



INTERNAL AUDIT PLAN

2023/24 to 2026/27

Noted by Audit and Risk Committee 26 April 2023 (ARC2.04.23)

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