

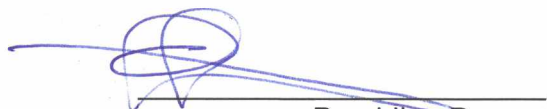


CONFIRMED MINUTES

AUDIT AND RISK COMMITTEE MEETING

26 APRIL 2023

I certify that the minutes of the meeting of the Audit and Risk Committee held on Wednesday, 26 April 2023 were confirmed on Tuesday, 27 June 2023.



Presiding Person



**CONFIRMED MINUTES
AUDIT AND RISK COMMITTEE MEETING
26 APRIL 2023**

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.

CONTENTS

1.0	OPENING PROCEDURES	4
1.1	ANNOUNCEMENT OF VISITORS.....	4
1.2	ATTENDANCE/APOLOGIES	4
2.0	ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION	5
3.0	DECLARATION OF INTEREST	6
3.1	DECLARATION OF FINANCIAL INTEREST AND PROXIMITY INTERESTS	6
3.2	DECLARATION OF INTEREST AFFECTING IMPARTIALITY.....	6
4.0	RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE	6
5.0	PUBLIC QUESTION TIME	6
6.0	CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS	7
	ARC1.04.23.....	7
7.0	REPORTS OF EMPLOYEES	8
7.1	INTERNAL AUDIT PLAN 2023-24 TO 2026-27.....	8
	ARC2.04.23.....	13
7.2	AUDIT AND RISK COMMITTEE ACTION ITEMS - STATUS REPORT.....	36
	ARC3.04.23.....	41
8.0	URGENT BUSINESS (LATE REPORTS)	42
9.0	CLOSING PROCEDURES	42
9.1	DATE, TIME AND PLACE OF THE NEXT MEETING	42
9.2	CLOSURE OF THE MEETING	42

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

1.0 OPENING PROCEDURES

The Presiding Person declared the meeting open at 4.01pm.

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

Members	Mr Craig Wilkinson (Presiding Person)	External Member
	Mr Tony Wittcomb	External Member
	Ms Rachael Green	External Member
	Cr James Martin	South Ward
	Cr Paige McNeil	Central Ward
	Cr Karen Beale	West Ward
	Cr John Daw	East Ward
Staff	Jonathan Throssell	Chief Executive Officer
	Garry Bird (via Webex)	Director Corporate Services
	Stan Kocian	Manager Finance and Governance
	Liz Nicholls	Governance Coordinator
	Andrea Douglas	Minute Secretary
Apologies	Cr Doug Jeans	Central Ward
	Cr Neridah Zlatnik	East Ward
Absent	Nil	
Guests	Nil	
Members of the Public	Nil	
Members of the Press	Nil	

2.0 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

2.1 *Attended the Auditor General Forum for Audit Committee Chairs on 5 April 2023*

Emily Roper, Director General of the Department of the Premier and Cabinet (DPC)

Key Theme

Cyber Security – It is estimated that Cyber Crime will have a value exceeding \$10.5 Trillion USD annually by 2025. It is estimated that it will overtake the total value of the worldwide illicit drug trade by this time.

Encouraged all State and Local Govt to self assess against the essential 8 cyber security controls in the AICD Cyber Security Governance Principle document.

The Office of the Auditor General will be providing a better practice guide for operating technology to assist with this ongoing risk.

Caroline Spencer Auditor General for WA

Key Themes

Audits must be ready to go at the agreed time. Due to workload within the Auditor General's Department it is difficult, if not impossible, to reschedule auditor meetings.

A high number of LG audits will be issued with a modified audit opinion including qualifications and/or disclaimers as they must clear the way for the next round of audits.

It is up to the relevant LG's to improve audit readiness and there is a better practice guide available through the AG office.

For the 2023 audit the financial statement is required to be signed prior to submission. (this has not been the case in the past).

Post the pandemic, looking to get back to business as usual.

Increased focus on Cyber Security and addressing known issues.

Self assessment against the essential 8 Cyber Security controls.

It was acknowledged that obtaining timely valuation of assets can be an issue and they will work with LG's and other entities regarding this.

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 Person 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

COMMITTEE DECISION RECOMMENDATION	ARC1.04.23
Moved by Cr Daw Seconded by Cr Martin	

That the Minutes of the Audit and Risk Committee Meeting held 7 March 2023 be confirmed.

CARRIED 7/0

For: Cr Daw, Mr Wilkinson, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil and Cr Beale

Against: Nil

7.0 REPORTS OF EMPLOYEES

7.1 Internal Audit Plan 2023-24 to 2026-27

File Code	GV.AUD 1
Author	Elizabeth Nicholls, Governance Co-ordinator
Senior Employee	Garry Bird, Director Corporate Services
Disclosure of Any Interest	Nil
Attachments	<ol style="list-style-type: none">1. Draft - Internal Audit Plan 2023-24 to 2026-27 ↓2. Draft - Internal Audit Plan 2023-24 to 2026-27 - with track changes ↓3. Internal Audit Plan History Register ↓

SUMMARY

The Shire's draft Internal Audit Plan for the period 2023/24 to 2026/27 (**Attachment 1**) provides an update on the audits proposed for the relevant period.

The Internal Audit Plan is presented to the Audit and Risk Committee for noting.

BACKGROUND

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

The *Local Government Act 1995* provides the following in regards to the conduct of audits.

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.*

The *Local Government (Financial Management) Regulations 1996* provide the following in regards to financial management.

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.*

The *Local Government (Audit) Regulations 1996* provide the following in regards to compliance audits and the review of certain systems and procedures.

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 IMPLICATIONS

Internal Audit Charter Policy relates.

Purchasing Policy is applicable for audits performed by independent external contractors. Where the cost of engaging an auditor is within the thresholds outlined in the Purchasing 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:

2023/24	\$10,000
2024/25	\$57,500
2025/26	\$35,000
2026/27	\$60,000
TOTAL	\$162,500

This is \$77,500 below the combined 4 year budget.

Where the full budget allocation for the internal audits has not been utilised for 2023/24, it is intended that the remaining budget of \$50,000 be allocated for the purpose of appointing a consultant to undertake a review of workplace culture. As the proposed review is not consistent with the type of audit outlined in the Internal Audit Charter Policy the Internal Audit Plan is not considered to be the appropriate mechanism to capture the review.

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

Risk: Compliance: That areas of high risk within the organisation are not subject to independent assessment.		
Likelihood	Consequence	Rating
Likely	Moderate	High
Action/ Strategy		
Undertake independent internal audits to support management with the aim of identifying areas of non-compliance and potential organisational improvement.		

EXTERNAL CONSULTATION

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 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.

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.

COMMENT

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.

The Internal Audit Charter Policy 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".

Current staffing resources generally allows for three audits to be undertaken per financial year given the breadth of governance and compliance work currently being undertaken with further work expected to implement any processes and undertaken actions from the introduction of local government reforms. Audits have been scheduled based on the apparent risk and may be rescheduled as required should there not be sufficient staff resources for the audits listed per financial year.

In reviewing the audits listed in the previous Internal Audit Plan, where the scope of the proposed audits were considered to be low risk or that management are of the view there is no demonstrable benefit in undertaking an audit, the value of the audit is questioned and subsequently have been removed from the Internal Audit Plan.

For ease, the changes to the Internal Audit Plan 2023/24 to 2026/27 from the version presented in 2022/23 have been made in track changes (**Attachment 2**) with items listed in 2022/23 moved to the Internal Audit Plan History. Changes have also been outlined in the table below:

Audit	Scope	Comment, changes made to Internal Audit Plan and reason
Recruitment and Selection	Review of recruitment and selection policies and adherence to by staff. Includes use of contract labour.	Scheduled for 2022/23. The purpose and value of the audit is questioned with limited quantifiable data. Additionally, internal review of policies is currently being undertaken. As such it is suggested that this audit be removed from the Internal Audit Plan.
Development and Building Approvals Audit	Review application processes and adherence to statutory timeframes.	Previously postponed from 2022/23 to 2023/24. Development and Building Approvals are considered low risk. The purpose and value of the audit is questioned. It is understood that the relevant areas provide a known high level of service. As such it is suggested that this audit be removed from the Internal Audit Plan.
Complaints Management System	Review complaints management system and staff adherence to process.	Scheduled for 2023/24. The value of this audit is questioned given there are very few formal complaints received. As such it is suggested that this audit be removed from the Internal Audit Plan.
Cyber Security Controls	Independent testing of cyber security controls.	Scheduled for 2023/24. Scheduled on alternate year from the Cyber Security Penetration Testing. Cyber security audit undertaken by the OAG in May and November 2021 with significant work undertaken to update the Shire's policies. As such the cost of the audit has been reduced based on expected need.

Financial Better Practice Review	Self-assessment utilising Department of Local Government (DLGSC) checklist to review how the Shire performs common business practices and related internal controls, governance and risk management policies, practices, and procedures.	Scheduled for 2023/24. Self-assessment tool provided by DLGSC including but not limited to review of: <ul style="list-style-type: none"> • financial management • payroll and HR • expenditure • procurement • rates • fixed assets • fraud management • general computer controls. Budget included for the appointment of a temporary staff member to assist.
Cyber Security Penetration Testing	Independent penetration testing of cyber security controls every second year.	Scheduled for 2024/25. Scheduled on alternate year from the Cyber Security Controls to detect exploitable vulnerabilities concerned with the system security to ensure the appropriate controls are in place.
Procurement	Review procurement practices.	Scheduled for 2023/24. Moved to 2025/26. Review of Purchasing Policy scheduled for completion in June 2024 providing sufficient time to implement any changes to the policy with the audit to provide a gap analysis.
Service Level Agreements	Review of service Level Agreements with external organisations for cost effectiveness and adherence to agreements.	Scheduled for 2025/26. The purpose and value of the audit is questioned as the cost and compliance is reviewed by staff prior to the renewal of any agreement. As such it is suggested that this audit be removed from the Internal Audit Plan.
Information and Communications Technology Systems	Review of internal ICT systems for efficiency and cost.	Scheduled for 2025/26. The purpose and value of the audit is questioned as systems are reviewed by IT staff as required. As such it is suggested that this audit be removed from the Internal Audit Plan.
Work Health and Safety Audit	Review implementation of actions from Work Health and Safety audit undertaken 2022/23.	Scheduled for 2026/27. To close out the work and ensure action plan is being correctly implemented based on information included in the Work Health and Safety audit completed in 2022/23.

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.	Appropriate record keeping is a statutory requirement of local governments. Scheduled for 2026/27.
---------------------	--	---

The Internal Audit Plan has been updated (in track changes) to include details of the proposed changes.

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

Once noted by the Audit and Risk Committee the Internal Audit Plan 2022/23 to 2025/26 will be used internally to schedule audits in the Corporate Governance Calendar.

VOTING REQUIREMENT

Simple Majority

COMMITTEE DECISION RECOMMENDATION		ARC2.04.23	
Moved by	Cr McNeil	Seconded by	Mr Wittcomb

That the Committee notes the updated Internal Audit Plan for the period 2023/24 to 2026/27.

CARRIED 7/0

For: Cr Daw, Mr Wilkinson, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil and Cr Beale

Against: Nil



INTERNAL AUDIT PLAN

2023/24 to 2026/27

(Noted by Audit and Risk Committee XX)

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

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 2023/24 to 2026/27.

2023/24

Description	Scope	Budget
Cyber Security Controls	Independent testing of cyber security controls every second year.	\$5,000
Financial Better Practice Review	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.	Internal (\$5,000 budgeted for temporary staff to assist)
Compliance Audit Return	As per Regulation 15 of the Audit Regulations.	Internal
TOTAL		\$10,000

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.	
Cyber Security Penetration Testing	Independent penetration testing of cyber security controls every second year .	\$10,000
Compliance Audit Return (external audit)	As per Regulation 15 of the Audit Regulations.	\$5,000
TOTAL		\$57,500

2025/26

Description	Scope	Budget
Procurement	Review procurement practices.	\$30,000
Cyber Security Controls	Independent testing of cyber security controls every second year.	\$5,000
Compliance Audit Return	As per Regulation 15 of the Audit Regulations.	Internal
TOTAL		\$35,000

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
Cyber Security Penetration Testing	Independent penetration testing of cyber security controls every second year	\$10,000
Compliance Audit Return	As per Regulation 15 of the Audit Regulations	Internal
TOTAL		\$60,000

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

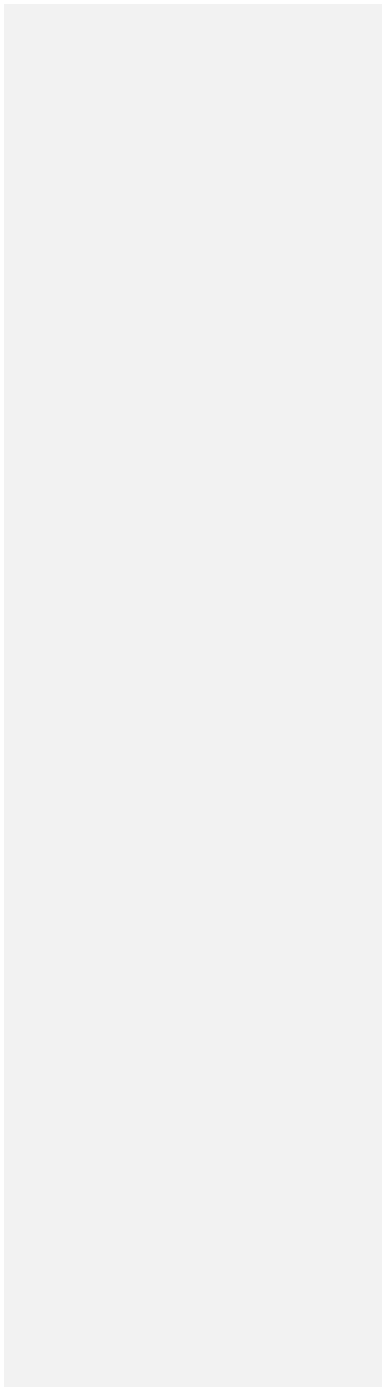
|



INTERNAL AUDIT PLAN
2023/24 to 2026/27

As at February 2023

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

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 2023/24 to 2026/27.

2022/23

Description	Scope	Budget	As at March 2023
Occupational Health and Safety Audit	External audit	\$20,000	<u>Presented to March 2023 Audit and Risk Committee meeting</u>
Recruitment and Selection	Review of recruitment and selection policies and adherence to by staff. Includes use of contract labour.	\$15,000	
Compliance Audit Return	As per Regulation 15 of the Audit Regulations	Internal	<u>Presented to February 2023 Audit and Risk Committee meeting for recommendation to Council. Complete.</u>
TOTAL		\$20,000	

Commented [EN1]: The purpose and value of this is questioned. As such it is suggested that this audit be removed.

2023/24

Description	Scope	Budget
Development and Building Approvals	Review application processes and adherence to statutory timeframes.	\$20,000
Complaints Management System	Review complaints management system and staff adherence to process.	\$20,000
Procurement	Review procurement practices.	\$30,000
Cyber Security <u>Controls</u>	Independent testing of cyber security controls every second year.	\$5 ,000
<u>Financial Better Practice Review</u>	<u>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.</u>	<u>Internal (\$5,000 budgeted for temporary staff to assist)</u>
Compliance Audit Return	As per Regulation 15 of the Audit Regulations.	Internal
TOTAL		\$1080,000

Commented [EN2]: The purpose and value of this is questioned. It is understood that the relevant areas provide a high level of service. As such it is suggested that this audit be removed.

Commented [EN3]: The value of this audit is questioned given there are very few formal complaints received. As such it is suggested that this audit be removed.

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.	
<u>Cyber Security Penetration Testing</u>	<u>Independent penetration testing of cyber security controls every second year .</u>	<u>\$10,000</u>
Compliance Audit Return (external audit)	As per Regulation 15 of the Audit Regulations.	\$5,000
TOTAL		\$457,500

2025/26

Description	Scope	Budget
<u>Procurement</u>	<u>Review procurement practices.</u>	<u>\$30,000</u>
<u>Asset Management</u>	<u>Review of asset management systems</u>	<u>\$25,000</u>
<u>Service Level Agreements</u>	<u>Review of service Level Agreements with external organisations for cost effectiveness and adherence to agreements.</u>	<u>\$10,000</u>
<u>Information and Communications Technology Systems</u>	<u>Review of internal ICT systems for efficiency and cost.</u>	<u>\$40,000</u>
<u>Cyber Security Controls</u>	<u>Independent testing of cyber security controls every second year.</u>	<u>\$105,000</u>
<u>Compliance Audit Return</u>	<u>As per Regulation 15 of the Audit Regulations.</u>	<u>Internal</u>
TOTAL		\$3585,000

Commented [EN4]: The purpose and value of this is questioned.
As such it is suggested that this audit be removed.

Commented [EN5]: The purpose and value of this is questioned.
As such it is suggested that this audit be removed.

Commented [EN6]: The purpose and value of this is questioned.
As such it is suggested that this audit be removed.

2026/27

Description	Scope	Budget
<u>Work Health and Safety Audit</u>	<u>Review implementation of actions from Work Health and Safety audit undertaken 2022/23.</u>	<u>\$20,000</u>
<u>Recordkeeping Audit</u>	<u>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.</u>	<u>\$30,000</u>
<u>Cyber Security Penetration Testing</u>	<u>Independent penetration testing of cyber security controls every second year</u>	<u>\$10,000</u>
<u>Compliance Audit Return</u>	<u>As per Regulation 15 of the Audit Regulations</u>	<u>Internal</u>
TOTAL		\$60,000

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.

|

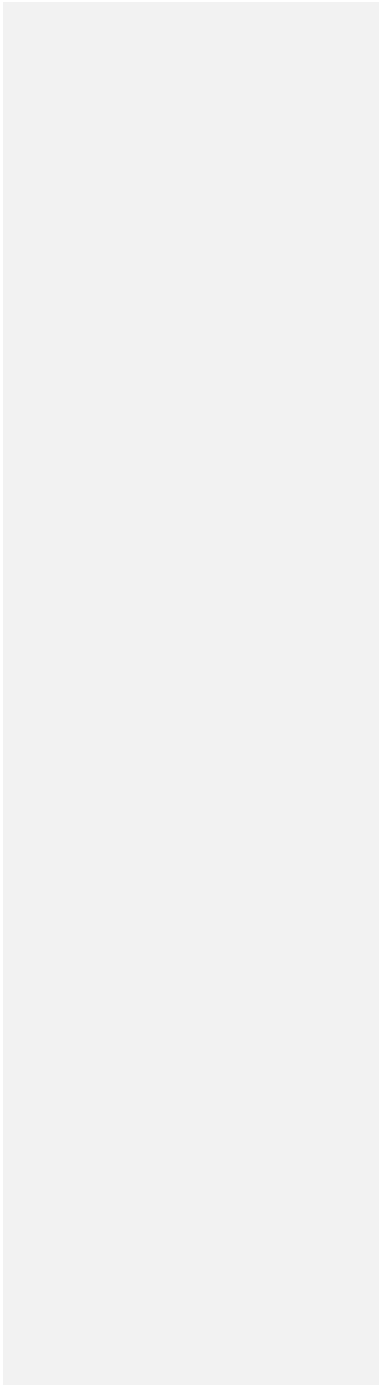
The Office of the Auditor General conducts focus area audits at state of local government entities as an extension of annual financial audits and the Shire may be invited to participate.

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

DRAFT



Internal Audit Plan Appendix

Register – Internal Audit Plan History

Presented to ARC	Purpose	Scope	Outcome
TBC	Work Health and Safety Audit (listed in previous Internal Audit Plans as Occupational Health and Safety Audit) Delivering Outcomes Pty Ltd	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: <ul style="list-style-type: none"> • What does the Shire do well in relation to WHS? • Are there any areas of non-compliance with current legislation and any proposed legislation? • What can be done to meet legislative requirements and best practice standards? • Does the draft WHS Action Plan have any gaps that need to be addressed as a matter of priority? • Does the Shire demonstrate a strong WHS culture? 	To be presented to March 2023 Audit and Risk Committee Meeting
February 2023	General Computer Controls - Capability Maturity Framework Self-Assessment	Self-assessment undertaken in regards to the Shire's general computer controls and management of cyber security risks	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 2023	Compliance Audit Return	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. The 2022 Return has a total of 94 questions focused on the following areas of compliance: <ol style="list-style-type: none"> 1. Commercial Enterprises by Local Governments (5 questions) 2. Delegation of Power/ Duty (13 questions) 3. Disclosure of Interest (21 questions) 4. Disposal of Property (2 questions) 5. Elections (3 questions) 	ARC2.02.23 C3.03.23 Excerpt from report: 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 <ul style="list-style-type: none"> • 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? A council member submitted an incomplete annual return within the prescribed deadline. It is noted that an updated annual return from the council member was received 14 September 2022.

Internal Audit Plan Appendix

Register – Internal Audit Plan History

Presented to ARC	Purpose	Scope	Outcome
		6. Finance (7 questions); 7. Integrated Planning and Reporting (3 questions) 8. Local Government Employees (5 questions) 9. Official Conduct (4 questions) 10. Optional questions (9 questions) 11. Tenders for Providing Goods and Services (22 questions)	In relation to the area of non-compliance listed in the Compliance Audit Return, the annual returns forms are provided by email in July each year to relevant persons (council members and officers). A link is included for the Department of Local Government Operational Guideline. Reminders are sent to relevant persons to encourage early submission with follow up reminders as required. In this specific instance, the annual return was submitted prior to the deadline, however, it was noted that the return was incomplete. As noted above, the council member provided an updated return on 14 September 2022. It is the responsibility of the relevant person to complete and submit their annual return.
April 2022	Cyber Security Controls Audit 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	Compliance Audit Return (Conway Highbury Pty Ltd)	The scope of work was for Conway Highbury Pty Ltd to: <ul style="list-style-type: none"> • use the questions from the DLGSC to identify the Shire's compliance and non-compliance by reviewing: <ul style="list-style-type: none"> ○ Governance Registers (e.g. Returns Register and Gifts Register available on the Shire's website and internally maintained registers). ○ Council and Committee agendas and minutes ○ supporting documentation • establish adequacy of supporting systems and compliance levels • provide a completed Return and associated report 	ARC5.02.22 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"> • 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. '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"> • A code was prepared and implemented as required but was not on the Shire's website. This has now been rectified. '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.

Internal Audit Plan Appendix

Register – Internal Audit Plan History

Presented to ARC	Purpose	Scope	Outcome
			<ul style="list-style-type: none"> Some disclosure forms were still on the register. This has now been rectified.
February 2022	Staff Exit Controls (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”.	<p>ARC 07.02.22 Excerpt from report:</p> <p>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. 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. 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. The OAG report has identified some improvements that can be made to this checklist. A register is maintained by IT of all related assets issued to staff which includes an audit trail of ownership. A separate register of minor assets is maintained which includes the same assets and is reviewed annually. A comprehensive audit is undertaken by payroll/finance staff of departing employees' termination payments, including any debts owing. This risk is assessed on a case by case basis, as relevant to the position and the circumstances of the departure. 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. 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. 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	Financial Management Review and Review of Risk Management,		<p>ARC5.12.21 Excerpt from report:</p>

Internal Audit Plan Appendix

Register – Internal Audit Plan History

Presented to ARC	Purpose	Scope	Outcome
	Internal Controls and Legislative Compliance		<p>An Inventory should be performed for all portable attractive assets and evidenced by inventory sheets.</p> <ul style="list-style-type: none"> 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. <p>Serial numbers be sourced and added to the Portable and Attractive Asset Register for individual assets.</p> <ul style="list-style-type: none"> 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 code readers will be considered as part of the Corporate Business Planning process for 2022/23. <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"> Accepted. Higher Duties checklist form to be amended to include a check box titled “additional authorisations required”. <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	Infringements Audit (Paxon)	<ul style="list-style-type: none"> Interview relevant staff to gain an understanding of the end to end processes for the issuing and management of infringements (including court imposed fines); Analyse documents including strategies, plans, policies, guidelines and reports; Perform data analytics on selected data sets; Review the number and amount of outstanding fines and infringements; Identify opportunities for improvement; and Prepare an audit report with findings, recommendations and agreed actions to 	<p>ARC7.12.21 Excerpt from report:</p> <ul style="list-style-type: none"> The Shire’s “Dogs Local Law 2017” and “Keeping of Cats Local Law” are not aligned with current legislation; No formalised manual exists to guide Shire employees regarding their obligations for bush fire management; The “Community Safety Rangers – Operations Manual” is outdated and consequently provides Shire rangers with obsolete guidance; Shire employees are not provided with adequate guidance regarding operational procedures for infringements of: <ul style="list-style-type: none"> Dog legislation (including the Shire’s “Dogs Local Law 2017”); Environmental legislation;

Internal Audit Plan Appendix

Register – Internal Audit Plan History

Presented to ARC	Purpose	Scope	Outcome
		address any control or process improvement areas identified.	<ul style="list-style-type: none"> ▪ Shire's "Parking Local Law 2009"; ▪ Health legislation; and ▪ Building legislation. • The Shire's "Compliance" policy does not provide a holistic perspective regarding the management controls and relevant legislation for infringements; • Registers which record details of the different types of infringements issued are either incomplete or non-existent and consequently obstructs management control; • No register is kept for unpaid infringements registered with the FER and consequently management control is obstructed; • No formal reporting regarding infringements takes place which is indicative of weak management control; • The late issue of the sampled infringement notices may suggest those notices are not enforceable; and • The collection of money for issued infringement notices appears slow and cumbersome.
August 2021	Contract Management - Internal Audit Report	•	<p>ARC4.08.21 Excerpt from report:</p> <ol style="list-style-type: none"> 1. Misalignment of contract terms with Notice of Award. Risk: Low 2. Lack of documented contractor performance reviews. Risk: High 3. Administration of contract variations: <ul style="list-style-type: none"> • Guidance required as to what constitutes an appropriate variation; • No formal documentation for number and value of variations; • No formal documentation for justification and approval of variations, including cost and scope; • Contracts register does not include some variations. Risk: Medium 4. Delegation CE-151 does not include specific delegation limits for approvals of contract renewals, extensions and variations. Risk: High 5. No procedure in place to advise the contractor or custodian of the contracts register of Council approved variations. Risk: Medium 6. No evidence of requesting contractor insurance certificates on an annual basis.

Internal Audit Plan Appendix

Register – Internal Audit Plan History

Presented to ARC	Purpose	Scope	Outcome
			<p>Risk: High</p> <p>7. No documented payment approval process for contracts and tenders. This should include guidance on monitoring expenditure against budget.</p> <p>Risk: Medium</p> <p>8. Unable to verify if invoiced charges are checked against agreed contract price before authorising invoices for payment.</p> <p>Risk: Medium</p> <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.</p> <p>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.</p> <p>Risk: High</p>
August 2021	Contracts Management Audit (Paxon)	<ul style="list-style-type: none"> Interview relevant staff to gain an understanding of the end to end processes; Analyse documents including strategies, plans, policies, guidelines and reports; Perform data analytics on selected data sets; Identify opportunities for improvement; and Prepare an audit report with findings, recommendations and agreed actions to address any control or process improvement areas identified. 	<p>To ARC August meeting 2021</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>

Internal Audit Plan Appendix

Register – Internal Audit Plan History

Presented to ARC	Purpose	Scope	Outcome
			<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 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	Internal Light Fleet Audit (KPMG)	<ul style="list-style-type: none"> Review the utilisation, purchase and operating costs of Shire of Mundaring light fleet vehicles (including utility vehicles) inclusive of commuting and private use costs. 	<p>ARC5.08.18 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>

Internal Audit Plan Appendix

Register – Internal Audit Plan History

Presented to ARC	Purpose	Scope	Outcome
		<ul style="list-style-type: none"> Review and consider Shire of Mundaring's fleet policies, in light of industry best practice approaches and identify similarities and opportunities for improvement. Examine fleet performance against readily available industry comparators and benchmarks; and Develop and provide recommendations for improving the performance of the fleet 	<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 & Leisure and Community Safety & 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> <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	Internal Procurement Audit (Deloitte)	<ul style="list-style-type: none"> Review organisational structures, business processes and systems in procurement to prevent/minimise opportunities for misconduct. Review systems, controls and practices to identify incidences of noncompliance with legislation and procurement procedures. Review reporting and management practices for identified or suspected non-compliance and misconduct. 	<p>DARC2.07.16</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>

Internal Audit Plan Appendix

Register – Internal Audit Plan History

Presented to ARC	Purpose	Scope	Outcome
			Finding 11 - Petty cash policy not in place (Risk – Minor)

7.2 Audit and Risk Committee Action Items - Status Report

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

SUMMARY

An update on the status of Audit and Risk Committee action items is provided for the information of committee members.

BACKGROUND

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

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

Risk: That action items from the Committee are not completed and expose Council to the risks being addressed by the item.
--

Likelihood	Consequence	Rating
------------	-------------	--------

Possible	Moderate	Moderate
Action / Strategy		
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 – 16 February 2023
26.5.20 Item 8.3 Auditor General's Report – Contract Extensions and Variations Related 17.05.21 Internal Audit Report Contract Management	Director Corporate Services	Draft Contract Management Policy by 30 June 2021 and Guidelines 30 June 2022.	Contract Management Policy adopted by Council 9 March 2021 (C5.03.21). Guidelines still to be drafted. It is envisaged this task will be undertaken by the new Contract Officer position. The initial recruitment process failed to attract a suitable candidate. The position description was reviewed and a second recruitment process was to be undertaken in July/August 2022. However this did not occur due to priority being given to filling vacancies in the Finance team and recruiting a dedicated project resource for the chart of accounts project. The deadline will be revised once the second recruitment process has been undertaken (March/ April 2023) and a successful candidate is appointed to the position.

<p>25.01.2022 Item 8.2 Internal Audit Report - Infringements</p>	<p>Director Statutory Services</p>	<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"> • Issue of infringements, including authorised employees; • Maintenance and management of infringements; and • Referral to FER. <p>This Manual will be available to all sections of Statutory Services (Rangers, Fire, Health, Planning and Building including Swimming Pools).</p> <p>Due date: 31 December 2022.</p>	<p>The manual is still in development including establishing the processes associated with fully utilising the tools available within the Authority infringements software</p> <p>Revised due date: 30 June 2023.</p>
<p>25.01.2022 Item 8.2 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). 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>Consultation will be undertaken with another LGA (Town of Cottesloe) in relation to their use of the Authority infringements module to gain the best usage of the system including tracking of, and reporting on, infringements and prosecutions within an infringements register.</p> <p>As the community portal, My Mundaring Online has now been implemented further investigation and developments of the portal can now be undertaken with the IT Service.</p>

		<p>implementation of point 2 below; and</p> <p>2. Improvements to the infringement's module in Authority (the Shire's accounting software) will be investigated.</p>	
		Due date: 31 December 2022.	Revised due date: 30 June 2023.
25.01.2022 Item 8.2 Internal Audit Report - Infringements	Director Statutory Services	<p>An update to the legislation section of the compliance policy document will be actioned.</p>	<p>This action will be incorporated when the policy is reviewed as part of Shire's review of all policies.</p>
		Due date: 31 December 2022.	Revised due date: To be determined by the Governance Committee on 20 February 2023.
25.01.2022 Item 8.2 Internal Audit Report - Infringements	Director Statutory Services	<p>Infringement Reports - Statutory Services staff will liaise with IT and explore whether improvements can be made to the existing reporting facility in Authority.</p>	<p>As per the status update for the Compliance Register above.</p>
		Due date: 31 December 2022.	Revised due date: 30 June 2023.
25.01.2022 Item 8.2 Internal Audit Report - Infringements	Director Statutory Services	<p>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 will be considered when exploring improvements to Authority.</p>	<p>This action item will be addressed as part of the development of the Infringements Register.</p>
		Due date: 31 December 2022.	Revised due date: 30 June 2023.
28.06.2022 Item 8.3	Director	Give further	The timeline for the

Review of WALGA Contestable Energy Supply.	Infrastructure Services	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.	review of Purchasing Policy has been determined as commencing in January 2024 with a scheduled completion date of June 2024.
25 October 2022 Item 8.1 and 7 March 2023 Item 7.1 WHS Management Plan and Action Plan.	Director Corporate Services	Provide regular updates to the Committee on progress of these plans	The WHS Action Plan was presented to the Committee at the 7 March 2023 meeting in conjunction with the WHS Internal Audit findings. Six monthly update have been requested by the Committee as follows; <ul style="list-style-type: none"> • September 2023 • March 2024 • September 2024 • March 2025 • September 2025
28 February 2023 Item 9.1 General Computer Controls – Capability Maturity Framework	Director Corporate Services	Provide an update to the Committee by June 2023 (six monthly update).	Action items contained within the assessment are currently being progressed. Six monthly update have been requested by the Committee as follows; <ul style="list-style-type: none"> • June 2023 • January 2024 • June 2024 • January 2025 • June 2025

VOTING REQUIREMENT

Simple Majority

COMMITTEE DECISION RECOMMENDATION	ARC3.04.23
Moved by Cr Beale Seconded by Cr Daw	

That the Committee notes the Action Items Status Report as at 16 April 2023.

CARRIED 7/0

For: Cr Daw, Mr Wilkinson, Cr Martin, Mr Wittcomb, Ms Green, Cr McNeil and Cr Beale

Against: 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 will be held at 4.00pm on Tuesday, 27 June 2023 in the Committee Room, 7000 Great Eastern Highway, Mundaring.

9.2 Closure of the Meeting

The Presiding Person declared the meeting closed at 4.35pm.