



# **UNCONFIRMED MINUTES**

## **AUDIT AND RISK COMMITTEE MEETING**

**23 APRIL 2024**

I certify that the minutes of the meeting of the Audit and Risk Committee held on Tuesday, 23 April 2024 were confirmed on Tuesday, 25 June 2024.

\_\_\_\_\_  
Presiding Person



**UNCONFIRMED MINUTES  
AUDIT AND RISK COMMITTEE MEETING  
23 APRIL 2024**

**ATTENTION/DISCLAIMER**

The purpose of this Committee Meeting is to discuss and make recommendations to Council about items appearing on the agenda and other matters for which the Committee is responsible. The Committee has no power to make any decisions which are binding on the Council or the Shire of Mundaring unless specific delegation of authority has been granted by Council. No person should rely on or act on the basis of any advice or information provided by a Member or Employee, or on the content of any discussion occurring, during the course of the Committee Meeting.

The Shire of Mundaring expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any advice or information provided by a Member or Employee, or the content of any discussion occurring during the course of the Committee Meeting.

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**AUDIT AND RISK COMMITTEE  
COMMITTEE ROOM, 7000 GREAT EASTERN HIGHWAY, MUNDARING – 4.00PM**

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**1.0 OPENING PROCEDURES**

The Presiding Person declared the meeting open at 4.00pm.

Acknowledgement of Country

Shire of Mundaring respectfully acknowledges the Whadjuk people of the Noongar Nation, who are the traditional custodians of this land. We acknowledge Elders past, present and emerging and respect their continuing culture and the contribution they make to the region.

**1.1 Announcement of Visitors**

Nil

**1.2 Attendance/Apologies**

<b>Members</b>	Cr Trish Cook (Deputy Presiding Member)	South Ward
	Pres Paige McNeil	President
	Cr Prapti Mehta	Central Ward
	Cr Doug Jeans	Central Ward
	Ms Shona Zulsdorf (via WebEx)	External Member

<b>Staff</b>	Jason Whiteaker	Chief Executive Officer
	Garry Bird (via WebEx)	Director Corporate Services
	Stan Kocian	Manager Finance and Governance
	Andrea Douglas	Minute Secretary

<b>Apologies</b>	Mr Tony Wittcomb (Presiding Member)	External Member
	Cr Karen Beale	West Ward
	Elizabeth Nicholls	Governance Coordinator

**Guests** Nil

**2.0 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION**

Nil

**3.0 DECLARATION OF INTEREST**

**3.1 Declaration of Financial Interest and Proximity Interests**

Council Members must disclose the nature of their interest in matters to be discussed at the meeting (*Part 5 Division 6 of the Local Government Act 1995*).

Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting (*Sections 5.70 and 5.71 of the Local Government Act 1995*).

Nil

### 3.2 Declaration of Interest Affecting Impartiality

A Council Member or an employee who has an interest in a matter to be discussed at the meeting must disclose that interest (*Shire of Mundaring Code of Conduct, Local Government (Admin) Reg. 34C*).

Nil

### 4.0 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

### 5.0 PUBLIC QUESTION TIME

Procedures for asking and responding to questions are determined by the Presiding Member and in accordance with the Shire's Meeting Procedures Local Law 2015. Questions must relate to a function of the Committee.

Nil

### 6.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

<b>OFFICER RECOMMENDATION / COMMITTEE DECISION</b>	<b>ARC1.04.24</b>		
Moved by	Pres McNeil	Seconded by	Cr Mehta
That the Minutes of the Audit and Risk Committee Meeting held 27 February 2024 be confirmed.			
<b>CARRIED 5/0</b>			
<b>For:</b>	Pres McNeil, Cr Cook, Cr Mehta, Ms Zulsdorf and Cr Jeans		
<b>Against:</b>	Nil		

## 7.0 REPORTS OF EMPLOYEES

### 7.1 Policy Review - Internal Audit

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<b>File Code</b>	GV.OPP 1
<b>Author</b>	Elizabeth Nicholls, Governance Co-ordinator
<b>Senior Employee</b>	Garry Bird, Director Corporate Services
<b>Disclosure of Any Interest</b>	Nil
<b>Attachments</b>	1. Draft - Internal Audit Policy <a href="#">↓</a> 2. Draft - Internal Audit Policy - with track changes <a href="#">↓</a>

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#### SUMMARY

The Audit and Risk Committee is asked to consider and recommend that Council adopt the draft reviewed “Internal Audit Policy” (**Attachment 1**).

#### BACKGROUND

The current “Internal Audit Charter Policy” (OR-19) was last reviewed in September 2020.

The Governance Committee Work Plan was presented to the Governance Committee meeting held 18 December 2023 for endorsement (GC2.12.23) with the current “Internal Audit Charter Policy” listed for a minor review. Given the nature of the policy, it was included in the Work Plan that it be presented to the Audit and Risk Committee for consideration prior to being presented to Council.

The Audit and Risk Committee Terms of Reference were reviewed in July 2023 (C17.07.23) and provide the following in regards to internal audit (item 6.1):

*The committee’s functions in regards to internal audits is to:*

- a. *Review and approve the “Internal Audit Charter Policy” ensuring that internal audit activities are in accordance with the adopted “Internal Audit Charter Policy”.*
- b. *The internal audit function will report administratively to the CEO and functionally to Council through the committee.*
- c. *Ensure that internal audits are completed in accordance with the endorsed Internal Audit Plan which is to be reviewed each financial year.*
- d. *Monitor and review recommendations arising out of internal audit reports and their implementation.*
- e. *Review the effectiveness of the internal audit function, including compliance with relevant auditing standards.*
- f. *Ensure the endorsed Internal Audit Plan is informed by the Shire’s “Risk Management Policy”.*
- g. *If considered necessary, meet with the internal audit service provider to discuss any matters the committee or the internal auditor believes need to be discussed privately.*

## STATUTORY / LEGAL IMPLICATIONS

While the *Local Government Act 1995* and associated regulations are silent about internal audits, the *Local Government (Audit) Regulations 1996* should be considered as a guide for the conduct of internal audits.

## POLICY IMPLICATIONS

The reviewed policy will be adopted and current policy replaced if the recommendation is supported by Council.

## FINANCIAL IMPLICATIONS

Nil

## STRATEGIC IMPLICATIONS

Mundaring Strategic Community Plan 2020 - 2030

Priority 4 - Governance

Objective 4.4 – High standard of governance and accountability

Strategy 4.4.3 – Risks are well managed

## SUSTAINABILITY IMPLICATIONS

Nil

## RISK IMPLICATIONS

<b>Risk:</b> Compliance: The Shire's internal audit function including purpose, authority and responsibilities is not clearly defined.		
Likelihood	Consequence	Rating
Possible	Moderate	Moderate
<b>Action / Strategy</b>		
The reviewed "Internal Audit Policy" is adopted.		

## EXTERNAL CONSULTATION

Nil

## COMMENT

Changes to the reviewed draft "Internal Audit Policy" include:

- updated purpose
- inclusion of the scope of the policy
- reference to a four year Internal Audit Plan to be presented to the Audit and Risk Committee for noting each financial year consistent with the current practice

Changes have been tracked from the previous "Internal Audit Charter Policy" to the proposed "Internal Audit Policy" (**Attachment 2**).

If adopted, the Audit and Risk Committee Terms of Reference to appropriately reference the updated "Internal Audit Policy".

## VOTING REQUIREMENT

Simple Majority

### COMMITTEE RECOMMENDATION

That Council adopts the reviewed “Internal Audit Policy” (**Attachment 1**), noting that the Audit and Risk Committee Terms of Reference will be updated to reference the “Internal Audit Policy”, replacing reference to the “Internal Audit Charter Policy”.

### COMMITTEE RECOMMENDATION

**ARC2.04.24**

Moved by

Cr Jeans

Seconded by

Ms Zulsdorf

1. That Council adopts the reviewed “Internal Audit Policy” (**Attachment 1**), noting that the Audit and Risk Committee Terms of Reference will be updated to reference the “Internal Audit Policy”, replacing reference to the “Internal Audit Charter Policy” subject to the following amendments:
  - Amend the draft Policy, point 1. Purpose to read: “This policy establishes the internal audit function **and framework** of the Shire of Mundaring. It defines the purpose, independence, authority and responsibility of internal audit activities”.
  - Reference to “Purchasing Policy” will change to “Procurement Policy within the Policy when the Procurement Policy is adopted by Council.
2. That Council amends Point f of section of the Committee’s Terms of Reference referred to within the “Background” of the report to read “Ensure the endorsed Internal Audit Plan is informed by the Shire’s “Risk Management Policy”.

**CARRIED 5/0**

**For:** Pres McNeil, Cr Cook, Cr Mehta, Ms Zulsdorf and Cr Jeans

**Against:** Nil





## 2.XX INTERNAL AUDIT

<b>Responsible Directorate</b>	Corporate Services
<b>Responsible Service Area</b>	Governance
<b>Resolution</b>	June 2024
<b>Delegation Ref</b>	COM-46 Annual Meeting with Auditor
<b>Procedure Ref</b>	N/A

### 1. PURPOSE

This policy establishes the internal audit function of the Shire of Mundaring. It defines the purpose, independence, authority and responsibility of internal audit activities.

### 2. SCOPE

This policy applies to all employees of the Shire, council members, independent committee members, volunteers and contractors.

### 3. POLICY

#### 3.1. Internal Audit Purpose

The internal audit provides an independent and objective review and advisory service to:

- Provide assurance to Council and the CEO that the Shire's financial and operational controls designed to manage the organisation's risks and achieve its objectives, are operating in an efficient, effective and ethical manner.
- Assist in improving and monitoring the Shire's risk management, internal control and legislative compliance functions.

#### 3.2. Internal Audit Scope

Internal audits may cover any programs and activities of the Shire and encompass the review of all financial and non-financial policies and operations.

The CEO will develop a four-year Internal Audit Plan each financial year, using a risk-based strategy and providing appropriate coverage of the Shire's programs and activities.

The Internal Audit Plan sets the objectives, broad scope, timing and resourcing of the internal audit activity. The Internal Audit Plan will be presented to the Audit and Risk Committee for noting each financial year.

In accordance with its Terms of Reference, the Audit and Risk Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility, does not have any

management functions and cannot involve itself in management processes or procedures without the approval of the CEO.

### **3.3. Internal Audit Independence**

Independence is essential to the effectiveness of the internal audit function.

The internal audit function must be, and must be seen to be, independent of the activities and processes it appraises, to ensure it can perform its duties in an objective manner and can provide impartial advice to Council and the CEO.

Internal audits will be performed by independent external contractors appointed consistent with the provisions of the Shire's "Purchasing Policy".

Internal auditors report to Council through the Audit and Risk Committee and are accountable to the CEO for the efficient and effective operation of the internal audit function.

### **3.4. Internal Auditors' Authority and Confidentiality**

Internal auditors:

- Will have full, free and unrestricted access to any and all of the Shire's records, documentation, premises, physical property and employees as may be required to fulfil their responsibilities.
- Will have the authority to seek any information they require to fulfil their responsibilities from any employee, consultant or contractor associated with the Shire.

Employees are expected to make themselves available and provide such information and explanations as are required for the conduct of internal audit work.

Internal auditors are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

### **3.5. Internal Auditors' Roles and Responsibilities**

The internal audit activity encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Shire's governance, risk management and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the Shire's strategic objectives. This may include:

- Evaluating risk exposure relating to achievement of the Shire's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on the organisation.
- Evaluating the means of safeguarding assets and – as appropriate – verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.

- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the Shire's risk management processes.
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.
- Providing advice related to governance, risk management and internal control as appropriate.
- Reporting significant risk exposures and internal control issues, including fraud risks and governance issues.
- Evaluating specific operations at the request of Council and the CEO.

### **3.6. Relationship with External Audit**

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

## **4. RELATED LEGISLATION**

*Local Government (Audit) Regulations 1996, regulation 17*

*Local Government (Financial Management) Regulations 1996*

## **5. RELATED DOCUMENTS**

Risk Management Policy

Internal Audit Plan

Audit and Risk Committee Terms of Reference



## 2.XX INTERNAL AUDIT CHARTER

<b>Responsible Directorate</b>	Corporate Services
<b>Responsible Service Area</b>	Governance
<b>Resolution</b>	June 2024
<b>Delegation Ref</b>	<u>COM-46 Annual Meeting with Auditor</u>
<b>Procedure Ref</b>	N/A

### 1. PURPOSE

This ~~policy~~ Internal Audit Charter provides the framework for the conduct of the ~~establishes the~~ internal audit function ~~in~~ of the Shire of Mundaring. It defines the purpose, independence, authority and responsibility of internal audit activities.

### 2. SCOPE

This policy applies to all employees of the Shire, council members, independent committee members, volunteers and contractors.

### 3. POLICY

#### 3.1. Internal Audit Purpose

The internal audit provides an independent and objective review and advisory service to:

- Provide assurance to Council and the CEO that the Shire's financial and operational controls designed to manage the organisation's risks and achieve its objectives, are operating in an efficient, effective and ethical manner.
- Assist ~~management~~ in improving and monitoring the Shire's risk management, internal control and legislative compliance functions.

#### 3.2. Internal Audit Scope

Internal audits may cover any programs and activities of the Shire and encompass the review of all financial and non-financial policies and operations.

The CEO will:

~~D~~ develop a ~~three~~four-year ~~i~~nternal ~~a~~udit ~~p~~lan each financial year, using a risk-based strategy and providing appropriate coverage of the Shire's programs and activities. ~~This plan sets the objectives, broad scope, timing and resourcing of the internal audit activity.~~

- ~~Present the internal audit plan to the Audit and Risk Committee for information.~~

The Internal Audit Plan ~~This plan sets the objectives, broad scope, timing and resourcing of the internal audit activity.~~ The Internal Audit Plan will be

~~presented to the~~ Audit and Risk Committee ~~will receive and for~~ noting the internal audit plan each financial year.

In accordance with its Terms of Reference, the Audit and Risk Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility, does not have any management functions and cannot involve itself in management processes or procedures without the approval of the CEO.

### 3.3. Internal Audit Independence

Independence is essential to the effectiveness of the internal audit function.

The internal audit function must be, and must be seen to be, independent of the activities and processes it appraises, to ensure it can perform its duties in an objective manner and can provide impartial advice to Council and the CEO.

Internal audits will be performed by independent external contractors appointed consistent with the provisions of the Shire's "Purchasing Policy" through a transparent Expressions of Interest process.

Internal auditors report ~~functionally~~ to Council through the Audit and Risk Committee and are accountable to the CEO for the efficient and effective operation of the internal audit function.

### 3.4. Internal Auditors' Authority and Confidentiality

Internal auditors:

- Will have full, free and unrestricted access to any and all of the Shire's records, documentation, premises, physical property and employees as may be required to fulfil their responsibilities.
- Will have the authority to seek any information they require to fulfil their responsibilities from any employee, consultant or contractor associated with the Shire.

Employees are expected to make themselves available and provide such information and explanations as are required for the conduct of internal audit work.

Internal auditors are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

### 3.5. Internal Auditors' Roles and Responsibilities

The internal audit activity encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Shire's governance, risk management and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the Shire's strategic objectives. This may include:

- Evaluating risk exposure relating to achievement of the Shire's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information.

- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on the organisation.
- Evaluating the means of safeguarding assets and – as appropriate – verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the Shire's risk management processes.
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.
- Providing advice related to governance, risk management and internal control as appropriate.
- Reporting significant risk exposures and internal control issues, including fraud risks and governance issues.
- Evaluating specific operations at the request of Council and the CEO.

### **3.6. Relationship with External Audit**

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

### **~~3.7. Review of the Charter~~**

~~This Charter will be reviewed when required but at least biennially to coincide with the review of the Terms of Reference of the Audit and Risk Committee.~~

## **4. RELATED LEGISLATION**

*Local Government (Audit) Regulations 1996, regulation 17*

[Local Government \(Financial Management\) Regulations 1996](#)

## **5. RELATED DOCUMENTS**

[Risk Management Policy](#)

[Internal Audit Plan](#)

Audit and Risk Committee Terms of Reference

## 7.2 Internal Audit Plan 2024/25 to 2027/28

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<b>File Code</b>	GV.AUD 1
<b>Author</b>	Elizabeth Nicholls, Governance Co-ordinator
<b>Senior Employee</b>	Garry Bird, Director Corporate Services
<b>Disclosure of Any Interest</b>	Nil
<b>Attachments</b>	<ol style="list-style-type: none"><li>1. Draft - Internal Audit Plan 2024-25 to 2027-28 <a href="#">↓</a></li><li>2. Draft Internal Audit Plan 2024-25 to 2027-28 - with track changes <a href="#">↓</a></li><li>3. Internal Audit Plan History Register - as at April 2024 <a href="#">↓</a></li></ol>

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### PURPOSE

The updated Internal Audit Plan for 2024/25 to 2027/28 (**Attachment 1**) is presented to the Audit and Risk Committee for endorsement.

### BACKGROUND

The Shire's draft Internal Audit Plan for the period 2024/25 to 2027/28 provides an update on the audits proposed for the relevant period.

Internal audits support good governance by providing a means of identifying areas of non-compliance with, and potential organisational improvement in, the Shire's procedures and policies. The areas identified within the Plan have been identified on the basis they pose significant risk to the operations of the Shire.

Historically the Shire has budgeted \$60,000 per annum to undertake internal audits.

In accordance with the Internal Audit Plan Reporting Requirements, the Internal Audit Plan History Register referenced as an appendix to the Internal Audit Plan outlines what items have been completed and presented to the Audit and Risk Committee upon completion. Where an audit has provided that an item requires follow up, it is maintained on the Audit and Risk Committee Status Report until completion.

### STATUTORY / LEGAL IMPLICATIONS

Sections 7.12AB, 7.12AJ and 7.12AL of the *Local Government Act 1995* provides requirements for conducting financial, performance and related entities and certain subsidiary bodies.

Regulation 5 of the *Local Government (Financial Management) Regulations 1996* provides the following in regards to the CEO's duties as to financial management.

- (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

Regulation 14 of the *Local Government (Audit) Regulations 1996* provides requirements for compliance audits by local governments.

Regulation 17 of the *Local Government (Audit) Regulations 1996* provides requirements for the CEO to review certain systems and procedures including the appropriateness and

effectiveness of a local government’s systems and procedures in relation to risk management, internal control and legislative compliance.

### **POLICY IMPLICATIONS**

The “Internal Audit Charter Policy” (OR-19) relates. The Internal Audit Charter Policy has been reviewed and is also presented to this Audit and Risk Committee meeting for review.

The current “Internal Audit Charter Policy” (OR-19) provides that “*internal audits may cover any programs and activities of the Shire and encompass the review of all financial and non-financial policies and operations*” and that “*the CEO will develop ...the internal audit plan using a risk-based strategy and providing appropriate coverage of the Shire’s programs and activities*”.

The “Purchasing Policy” (AS-04) is applicable for audits performed by independent external contractors. Where the cost of engaging an auditor is within the thresholds outlined in the policy, they are appointed in accordance with the policy.

### **FINANCIAL IMPLICATIONS**

Historically the Shire has budgeted \$60,000 per annum to engage independent contractors to undertake internal audits. This annual allocation has been taken into consideration in preparing the Internal Audit Plan.

Where audits are performed by independent external contractors they are appointed through a transparent Request for Quotation process (unless otherwise stated).

Expected costs per financial years are:

2024/25	\$47,500
2025/26	\$50,000
2026/27	\$60,000
<b>TOTAL</b>	<b>\$157,500</b>

This is \$22,500 below the combined three year budget.

The budget allocation for 2027/28 has not been allocated. It is proposed that the allocation will be considered when the Internal Audit Plan is next presented to the Audit and Risk Committee in 2024/25 with audits to be listed in response to work currently being undertaken by the Shire.

### **STRATEGIC IMPLICATIONS**

Mundaring Strategic Community Plan 2020 - 2030

Priority 4 - Governance

Objective 4.4 – High standard of governance and accountability

Strategy 4.4.8 – Compliance with the Local Government Act 1995 and all relevant legislation and regulations

### **SUSTAINABILITY IMPLICATIONS**

Nil

### **RISK IMPLICATIONS**

<b>Risk:</b> Compliance: That areas of high risk within the organisation are not subject to independent assessment.
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Likelihood	Consequence	Rating
Possible	Moderate	Moderate
<b>Action / Strategy</b>		
Independent internal audits are scheduled and undertaken to support management with the aim of identifying areas of non-compliance and potential organisational improvement.		

## EXTERNAL CONSULTATION

The Office of the Audit General conducts focus area audits at state of local government entities as an extension of annual financial audits and the Shire may be invited to participate.

## COMMENT

Audits may be scheduled at regular intervals or from time to time reflective of the level of risk and the dynamic environment in which these risks present themselves to the organisation.

The audits proposed in the updated Internal Audit Plan have been selected on the basis that they all pose significant risks to the Shire's operations and reputation or are in response to know instances of non-compliance in the sector.

For ease, the changes to the Internal Audit Plan 2024/25 to 2027/28 from the version presented in 2023/24 have been made in track changes (**Attachment 2**) with items listed in 2023/24 moved to the Internal Audit Plan History.

Changes include:

- The removal of the Cyber Security Control and Cyber Security Penetration Testing as they are completed on an annual basis.
- The inclusion of a wage audit in 2025/26 to review if employees are paid in accordance with legislation and enterprise agreements in response to other local governments being reported for non-compliance.
- The inclusion of a general computer controls audit to undertake a self-assessment of the Shire's general computer controls and management of cyber security risks. This audit is in addition to the regular update on the general computer controls provided to the Audit and Risk Committee.

The Internal Audit Plan History Register (**Attachment 3**) is maintained by staff as a register of the completed audits and the recommendations.

Once noted by the Audit and Risk Committee the Internal Audit Plan 2024/25 to 2027/28 will be used internally to schedule audits.

## VOTING REQUIREMENT

Simple Majority

<b>OFFICER RECOMMENDATION / COMMITTEE DECISION</b>		<b>ARC3.04.24</b>
Moved by	Pres McNeil	Seconded by Cr Mehta
That the Committee endorses the updated Internal Audit Plan for 2024/25 to 2027/28 (Attachment 1).		
<b>CARRIED 5/0</b>		
<b>For:</b>	Pres McNeil, Cr Cook, Cr Mehta, Ms Zulsdorf and Cr Jeans	
<b>Against:</b>	Nil	



# INTERNAL AUDIT PLAN

## 2024/25 to 2027/28

Endorsed by Audit and Risk Committee **XXX**

DRAFT

## Summary

Shire of Mundaring has allocated the sum of \$60,000 per annum to undertake internal audits.

This plan has been prepared to ensure the internal audits address areas of greatest risk to the Shire and to ensure the Shire meets its statutory obligations for various audits that are prescribed under the *Local Government Act 1995* (the Act) and accompanying Regulations.

Internal Audits do not include the annual financial management audit prescribed by section 7.12b of the Act, which is considered a separate process with its own specific statutory requirements.

## Background

Internal audits evaluate a company's internal controls, including its corporate governance and accounting processes. They ensure compliance with laws and regulations and help to maintain accurate and timely financial reporting and data collection.

The internal audit provides an independent and objective review and advisory service to:

- provide assurance to Council and the CEO that the Shire's financial and operational controls are designed to manage the organisation's risks and achieve its objectives, are operating in an efficient, effective and ethical manner; and
- assist management in improving and monitoring the Shire's risk management, internal control and legislative compliance functions.

Internal audits are performed by independent external contractors (unless otherwise stated) appointed through a transparent Request for Quotations process.

Internal auditors report functionally to Council through the Audit and Risk Committee and are accountable to the CEO for the efficient and effective operation of the internal audit function.

### **Statutory Requirements**

The *Local Government Act 1995* and its regulations require the conduct of several audits/reviews as follows;

#### ***Local Government Act 1995***

##### **s. 7.12 AB Conducting a financial audit**

The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

##### **s. 7.12AJ Conducting a performance audit**

The Auditor General Act section 18 applies in relation to a local government as if —

(a) the local government were an agency; and (*etc.*)

##### **s. 7.12AL Audits of accounts of related entities and certain subsidiary bodies**

The Auditor General Act sections 16 and 17 apply in relation to a local government as if —

- the local government were an agency; and
- the council of the local government were its accountable authority.

#### ***Local Government (Financial Management) Regulations 1996***

##### **r. 5 CEO's duties as to financial management**

(2) The CEO is to —

- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

#### ***Local Government (Audit) Regulations 1996***

##### **r. 14 Compliance audits by local governments**

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
  - (a) presented to the council at a meeting of the council; and
  - (b) adopted by the council; and
  - (c) recorded in the minutes of the meeting at which it is adopted.

**r. 17 CEO to review certain systems and procedures**

- (1) The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —
  - (a) risk management; and
  - (b) internal control; and
  - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.

**Policy Requirements**

“Internal Audit Policy” (2.XX) relates.

**Reporting Requirements**

The Audit and Risk Committee will be kept informed of progress towards completing the scheduled audits by a “standing item” on the Committee Agenda.

Completed audits will be presented to the Audit and Risk Committee through an officer’s report which will respond to the findings of the audit.

**INTERNAL AUDIT PLAN**

The following internal audits are proposed to be undertaken in the period 2024/25 to 2027/28.

**2024/25**

<b>Description</b>	<b>Scope</b>	<b>Budget</b>
Financial Management Review	As per 5 (2) of Financial Management Regulations.	\$42,500
Internal Controls	As per Regulation 17 of the Audit regulations.	
Legislative Compliance	As per Regulation 17 of the Audit regulations.	
Risk Management	As per Regulation 17 of the Audit regulations.	
Compliance Audit Return (external audit)	As per Regulation 15 of the Audit Regulations.	\$5,000
<b>TOTAL</b>		<b>\$47,500</b>

**2025/26**

<b>Description</b>	<b>Scope</b>	<b>Budget</b>
Procurement	Review procurement practices.	\$30,000
Payroll compliance	Wage audit to review if employees are paid in accordance with legislation and enterprise agreements	\$20,000
Compliance Audit Return	As per Regulation 15 of the Audit Regulations.	Internal
<b>TOTAL</b>		<b>\$50,000</b>

**2026/27**

<b>Description</b>	<b>Scope</b>	<b>Budget</b>
Work Health and Safety Audit	Review implementation of actions from Work Health and Safety audit undertaken 2022/23.	\$20,000
Recordkeeping Audit	Review who controls, recovers, changes, or owns a particular record. Compliance with all relevant legislation and the Shire's Record Keeping Plan. Consistency of records management. Retention and destruction.	\$30,000
General Computer Controls	Self-assessment of the Shire's general computer controls and management of cyber security risks	\$10,000
Compliance Audit Return	As per Regulation 15 of the Audit Regulations	Internal
<b>TOTAL</b>		<b>\$60,000</b>

**2027/28**

<b>Description</b>	<b>Scope</b>	<b>Budget</b>
Compliance Audit Return	As per Regulation 15 of the Audit Regulations.	Internal
Unallocated	To be determined.	\$60,000
<b>TOTAL</b>		<b>\$60,000</b>

The Compliance Audit Return is to be completed by an independent party every third year to allow for external review of the matters prescribed in the return.

Other Audits may also be scheduled at regular intervals or from time to time reflective of the level of risk and the dynamic environment in which these risks present themselves to the organisation.

The Office of the Auditor General conducts focus area audits at state of local government entities as an extension of annual financial audits and the Shire may be invited to participate.

A detailed scope for each of the audits will be prepared when preparing the Request for Quotation (when required in accordance with the Purchasing Policy) to provide the services.

**Appendix**

Internal Audit Plan History Register

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# INTERNAL AUDIT PLAN

## 2024/25 to 2027/28

Endorsed by Audit and Risk Committee **XXX**

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## Summary

Shire of Mundaring has allocated the sum of \$60,000 per annum to undertake internal audits.

This plan has been prepared to ensure the internal audits address areas of greatest risk to the Shire and to ensure the Shire meets its statutory obligations for various audits that are prescribed under the *Local Government Act 1995* (the Act) and accompanying Regulations.

Internal Audits do not include the annual financial management audit prescribed by section 7.12b of the Act, which is considered a separate process with its own specific statutory requirements.

## Background

Internal audits evaluate a company's internal controls, including its corporate governance and accounting processes. They ensure compliance with laws and regulations and help to maintain accurate and timely financial reporting and data collection.

The internal audit provides an independent and objective review and advisory service to:

- provide assurance to Council and the CEO that the Shire's financial and operational controls are designed to manage the organisation's risks and achieve its objectives, are operating in an efficient, effective and ethical manner; and
- assist management in improving and monitoring the Shire's risk management, internal control and legislative compliance functions.

Internal audits are performed by independent external contractors (unless otherwise stated) appointed through a transparent Request for Quotations process.

Internal auditors report functionally to Council through the Audit and Risk Committee and are accountable to the CEO for the efficient and effective operation of the internal audit function.

### **Statutory Requirements**

The *Local Government Act 1995* and its regulations require the conduct of several audits/reviews as follows;

#### ***Local Government Act 1995***

##### **s. 7.12 AB Conducting a financial audit**

The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

##### **s. 7.12AJ Conducting a performance audit**

The Auditor General Act section 18 applies in relation to a local government as if —

(a) the local government were an agency; and (*etc.*)

##### **s. 7.12AL Audits of accounts of related entities and certain subsidiary bodies**

The Auditor General Act sections 16 and 17 apply in relation to a local government as if —

- the local government were an agency; and
- the council of the local government were its accountable authority.

#### ***Local Government (Financial Management) Regulations 1996***

##### **r. 5 CEO's duties as to financial management**

(2) The CEO is to —

- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

#### ***Local Government (Audit) Regulations 1996***

##### **r. 14 Compliance audits by local governments**

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
  - (a) presented to the council at a meeting of the council; and
  - (b) adopted by the council; and
  - (c) recorded in the minutes of the meeting at which it is adopted.

**r. 17 CEO to review certain systems and procedures**

- (1) The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —
  - (a) risk management; and
  - (b) internal control; and
  - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.

**Policy Requirements**

~~“Internal Audit Policy” (2.XX) Policy OR-19 “Internal Audit Charter”~~ relates.

**Reporting Requirements**

The Audit and Risk Committee will be kept informed of progress towards completing the scheduled audits by a “standing item” on the Committee Agenda.

Completed audits will be presented to the Audit and Risk Committee through an officer’s report which will respond to the findings of the audit.

**INTERNAL AUDIT PLAN**

The following internal audits are proposed to be undertaken in the period 2024/25 to 2027/28.

**2023/24**

<b>Description</b>	<b>Scope</b>	<b>Budget</b>
<del>Cyber Security Controls</del>	<del>Independent testing of cyber security controls every second year.</del>	<del>\$5,000</del>
<del>Financial Better Practice Review</del>	<del>Self-assessment utilising DLGSC checklist to review how well the Shire performs common business practices and related internal controls, governance and risk management policies, practices, and procedures.</del>	<del>Internal (\$5,000 budgeted for temporary staff to assist)</del>
<del>Compliance Audit Return</del>	<del>As per Regulation 15 of the Audit Regulations.</del>	<del>Internal</del>
<b>TOTAL</b>		<b>\$10,000</b>

**2024/25**

Description	Scope	Budget
Financial Management Review	As per 5 (2) of Financial Management Regulations.	\$42,500
Internal Controls	As per Regulation 17 of the Audit regulations.	
Legislative Compliance	As per Regulation 17 of the Audit regulations.	
Risk Management	As per Regulation 17 of the Audit regulations.	
<del>Cyber Security Penetration Testing</del>	<del>Independent penetration testing of cyber security controls every second year.</del>	<del>\$10,000</del>
Compliance Audit Return (external audit)	As per Regulation 15 of the Audit Regulations.	\$5,000
<b>TOTAL</b>		<b>\$5747,500</b>

**2025/26**

Description	Scope	Budget
Procurement	Review procurement practices.	\$30,000
<del>Payroll compliance</del>	<del>Wage audit to review if employees are paid in accordance with legislation and enterprise agreements</del>	<del>\$20,000</del>
<del>Cyber Security Controls</del>	<del>Independent testing of cyber security controls every second year.</del>	<del>\$5,000</del>
Compliance Audit Return	As per Regulation 15 of the Audit Regulations.	Internal
<b>TOTAL</b>		<b>\$3550,000</b>

**2026/27**

Description	Scope	Budget
Work Health and Safety Audit	Review implementation of actions from Work Health and Safety audit undertaken 2022/23.	\$20,000
Recordkeeping Audit	Review who controls, recovers, changes, or owns a particular record. Compliance with all relevant legislation and the Shire's Record Keeping Plan. Consistency of records management. Retention and destruction.	\$30,000
<del>General Computer Controls</del>	<del>Self-assessment of the Shire's general computer controls and management of cyber security risks</del>	<del>\$10,000</del>
<del>Cyber Security Penetration Testing</del>	<del>Independent penetration testing of cyber security controls every second year</del>	<del>\$10,000</del>

Compliance Audit Return	As per Regulation 15 of the Audit Regulations	Internal
<b>TOTAL</b>		<b>\$60,000</b>

**2027/28**

<b>Description</b>	<b>Scope</b>	<b>Budget</b>
<u>Compliance Audit Return</u>	<u>As per Regulation 15 of the Audit Regulations.</u>	<u>Internal</u>
<u>Unallocated</u>	<u>To be determined.</u>	<u>\$60,000</u>
<b>TOTAL</b>		<b>\$60,000</b>

The Compliance Audit Return is to be completed by an independent party every third year to allow for external review of the matters prescribed in the return.

~~Cyber Security Control to be completed every two years with Cyber Security Penetration Testing to be undertaken the alternate years to ensure a robust system to reflect the level of risk to the Shire.~~

Other Audits may also be scheduled at regular intervals or from time to time reflective of the level of risk and the dynamic environment in which these risks present themselves to the organisation.

The Office of the Auditor General conducts focus area audits at state of local government entities as an extension of annual financial audits and the Shire may be invited to participate.

A detailed scope for each of the audits will be prepared when preparing the Request for Quotation (when required in accordance with the Purchasing Policy) to provide the services.

**Appendix**

Internal Audit Plan History Register

**Internal Audit Plan Appendix**

**Register – Internal Audit Plan History**

Presented to ARC	Description	Scope	Outcome
TBA	<b>Financial Better Practice Review</b>	Self-assessment utilising DLGSC checklist to review how well the Shire performs common business practices and related internal controls, governance and risk management policies, practices, and procedures.	Review completed with responses provided to DLGSC February 2024. Awaiting response.
February 2024	<b>Compliance Audit Return</b>	The purpose of the Return is for individual local governments to assess their level of compliance with the <i>Local Government Act 1995</i> and associated regulations.	<p><b>ARC2.02.24 C24.03.24</b>                      Excerpt from report:                      The Shire has achieved a 95% compliance rating for the period covered by the Return (a score of 89 out of 94 questions).</p> <p>Areas of non-compliance found in the 2023 Return</p> <ul style="list-style-type: none"> <li>• Delegation of Power/Duty (question 13) s5.46(3) Admin Reg 19 Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Local Government (Administration) Regulations 1996, regulation 19?</li> <li>• Disclosure of Interest (question 4) s5.75 Admin Reg 22, Form 2 Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?</li> <li>• Disclosure of Interest (question 5) s5.76 Admin Reg 23, Form 3 Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2023?</li> <li>• Optional Questions (question 5) s5.96A(1), (2), (3) &amp; (4) Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4) of the Local Government Act 1995?</li> <li>• Tenders for Providing Goods and Services (question 7) F&amp;G Reg 17 Did the information recorded in the local government's tender register comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulation 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?</li> </ul>

## Internal Audit Plan Appendix

## Register – Internal Audit Plan History

Presented to ARC	Description	Scope	Outcome
March 2023	<p><b>Work Health and Safety Audit</b> Delivering Outcomes Pty Ltd</p> <p>(listed in previous Internal Audit Plans as Occupational Health and Safety Audit)</p>	<p>The aim of the WHS audit was to provide analysis of the Shire's Work Health and Safety compliance following the introduction of the updated <i>Work Health and Safety Act 2020</i> and the <i>Work Health and Safety (General) Regulations 2022</i>, which came into effect in April 2022. The audit also provided an avenue to gauge and identify key themes of the Shire's current work health and safety culture. The WHS audit sought to address the following:</p> <ul style="list-style-type: none"> <li>• What does the Shire do well in relation to WHS?</li> <li>• Are there any areas of non-compliance with current legislation and any proposed legislation?</li> <li>• What can be done to meet legislative requirements and best practice standards?</li> <li>• Does the draft WHS Action Plan have any gaps that need to be addressed as a matter of priority?</li> <li>• Does the Shire demonstrate a strong WHS culture?</li> </ul>	<p><b>6 monthly updates to be provided to the Audit and Risk Committee.</b></p> <p>The WHS Audit Final Report listed elements of the Shire's positive WHS culture. This included:</p> <ul style="list-style-type: none"> <li>• <i>Safety is appreciated in most locations and teams within the Shire.</i></li> <li>• <i>Some good base steps have been taken, such as the WHS Committee in place, a WHS Advisor and WHS Representatives.</i></li> <li>• <i>Some safety initiatives have been implemented well, across the Shire (such as manual handling &amp; ergonomic initiatives).</i></li> <li>• <i>There has been some good location-specific consultation around the Safe Work Method Statement (SWMS) within the Depot Operations.</i></li> <li>• <i>There are some initiatives around record keeping on safety, but none of these are Shire-wide.</i></li> <li>• <i>There is a recognition that a significant Project of work is required under WHS.</i></li> </ul> <p>The Report contains many recommendations that have been addressed in the WHS Action Plan. As a 'living' operational document, the WHS Action Plan will be regularly reviewed and suitably updated by the Work Health and Safety Committee and the CEO.</p> <p>The Committee noted the findings and recommendations in the Work Health and Safety Audit Report (Attachment 1) and the action items contained in the related Work Health and Safety Action Plan (Attachment 2).</p>
February 2023	<b>General Computer Controls - Capability Maturity Framework Self-Assessment</b>	Self-assessment undertaken in regards to the Shire's general computer controls and management of cyber security risks	<p><b>6 monthly updates to be provided to the Audit and Risk Committee.</b></p> <p>Considered confidential in accordance with the <i>Local Government Act 1995</i> section 5.23(2) (f(ii)) as it contains information relating to a matter that if disclosed, could be reasonably expected to endanger the security of the local government's property.</p>
February 2023	<b>Compliance Audit Return</b>	The purpose of the Return is for individual local governments to assess their level of compliance with the <i>Local Government Act 1995</i> and associated regulations.	<p><b>ARC2.02.23 C3.03.23</b> Excerpt from report:</p> <p>The Shire has achieved a 99% compliance rating for the period covered by the 2022 Return (a score of 93 out of 94 questions). Areas of non-compliance found in the 2022 Return</p> <ul style="list-style-type: none"> <li>• Disclosure of Interest (question 5) s5.76 Admin Reg 23, Form 3 Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2022?</li> </ul>



## Internal Audit Plan Appendix

## Register – Internal Audit Plan History

Presented to ARC	Description	Scope	Outcome
April 2022	<b>Cyber Security Controls Audit</b> Office of the Auditor General	Determined by the Office of the Auditor General	Considered confidential in accordance with the <i>Local Government Act 1995</i> section 5.23(2) (f(ii)) as it contains information relating to a matter that if disclosed, could be reasonably expected to endanger the security of the local government's property.
February 2022	<b>Compliance Audit Return</b> Conway Highbury Pty Ltd	The scope of work was for Conway Highbury Pty Ltd to: <ul style="list-style-type: none"> <li>use the questions from the DLGSC to identify the Shire's compliance and non-compliance by reviewing: <ul style="list-style-type: none"> <li>Governance Registers (e.g. Returns Register and Gifts Register available on the Shire's website and internally maintained registers).</li> <li>Council and Committee agendas and minutes</li> <li>supporting documentation</li> </ul> </li> <li>establish adequacy of supporting systems and compliance levels</li> <li>provide a completed Return and associated report</li> </ul>	<b>ARC5.02.22</b> Excerpt from report:  In summary, the Shire achieved a commendable and very high level of compliance. 'Disclosure of interest' Q13 – under section s5.89A(6) of the Act, when a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, the CEO is to remove from the register all records relating to that person. <ul style="list-style-type: none"> <li>The register that relates to sections 5.89A and 5.89B contained records of persons who ceased to be relevant after ceasing employment with the Shire and/or retired from council or were not re-elected after elections in October 2021. The register has since been updated.</li> </ul> 'Disclosure of interest' Q 25 – under sections s5.51A(1) & (3) of the Act, the CEO is to prepare, and implement and publish an up-to-date version on the local government's website, a code of conduct to be observed by employees of the Shire. <ul style="list-style-type: none"> <li>A code was prepared and implemented as required but was not on the Shire's website. This has now been rectified.</li> </ul> 'Elections' Q2 - Regulations 30G(3) & (4) of the Local Government (Elections) Regulations 1997 require the CEO to remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years. <ul style="list-style-type: none"> <li>Some disclosure forms were still on the register. This has now been rectified.</li> </ul>
February 2022	<b>Staff Exit Controls</b> Office of the Auditor General	This audit assessed whether agencies "effectively and efficiently manage the exit of staff to minimise security, asset and financial risks".	<b>ARC 07.02.22</b> Excerpt from report:  The Shire currently has a register and passes are deactivated promptly when a staff member leaves. No audits of the register are undertaken. If a staff member was to leave without returning the pass, it will still be deactivated. No audit of active passes is undertaken.

Internal Audit Plan Appendix

Register – Internal Audit Plan History

Presented to ARC	Description	Scope	Outcome
			<p>A similar process exists for the return of keys. If keys are not returned by exiting staff, the officers responsible will follow this up with that staff member.</p> <p>The Shire has a checklist to assist managers in exiting staff and includes removal from the shire IT network and return of shire owned assets. There may be some access still available if the staff member has access to specific external software applications but these are not critical or confidential and pose a low risk.</p> <p>The OAG report has identified some improvements that can be made to this checklist.</p> <p>A register is maintained by IT of all related assets issued to staff which includes an audit trail of ownership.</p> <p>A separate register of minor assets is maintained which includes the same assets and is reviewed annually.</p> <p>A comprehensive audit is undertaken by payroll/finance staff of departing employees' termination payments, including any debts owing.</p> <p>This risk is assessed on a case by case basis, as relevant to the position and the circumstances of the departure.</p> <p>In addition to the checklist, there are related procedures to assist managers in exiting staff. Managers are reminded of these procedures from time to time.</p> <p>There is some opportunity for improvement in the exiting of casual staff, which due to the nature of their employment, may retain access to systems for a period of time. This is currently checked every 12 months.</p> <p>All staff are offered exit interviews, with approximately 75% accepting the offer. Any issues or trends that are identified in these interviews are addressed with the relevant manager, director or CEO as required.</p>
December 2021	<b>Financial Management Review and Review of Risk Management, Internal Controls and Legislative Compliance</b>	As per regulation 5(2) of <i>Local Government (Financial Management) Regulations 1996</i> and Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i> .	<p><b>ARC5.12.21</b> Excerpt from report:</p> <p>An Inventory should be performed for all portable attractive assets and evidenced by inventory sheets.</p> <ul style="list-style-type: none"> <li>Accepted. The Manager Finance and Governance will liaise with the Asset Management Officer to develop/implement a process and documents for an inventory stock-take.</li> </ul> <p>Serial numbers be sourced and added to the Portable and Attractive Asset Register for individual assets.</p> <ul style="list-style-type: none"> <li>Whilst it is acknowledged that this would be best practice, the implementation of this recommendation has budget resource (human and monetary) implications. The implementation of bar codes and bar</li> </ul>

**Internal Audit Plan Appendix**

**Register – Internal Audit Plan History**

Presented to ARC	Description	Scope	Outcome
			<p>code readers will be considered as part of the Corporate Business Planning process for 2022/23.</p> <p>The CEO Authorise multiple officers with the ability to exercise powers restricted to when acting in a substantive position and/or have a check box added to the Higher Duties form related to authorisation requirements.</p> <ul style="list-style-type: none"> <li>Accepted. Higher Duties checklist form to be amended to include a check box titled “additional authorisations required”.</li> </ul> <p>Each delegated authority maintain a register of how and when they exercised their delegated authority including date, details and outcome. The source or mechanism to register could be included within each Delegated Authority form.</p> <p>The Conflicts of Interest Policy detail how each section is currently managing conflicts of interest under delegated authority and each section ensure they register conflicts when they arise, even if the management strategy is to avoid or transfer.</p>
December 2021	<b>Infringements Audit</b> Paxon	<ul style="list-style-type: none"> <li>Interview relevant staff to gain an understanding of the end to end processes for the issuing and management of infringements (including court imposed fines);</li> <li>Analyse documents including strategies, plans, policies, guidelines and reports;</li> <li>Perform data analytics on selected data sets;</li> <li>Review the number and amount of outstanding fines and infringements;</li> <li>Identify opportunities for improvement; and</li> <li>Prepare an audit report with findings, recommendations and agreed actions to address any control or process improvement areas identified.</li> </ul>	<p><b>ARC7.12.21</b> Excerpt from report:</p> <ul style="list-style-type: none"> <li>The Shire’s “Dogs Local Law 2017” and “Keeping of Cats Local Law” are not aligned with current legislation;</li> <li>No formalised manual exists to guide Shire employees regarding their obligations for bush fire management;</li> <li>The “Community Safety Rangers – Operations Manual” is outdated and consequently provides Shire rangers with obsolete guidance;</li> <li>Shire employees are not provided with adequate guidance regarding operational procedures for infringements of:             <ul style="list-style-type: none"> <li>Dog legislation (including the Shire’s “Dogs Local Law 2017”);</li> <li>Environmental legislation;</li> <li>Shire’s “Parking Local Law 2009”;</li> <li>Health legislation; and</li> <li>Building legislation.</li> </ul> </li> <li>The Shire’s “Compliance” policy does not provide a holistic perspective regarding the management controls and relevant legislation for infringements;</li> <li>Registers which record details of the different types of infringements issued are either incomplete or non-existent and consequently obstructs management control;</li> </ul>

**Internal Audit Plan Appendix**

**Register – Internal Audit Plan History**

Presented to ARC	Description	Scope	Outcome
			<ul style="list-style-type: none"> <li>• No register is kept for unpaid infringements registered with the FER and consequently management control is obstructed;</li> <li>• No formal reporting regarding infringements takes place which is indicative of weak management control;</li> <li>• The late issue of the sampled infringement notices may suggest those notices are not enforceable; and</li> <li>• The collection of money for issued infringement notices appears slow and cumbersome.</li> </ul>
August 2021	<b>Contract Management - Internal Audit Report</b>	<p>Review the adequacy of controls and practices in the following areas:</p> <ul style="list-style-type: none"> <li>• Alignment of contract terms with tender Notice of Award;</li> <li>• Contractor performance reviews;</li> <li>• Administration of contract variations:                             <ul style="list-style-type: none"> <li>○ significant changes to original scope;</li> <li>○ delegated authority compliance;</li> <li>○ compliance with council decisions;</li> </ul> </li> <li>• Management of contractor insurances;</li> <li>• Monitoring of expenditure against budget by staff contract manager:                             <ul style="list-style-type: none"> <li>○ payment approval process; and</li> <li>○ compliance with contracted fixed price or schedule of rates;</li> </ul> </li> <li>• Expiry and extension of contracts:                             <ul style="list-style-type: none"> <li>○ compliance with approved delegations;</li> <li>○ timeliness of re-tendering process.</li> </ul> </li> </ul>	<p><b>ARC4.08.21</b> Excerpt from report:</p> <ol style="list-style-type: none"> <li>1. Misalignment of contract terms with Notice of Award. Risk: Low</li> <li>2. Lack of documented contractor performance reviews. Risk: High</li> <li>3. Administration of contract variations:                             <ul style="list-style-type: none"> <li>• Guidance required as to what constitutes an appropriate variation;</li> <li>• No formal documentation for number and value of variations;</li> <li>• No formal documentation for justification and approval of variations, including cost and scope;</li> <li>• Contracts register does not include some variations. Risk: Medium</li> </ul> </li> <li>4. Delegation CE-151 does not include specific delegation limits for approvals of contract renewals, extensions and variations. Risk: High</li> <li>5. No procedure in place to advise the contractor or custodian of the contracts register of Council approved variations. Risk: Medium</li> <li>6. No evidence of requesting contractor insurance certificates on an annual basis. Risk: High</li> <li>7. No documented payment approval process for contracts and tenders. This should include guidance on monitoring expenditure against budget. Risk: Medium</li> <li>8. Unable to verify if invoiced charges are checked against agreed contract price before authorising invoices for payment. Risk: Medium</li> </ol>

**Internal Audit Plan Appendix**

**Register – Internal Audit Plan History**

Presented to ARC	Description	Scope	Outcome
			<p>9. Extension of contracts is not formally documented; No mutually accepted agreement for extension between Shire and contractor; No documented evidence of contract review prior to extension of the contract; No documented evidence or analysis of the contract to justify an extension or to determine whether the extension is a change of scope of the original contract. Risk: Medium</p> <p>10. Timeliness of re-tendering process: contracts have been extended in breach of the tender requirements due to delays in the re-tendering process. Risk: High</p>
August 2021	<p><b>Contracts Management Audit</b> Paxon-</p>	<ul style="list-style-type: none"> <li>• Interview relevant staff to gain an understanding of the end to end processes;</li> <li>• Analyse documents including strategies, plans, policies, guidelines and reports;</li> <li>• Perform data analytics on selected data sets;</li> <li>• Identify opportunities for improvement; and</li> <li>• Prepare an audit report with findings, recommendations and agreed actions to address any control or process improvement areas identified.</li> </ul>	<p><b>To ARC August meeting 2021</b></p> <p>Paxon Recommendation 1 - Ensure the contract period is clearly noted on the Notice of Award. Ensure Notice of Award is retained as per record keeping requirements.</p> <p>Paxon Recommendation 2 - Documented and scheduled contractor review to be included in contract terms, with a final contractor performance carried out prior to contract expiry and extensions.</p> <p>Paxon Recommendation 3 - Delegations and Procurement policies and procedures should be amended to include specific guidance on contract variations including appropriate number of variations and consideration as to whether the variation changes the original scope of the contract or if the variation requires council approval. Develop a template for recording the number and dollar value of the individual variation and the total of the approved variations. Develop a template to seek approval for variation including justification and seek approval for the variation, including cost and scope. A process be developed to ensure the custodian of the register is notified of all variations.</p> <p>Paxon Recommendation 4 - Amend delegations, policies, and procedures to include a specific delegation, including dollar value, for contract variation and extensions.</p> <p>Paxon Recommendation 5 - Develop a process to ensure all council decisions regarding contracts or tenders, are conveyed to the stakeholders of the contract or tender.</p> <p>Paxon Recommendation 6 - Develop a process to ensure all current contractors provide a Certificate of Currency each year for the duration of the contract.</p> <p>Paxon Recommendation 7 - Develop a Payment Approval process for contracts and tenders which includes guidelines for monitoring</p>

**Internal Audit Plan Appendix**

**Register – Internal Audit Plan History**

Presented to ARC	Description	Scope	Outcome
			<p>expenditure against budget and guidelines as to the process for approval of payments. Recommend each project has a separate general ledger account with relevant budget. Ensure appropriate number of quotations are obtained for additional services required to complete the project or advertise RFT/RFQ for project management services.</p> <p>Paxon Recommendation 8 - Invoices for contracts and tenders should have a copy of the current price schedule attached to the invoice to show that the invoice charges have been checked to the price schedule.</p> <p>Paxon Recommendation 9 - All Contacts and Tenders extensions granted must be supported by formal documentation. All Contracts and Tenders extensions granted must be supported by a formal documented mutual agreement by both parties. Documented and scheduled contractor review to be included in contract terms, with a final contractor performance carried out prior to contract expiry and extensions. Develop a template to seek approval for extension including justification and also provides an analysis of the contract, to determine whether the extension is a change of scope of the original contract. Extensions must be processed in a timely manner before the expiration of the current contract and only if an extension option is included in the original contract.</p> <p>Paxon Recommendation 10 - Delegations and Procurement policies and procedures should be amended to include specific delegation limits for approval of contract extensions.</p> <p>Paxon Recommendation 11 - Develop a process for the custodian of the contracts register to review the register on a regular basis to ensure tendering process is commenced in a timely manner to avoid unnecessary contract extensions.</p>
August 2018	<b>Internal Light Fleet Audit</b> KPMG	<ul style="list-style-type: none"> <li>Review the utilisation, purchase and operating costs of Shire of Mundaring light fleet vehicles (including utility vehicles) inclusive of commuting and private use costs.</li> <li>Review and consider Shire of Mundaring's fleet policies, in light of industry best practice approaches and identify similarities and opportunities for improvement.</li> <li>Examine fleet performance against readily available industry comparators and benchmarks; and</li> </ul>	<p><b>ARC5.08.18</b> Excerpt from report:</p> <p>KPMG Recommendation 1 – Select and trial logbooks or an integrated Fleet Management System to collect evidence based data required to effectively assess, manage and optimise the fleet.</p> <p>KPMG Recommendation 2 - Consider reducing fleet size by not purchasing all planned vehicles in FY18 and FY19. In particular, these could come from reallocation of vehicles with low utilisation in the Recreation &amp; Leisure and Community Safety &amp; Emergency Management departments or Operations and Rangers callout vehicles.</p> <p>KPMG Recommendation 3 - To enable future fleet reductions, ensure vehicles are pooled consistently to optimise utilisation opportunities within and across service teams.</p>

**Internal Audit Plan Appendix**

**Register – Internal Audit Plan History**

Presented to ARC	Description	Scope	Outcome
		<ul style="list-style-type: none"> <li>Develop and provide recommendations for improving the performance of the fleet</li> </ul>	<p>KPMG Recommendation 4 - Refresh Policies and Procedures to include procurement guidelines, call out definitions and ensure adherence to requirements.</p> <p>KPMG Recommendation 5 - Consider vehicle leasing including Novated Leasing o KPMG Recommendation 6 - Standardise the vehicle specifications and fleet composition of vehicles predominantly for private use.</p> <p>KPMG Recommendation 6 - Standardise the vehicle specifications and fleet composition.</p> <p>KPMG Recommendation 7 - Review HR Policies and future employment entitlements regarding provision of vehicles for private and commuting use.</p>
July 2016	<p><b>Internal Procurement Audit</b> Deloitte</p>	<ul style="list-style-type: none"> <li>Review organisational structures, business processes and systems in procurement to prevent/minimise opportunities for misconduct.</li> <li>Review systems, controls and practices to identify incidences of noncompliance with legislation and procurement procedures.</li> <li>Review reporting and management practices for identified or suspected non-compliance and misconduct.</li> </ul>	<p><b>DARC2.07.16</b></p> <p>Finding 1 - Limited guidance provided in the tender processes (Risk – Critical)</p> <p>Finding 2 - Insufficient guidance to ensure consistent use of purchase orders across the organisation (Risk – Critical)</p> <p>Finding 3 - Lack of robust conflict of interest process for employees involved in procurement activities (Risk – Important)</p> <p>Finding 4 - Expense policy document has not been developed (Risk – Important)</p> <p>Finding 5 - A robust contract management system is not in place (Risk – Important)</p> <p>Finding 6 - Financial Delegations of Authority have not been clearly communicated or applied consistently (Risk – Important)</p> <p>Finding 7 - System controls with Online Requisitioning System (OLR) are insufficient to support the purchasing system (Risk – Important)</p> <p>Finding 8 - Purchasing card spend is not appropriately controlled (Risk – Important)</p> <p>Finding 9 - Limited review of system changes as audit logs are not reviewed (Risk – Moderate)</p> <p>Finding 10 - Vendor master data file maintenance (Risk – Moderate)</p> <p>Finding 11 - Petty cash policy not in place (Risk – Minor)</p>

## 7.3 Audit and Risk Committee Action Items - Status Report

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<b>File Code</b>	GV.MTG 6.1
<b>Author</b>	Stan Kocian, Manager Finance and Governance
<b>Senior Employee</b>	Garry Bird, Director Corporate Services
<b>Disclosure of Any Interest</b>	Nil
<b>Attachments</b>	Nil

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### PURPOSE

To provide an update on the status of outstanding Audit and Risk Committee action items for the information of committee members.

### BACKGROUND

A number of matters have previously been considered by the Audit and Risk Committee which required follow up actions by staff.

### STATUTORY / LEGAL IMPLICATIONS

There are statutory or legal implications for some of the action items listed. Please refer to the minutes of the meeting at which the matter was considered for further information.

### POLICY IMPLICATIONS

There are policy implications for some of the action items listed. Please refer to the minutes of the meeting at which the matter was considered for further information.

### FINANCIAL IMPLICATIONS

There may be financial implications for some of the action items listed. Please refer to the minutes of the meeting at which the matter was considered for further information.

### STRATEGIC IMPLICATIONS

Mundaring Strategic Community Plan 2020 - 2030

Priority 4 - Governance

Objective 4.4 – High standard of governance and accountability

Strategy 4.4.3 – Risks are well managed

### SUSTAINABILITY IMPLICATIONS

There are sustainability implications for some of the action items listed. Please refer to the minutes of the meeting at which the matter was considered for further information.

### RISK IMPLICATIONS

<b>Risk:</b> That action items from the Committee are not completed and expose Council to the risks being addressed by the item.
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Likelihood	Consequence	Rating
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Possible	Moderate	Moderate
<b>Action / Strategy</b>		
That staff update the Committee regularly on progress towards completing the required actions.		

## EXTERNAL CONSULTATION

Nil

## COMMENT

The following matters have previously been considered by the Audit and Risk Committee, with follow up actions required.

MEETING REFERENCE	RESPONSIBLE OFFICER	ACTION	STATUS – 11 April 2024
<p><b>26.5.20 Item 8.3</b> Auditor General's Report – Contract Extensions and Variations Related <b>17.08.21</b> Internal Audit Report Contract Management</p>	Director Corporate Services	<p>Draft Contract Management Policy by 30 June 2021 and Guidelines, Templates and Procedures by 30 June 2022.</p> <p>Create and fill new Contracts Management Officer position by September 2021.</p>	<p>Contract Management Policy adopted by Council 9 March 2021 (C5.03.21).</p> <p>Purchasing and Contracts Officer was appointed in October 2023.</p> <p>Contract Extensions and Variations guidelines to be drafted.</p> <p>Revised due date: 31 December 2023</p>
<p><b>Comment</b></p> <p>Completed. The guidelines and templates for the management of contract extensions and variations have been finalised and will be made to available to staff.</p>			
<p><b>25.01.2022 Item 8.2</b> Internal Audit Report - Infringements</p>	Director Statutory Services	<p>An Infringements Procedures Manual will be created and maintained focused on the three stages of the process:</p> <ul style="list-style-type: none"> <li>• Issue of infringements, including authorised employees;</li> <li>• Maintenance and management of infringements; and</li> </ul>	<p>Due date: 31 December 2022</p> <p>Revised due date: 30 June 2023.</p> <p>Revised due date #2 – 31 December 2023</p>

		<ul style="list-style-type: none"> <li>• Referral to FER.</li> </ul> <p>This Manual will be available to all sections of Statutory Services (Rangers, Fire, Health, Planning and Building including Swimming Pools).</p>	
<p><b>Comment</b></p> <p>The development of the procedures manual has a dependency on the enhancements to the Authority infringements module (the manual will reference the module). Civica have been engaged to implement the full suite of functionality within the Authority infringements module (project to commence late April). It is anticipated that the manual will take a month to develop post the implementation of the enhanced infringements module. The anticipated completion date is 30 June 2024.</p> <p><b>CEO Update</b></p> <p>A procedural manual is now in place which deals with the issuing, ongoing management and referral to FER of infringements. Noting that these will be further reviewed as part of the current business improvement project.</p>			
<p><b>25.01.2022 Item 8.2</b></p> <p>Internal Audit Report - Infringements</p>	<p>Director Statutory Services</p>	<p>1. A Compliance Register, which will show a more comprehensive picture of the Shire's compliance and enforcement actions, compared to an Infringements Register will be implemented across Statutory Services (Rangers, Fire, Health, Planning and Building including Swimming Pools).</p> <p>This will take the form of a centralised spreadsheet with tabs for each service, which will be maintained by a responsible employee from each service. It is proposed that this spreadsheet is used as an interim measure pending</p>	<p>Due date: 31 December 2022</p> <p>Revised due date: 30 June 2023.</p> <p>Revised due date #2 – 31 December 2023</p>

		implementation of point 2 below; and 2. Improvements to the infringement's module in Authority (the Shire's accounting software) will be investigated.	
<p><b>Comment</b></p> <p>The delivery of this project is expected to be completed by 31 May 2024. Civica have been engaged to implement the full suite of functionality with the Authority Infringements module (project to commence late April).</p> <p><b>CEO Update</b></p> <p>A compliance register is now in place, while it is currently Excel based this is being converted to a smartsheet.</p>			
25.01.2022 Item 8.2 Internal Audit Report - Infringements	Director Statutory Services	Infringement Reports - Statutory Services staff will liaise with IT and explore whether improvements can be made to the existing reporting facility in Authority.	Due date: 31 December 2022. Revised due date: 31 December 2023.
<p><b>Comment</b></p> <p>This action item will be addressed as part of the development of the Infringements Register. The delivery of this project is expected to be completed by 31 May 2024. Civica have been engaged to implement the full suite of functionality with the Authority Infringements module (project to commence late April).</p> <p><b>CEO Update</b></p> <p>Ongoing.</p>			
25.01.2022 Item 8.2 Internal Audit Report - Infringements	Director Statutory Services	Timing of the issue of infringements- The timeframe for issuing infringement notices depends on the legislation under which the infringement notice is issued. The various timeframes will form part of the Register that will be implemented. Age analysis reporting	Due date: 31 December 2022. Revised due date: 31 December 2023.

		will be considered when exploring improvements to Authority.	
<p><b>Comment</b></p> <p>This action item will be addressed as part of the development of the Infringements Procedures Manual. The delivery of this project is expected to be completed by 31 May 2024. Civica have been engaged to implement the full suite of functionality with the Authority Infringements module (project to commence late April).</p> <p><b>CEO Update</b></p> <p>Timeframes have been incorporated into the register. The matter of aged trial balances remains with Civica.</p>			
<p><b>28.06.2022 Item 8.3</b></p> <p>Review of WALGA Contestable Energy Supply.</p>	<p>Director Infrastructure Services</p>	<p>Give further consideration and clarity in a future revision of the Purchasing Policy in regards to the use of the tender exempt procurements for goods or services supplied or obtained through the government of the State or the Commonwealth or any of its agencies, or by a local government or a regional local government.</p>	<p>Due date: 30 June 2024</p>
<p><b>Comment</b></p> <p>Completed. The review of the Purchasing Policy will be presented to the April Governance Committee meeting for consideration and will be subsequently adopted by Council at its ordinary meeting held in May.</p>			
<p><b>25.10.2022 Item 8.1;</b> and <b>7.03.2023 Item 7.1</b></p> <p>WHS Management Plan and Action Plan.</p>	<p>Director Corporate Services</p>	<p>Provide regular updates to the Committee on progress of these plans</p>	<p>Due date: March 2024</p>
<p><b>Comment</b></p> <p>Six monthly update have been requested by the Committee as follows;</p>			

<ul style="list-style-type: none"> <li>• September 2023 (completed December 2023)</li> <li>• June 2024</li> <li>• December 2024</li> <li>• June 2025</li> <li>• December 2025</li> </ul>			
<b>28.02.2023 Item 9.1</b> General Computer Controls – Capability Maturity Framework	Director Corporate Services	Provide an update to the Committee by June 2023 (six monthly update).	Due date: June 2024
<b>Comment</b> Six monthly update have been requested by the Committee as follows; <ul style="list-style-type: none"> <li>• June 2023 (completed)</li> <li>• January 2024 (completed December 2023)</li> <li>• June 2024</li> <li>• December 2024</li> <li>• June 2025</li> </ul>			

## VOTING REQUIREMENT

Simple Majority

<b>OFFICER RECOMMENDATION / COMMITTEE DECISION</b>		<b>ARC4.04.24</b>	
Moved by	Ms Zulsdorf	Seconded by	Cr Jeans
That the Committee notes the Action Items Status Report as at 11 April 2024.			
			<b>CARRIED 5/0</b>
<b>For:</b>	Pres McNeil, Cr Cook, Cr Mehta, Ms Zulsdorf and Cr Jeans		
<b>Against:</b>	Nil		

## 8.0 URGENT BUSINESS (LATE REPORTS)

Nil

## 9.0 CLOSING PROCEDURES

### 9.1 Date, Time and Place of the Next Meeting

The next Audit and Risk Committee meeting is currently scheduled for Tuesday, 25 June 2024 at 4pm in the Committee Room, 7000 Great Eastern Highway, Mundaring.

Following discussions, the committee decided that if there were only a couple of items in the next audit and risk agenda, then the meeting would be rescheduled to commence at 4.30pm.

## **9.2 Closure of the Meeting**

The presiding member closed the meeting at 4.52pm.