|
| <b>1.3 All employees, including contractors and third-parties providers engaged in outsourcing arrangements, comply with the Records Management Plan (continued)</b>            |  |  |   |                   |
| <b>Staff create and capture records of business information</b>   |  |  |   |                   |
| Staff within the organisation rarely capture records of business information  | Most staff believe IM is an information management role and only occasionally capture records of business information  | Most staff within the organisation are capturing records of business information   | All staff within the organisation routinely create and capture records of business information  | N/A               |
| <b>IM training meets staff needs</b>  |  |  |   |                   |
| IM is not considered when developing strategic policy / planning  | IM is primarily viewed as a compliance issue that is the responsibility of the IM team   | IM is actively promoted by senior management as being everyone’s responsibility within the organisation however not everyone is compliant        | IM is actively promoted by senior management as being everyone’s responsibility within the organisation and compliance levels are high  | Finding 3         |
| <b>Contracts include IM provisions</b>  |  |  |   |                   |
| IM is not included in contracts   | IM clauses to protect the intellectual property, custody, preservation and provision of access to records of information are rarely included in contracts with third party providers | Most contracts include IM clauses to protect the intellectual property, custody, preservation, and provision of access to records of information | All contracts include clauses to protect the intellectual property, custody, preservation and provision of access to records of information   | N/A               |
| <b>1.4 Records of information are protected, preserved and stored on appropriate media to ensure ongoing usability, in environmental conditions appropriate to their format</b> |  |  |   |                   |
| <b>For as long as records of information are held, they can be used</b>   |  |  |   |                   |
| No strategies are in place for the ongoing usability of records of information  | Some strategies for the ongoing usability of records of information have been developed but are not implemented in all business areas  | Strategies for the ongoing usability of records of information have been developed but information media is rarely tested or refreshed           | Strategies for the ongoing usability of records of information have been developed and implemented. Media used for the storage of records of information is regularly tested and or refreshed | N/A               |

## APPENDIX 1: RECORDS MANAGEMENT MATURITY MODEL (CONTINUED)

### Principle One: Creation and Management (continued)

| Level 1 – UNMANAGED   | Level 2 – DEVELOPING   | Level 3 – OPERATIONAL   | Level 4 – FULLY INTEGRATED  | Finding Reference        |
|---|--|---|---|--------------------------|
| <b>1.4 Records of information are protected, preserved and stored on appropriate media to ensure ongoing usability, in environmental conditions appropriate to their format</b> |  |   |   |                          |
| <b>Storage conditions are fit for purpose</b>   |  |   |   |                          |
| Storage is primarily an ad hoc arrangement with few controls  | The organisation is aware that records of information need to be stored appropriately but do not always comply with the requirements   | Storage conditions are often monitored but corrective action is not always taken  | Storage conditions are regularly monitored, and corrective action taken as required   | <b>Finding 1</b>         |
| <b>1.5 Migrated, converted or reproduced records of information are as authentic, reliable and usable as the original source records from which they are created</b>            |  |   |   |                          |
| <b>Information is reproduced well</b>   |  |   |   |                          |
| There are no organisation wide processes and procedures for the reproduction, conversion and migration of records of information  | Business units have some guides for the reproduction, conversion and migration of records of information but not everyone follows them | There are organisation wide processes and procedures for the reproduction, conversion and migration of records of information but not everyone follows them | There are organisation wide processes and procedures for the reproduction, conversion and migration of records of information which are routinely followed      | <b>Finding 1</b>         |
| <b>Quality Assurance methods certify the integrity of reproductions</b>   |  |   |   |                          |
| The organisation has no processes in place and relies on staff to advise IM when records of information have not been scanned properly  | The organisation has processes in place but do not check the reproductions for authenticity and compliance with the processes          | The organisation has processes in place but do not always check that the reproductions have the same integrity as the source record of information          | The organisation can prove from the processes in place that the reproductions can be certified as having the same integrity as the source record of information | <b>Finding 1 &amp; 2</b> |

## APPENDIX 1: RECORDS MANAGEMENT MATURITY MODEL (CONTINUED)

### Principle One: Creation and Management (continued)

| Level 1 – UNMANAGED   | Level 2 – DEVELOPING   | Level 3 – OPERATIONAL  | Level 4 – FULLY INTEGRATED  | Finding Reference         |
|---|--|--|---|---------------------------|
| <b>1.6 Effective security and authentication controls exist to keep records of information safe from intentional or unintentional damage and unauthorised access, tampering or alteration</b> |  |  |   |                           |
| <b>User access permissions are applied when required</b>  |  |  |   |                           |
| No consistent controls for access to records of information, with many staff able to access confidential and/or sensitive records   | Policies or business rules governing system security and user access permissions are in place but are inconsistently applied | Systems for management of hard copy and digital records of information usually incorporate user access permissions | Systems for the management of hard copy and digital records of information always incorporate user access permissions | <b>Finding 1,2 &amp;3</b> |
| <b>Access restrictions are routinely reviewed</b>   |  |  |   |                           |
| Access restrictions to sensitive business records of information have not been considered   | Access restrictions are in place but inconsistently applied and rarely reviewed  | Access restrictions are often reviewed and some modifications made when necessary                                  | Access restrictions are routinely reviewed and modifications made when necessary                                      | <b>N/A</b>                |
| <b>All systems that manage records of information are fully auditable</b>   |  |  |   |                           |
| No audit function of systems is available/has been considered   | Only a few systems are auditable to ensure the ongoing integrity of records of information                                   | Most systems are auditable to ensure the ongoing integrity of records of information                               | All systems are auditable to ensure the ongoing integrity of records of information                                   | <b>Finding 1</b>          |
| <b>All records of information within business information systems (BIS) are recoverable in case of disaster</b>   |  |  |   |                           |
| It is unknown if BIS content is recoverable   | Some BIS content is recoverable when required  | Most BIS content is recoverable when required  | All BIS content is recoverable when required  | <b>Finding 1 &amp; 3</b>  |

## APPENDIX 1: RECORDS MANAGEMENT MATURITY MODEL (CONTINUED)

### Principle One: Creation and Management (continued)

| Level 1 – UNMANAGED   | Level 2 – DEVELOPING   | Level 3 – OPERATIONAL  | Level 4 – FULLY INTEGRATED  | Finding Reference        |
|---|--|--|---|--------------------------|
| <b>1.6 Effective security and authentication controls exist to keep records of information safe from intentional or unintentional damage and unauthorised access, tampering or alteration</b> |  |  |   |                          |
| <b>A Disaster Management Plan (DMP) is in place</b>   |  |  |   |                          |
| The organisation does not have a DMP which includes some aspects of IM  | The organisation has a DMP which has never/rarely been updated and/or tested   | The organisation has a current DMP which is updated and/or tested occasionally | The organisation has a current DMP which is updated and/or tested on a regular basis                            | N/A                      |
| <b>Vital records of information are identified and protected</b>  |  |  |   |                          |
| Vital records of information have not been identified   | Some vital records of information are identified but protective measures have not been identified and/or implemented | Vital records of information are identified but not all are protected          | Vital records of information are identified and protective measures have been implemented in case of a disaster | <b>Finding 1 &amp; 2</b> |



## APPENDIX 1: RECORDS MANAGEMENT MATURITY MODEL (CONTINUED)

### Principle Two: Retention and Disposal

| Level 1 – UNMANAGED   | Level 2 – DEVELOPING  | Level 3 – OPERATIONAL  | Level 4 – FULLY INTEGRATED  | Finding Reference |
|---|---|--|---|-------------------|
| <b>2.1 Minimum periods outlined in the appropriate retention and disposal authorities and any applicable legislation</b>                                  |   |  |   |                   |
| <b>An approved Retention and Disposal Authority is in place</b>   |   |  |   |                   |
| The organisation's retention and disposal authority(ies) cover few of the organisation's records of information   | The organisation's retention and disposal authority(ies) cover some of the organisation's records of information                  | The organisation's retention and disposal authority(ies) cover most of the organisation's records of information | The organisation's retention and disposal authority(ies) cover all the organisation's records of information                                | N/A               |
| <b>2.2 Records of information which are State archives must be identified through approved retention and disposal authorities for permanent retention</b> |   |  |   |                   |
| <b>All State archives are identified</b>  |   |  |   |                   |
| State archives have not been identified   | Some records of information have been assessed to identify State archives requiring permanent retention                           | Most records of information have been assessed to identify State archives requiring permanent retention          | All records of information have been assessed to identify State archives requiring permanent retention                                      | N/A               |
| <b>All State archives to be retained are listed</b>   |   |  |   |                   |
| State archives have not been identified   | The organisation has identified few State archives and not considered if most records of information will be retained permanently | The organisation has identified most State archives but has not listed those that will be retained               | The organisation has listed all State archives that will be retained permanently OR has identified that none are to be retained permanently | N/A               |
| <b>State archives are properly, stored and managed</b>  |   |  |   |                   |
| State archives have not been identified   | Not all State archives have been identified and of those many are not being stored in accordance with SRO specifications          | Most State archives are being stored in accordance with SRO specifications                                       | State archives are proactively managed using SRO specifications to ensure their protection  | N/A               |



## APPENDIX 1: RECORDS MANAGEMENT MATURITY MODEL (CONTINUED)

### Principle Two: Retention and Disposal (continued)

| Level 1 – UNMANAGED   | Level 2 – DEVELOPING  | Level 3 – OPERATIONAL   | Level 4 – FULLY INTEGRATED   | Finding Reference |
|---|---|---|--|-------------------|
| <b>2.3 Legal destruction of records of information which are not State archives, and are no longer required for business purposes, is regularly conducted in accordance with appropriate disposal authorities</b>             |   |   |  |                   |
| <b>Legal destruction of records of information is authorised</b>  |   |   |  |                   |
| Disposal of records of information is not undertaken within the organisation  | There are no documented processes for the disposal of records of information however some signoff is obtained                   | Authorised processes are often used for the disposal of records of information  | Authorised processes are routinely used for the disposal of records of information                   | N/A               |
| <b>2.3 Legal destruction of records of information which are not State archives, and are no longer required for business purposes, is regularly conducted in accordance with appropriate disposal authorities (continued)</b> |   |   |  |                   |
| <b>Records of information are disposed of on a regular basis</b>  |   |   |  |                   |
| Disposal of records of information is not undertaken within the organisation  | Disposal of records of information is conducted on an ad hoc basis usually driven by office relocation or lack of storage space | Disposal of records of information is conducted often but generally only for hard copy information OR<br>Information disposal is conducted occasionally | Disposal of records of information is conducted regularly for both hard copy and digital information | N/A               |
| <b>Legal destruction of records of information is documented</b>  |   |   |  |                   |
| Disposal of records of information is not undertaken within the organisation  | Disposal of records of information is not often documented within the organisation and/or no information of disposal are kept   | Disposal of records of information is often documented and records of disposal are kept   | Disposal of records of information is routinely documented and records of disposal are kept          | N/A               |



## APPENDIX 1: RECORDS MANAGEMENT MATURITY MODEL (CONTINUED)

### Principle Three: Discoverability and Access

| Level 1 – UNMANAGED   | Level 2 – DEVELOPING   | Level 3 – OPERATIONAL  | Level 4 – FULLY INTEGRATED   | Finding Reference |
|---|--|--|--|-------------------|
| <b>3.1 Appropriate controls are in place to identify and name all government records of information</b>                   |  |  |  |                   |
| <b>A structured Classification or Naming Scheme system is in place</b>  |  |  |  |                   |
| No structured naming system is in place for records of information OR<br>The naming system is out of date                 | Partial or out of date naming system exists but is not used consistently   | A structured naming system exists but is not used consistently OR Procedures have been developed to implement a naming system              | A structured naming system linked to other IM processes (e.g. security and access) is in place within the organisation           | N/A               |
| <b>All staff routinely name information correctly</b>   |  |  |  |                   |
| There are no guidelines for naming records of information within the organisation.<br>Staff make their own naming choices | There is some consistency for naming records of information within business units but no organisational wide guidelines in use | Most staff use the relevant guides for naming records of information when capturing information to aid in accessibility                    | All staff use the relevant guides for naming records of information when capturing information to aid in accessibility           | N/A               |
| <b>Records of information are discoverable</b>  |  |  |  |                   |
| The organisation has not considered the discoverability of records of information   | The organisation rarely reviews the processes that enable discoverability of records of information                            | The organisation reviews the processes that enable discoverability of records of information but does not always make the required changes | The organisation routinely reviews processes that enable discoverability of records of information and makes changes as required | N/A               |

## APPENDIX 1: RECORDS MANAGEMENT MATURITY MODEL (CONTINUED)

### Principle Three: Discoverability and Access (continued)

| Level 1 – UNMANAGED   | Level 2 – DEVELOPING  | Level 3 – OPERATIONAL  | Level 4 – FULLY INTEGRATED  | Finding Reference |
|---|---|--|---|-------------------|
| <b>3.2 All records of information, including those of contractors and outsourced arrangements, are accessible when required</b> |   |  |   |                   |
| <b>Business information is captured in an appropriate business information system (BIS)</b>                                     |   |  |   |                   |
| There is a large volume of unstructured records of information left on network drives which is not accessible                   | Some records of information are left on unstructured network drives and is not easily accessible  | Most records of information are captured with a BIS and is easily accessible   | All records of information are captured within a BIS and is easily accessible   | N/A               |
| <b>Contracts with third party providers include IM clauses</b>  |   |  |   |                   |
| Contracts with third party providers do not include IM  | Contracts for functions performed by third party providers do not include adequate provision for the organisation to have access to all relevant records of information | Contracts for functions performed by third party providers include some provision for the organisation to have access to relevant records of information | Contracts for functions performed by third party providers include provision for the organisation to have timely access to all relevant records of information                      | N/A               |
| <b>3.3 State archives must be open for public access at some point in their life</b>  |   |  |   |                   |
| <b>A structured Classification or Naming Scheme system is in place</b>  |   |  |   |                   |
| The organisation has not considered restricted access archives  | The organisation has identified some State archives requiring restriction<br>OR<br>The organisation understands that some records of information should be restricted   | The organisation has identified most State archives that are to be restricted  | The organisation has identified all State archives that are to be restricted<br>OR<br>The organisation has identified there are no records of information that are to be restricted | N/A               |

## APPENDIX 1: RECORDS MANAGEMENT MATURITY MODEL (CONTINUED)

### Principle Three: Discoverability and Access (continued)

| Level 1 – UNMANAGED  | Level 2 – DEVELOPING  | Level 3 – OPERATIONAL   | Level 4 – FULLY INTEGRATED  | Finding Reference |
|--|---|---|---|-------------------|
| <b>3.3 State archives must be open for public access at some point in their life</b>                     |   |   |   |                   |
| <b>Restrictions on access to State archives have been approved by the State Records Commission (SRC)</b> |   |   |   |                   |
| The organisation has not considered restricted access archives   | The organisation has considered restricted access but has not made an application to the SRC                  | The organisation has previously obtained SRC approval for all restrictions on State archives but has not renewed it | The organisation has approval for all restrictions on State archives from the SRC and renews the approval every 5 years OR<br>The organisation has identified no State archives require restriction | N/A               |
| <b>Access approvals to restricted State archives are controlled</b>                                      |   |   |   |                   |
| The organisation has no procedures in place for public access to restricted State archives               | The organisation has considered the need for procedures to control public access to restricted State archives | The organisation has basic policies on public access to restricted State archives but no formalised procedures      | The organisation has procedures in place for public access to restricted State archives   | N/A               |



## APPENDIX 2: KEY PERSONNEL CONTACTED

We would like to thank the following key personnel for their assistance in the conduct of this audit.

| Name         | Role                                   |
|--------------|--|
| Bec Horan    | Executive Assistant to Project Manager |
| James Trail  | Chief Executive Officer                |
| Julie Copley | Manager Executive Services.            |

## APPENDIX 3: KEY TO SIGNIFICANCE OF RISK RATING

### Risk Matrix

|                |   | Insignificant | Minor  | Moderate | Major   | Catastrophic |
|----------------|---|---------------|--------|----------|---------|--------------|
|                |   | 1             | 2      | 3        | 4       | 5            |
| Almost Certain | 1 | Medium        | High   | High     | Extreme | Extreme      |
| Likely         | 2 | Medium        | Medium | High     | High    | Extreme      |
| Possible       | 3 | Low           | Medium | Medium   | High    | High         |
| Unlikely       | 4 | Low           | Low    | Medium   | Medium  | High         |
| Rare           | 5 | Negligible    | Low    | Low      | Medium  | Medium       |

### Likelihood Ratings

| Likelihood     | Definition   | Frequency of Noted        |
|----------------|--|---------------------------|
| Almost Certain | Expected to occur in most circumstances or occurs regularly. A clear opportunity already apparent, which can easily be achieved. | More than once per year   |
| Likely         | Occurrence is noticeable or is likely to occur. An opportunity that has been explored and may be achievable.                     | At least once per year    |
| Possible       | Occurs occasionally or may occur. Possible opportunity identified.   | At least once in 5 years  |
| Unlikely       | Occurs infrequently or is not likely to occur. Opportunity that is fairly unlikely to happen.                                    | At least once in 10 years |



## APPENDIX 3: KEY TO SIGNIFICANCE OF RISK RATING (CONTINUED)

### Consequence Ratings

| Consequence Ratings  |  |  |   |   |  |  |
|----------------------|--|--|---|---|--|--|
| Description          | Performance  | Financial  | Environment                                 | Reputation  | Service Delivery / Business Disruption   | Legislative / Regulatory / Policy / OSH  |
| <b>Catastrophic</b>  | Unable to achieve key objectives. External resources required. Ongoing loss of critical infrastructure.  | >15% of asset value. Adverse >15% deviation from budget. Audit unable to be completed.                                       | Catastrophic long term environmental harm.  | Significant damage to public confidence leading to sustained compromise in the achievement of strategic objectives. | Major, including several important areas of service and/or a protracted period. Ongoing loss of business systems.                        | Criminal instances of regulatory non-compliance. Extreme breaches of Code of Conduct. Personal details compromised / revealed – all. Death.  |
| <b>Major</b>         | Major impact on ability to achieve key objectives. Impact cannot be managed with current allocated resources. Long-term loss of critical infrastructure.     | 5%-15% of asset value. Adverse 5%→15% deviation from budget. Audit qualification on the report and accounts.                 | Significant long- term environmental harm.  | Local publicity of a major and persistent nature, affecting the perception/ standing within the community.          | Complete loss of an important service area for a short period. Major disruption to business processes.                                   | Major revenue or cost implications. Individuals at risk of harm. Significant breaches of Code of Conduct. Personal details compromised / revealed – many. Multiple serious injuries. |
| <b>Moderate</b>      | Moderate impact on ability to achieve key objectives. Significant adjustment to resource allocation. Loss of support infrastructure.                         | 2%-5% of asset value. Adverse 2%→5% deviation from budget. Management letter contains significant issues.                    | Significant short- term environmental harm. | Damage to reputation to a specific audience, may not have significant long-term or community effects.               | Major effect to an important service area for a short period, brief impact on multiple areas. Moderate disruption to business processes. | Minor revenue or cost implications. Breach of Code of Conduct. Personal details compromised / revealed – some. Serious injury and/or illness.  |
| <b>Minor</b>         | Minor impact on ability to achieve key objectives. Additional internal management efforts required. Interruption to support infrastructure.                  | < 2 of asset value. Adverse impact on revenues and costs <2% deviation from budget. Management letter contains minor issues. | Minor transient environmental harm.         | Minor damage to reputation to a small audience, complaint from a large group of people.                             | Brief disruption of important service area. Noticeable effect to non-crucial service area. Minor disruption to business processes.       | Minor breaches of Code of Conduct. Personal details compromised / revealed – isolated. First aid or minor lost time injury.  |
| <b>Insignificant</b> | Negligible impact on ability to achieve key objectives. Impact can be managed through routine activities. Negligible interruption to support infrastructure. | Insignificant loss. Insignificant adverse impact on annual revenue or costs. Matters discussed with management not reported. | Negligible transient environmental harm.    | Minor unsubstantiated publicity or damage to reputation to a small audience, complaint from individual/small group. | Negligible impact on the effectiveness of the organisation's processes. Negligible disruption to business processes.                     | Little or no impact to Code of Conduct. Personal details compromised / revealed - an individual's. Incident with or without minor injury.  |

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**5 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING**

**5.1 Elected Members**

**5.2 Council Officers**

**6 CLOSURE OF MEETING**

The Shire President, Malcolm Cullen declared the meeting closed at 12:59 pm and thanked all for their attendance.