



Shire of Derby / West Kimberley

OUR REFERENCE: 4105

YOUR REFERENCE:

DATE: 4 March 2020

Stuart Fraser
A/Director – Industry and Sector Regulation Branch
Department of Local Government, Sport and Cultural Industries
GPO Box R1250
PERTH WA 6844

Dear Stuart

Update on Local Government Department Letter 3 May 2019

Further to my letter dated 8 November 2019, I provide the attached report detailing our progress as at 10 February 2020.

During this period a further 6 items have been finalised. Of the original 26 items identified 22 items are now complete with four items ongoing. Two of these relate to the review of Community Strategic Plan which has commenced and will be adopted by December 2020. The final two relate to ratios as a result of outstanding WANDRRA monies. Considerable works have been undertaken with a number of claims pending Main Roads approval, this will allow invoicing and assist with improvements in this area.

Should you require any additional information, please do not hesitate to contact me.

Yours sincerely

Amanda O'Halloran
Chief Executive Officer

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Issue Identified		Shire Comment	Action to be undertaken	Time Frame	Progress at 10 February 2020
<p>1. Audit Report and Management Letter for the Year ended 30 June 2018</p> <p>Audit Report Issues</p>	<ul style="list-style-type: none"> Significant Structural deficit in the operating results for the previous two years; Inability to reconcile the year end position; 	<p>It is Council's position that the Management Report findings have been complicated by long term Staffing issues, Resignation of the CEO, Significant Economic downturn in the region with the closure of the Curtin Detention Centre and local significant Mining Operations and the impact of WANDRRA on the financial position of the Shire.</p> <p>Council has engaged the external assistance of Moore Stephens to achieve an up-to-date an accurate Long Term Financial Management Plan and Asset Management Plan in conjunction with Council</p> <p>The Shire has engaged Moore Stephens to undertake an independent compliance check, by undertaking a Financial Management Review, to be undertaken over the next quarter.</p>	<p>LTFP & AMP work shop with Council in Derby</p> <p>Moore Stephens to undertake a Financial Management Review by September 30, 2019</p>	<p>18/19 July 2019</p> <p>TBC</p>	<p>Plans completed. Endorsed by Compliance & Strategic Review Committee 12/09/19. To be adopted at OCM 21/11/19. OUTCOME: COMPLETE</p> <p>Plan completed. Endorsed by Compliance & Strategic Review Committee 12/9/19. Adopted at OCM 21/11/19. OUTCOME: COMPLETE</p>

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	<ul style="list-style-type: none"> Year End Audit Readiness and Efficiency. 	<p>The Shire is working to increase the resourcing of the Finance Team and improve long term retention issues. This week The CEO has engaged the services of 3 extra experienced staff to undertake, audit readiness, reconciling review and improve financial management practices across the Shire.</p>	<p>Senior Finance Officer employed through HAYS for 4 months to support Audit Readiness, Senior Finance Officer employed locally and previous experienced Staff member contracted back locally to help meet immediate concerns.</p>	<p>2 x Staff to start on the 8 July 2019 and 1 x Staff commenced 17 June 2019</p>	<p>End of year accounts balanced, completed draft annual financial statements/report to Auditors by 30/9/19.</p> <p>Annual financial statements were reported to 12 December OCM. Financial statements to Auditor General by 31/12/19 deadline.</p> <p>OUTCOME: COMPLETE</p>
	<p>Operating Ratio below the industry bench mark;</p>	<p>The Shires Operating Ratio has been impacted by the significant project works associated with WANDRRA, These works are due to be finalised during the 2019/20 Financial Year and this should improve these ratios.</p> <p>**Council has been working to improve its operations and decrease operation spend as much as possible. A 20 year loan for works that have been carried out for life time projects such as the Derby Airport and Derby Wharf will be secured this financial year to improve cash flow and distribute the impost generationally, rather than the short term intention previously considered by Council.</p>			<ul style="list-style-type: none"> - Council has claimed @2.1M in WANDRRA funding, with \$0.68M left to claim. - AGRN 743 claim 11 for \$657, 000 lodged with Main Roads on 23/10/19. Waiting processing, cannot invoice until approved. - Final 743 claim for retention of \$23,000 to be lodged by end of financial year

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					<ul style="list-style-type: none"> - AGRN793 claim 4 for \$499,000 invoiced 7/2/2020 – awaiting payment - AGRN793 claim for \$344,000 lodged waiting for approval. OUTCOME: ON TARGET
	<p>Non Compliance Issues</p> <ul style="list-style-type: none"> • Lateness of the Audit Report • Journal entries posted without being reviewed 	<p>Council notes that in both these instances the Shire was non compliant and as mentioned above is working to ensure that these issues do not occur again.</p> <p>Compliance has a new priority within the Organisation, and a complete review of all finance related internal controls is being implemented, the Shire is working with our Neighbouring Shire of Broome and Wyndham East Kimberley to share resources and seek mentoring and training opportunities.</p> <p>Internal controls have been implemented to ensure that all Journals are reviewed by Senior Staff.</p> <p>A full review of all Finance Internal Controls is being undertaken and it is proposed that any improvements that may be identified are implemented by September 30 2019.</p>	<p>New Forms implemented to document that the review has been undertaken and signed off by Reviewing Officer</p> <p>Review of finance Department Internal Controls and implementation of improvements</p>	<p>10 June 2019</p> <p>30 September 2019</p>	<p>New forms implemented and signed off by reviewing officer.</p> <p>OUTCOME: COMPLETE</p> <p>Plan completed. Endorsed by Compliance & Strategic Review Committee 12/09/19. Adopted at OCM 21/11/19.</p> <p>OUTCOME: COMPLETE</p>

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2. Management Report Issues	<ul style="list-style-type: none"> Meeting with the Auditor cancelled; 	<p>The following issues have been duly considered and the Shires response is: The Meeting with the Auditor was cancelled as the Shire had experienced Staff issues and identified serious misconduct (unauthorised deleting of accounting data), it was considered to be an appropriate course of action, given the distance and resources involved in the Auditor attending an onsite meeting in Derby. This was appropriately relayed to the Auditor at the time.</p>	<p>Staff member was dismissed.</p>	<p>Finalised</p>	<p>OUTCOME: COMPLETE</p>
	<ul style="list-style-type: none"> Year End Efficiency and Readiness; 	<p>Due to the above event, the Shire was seriously underprepared and had to rework many of the year end requirements to provide data for the Audit to proceed – This matter is resolved and the Shire is working to increase resources to rectify this matter immediately.</p>	<p>The Shire is actively recruiting, has engaged Moore Stephens, and 2 x New Staff to help improve Financial operations.</p>	<p>Ongoing</p>	<p>Staff were recruited. End of year accounts balanced, completed draft annual financial statements/report to Auditors by 30/9/19. Auditors completed site visit week of 7/10/19. Annual financial statements were reported to 12 December OCM. Financial statements to Auditor General by 31/12/19 deadline.</p> <p>OUTCOME: COMPLETE</p>

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	<ul style="list-style-type: none"> • Lateness of accounts and financial report (partly due to deleting of accounting data); 	<p>The Shire had experienced Staff issues and identified serious misconduct (unauthorised deleting of accounting data), this impacted considerably on the ability to present audit data on time and this has been rectified, and will not occur again.</p>	Finalised	Finalised	OUTCOME: COMPLETE
	<ul style="list-style-type: none"> • Asset Management Plan and Long Term Financial Management Plan not up to date; 	<p>Moore Stephens was engaged in February 2019 to undertake these reviews, they have been delayed to date due to resourcing issues and issues finalising the 2018/19 year end etc... Elected Member workshops and Management Review have been booked to occur in Derby during July, to have these reports finalised to influence the budget, long term Strategic planning and investment strategies</p>	Elected Member Workshop and Management Review 18/19 July 2019	To be finalised by August 30 2019	<p>Plans completed. Workshopped with Councillors prior to presentation to CSRC. Endorsed by Compliance & Strategic Review Committee 12/9/19. Adopted at OCM 21/11/19.</p> <p>OUTCOME: COMPLETE</p>
	<ul style="list-style-type: none"> • Credit Card Agreement form left unsigned; 	<p>This matter is being reviewed and will be rectified by 30 July 2019.</p>	Review being undertaken in July 2019	30 July 2019	<p>New agreement form has been developed and process implemented for issue of credit cards.</p> <p>OUTCOME: COMPLETE</p>

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	<ul style="list-style-type: none"> Financial Interest Register, errors in returns; 	<p>Council notes this has occurred and has implemented the ATTAIN Governance Management System to improve Governance across the Organisation and for Elected Members. The system supports completion of Primary and Annual Returns, Financial Interests and delegation reporting. The system is online and is accessible to all Councillors and authorised Staff. The system has forcing functions to ensure no fields are left blank and forces responses when required.</p>	Finalised	Finalised	OUTCOME: COMPLETE
	<ul style="list-style-type: none"> Lateness on public notice on the availability of the Annual Report; Lateness of the submission of the Annual Budget and Budget Review to the Department; 	<p>Once again the Shire acknowledges this occurred, after investigation of the matter it appears that a number of factors contributed to the outcome including Officer error, Christmas shutdown and Shire operations etc... Council has implemented internal controls to ensure that this incident does not occur again into the future.</p> <p>The Shire and Council are committed to working with the Auditor General Auditors this financial year to ensure that these incidents do not occur again into the future. An internal reporting time line has been implemented outlining key governance requirements and reporting deadlines. Extra resource has been recruited to support the internal operations of finance</p>	<p>Finalised</p> <p>Ongoing</p>	<p>Finalised</p> <p>Ongoing</p>	<p>OUTCOME: COMPLETE</p> <p>Annual financial statements were reported to 12 December OCM. Financial statements to Auditor General by 31/12/19 deadline.</p> <p>OUTCOME: COMPLETE</p>



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	<ul style="list-style-type: none">Tender Register insufficient;	In this instance it appears the two matters referred to were open tenders listed in the register, where the closing date had not been reached. The Tender Register is complete and available for further inspection. Internal Controls are in place and adequate.	Finalised	Finalised	OUTCOME: COMPLETE

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	<ul style="list-style-type: none"> No review of the Strategic Community Plan and Corporate Business Plan as required; No evidence of month end reconciliations was reviewed by senior staff; 	<p>Council has not attended to these reviews to date, it appears this has occurred due to the resignation of the CEO (12 months' notice was given), and the lack of financial and human resourcing to undertake the reviews. The Corporate Business Plan is currently being reviewed with the support of Moore Stephens prior to the adoption of the Annual Budget to ensure ongoing compliance and the Strategic Community Plan will be reviewed over the next 12 months in conjunction with Elected Members and the Community.</p> <p>This has been implemented with the help and support of Moore Stephens and Month End Process and Procedures now guide Staff in their actions to ensure compliance in these matters.</p>	<p>Corporate Business Plan Review to be completed by 30 August 2019</p> <p>Strategic Community Plan to be reviewed and completed by 30 June 2020.</p> <p>Finalised</p>	<p>30 August 2019</p> <p>June 30 2020</p>	<p>Plan completed. Endorsed by Compliance & Strategic Review Committee 12/9/19. Adopted at OCM 21/11/19. OUTCOME: COMPLETE</p> <p>Consultant appointed. Workshops held with Elected Members and staff. Community consultation to commence March with formal adoption by December 2020 OUTCOME: ON TARGET</p> <p>OUTCOME: COMPLETE</p>

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	<ul style="list-style-type: none"> No evidence of Journal entries reviewed nor authorised by senior staff 	<p>An appropriate internal Control has been implemented to ensure this occurs into the future.</p>	Finalised	Finalised	OUTCOME: COMPLETE
3. 2018 – 2019 Budget Review					
	<ul style="list-style-type: none"> Proposed unlawful transfers to reserves Concerns over Budget examination prior to adoption 	<p>The current Shire Administration does not intend to undertake any unlawful actions in relation to the Budget Review. The Shire has engaged Moore Stephens Senior Consultants to support and mentor our Finance Manager in regards to what is appropriate actions and to ensure the finalisation of the financials is lawful. The Shire will definitely present the Budget Review in a timelier manner going forward and will ensure compliance at this level.</p> <p>Due to the changes in senior staff from the CEO to Senior Finance Staff, we are unable to comment at this time. As discussed previously the NEW Shire Administration Team is and will continue to remain committed to providing Elected Members with timely, accurate reports, providing them with the appropriate tools to make informed decisions.</p> <p>Response supplied to department by email on the 3 May 2019 - The Shire prepared and adopted the Budget Review, prior to finalised Audit</p>	<p>Ongoing – mentoring and oversight to be provided through Moore Stephens, Office of the CEO and during the undertaking of the Financial Management Review.</p> <p>Ongoing</p>	December 2019	<p>OUTCOME: COMPLETE</p> <p>OUTCOME: COMPLETE</p>



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	<ul style="list-style-type: none">Discrepancy regarding closing and opening balance	<p>Annual Financial Statements being available. The figure used in the Budget Review was an estimate. The 17/18 financials were being audited at the same time, and during this time there was some issues with how a number of end of year journals were treated. On advice from the auditors, journals were reversed which had the identified impact on final figures. Due to Staff leave Journals not available at this time, to validate response – aim to provide to Department by 19 July 2019.</p>	<p>Provide Journals to the department by the 19 July 2019</p>	<p>19 July 2019</p>	<p>Final report being collated and waiting on finalisation of 2018/19 annual audit to validate closing and opening balances. Report to be sent to the Department by 30/11/19.</p> <p>Email sent 10/2/2019</p> <p>OUTCOME: COMPLETE</p>

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4. Compliance Audit Return 2018					
	<ul style="list-style-type: none"> Response inconsistent with Auditors Report 	<p>Due to the significant staff changes at the Shire over the last 3-6 months, it is difficult to understand fully what occurred in this matter, however as explained previously the Shire has moved to the ATTAIN Governance Management System to improve Governance across the Organisation and for Elected Members. The system supports completion of Primary and Annual Returns, Financial Interests and delegation reporting. The system is online and is accessible to all Councillors and authorised Staff. The system has forcing functions to ensure no fields are left blank and forces responses when required. This will provide easy access to accurate evidence. The Shire Administration do not anticipate this occurring again.</p>	Finalised	Finalised	OUTCOME: COMPLETE
	<ul style="list-style-type: none"> Non compliance with statutory requirements:- <ol style="list-style-type: none"> The Shires Strategic Community Plan has not been reviewed every 4 years as required 	<p>Due to the significant staff changes at the Shire over the last 3-6 months, it is difficult to understand fully why the Strategic Community Plan has not undergone review, Council and the Shire Administration are committed to 30 June 2020.</p>	Full review of the Strategic Community Plan to be undertaken by 30 June 2020.	30 June 2020	Consultant appointed. Workshops held with Elected Members and staff. Community consultation to commence March with formal adoption by December 2020 OUTCOME: ON TARGET



Issue Identified		Shire Comment	Action to be undertaken	Time Frame	Progress at 10 February 2020
	2. The Shires Corporate Business Plan has not been reviewed annual as is required.	Due to the significant staff changes at the Shire over the last 3-6 months, it is difficult to understand fully why the Corporate Business Plan has not undergone review – other than significant resourcing limitation. However a review is currently underway to ensure that the Corporate Business Plan is reviewed Prior to the adoption of the 2019/20 Annual Budget.	Review to be completed 30 August 2019	30 August 2019.	Plan completed. Endorsed by Compliance & Strategic Review Committee 12/9/19. Adopted at OCM 21/11/19. OUTCOME: COMPLETE