



# City of Kalamunda

Annual Internal Audit Plan – 2019

**Prepared for:** City of Kalamunda Audit Committee

**Prepared by:** Crowe Horwath



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# 1. Executive Summary

## 1.1 Objective

The City of Kalamunda (the City) has contracted Crowe Horwath to provide internal audit services to assist the City with its internal control systems, risk management and compliance activities.

In accordance with the City's internal audit contract specification, this plan presents the Annual Audit Plan for 2019.

## 1.2 Development of the Annual Internal Audit Plan

On 16 January 2019, Crowe Horwath met with the Manager Financial Services and Acting Director Corporate Services to discuss the internal audit coverage for the year 2019. This Annual Internal Audit Plan sets out the scope of the planned work to be undertaken by Internal Audit for the City for 2019.

As a result of those discussions the accompanying draft plan has been prepared for the consideration of the Audit Committee. The Internal Audit Plan is a broad planning document.

As part of our Internal Audit Methodology, prior to commencing any reviews, we will prepare a Memorandum of Audit Planning (**MAP**) for each project. The MAP will detail the background to each review, approach to be undertaken to the work required, objectives of the review and strategies (procedures) to ensure the objectives are met.

An indicative scope for each review to be completed in 2019 is also included in this Annual Internal Audit Plan.

We will submit the MAP to management for approval before work is undertaken to ensure there is a clear understanding of the nature and scope of work to be provided.



### 1.3 Service Unit Coverage

The following summarises the indicative coverage of Internal Audit Projects across the functional areas of the City for 2019.

Functional area	2019
<b>CEO Office</b>	<ul style="list-style-type: none"> <li>▪ Policies and Procedures (Phase 1) – <b>Deferred from the 2018 Internal Audit Plan</b></li> <li>▪ Policies and Procedures (Phase 2) – <b>Deferred to 2020</b></li> <li>▪ Relationship between Elected Members and Administration – <b>Deferred to 2020</b></li> <li>▪ Advisory Committee – <b>Deferred to 2020</b></li> <li>▪ Customer Service</li> <li>▪ Advocacy – <b>Deferred to 2020</b></li> <li>▪ Workforce Planning</li> <li>▪ Human Resource Management</li> <li>▪ Occupational Health and Safety (OHS) (Part 1) – <b>Brought forward from the 2020 Internal Audit Plan</b></li> </ul>
<b>Corporate Services</b>	<ul style="list-style-type: none"> <li>▪ Contract Management - <b>Deferred from the 2018 Internal Audit Plan</b></li> <li>▪ Procurement and Tendering</li> <li>▪ General Financial Controls (excluding Procurement and Tendering)</li> <li>▪ Risk Management</li> <li>▪ Cyber Security</li> <li>▪ Cloud Migration</li> <li>▪ Sustainable Environment</li> <li>▪ ICT Governance – <b>Brought forward from the 2020 Internal Audit Plan</b></li> </ul>
<b>Development Services</b>	<ul style="list-style-type: none"> <li>▪ Business Continuity Planning (BCP) and Disaster Recovery (DR)</li> <li>▪ Bushfire Management</li> <li>▪ Emergency Management</li> </ul>
<b>All Functional Areas</b>	<ul style="list-style-type: none"> <li>▪ Business Unit Review – <b>Deferred to 2020</b></li> </ul>





## 2. Internal Audit Plan – 2019 Indicative Project Scopes

Internal Audit Projects		Estimated Hours	Timing
<b>Office of the Chief Executive Officer</b>			
<b>1</b>	<p><b>Policies and Procedures (Phase 1)</b> An audit is to be undertaken to conduct a gap analysis of the City's policy framework.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. List of policies and procedures, including legislative requirements, retained by the City.</li> <li>2. Maintenance of policies and procedures, including the process of updating and reviewing the relevant policies and procedures.</li> <li>3. Relevance of current policies and procedures retained by the City.</li> <li>4. Accessibility of policies and procedures to employees.</li> </ol>	40	Q4 2019
<b>2</b>	<p><b>Customer Service</b> An audit is to be undertaken to assess the adequacy and effectiveness of customer service.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Key performance indicators for customer service.</li> <li>2. Management information and reporting is in place for key areas.</li> <li>3. Strategy, internal guidance and the Customer Service Charter and Standards.</li> <li>4. Processes for escalating service requests.</li> <li>5. Complaints and interaction with other areas.</li> <li>6. Training for general staff and customer services with regards to key requirements.</li> </ol>	40	Q3 2019
<b>3</b>	<p><b>Workforce Planning</b> An audit is to be undertaken to consider the City's ability to meet future objectives and challenges to deliver effective outcomes for ratepayers.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. HR Manual and other relevant policy and procedural documents.</li> <li>2. Procedures for identifying skill gaps and ensuring that training</li> </ol>	60	Q4 2019



Internal Audit Projects		Estimated Hours	Timing
	and development needs are addressed. 3. Succession planning.		
4	<p><b>Human Resource Management</b></p> <p>An audit is to be undertaken to assess the effectiveness of the City's HR strategies and management processes including recruitment, staff retention, termination, disciplinary actions, performance management, training and development.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Strategic HR plan.</li> <li>2. Policies and procedures (recruitment, leave, flexible work arrangement etc).</li> <li>3. Recruitment, selection and appointment processes including internal review of recruitment lessons.</li> <li>4. Casuals and labour hire.</li> <li>5. Staff on long term higher duties.</li> <li>6. Performance appraisal and management system.</li> <li>7. Training.</li> <li>8. Staff retention strategies.</li> <li>9. Grievance and disciplinary guidelines and procedures.</li> <li>10. Personnel records management including privacy.</li> <li>11. Termination.</li> </ol>	75	Q3 2019
<b>Corporate Services</b>			
5	<p><b>Contract Management</b></p> <p>An audit is to be undertaken to assess the adequacy and effectiveness of the City's contract management processes.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Alignment of procurement and contract management policies and procedures.</li> <li>2. Qualitative and quantitative performance measures that have been put in place to enable the contract manager to monitor and measure service delivery.</li> <li>3. Performance review processes including KPIs.</li> <li>4. Compliance with commercial contract conditions.</li> <li>5. Segregation of duties.</li> <li>6. Monitoring, review and management of contractor relationships, performance and spend (including variation, extensions of time, risk management, delegated financial authority).</li> <li>7. Payment approval process.</li> </ol>	60	Q4 2019





Internal Audit Projects		Estimated Hours	Timing
	8. Building and Tree maintenance contracts.		
<b>6</b>	<p><b>Procurement and Tendering</b></p> <p>An audit is to be undertaken to assess City's processes, procedures, controls and activities in relation to procurement, including tendering, supplier's selection, and approval.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Tendering policies and procedures.</li> <li>2. The requirements and process for the preparation of tender documents.</li> <li>3. The processes for tender advertising, submission and receipting and securing.</li> <li>4. The process of tender evaluation.</li> <li>5. Compliance with governance processes, policy and procedures.</li> <li>6. Probity measures.</li> <li>7. Efficacy and integrity process, including value for money testing.</li> <li>8. Internal controls designed to prevent fraud and corruption.</li> <li>9. Authorisation and approval processes, delegations.</li> </ol>	40	Q2 2019
<b>7</b>	<p><b>General Financial Controls</b></p> <p>An audit is to be undertaken to assess the effectiveness of the process level controls within the financial functions.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Financial management guidelines/procedures.</li> <li>2. Reconciliations.</li> <li>3. Control framework including system access controls.</li> <li>4. Electronic fund transfer security protocols.</li> <li>5. Segregation of duties including fraud management controls.</li> <li>6. Management reporting.</li> </ol>	40	Q1 2019
<b>8</b>	<p><b>Risk Management</b></p> <p>An audit is to be undertaken to review the policies, procedures and practices implemented regarding Risk Management.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Compliance with governance processes.</li> <li>2. Consistency of application of risk management policy and procedures and compare to best practice.</li> <li>3. Processes in place for identifying, prioritising and managing risks to acceptable levels.</li> </ol>	60	Q1 2019



Internal Audit Projects		Estimated Hours	Timing
	4. Risk communication, awareness and reporting.		
<b>9</b>	<p><b>Cyber Security</b></p> <p>An audit is to be undertaken to assess the adequacy of security measures in place to prevent security incidents occurring.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Policy and standards in relation to access to and use of information and information systems, including risk governance; risk mitigation tools, monitoring, oversight and response and recovery plan.</li> <li>2. Process to identify key risks related to cyber security.</li> <li>3. Key IT security protocols.</li> <li>4. Training and awareness.</li> <li>5. System security controls.</li> </ol>	60	Q2 2019
<b>10</b>	<p><b>Cloud Migration</b></p> <p>An audit is to be undertaken to assess the adequacy and effectiveness of procedures and controls internal and external over the Cloud computing practices.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Risk management and compliance.</li> <li>2. Governance.</li> <li>3. Delivery and Architecture (internal and external).</li> <li>4. Infrastructure Security (internal and external).</li> <li>5. Identity and Access Management (internal and external).</li> <li>6. Business Availability.</li> <li>7. IT Operations.</li> <li>8. Vendor Management.</li> <li>9. Business Operations.</li> </ol>	75	Q1 2019

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Internal Audit Projects		Estimated Hours	Timing
<b>Asset Services</b>			
<b>11</b>	<p><b>Sustainable Environment</b></p> <p>An audit is to be undertaken to assess the adequacy and effectiveness of the City's environmental policies, process and activities.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Environmental strategy and plan.</li> <li>2. Processes and practices adopted to understand and to manage future climate variability.</li> <li>3. Status of the strategic initiatives performed around the ability of the business to adapt to climate variability and whether these processes are embedded across the City.</li> <li>4. Status of previous strategies and climate change scenarios.</li> <li>5. Cross-divisional responsibilities.</li> <li>6. Planning policy review and how decision making takes into account biodiversity profile of the City.</li> </ol>	75	Q2 2019
<b>Development Services</b>			
<b>12</b>	<p><b>Business Continuity Planning (BCP) and Disaster Recovery (DR)</b></p> <p>An audit is to be undertaken to review the adequacy of the various processes that have been put in place within the City, to manage and control the BCP and DR processes. This review will be undertaken utilising ISO 22301:2012 Societal Security: Business continuity management systems framework.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Definition and accuracy of the BCP and DR objectives.</li> <li>2. Coverage of the BCP and DR Plans.</li> <li>3. Benchmark against best practices.</li> <li>4. Organisational roles, responsibilities and authorities.</li> <li>5. Communication, training and awareness of the plan.</li> <li>6. Business impact analysis and development of the plans.</li> <li>7. On-going evaluation of the plan including exercising and testing.</li> <li>8. Continuous Improvement of the plan.</li> </ol>	120	Q3 2019



Internal Audit Projects	Estimated Hours	Timing
<p><b>13 Bushfire Management</b></p> <p>An audit is to be undertaken to:</p> <ul style="list-style-type: none"> <li>▪ Assess the current controls, processes and policies to ensure the operation of a safe and effective bushfire management service for prevention/mitigation and preparedness;</li> <li>▪ Establish if responsibilities for the City in relation to the Bush Fire Act (1954) have been complied with, in particular, the Chief Bush Fire Control Officer (CBFCO) role and other associated responsibilities in respect of prevention/mitigation and preparedness.</li> </ul> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Stakeholder engagement including MOUs and agreements with stakeholders such as DFES, Water Corporation, etc.</li> <li>2. Bushfire management plan.</li> <li>3. Inspection regime.</li> <li>4. Staff training.</li> <li>5. Volunteers.</li> <li>6. Risk assessment.</li> <li>7. Roles and responsibilities.</li> <li>8. Review efficacy of education/ community awareness.</li> </ol>	40	Q1 2019
<p><b>14 Emergency Management</b></p> <p>An audit is to be undertaken to assess the adequacy of the policies, procedures and practices implemented by the City in relation to emergency management.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Development/existence of the Emergency Plan.</li> <li>2. Documentation and Communication of the Emergency Management Plan.</li> <li>3. Notification and mobilisation procedures.</li> <li>4. Management of vulnerable persons.</li> <li>5. Training for staff including testing of the plan.</li> <li>6. Debriefing and feedback procedures.</li> <li>7. Record keeping.</li> <li>8. Integration with other community organisations and services.</li> </ol>	40	Q2 2019



# Appendix 1 – Amendments to the Internal Audit Plan

In consultation with the Manager Financial Services, the following Internal Audits have been deferred.

Deferred Internal Audits from 2019 to 2020

Internal Audit Projects		Estimated Hours	Timing
<b>Office of the Chief Executive Officer</b>			
<b>1</b>	<p><b>* Policies and Procedures (Phase 2)</b></p> <p>An audit is to be undertaken to assess the extent of the City's compliance with key policies and procedures.</p> <p>The audit will include a review of the City's Policy Management Framework.</p>	75	*Deferred - 2020
<b>2</b>	<p><b>Corporate Governance</b></p> <p>An audit is to be undertaken to assess the effectiveness and adequacy of the City's corporate governance framework that is used to manage the relationships between elected members and the City's management.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Documentation and recording of council decisions.</li> <li>2. Monitoring, reporting and tracking of implementation.</li> <li>3. Accuracy, relevance, and timeliness of reporting.</li> <li>4. Management verification and approval of completed actions.</li> <li>5. Notice of motions.</li> <li>6. Officer's reports.</li> <li>7. Training for elected members.</li> <li>8. Cultural risk assessment.</li> </ol>	40	**Deferred - 2020
<b>3</b>	<p><b>Advisory Committee</b></p> <p>An audit is to be undertaken to assess the effectiveness of the Advisory Committee.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Charter / mandate / terms of reference.</li> <li>2. Structure and compositions.</li> <li>3. Governance and formality including agenda and minutes.</li> </ol>	40	**Deferred - 2020



Internal Audit Projects		Estimated Hours	Timing
	4. Reporting structure. 5. Meetings including frequency and attendance. 6. Tracking of recommendations and reporting of implementation of outcomes.		
4	<b>Advocacy</b> An audit is to be undertaken to review the adequacy and effectiveness of the City's advocacy activities.  The audit will include: <ol style="list-style-type: none"> <li>1. Advocacy plan and strategy.</li> <li>2. Policy and guidelines.</li> <li>3. Code of Conduct.</li> <li>4. Reporting and monitoring.</li> <li>5. Measurement of output and outcomes.</li> </ol>	40	**Deferred - 2020
5	<b>Business Unit Review</b> An audit is to be undertaken to assess the efficiency and effectiveness of Business Unit.  The audit will include: <ol style="list-style-type: none"> <li>1. Objectives of business unit and alignment with the City's business plan.</li> <li>2. Performance monitoring and reporting including KPIs.</li> <li>3. Business unit plan.</li> <li>4. Roles and responsibilities.</li> <li>5. Policies and Procedures.</li> <li>6. Systems and processes.</li> <li>7. Records management.</li> <li>8. Risk management.</li> <li>9. Regulatory compliance.</li> </ol>	75	**Deferred - 2020

**Note:**

\* The City is deferring the *Policies and Procedures (Phase 2)* internal audit to 2020 as the *Policies and Procedures (Phase 1)* internal audit will be performed as part of the 2019 Internal Audit Plan.

\*\* The City is deferring these internal audits based on current risk priorities and will reconsider the risk profile of these items in the next calendar year.



Internal Audits moved from 2020 to 2019.

Internal Audit Projects		Estimated Hours	Timing
<b>Office of the Chief Executive Officer</b>			
<b>1</b>	<p><b>* Occupational Health and Safety (OHS) (Part 1)</b>                      An audit is to be undertaken to assess the City's compliance with measures implemented in connection to OHS requirements and safe working practices.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. Safety Management Plan and related policies, procedures, templates, tools and guidelines.</li> <li>2. Appointment of Safety Coordinator and Safety Advisors.</li> <li>3. OHS induction training.</li> <li>4. Annual Work Plan.</li> <li>5. Review Tool box meeting.</li> <li>6. Review OHS certification.</li> <li>7. OHS Legislation and compliance.</li> <li>8. OHS Reporting.</li> <li>9. OHS Audits.</li> <li>10. OHS Management Systems.</li> <li>11. Pre-employment medicals.</li> <li>12. Drug and alcohol testing.</li> <li>13. Inspections. Ergonomic assessments.</li> <li>14. Safety Committee meetings.</li> <li>15. Fitness for work.</li> <li>16. HR Metrics.</li> </ol>	60	Q2 2019

**Note:**

\* The City decided to bring forward the *Occupational Health and Safety* internal audit from the 2020 Internal Audit Plan and to include it into the 2019 Internal Audit Plan, however this internal audit will be divided into two phases. Only *Phase 1* will be performed as part of the 2019 Internal Audit Plan.

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Internal Audit Projects		Estimated Hours	Timing
<b>Corporate Services</b>			
2	<p><b>** ICT Governance</b></p> <p>An audit is to be undertaken to assess the adequacy of procedures and controls over the IT governance practices.</p> <p>The audit will include:</p> <ol style="list-style-type: none"> <li>1. ICT plan and strategy.</li> <li>2. Business planning including budget.</li> <li>3. Risk assessment.</li> <li>4. Organisational hierarchy and responsibilities.</li> <li>5. Service agreement with outsourced service providers.</li> <li>6. Resourcing - roles and responsibilities, capabilities.</li> <li>7. Reporting.</li> <li>8. Recovery plan.</li> </ol>	75	Q3 2019

**Note:**

\*\* The City decided to include the *ICT Governance* internal audit into the 2019 Internal Audit Plan as it is a focus area for the OAG and poses a high risk to the City.

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## Contact Us

### **Crowe Horwath (Aust.) Pty Ltd**

ABN 84 006 466 351

Member Crowe Horwath International

Audit and Assurance Services

Level 5 45 St George's Terrace

Perth WA 6000

PO Box P1213

Perth WA 6844

Tel +61 8 9481 1448

Fax +61 8 9481 0152

[www.crowehorwath.com.au](http://www.crowehorwath.com.au)

Approval

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