

Audit & Risk Committee Meeting

Minutes for Tuesday 20 March 2018

CONFIRMED



**city of
kalamunda**

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1. Official Opening

The Presiding Member opened the meeting at 6.34pm and welcomed Councillors, Staff and Members of the Public Gallery.

2. Attendance, Apologies and Leave of Absence Previously Approved

Councillors

South East Ward

John Giardina - (Mayor)

Michael Fernie

Geoff Stallard

South West Ward

Lesley Boyd

North West Ward

David Almond

Sara Lohmeyer

Dylan O'Connor

North Ward

Cameron Blair

Tracy Destree (Presiding Member)

Margaret Thomas

Members of Staff

Chief Executive Officer

Rhonda Hardy

Executive Team

Gary Ticehurst - Director Corporate & Community Services

Peter Varelis – Director Development Services

Dennis Blair – Director Asset Services

Management Team

Rajesh Malde – Manager Finance & Risk Services

Chris Thompson - Manager Asset & Waste Operations

Rob Korenhof - Manager Asset Delivery Services

Virginia Miltrup - Manager People Services

Nicole O'Neill – Manager Customer & Public Relations

Administration Support

Kristy Lisle – Executive Research Officer, Governance & Legal

Adam Parker - Service Desk Analyst

Guests

Crowe Howarth Pty Ltd

Members of the Public 1

Members of the Press Nil.

Apologies

South West Ward

Cr Allan Morton

Cr Brooke O'Donnell

Leave of Absence Previously Approved

Nil

3. Public Question Time

A period of not less than 15 minutes is provided to allow questions from the gallery on matters relating to the functions of Council. For the purposes of Minuting, these questions and answers will be summarised.

3.1 Nil.

4. Petitions/Deputations

4.1 Nil.

5. Confirmation of Minutes from Previous Meeting

5.1 That the Minutes of the Audit & Risk Committee Meeting held on 27 November 2017, as published and circulated, are confirmed as a true and accurate record of the proceedings, subject to the word 'Lost' in the voting table that appears on page 20 of the minutes being replaced with the word 'Carried'.

Moved: **Cr Geoff Stallard**

Seconded: **Cr John Giardina**

Vote: **CARRIED UNANIMOUSLY 10/0**

Statement by Presiding Member

"On the basis of the above Motion, I now sign the Minutes as a true and accurate record of the meeting of 27 November 2017."

6. Announcements by the Member Presiding Without Discussion

6.1 The Presiding Member welcomed Internal Auditors, Crowe Howarth who assisted with Item 9.1.3 Strategic Internal Audit Plan 2017-20.

7. Matters for Which the Meeting may be Closed

7.1 **9.1.4 Officer of the Auditor General – Focus Audit on City of Kalamunda Corporate Credit Cards – Confidential Attachment – Provided under separate cover.**

Reason for Confidentiality: Local Government Act 1995 (WA) Section 5.23 (2) (f) - "a matter that if disclosed, could be reasonably expected to - (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; (ii) endanger the security of the local government's property; or (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety"

7.2 **14.1.1 Probity Audit – RFQ Results – Provided under separate cover.**

Reason for Confidentiality: Local Government Act 1995 (WA) Section 5.23 (2) (d) - "legal advice obtained, or which may be entered into, by the local government which relates to a matter to be discussed."

Reason for Confidentiality: *Local Government Act 1995 (WA) Section 5.23 (2) (e) - "matter that if disclosed, would reveal - (i) a trade secret; (ii) information that has a commercial value to a person; or (iii) information about the business, professional, commercial or financial affairs of a person; - where the trade secret or information is held by, or is about a person other than the local government"*

Reason for Confidentiality: *Local Government Act 1995 (WA) Section 5.23 (2) (f) - "a matter that if disclosed, could be reasonably expected to – (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; (ii) endanger the security of the local government's property; or (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety"*

7.3 **14.1.2 Probity Report – Actions on Recommendations – Provided under separate cover.**

Reason for Confidentiality: *Local Government Act 1995 (WA) Section 5.23 (2) (d) - "legal advice obtained, or which may be entered into, by the local government which relates to a matter to be discussed."*

Reason for Confidentiality: *Local Government Act 1995 (WA) Section 5.23 (2) (e) - "matter that if disclosed, would reveal - (i) a trade secret; (ii) information that has a commercial value to a person; or (iii) information about the business, professional, commercial or financial affairs of a person; - where the trade secret or information is held by, or is about a person other than the local government"*

Reason for Confidentiality: *Local Government Act 1995 (WA) Section 5.23 (2) (f) - "a matter that if disclosed, could be reasonably expected to - (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; (ii) endanger the security of the local government's property; or (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety"*

8. Disclosure of Interest

8.1. Disclosure of Financial and Proximity Interests

a. Members must disclose the nature of their interest in matter to be discussed at the meeting. (Section 5.56 of the *Local Government Act 1995*.)

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

8.1.1 Nil.

8.2. Disclosure of Interest Affecting Impartiality

a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

8.2.1 Nil.

9. Reports to Council

9.1. Corporate Services Reports

9.1.1. City of Kalamunda Risk Profile

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

Previous Items	N/A
Directorate	Corporate Services
Business Unit	Corporate Services
File Reference	N/A
Applicant	N/A
Owner	N/A

Attachments	1. City of Kalamunda Strategic Risk Register [9.1.1.1]
	2. Intergrated Risk Management Plan [9.1.1.2]
	3. Risk Profile [9.1.1.3]

EXECUTIVE SUMMARY

1. The purpose of this report is to provide Council with an update of the City's Risk Profile consisting of the top ten reported risks at 28 February 2018.
2. The City's Risk Profile has been prepared in accordance with the adopted Integrated Risk Management Plan (Plan). The Risk Profile outlines the top 10 ranked risks facing the organisation.
3. The Risk Profile was developed following a review of the City's Strategic Risk Register by the Executive Management Team and was presented to Council at the February Strategic Retreat on February 11 & 12 2018.
4. It is recommended that Council endorse the Risk profile and note the Strategic Risk Register.

BACKGROUND

5. Risk Management is a core component of corporate governance and an integral part of contemporary management practices. The Risk Profile has been adopted in accordance with the Risk Management Plan and is structured around *AS/NZS/ISO 31000:2009* and the requirements under the *Local Government (Audit) Regulations 1996*.
6. The management of risk is focused on:
 - a) maintaining high levels of integrity for services provided by the City;
 - b) protecting the City's physical, and non-physical assets including, employees, elected members, financial and property;
 - c) achieving and maintaining legislative and regulatory compliance, including codes of conduct and professional standards;
 - d) creating an environment where all employees assume responsibility for the proactive management of risk; and

- e) demonstrating transparent and responsible risk management processes aligned to accepted best practice so as to address uncertainty and to deliver continuous improvement.

7. The Risk Profile captures those risks that are likely to:

- a) adversely impact the City's capacity to deliver current and future services;
- b) have an organisational wide focus or impact;
- c) have an adverse financial impact; and
- d) result in significant reputational or political damage.

DETAILS

8. Risk Management refers to the co-ordination of activities that direct and control the organisation with regard to risk. It is acknowledged that risk management involves both the management of potentially adverse impacts together with the realisation of opportunities. Risk Management is a focal element of the City's strategy to promote accountability through good governance and robust business practices, contributing to maintaining a sustainable organisation focused on the effective management of resources and operations.

9. In recognising that risk management is integral to good business practices, Enterprise Risk Management is comprised of the following elements:

- a) the City of Kalamunda's Risk Management Framework;
- b) Risk Management Policy and Management Procedures;
- c) Senior Management Team commitment to leading and championing risk management practices and thinking;
- d) management systems to establish and report on the profile and treatment of risks; and
- e) broad based training and awareness raising to enhance risk management understanding.

10. The City's Risk Management Framework is based on 11 best practice principles contained in the (AS/NZS ISO 31000:2009). These principles are:

- a) creating and protecting value – contributing to the achievement of the City's objectives and improving performance;
- b) an integral part of the organisational processes;
- c) a key element of decision making;
- d) explicitly addressing uncertainty;
- e) systemic, structural and timely;
- f) founded on the best available information;
- g) tailored with the internal and external operating environments;
- h) human and cultural factors – recognising that people capabilities, perceptions can aid or hinder the achievement of objectives;
- i) transparent and inclusive;
- j) dynamic, interactive and responsive to change; and
- k) focused on continual improvement.

11. The City's Executive Management Team recently undertook a series of workshops to review and update the Strategic Risk Register. From the workshops the Risk Profile was compiled based on the top ten strategic risks likely to impact the City's ability to achieve its strategic objectives.
12. The City's Strategic Risk Register has been developed so as to:
 - a) identify any new risk events;
 - b) highlight risk trends between the current and previous years; and
 - c) identify priority treatment actions planned for the next 12 months

STATUTORY AND LEGAL CONSIDERATIONS

13. Local Government (Audit) Regulations Amendment.

Amendments to the *Local Government (Audit) Regulations 1996* came into effect on 9 February 2013. Specifically, clause 17 which states:

"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 sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.

(3) The CEO is to report to the audit committee the results of that review."

In addition to the requirement for the CEO to prepare a report as outlined in clause 17, the Regulation also stipulates an additional responsibility for the Audit Committee as detailed in clause 16(c) which states the Audit Committee:

"(c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to –

- (i) report to the council the results of that review; and*
- (ii) give a copy of the CEO's report to the council."*

POLICY CONSIDERATIONS

14. The City of Kalamunda's Risk Profile has been developed in accordance with the Integrated Risk Management Plan and the City of Kalamunda's Risk Management Policy (C-HR06).

COMMUNITY ENGAGEMENT REQUIREMENTS

Internal Referrals

15. The Risk Profile was developed following an assessment and review of the City's strategic risks. The Risk Profile was subsequently reviewed by the City's Executive Management Team.

External Referrals

16. A loss validation exercise is currently underway with Regis Mutual Management who will provide an independent assessment of risk.

FINANCIAL CONSIDERATIONS

17. Nil.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

18. *Kalamunda Advancing Strategic Community Plan to 2027*

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

SUSTAINABILITY

Social Implications

19. Nil.

Economic Implications

20. Nil.

Environmental Implications

21. Nil.

RISK MANAGEMENT CONSIDERATIONS

- 22.
- | | | |
|--|--------------------|---------------|
| Risk: That the Risk Profile fails to identify a material risk event. | | |
| Likelihood | Consequence | Rating |
| Possible | Moderate | Medium |
| Action/Strategy | | |
| <ul style="list-style-type: none"> Risk Assessment based on the Risk Management Plan and established standard. Risk Profile reviewed by Executive and Council. | | |

OFFICER COMMENT

23. Risk Management is a core element of corporate governance and an integral component of contemporary management practices. The Risk Management Plan is structured around *AS/NZS/ISO 31000:2009* (and the requirements under the) *Local Government (Audit) Regulations 1996*.
24. The effective management of risk enables the City to promote accountability through good governance and robust business practices, contributing to maintaining a suitable organisation focused on the effective management of resources and operations.
25. The Risk Profile was reviewed by the Executive Management Team before being presented to Council at the Strategic Retreat.

Cr Destree foreshadowed some amendments to the City of Kalamunda Risk Profile and discussed the amendments with Council. The CEO informed Council these amendments would be reviewed and amended for the next Audit & Risk Committee as the Risk Profile is reviewed quarterly. Discussions ensued between Councillors and satisfied with the discussions, the Presiding Member proposed to adopt the recommendation as unchanged and wait for the review presented to the next Committee.

Voting Requirements: Simple Majority

RECOMMENDATION

That Council:

1. Endorse the Risk Profile.
2. Notes the Strategic Risk Register.
3. Notes that the Risk Profile will be brought to subsequent Audit & Risk Committee Meetings.

Moved: **Cr John Giardina**

Seconded: **Cr Dylan O'Connor**

Vote: **CARRIED UNANIMOUSLY (10/0)**






City of Kalamunda 2017 Strategic Risk Register

City of Kalbarri 2017 Strategic Risk Register

ID No.	Risk Description	Risk Owner	2016 to 2017 Trend		Current Risk Rating (2017)			Target Risk Rating (2018)			Treatment Actions in next 12 months
				Treatment Actions in past 12 months	Consequence	Likelihood	Current Risk Level	Consequence	Likelihood	Target Risk Level	
1	Degradation of City's biodiversity profile through the development process	Director Development Services		New/modified risk	Major	Likely	Extreme	Major	Unlikely	High	1. Investigation of Tree Retention Scheme amendment and related planning policy; 2. Risk identification through council reporting; 3. Ensuring existing planning process and legislation re: flora and fauna protection are enforced
2	Increased safety risks resulting from both existing occupational hazards and changing employee health profile (eg aging workforce, mental health, drug and alcohol prevalence)	CEO	→	Risk level has been maintained at 2016 levels. Risk treatment includes regular audits, safety management plan, training, drug & alcohol testing and hazard management. There was 1 potentially fatal event in 2016/17 (bee sting event).	Critical	Rare	High	Critical	Rare	High	1. Asset Services Safety Initiative; 2. Review and improve Fit for Work Policy and Retirement Policy; 3. Improved management of poor performance
3	Inadequate Emergency Recovery process in response to critical event	Director Development Services	→	Risk level has been maintained at 2016 levels. Last year's actions included emergency recovery testing, monitoring and review of disaster recovery plan and bushfire risk management plan Additional staff, additional training.	Major	Rare	High	Major	Rare	High	1. Emergency Management Recovery training and testing; 2. Monitoring and review of Disaster Recovery Plan; 3. Review of Bushfire Risk Management Plans
4	Ineffective Information Security Protocols	Director Corporate Services	→	Risk profile has been maintained since 2016. Risk treatment activities have included testing of Disaster Recovery Plan, Testing Business Continuity Plan, increased insurance, cloud migration, increased 3rd party penetration testing, backup environment, 2nd firewall, plus increased resourcing and capability of team	Significant	Likely	High	Significant	Likely	High	1. Frequent penetration testing continues; 2. Testing of the Disaster Recovery Plan continues; 3. Staff training and awareness regarding security protocols 4. External Security Review
5	Not identifying and managing contaminated land	Director Development Services	↑	Risk rating has been downgraded since 2016 due to focused management interventions such as register of contaminated sites, investigation and monitoring of priority sites, community education and increased insurance	Significant	Likely	High	Significant	Possible	High	1. Register and update of contaminated sites; 2. Investigation and monitoring of priority sites; 3. Community Education Program; 4. Allocation of funds through WAAR Levy for remediation

City of Kalamunda 2017 Strategic Risk Register											
ID No.	Risk Description	Risk Owner	2016 to 2017 Trend	Treatment Actions in past 12 months	Current Risk Rating (2017)			Target Risk Rating (2018)			Treatment Actions in next 12 months
					Consequence	Likelihood	Current Risk Level	Consequence	Likelihood	Target Risk Level	
6	Inability to influence policy direction, including inability to align projects to funding opportunities, resulting in impact on revenue. Includes missed funding opportunities and/or introduction of detrimental govt policy decisions (eg rate caps by government)	CEO	↑	This risk is supported by ongoing advocacy activity at all levels of management. Specific focus in past 12 months includes Council endorsement of the advocacy strategy, regular meetings with politicians, ensuring shovel-ready projects are prepared, proactively identifying and seeking funding opportunities, plus building partnerships with community and stakeholders	Significant	Possible	High	Moderate	Possible	Medium	1. Advocacy efforts continue (aligned to strategy); 2. Community engagement to identify opportunities; 3. Continued design and planning for shovel-ready projects
7	Ineffective asset management of all City owned assets and facilities	Director Asset Services	↑	There is a significant severity of consequence to reputation and safety which does not change. With the established asset management team and strong processes, the risk likelihood has decreased. Asset management practices have improved including condition inspections, resourcing of the asset team, production of two asset management plans (of 5), funding for asset management activities, and an asset enhancement reserve. The 2016/2017 financial year asset valuation was audited and cleared and asset ratios are understood and being improved. All activities are now guided by an Asset Management Strategy.	Significant	Possible	High	Significant	Unlikely	Medium	1. Deliver the Asset Management Strategy and related asset management activities; 2. Community consultation on Levels of Service (which improves the alignment of our activities with community needs). 3. Produce asset management plans for Roads and Drainage. 4. Community Facility Plan to inform
8	Failure to plan for housing diversity and lifestyle choices for aged and persons with disability	Director Development Services	↑	Two aged persons sites approved, progress towards several additional sites underway, aged care advisory committee, disability advisory committee, ongoing and constant advocacy	Significant	Possible	High	Significant	Unlikely	Medium	1. Preparing a new Local Planning Strategy; 2. Review of Planning Scheme; 3. Community Promotion; 4. Forrestfield North (FFN) Structure Planning
9	Planning development process perceived by community as incompatible with environmental values	Director Development Services		New/modified risk	Significant	Possible	High	Significant	Unlikely	Medium	1. Investigation of Tree Retention Scheme amendment and related planning policy; 2. Risk identification through council reporting; 3. Ensuring existing planning process and legislation re: flora and fauna protection are enforced; 4. Community education

City of Kalamunda 2017 Strategic Risk Register											
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					Consequence	Likelihood	Current Risk Level	Consequence	Likelihood	Target Risk Level	
10	Ineffective governance and decision making impacts and inhibits ability to effectively govern	CEO	↑	This risk is improved through continued focus on positive and strong relationships within Council and relationships between Council and Administration. Supported by Councillor induction, clarification of roles and training.	Major	Unlikely	High	Significant	Unlikely	Medium	1. Continue to foster strong relationships between Councillors and between Council and Administration; 2. Endorsement of Governance and Policy Framework; 3. Training of Council and Administration members.
11	Inability to support increasing demands of community groups	Director Corporate & Community Services	↑	Strong focus on stakeholder engagement. Alignment of the community facilities plan and the long term financial plan	Significant	Unlikely	Medium	Moderate	Possible	Medium	1. Build stronger relationships with Community Groups; 2. Actively engage Government in advocacy programs; 3. Implement SSBCC
12	Ineffective strategies to optimise economic development results in missed opportunities for local economy	Director Corporate Services	↑	Developed the Economic Development Strategy & continued to build strong relationships with Chamber of Commerce and local businesses; Resourcing of Economic Development team	Significant	Unlikely	Medium	Moderate	Possible	Medium	1. Implement Economic Development Strategy; 2. Develop and implement Tourism Strategy; 3. Progress the Inland Port Member Councils Freight Logistics Project
13	Failure of management controls resulting in fraud or misconduct	CEO	→	Controls and actions include: sophisticated risk management procedures, audit controls, experienced and qualified staff, public interest disclosure, internal governance and legal, gift register (and other policies), role of OAG	Significant	Unlikely	Medium	Significant	Unlikely	Medium	1. Regular audit of controls continue; 2. Audit and Risk Committee oversight; 3. Review and improvement of Policy Framework
14	Inability to meet changing needs of the community (eg housing)	Director Development Services	→	Risks mitigated via dual density, local planning strategy and planning scheme review	Significant	Unlikely	Medium	Significant	Unlikely	Medium	1. Preparing of new Local Planning Strategy; 2. Community Engagement; 3. FFN Structure Planning
15	Inability to provide sufficient land for active and passive recreation activities	Director Development Services		New/modified risk	Significant	Unlikely	Medium	Significant	Unlikely	Medium	1. Preparing of new Local Planning Strategy; 2. Review of Planning Scheme; 3. Community Engagement; 4. FFN Structure Planning; 5. Public Open Space Strategy
16	Lack of water sufficient for community needs now and future through strategic town planning considerations	Director Development Services		(Award winning) Water harvesting applications	Significant	Unlikely	Medium	Significant	Unlikely	Medium	1. Preparing of new Local Planning Strategy; 2. Review of Planning Scheme; 3. Community Engagement; 4. FFN Structure Planning; 5. Public Open Space Strategy

City of Kalamunda 2017 Strategic Risk Register											
ID No.	Risk Description	Risk Owner	 2016 to 2017 Trend		Current Risk Rating (2017)			Target Risk Rating (2018)			Treatment Actions in next 12 months
				Treatment Actions in past 12 months	Consequence	Likelihood	Current Risk Level	Consequence	Likelihood	Target Risk Level	
17	Failing to advocate on behalf of community to access new transport opportunities arising from new technologies	Director Development Services		New/modified risk	Significant	Unlikely	Medium	Significant	Unlikely	Medium	1. FFN Structure Plan; 2. Digital Strategy; 3. Advocacy Strategy; 4. Community Engagement; 5. Staff Training in contemporary technology trends
18	Capital and operating budget overrun	Director Corporate Services		Risk has been downgraded since 2016 and will be moved from the strategic risk to the operational risk register. There is a 5 year trend of improved audit outcomes, and capital/operating budget management due to focused actions including financial management, monthly financial reporting and first/mid-term budget review.	Moderate	Possible	Medium	Moderate	Possible	Medium	Move the risk to the Operational Risk Register, plus: 1. Continued monitoring of budget target kpis; 2. maintenance of 2 budget reviews and 3. training of new staff in financial processes
19	Loss of significant places including Kalamunda Townsite character	Director Development Services		Risk has been mitigated via Activity Centre Plan for towncentre and other strategic planning mechanisms, community engagement	Moderate	Possible	Medium	Moderate	Unlikely	Low	1. Activity Centre Plan for Kalamunda and Forrestfield; 2. Design Guidelines; 3. Community Engagement
20	Ineffective Development Application Compliance Process	Director Development Services		Risk treatment included high risk application audits and community education campaigns.	Moderate	Possible	Medium	Moderate	Unlikely	Low	1. Proactive approach to high risk applications; 2. Community Education
21	Lack of land provided for food production	Director Development Services		New/modified risk	Insignificant	Unlikely	Low	Insignificant	Unlikely	Low	1. Review of Hills Rural Strategy; 2. Department of Agriculture Land Capability Assessment; 3. Promotion of Agritourism; 4. Review of Local Planning Strategy; 5. Priority Agriculture zone
22	Ineffective waste management	Director Asset Services		Improvements in data capture. In respect to Compliance appropriate applications made. Site Improvements made for operational efficiency. Site improvements to improve safety in constrained site. Waste in the environment causing amenity and environmental impacts improved Budget management. Impact on income due to due public avoidance of service Reduce Non-compliance Improve Public health Improve Reputation	Moderate	Possible	Medium	Possible	Unlikely	Low	Undertake Site Improvements as per Concept plan. Review Licence. Review what materials are received at Facility. Implement a Site management system that captures users details. New waste strategy.

City of Kalamunda 2017 Strategic Risk Register											
ID No.	Risk Description	Risk Owner	2016 to 2017 Trend		Current Risk Rating (2017)			Target Risk Rating (2018)			Treatment Actions in next 12 months
				Treatment Actions in past 12 months	Consequence	Likelihood	Current Risk Level	Consequence	Likelihood	Target Risk Level	
23	Loss of bushland and biodiversity	Director Asset Services	↑	Reduce Loss of flora and fauna Reduction of Urban Forest footprint Improve Water quality impacts Reduce Flooding and increased erosion improved Budget management Ensure Non-compliance Improved Public health and safety Improve Reputation	Moderate	Possible	Medium	Possible	Unlikely	Low	1. Environmental Audits 2. Fire mitigation program 3. Climate Change 4. Action Planning 5. Review of Environmental Strategy

Integrated Risk Management Plan



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Introduction

Intent

Risk Management is a core component of corporate governance and an integral part of contemporary management practices. The aim of the plan is to ensure that the City makes informed decisions in terms of its strategies and operations ensuring that risks and opportunities are appropriately considered.

Purpose

The Risk Management Plan identifies the manner in which the City manages risk to ensure that strategic, operational and project objectives are met. The Risk Management Plan identifies the process, systems and templates used by the City to manage risk. The Risk Management Plan is structured around AS/NZS/ISO 31000:2009, and the requirements under the Local Government (Audit) Regulations 1996.

What is Risk Management?

A risk is defined as the effect of uncertainty (either positive or negative) on business objectives.

Risk management is the coordination of activities that directs and controls the organisation with regard to risks. It is commonly accepted that risk management involves both the management of potentially adverse effects as well as the realisation of potential opportunities.

In performing daily activities, risk management can be described as the collection of deliberate actions and activities carried out at all levels to identify, understand and manage risk in order to achieve the objectives of the City.

Benefits of Risk Management

The benefits of risk management embedded in all aspects of management are:

-) effective management of adverse events or opportunities that impact on our purpose and objectives
-) ability to make informed decisions regarding management of potential negative effects of risk and take potential advantage of opportunities
-) improved planning and performance management processes enabling a strong focus on core business service delivery and implementation of business improvements
-) ability to direct resources to risks of greatest significance or impact
-) improvement in culture of the organisation enhancing staff capacity to understand their role in contributing to the achievement of objectives
-) greater organisational efficiencies

Goals of the Plan

The Plan aims to:

-) integrate risk management within the City's performance management cycle
-) communicate the benefits of risk management

-) convey the City's policy, approach and attitude to risk management
-) set the scope and application of risk management within the organisation
-) establish the roles and responsibilities for managing risk
-) set out a consistent approach for managing risk across the organisation, aligned with relevant standards and industry best practice
-) detail the process for escalating and reporting risk
-) convey the City's commitment to the periodic review and verification of the Risk Management Plan and its continual improvement
-) describe the resources available to assist those with accountability or responsibility for managing risks
-) ensures the City meets its risk reporting obligations
-) manages the identifiable business risks relevant to financial reporting
-) whether the risk is a risk of fraud
-) whether the risk is related to recent significant economic, accounting or other developments and therefore requires special attention
-) the complexity of transactions
-) whether the risk involves significant transactions with related parties

Principles Underpinning the Plan

The Australian Standard for Risk Management – Principles and guidelines (AS/NZ ISO 31000:2009) is based on 11 best practice principles. These principles underpin the Plan and guide how to effectively and efficiently manage risk at all levels.

1. **Creating and protecting value** – risk management contributes to the achievement of the City's objectives and improves performance in areas such as corporate governance, program and project management, and employee health and safety.
2. **An integral part of all organisational processes** – risk management is not a stand-alone activity performed in isolation. Rather, it is an integral part of our governance and accountability framework, performance management, planning and reporting processes.
3. **Part of decision making** – risk management aids decision-makers to make informed choices, prioritise activities and identify the most effective and efficient course of action.
4. **Explicitly addressing uncertainty** – risk management identifies the nature of uncertainty and how it can be addressed through a range of mechanisms, such as sourcing risk assessment information and implementing risk controls.
5. **Systemic, structural and well timed** – risk management contributes to efficiency and to consistent, comparable and reliable results.
6. **Based on the best available information** – risk management should draw on diverse resources of historic data, expert judgement and stakeholder feedback to make evidence-based decisions. As decision-makers, we should be cognisant of the limitations of data, modelling and divergence amongst experts.
7. **Tailored** – risk management aligns with the internal and external environment within which the City operates, and in the context of its risk profile.
8. **Human and cultural factors** – risk management recognises that the capabilities, perceptions and aims of people (internal and external) can aid or hinder the achievement of objectives.
9. **Transparent and inclusive** – risk management requires appropriate and timely involvement of stakeholders to ensure that it stays relevant and up to date. Involving stakeholders in decision making processes enables diverse views to be taken into account when determining risk criteria.

10. **Dynamic, interactive and responsiveness to change** – risk management responds swiftly to both internal and external events, changes in the environmental context and knowledge, results of monitoring and reviewing activities, new risks that emerge and others that change or disappear.
11. **Continual improvement of the organisation** – risk management facilitates continuous improvement of our operation by developing and implementing strategies to improve risk management maturity.

Legislative Framework

Risk Management Policy

Intent:

The City of Kalamunda is committed to organisation-wide risk management principles, systems and processes that ensure consistent, efficient, and effective assessment of risk in all planning, decision making and operational processes. This will ensure compliance with the Financial Reporting, Budgeting and Integrated Planning requirements of the Local Government Act (1995), Local Government (Financial Management) Regulations 1996 and the Local Government (Audit) Regulations 1996.

The Local Government (Audit) Regulations 1996 includes a review by the Chief Executive Officer on the appropriateness and effectiveness of the local governments systems in regard to risk management, internal control and legislative compliance, and reporting the results to the Audit and Risk Committee for consideration of that review, to the Council.

Definition of Risk:

AS/NZS ISO 31000:2009 defines risk as “the effect of uncertainty on objectives.”

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative, or a deviation from the expected. An objective may be financial, related to health and safety, or defined in other terms.

Definition of Risk Management: the application of coordinated activities to direct and control an organisation with regard to risk.

Principles – Framework - Process

The City of Kalamunda considers risk management to be an essential management function in its operations. They recognise that the risk management responsibility for managing specific risks lies with the person who has the responsibility for the function, service or activity that gives rise to that risk. The City is committed to the principles, framework and process of managing risk as outlined in AS/NZS ISO 31000:2009.

The City of Kalamunda will manage risks continuously using a process involving the identification, analysis, evaluation, treatment, monitoring and review of risks. It will be applied to decision making through all levels of the organisation in relation to planning or executing any function, service or activity.

In particular it will be applied to:

- Strategic and operational planning
- Expenditure of large amounts of money
- New strategies and procedures
- Management of projects, tenders and proposals
- Introducing significant change
- The management of sensitive issues.
- The achievement of organisational goals and objectives.
- Compliance with Local Government Act (1995), Local Government (Audit) Regulations 1996
- The ongoing health and safety of all employees at the workplace
- Ensuring public safety within the Council's jurisdiction is not compromised
- Limited loss or damage to property and other assets
- Limited interruption to business continuity
- Positive public perception of Council and the City
- Application of equal opportunity principles in the workforce and the community

Responsibilities

Executive, managers and supervisors have the responsibility and accountability for ensuring that all staff are managing the risks within their own work areas. In each of these areas, risks should be anticipated and reasonable protective measures taken. All managers will encourage openness and honesty in the reporting and escalation of risks.

All staff will be encouraged to alert management to the risks that exist within their area, without fear of reprimand.

All staff will, after appropriate training, adopt the principles of risk management and comply with all policies, procedures and practices relating to risk management.

All staff and employees will, as required, conduct risk assessments during the performance of their daily duties. The level of sophistication of the risk assessment will be commensurate with the scope of the task and the associated level of risk identified. Failure by staff to observe lawful directions from supervisors regarding the management of risks and/or failure of staff to take reasonable care in identifying and treating risks in the workplace may result in disciplinary action.

It is the responsibility of every department to observe and implement this policy in accordance with procedures and initiatives that are developed by management from time to time.

It is the responsibility of the auditor to obtain an understanding of the local government and its environment, including its internal control, sufficient to identify and assess risks of material misstatement of the financial statements whether due to fraud or error.

Council is committed morally and financially to the concept and resourcing of risk management.

Monitor and review

The Organisation will implement a robust reporting and recording system that will be regularly monitored to ensure closeout of risks and identification of ongoing issues and trends.

Risk management key performance indicators, relating to both organisational and personal performance will be developed, implemented and monitored, by the City's Executive and Council as appropriate

Signed: Name
 Date / / Chief Executive Officer
 Review Date / /

This policy is to remain in force until otherwise determined by Council.

Legislation

- J Section 5.56(1) and (2) of the Local Government Act 1995- Planning for the Future; Regulation 17(1) (a) of the Local Government (Audit) Regulations: "The CEO is to review the appropriateness and effectiveness of a local government's system and procedures in relation to risk management".
- J Under regulation 17 (1) of the Local Government (Audit) Regulations 1996 the CEO is to review the appropriateness and effectiveness of a local government's system and procedures in relation to –
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
 17 (2) the review may relate to any or all of the matters referred to in sub regulation (1) (a),(b) and (c), but each of those matters is to be the subject at least once every 2 calendar years.
 17 (3) The CEO is to report to the audit committee the results of that review.

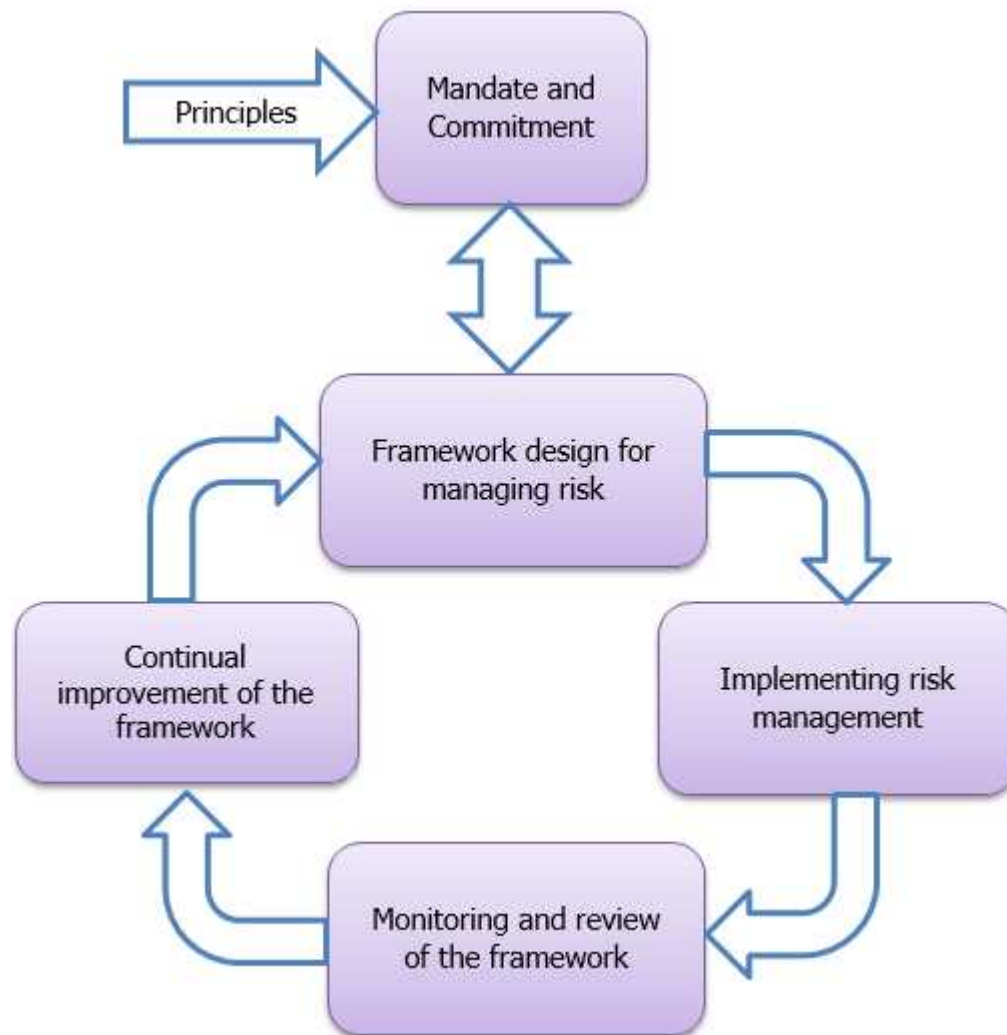
Australian/New Zealand Standard

- J Alignment with the Australian/New Zealand Standard ISO 31000:2009 Risk management – Principles and guidelines (AS/NZS ISO 31000).

A Framework for Managing Risk

Risk management should be implemented by ensuring that the risk management process is applied to all relevant levels and functions of the organisation as part of its practices and processes (principles and guidelines (AS/NZS ISO 31000:2009)).

Risk Management requires strong and sustained commitment by management of the organisation as well as strategic and rigorous planning to achieve commitments at all levels (Risk management – principles and guidelines (AS/NZS ISO 31000:2009)).



Mandate and Commitment

The introduction of risk management and ensuring its ongoing effectiveness require strong and sustained commitment by management of the organisation, as well as strategic and rigorous planning to achieve commitment at all levels. Management should:

-) define and endorse the risk management policy;
-) ensure that the organisation's culture and risk management policy are aligned;
-) determine risk management performance indicators that align with performance indicators of the organisation;
-) align risk management objectives with the strategies of the organisation;
-) ensure legal and regulatory compliance

Framework Design for Managing Risk

The component of a framework for managing risk includes:

-) An understanding of the organisation and its context
-) Establishing a risk management policy
-) Accountability
-) Integration into organisational processes
-) Resources

-) Establishing internal communication and reporting mechanisms
-) Establishing external communication and reporting mechanisms



Risk Governance and Accountabilities

Risk management is part of the City's strategy to promote accountability through good governance and robust business practices, which contributes to the strategic objective of creating a sustainable organisation to manage resources effectively in order to strengthen service delivery.

The City is committed to embedding risk management principles and practices into its organisational culture, governance and accountability arrangements, planning, information technology, engineering, community services, reporting, performance reviews, business transformation and improvement processes.

Through the framework and its supporting processes, the City formally establishes and communicates its risk appetite, guiding staff in their actions and ability to manage risk.

The City has a low appetite for risks relating to:

-) health, safety and the wellbeing of staff and the community
-) administration of finances and assets
-) legislative compliance

There is a potentially higher appetite where benefits created by innovative concepts and ideas outweigh the risks. Benefits may include improved service delivery, and/ or increases efficiencies and effectiveness of the City's operations.

In accordance with the Framework, each business unit and directorate will communicate their appetite for risk as part of the risk assessment process.

To position the City as a risk-aware, responsive and resilient organisation, its risk management approach is directed through:

-) compliance with relevant legislation, policies and procedures
-) alignment with standards and better practice guides to soundly support decision making and continuous improvement or risk management practices

Effective risk management is modelled by:

-) leadership demonstrated by the Chief Executive Officer and the executive management team
-) staff in all work contexts through their identification, analysis, evaluation, treatment, monitoring and review of risks that may impact in achieving the City objectives

The scope of responsibility and accountability for risk management is the business of everyone. The success of the City's risk management strategy relies on all staff enacting the risk management approach outlined in this framework.

Structures

The Chief Executive Officer (CEO) – under legislation the CEO is required to review the appropriateness and effectiveness of a local governments systems and procedures in relation to risk management, internal control and legislative compliance at least once in every two years and report to the audit and risk committee the results of that review.

Audit and Risk Committee – each local government is to establish an audit and risk committee made up of at least three or more persons with the majority to be elected members. It has an oversight role on all matters that relate to audits including the appointment of the external auditor and review of reports from the CEO, external auditor and internal auditor. The audit and risk committee supports Council in its endeavours to provide effective corporate governance and fulfil its responsibilities in relation to controlling and directing the affairs of the City.

External Auditor – is the person appointed by the local government under the Local Government Act 1995 to undertake the audit of the accounts and financial report for each financial year. An audit report and management report is then issued to the Audit and Risk Committee.

Internal Auditor – is a person appointed by a local government to undertake an audit of the adequacy and effectiveness of the internal control, legislative compliance, accounting systems and procedures, review of policies, procedures and risk management in accordance with an audit plan. The internal auditor is to report his findings to the CEO, and as directed by the CEO, to the Audit and Risk Committee.

Risk Hierarchy

The levels of risks can be identified at different levels depending on what activity is being assessed. These include:

Strategic Level Risks

Strategic Level risks are associated with achieving the long term objectives of the City. These risks can be of an internal or external nature and they are usually controlled by Council and/or the Executive Management Team.

In the context of integrated Planning and Reporting, Strategic Level Risks may include:

-) Risks associated with achieving the objectives of the Strategic Community Plan:
 - Effective engagement with the community
 - Equity in involvement
 - Transparency of process
 - Integration of informing strategies
 - Organisational acceptance of Strategic Community Plan
 -) Risks associated with delivering the Corporate Business Plan:
 - Impact of new assets on changes to services
 - Aligning service delivery to meet organisational objectives
 - Resourcing and sustainability
 - Alignment of local government structures and operations to support achievement of objectives.

Operational Level Risks

Operational Level risks are associated with developing the operational plans, functions or activities of the local government. These risks have day to day impacts on the City and are owned and managed by the person who has responsibility for the activity to the level of delegated authority or capability.

In the context of Integrated Planning and reporting, Operational risk may include:

-) Risks associated with delivery of the Long Term Financial Plan
 -) Risks associated with the development or delivery of the Asset Management Plan
 -) Risks associated with the delivery of the Workforce Plan:

Project Level Risks

Project level risks are associated with developing or delivering projects or discreet activities. Project risks should be managed at each stage of the project by the person who has responsibility for them.

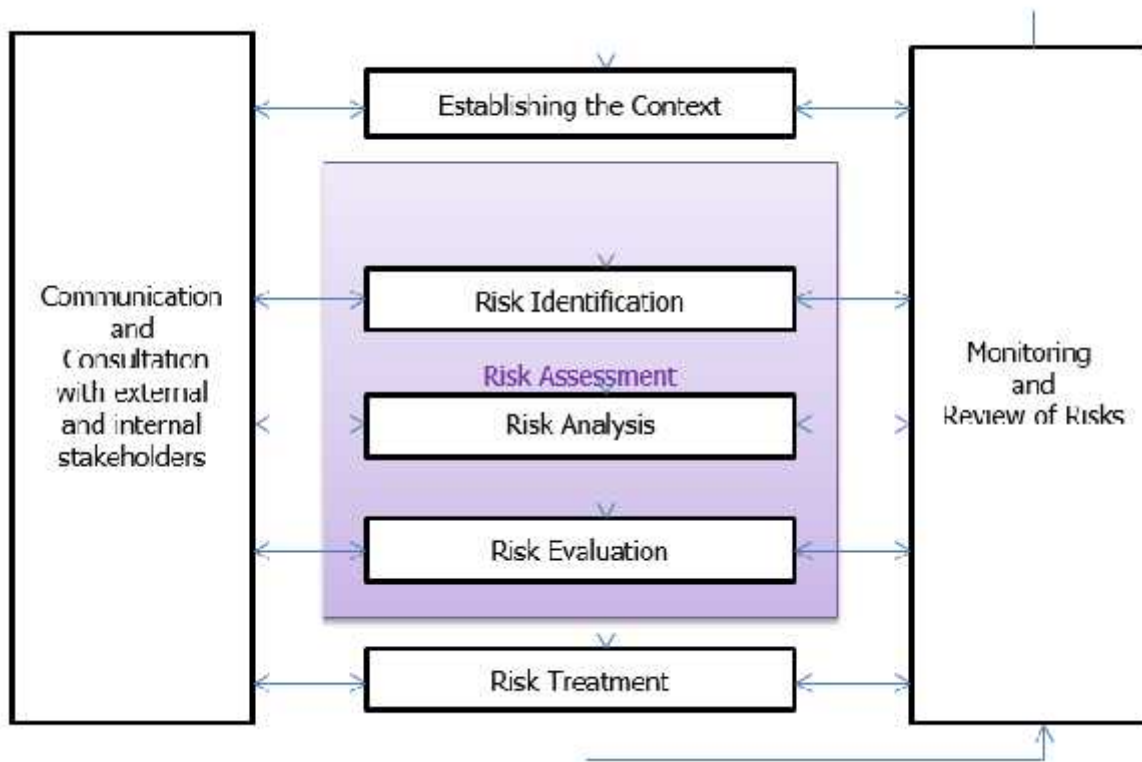
Implementing the Risk Management Plan

Risk management should be implemented by ensuring that the risk management process is applied to all relevant levels and functions of the organisation as part of its practices and processes (principles and guidelines (AS/NZS ISO 31000:2009)).

Risk System

Risk Management Process

The risk management process should be an integral part of management, embedded in the culture and tailored to the business process of the City. The risk management process is shown in the following diagram (AS/NZ 31000:2009)



Communication and Consultation

Communication and consultation with external and internal stakeholders must take place throughout the risk management process. Therefore plans for communication and consultation must be developed at an early stage. This will ensure that issues relating to the risk itself, its causes, its consequences (if known), and the measures being taken to treat or address them are managed.

It is an essential element of risk management as it helps stakeholders understand the basis on which decisions are made, and the reasoning behind particular actions.

Transparent clear communications throughout the process will help meet the obligations on local government for accountability and transparency.

Consulting with all stakeholders using a planned consultation process helps identify and address risks through improved understanding and backed by proper documentation.

Establishing the Context

By establishing the context, the City articulates its objectives, defines the external and internal parameters to be taken into account when managing risk, and sets the scope and risk criteria for the remaining process. While many of these parameters are similar to those considered in the design of the risk management framework, when establishing the context for the risk management process, they need to be considered in greater detail and particularly how they relate to the scope of the particular risk management process.

Risk Assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation. It includes the following components:

- Establishing the context
- Identification of the risk
- Analysing the level of risk and establishing whether it meets acceptable levels of tolerance
- Evaluating the risk in relation to the benefits it may provide
- Consideration on whether there are ways to mitigate risk and the treatment of risk.

Risk Identification

The City will identify sources of risk, areas of impact, events including changes in circumstances) and their causes and their potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievements of those objectives. It is also important to identify any risks associated with not pursuing an opportunity.

The techniques used to identify risks associated with the development, transition and operation of the SOK include:

Activity	Detail / timeframe	Participants
Strategic risk assessment as part of the decision making process	In planning processes and phased implementation timelines	Council, Executive and key stakeholders
Corporate risk analysis	In annual planning cycle and at key review points	Council, Executive and key stakeholders
Operational risk analysis	Agenda item on all regular Council, project, committee and staff team meetings	All relevant Elected Members and Officers
Internal and external Emergency management	As required	Executive, relevant staff and LEMC
Business Continuity	Ongoing with regular review	All relevant Elected Members and Staff
Review of current risk treatments and assessment of future organisational and project plans in relation to risk	Annually and as relevant	All relevant Elected Members and Officers
Incident / Issue reporting, investigation and review	When reported and monthly	All relevant staff and stakeholders
Feedback processes	Ongoing	All relevant staff and key stakeholders

Risk Assessment Categories

Financial
Health
Reputation
Operation
Environment
Compliance
Project

Risk Analysis

Risk analysis involves developing an understanding of risk. Risk analysis provides an input to risk evaluation and informs decisions on whether risks need to be treated, and on the most appropriate risk treatment strategies and methods. Risk analysis can also provide an input into making decisions where choices must be made and the options involve different types and levels of risk.

Risk Evaluation

The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation.

Risk evaluation involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need for treatment can be considered.

The City has a low appetite for risks relating to:

-) health, safety and the wellbeing of staff and the community
-) administration of finances and assets
-) legislative compliance

There is a potentially higher appetite where benefits created by innovative concepts and ideas outweigh the risks. Benefits may include improved service delivery, and/ or increases efficiencies and effectiveness of the City's operations.

Risk should be evaluated on the basis of materiality consideration to other matters including:

-) financial
-) health and safety
-) reputation
-) operation
-) environment
-) compliance
-) project

The following chart provides examples to assist in the evaluation process in establishing whether risks are considered to be:

-) **insignificant** – immaterial and less than a \$10,000 financial impact, a minor breach of policy and will result in no health, safety or reputational impacts of the City
-) **moderate** – financial effect of between \$10,000 and \$100,000, may result in minor injury and low reputational impact but can be contained within the City
-) **significant** – financial impact of between \$100,000 and \$500,000, may result in moderate reputational impact, compliance breach requiring internal investigation
-) **major** – financial impact of between \$500,000 and \$1 million, resulting in serious injury, substantial reputational damage, compliance breach requiring external investigation
-) **critical** – financial impact greater than \$1 million, potential fatality or permanent disability widespread reputational damage, significant compliance breach

Risk Matrix**CITY OF KALAMUNDA RISK MATRIX**

CITY OF KALAMUNDA RISK MATRIX							LIKELIHOOD					
							< once in 15years	At least once in 10 years	At least once in 3 years	At least once per year	More than once per year	
CONSEQUENCE							May occur, only in exceptional circumstances	Could occur at some time	Should occur at some time	Will probably occur in most circumstances	Expected to occur in most circumstances	
Financial	Health & Safety	Reputation	Operation	Environment	Compliance	Project	Severity	Rare E	Unlikely D	Possible C	Likely B	Almost Certain A
>\$1M	Fatality or permanent disabling injuries or illness	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Non-achievement of major deliverables	Major breach of legislation or extensive contamination and environmental damage requiring third party intervention	Breach resulting in external investigation or third party actions resulting in significant tangible loss and damage to reputation	>50% increase in cost or timeline, or inability to meet project objectives requiring the project to be abandoned or redeveloped	Critical	High	Extreme	Extreme	Extreme	Extreme
\$500,000 - \$1M	Serious irreversible injuries or illness	Substantiated, organisational embarrassment, high impact news profile, third party actions	Non-achievement of major deliverables	Minor Breach of legislation / significant contamination or damage requiring third party assistance	Breach resulting in external investigation or third party actions resulting in tangible loss and some damage to reputation	20 — 50 % increase in time or cost or significant variation to scope or objective requiring restructure of project and Senior Management or Council approval	Major	High	High	Extreme	Extreme	Extreme
\$100,000 - \$500,000	Injuries or illness that could lead to a Lost Time Injury	Substantiated, public embarrassment, moderate impact, moderate news profile	Significant delays to major deliverables	Environmental damage requiring restitution or internal clean up	Breach requiring internal investigation, treatment or moderate damage control	10 -20 % increase in time or cost or variation to scope or objective requiring Senior Management approval	Significant	Medium	Medium	High	High	Extreme
\$10,000 - \$100,000	Medical treatment injury or illness	Substantiated, low impact, low news item	Inconvenient delays	Minor damage or contamination	Breach of policy, process or legislative requirement requiring attention of minimal damage control	5-10% increase in time or cost or variation to scope or objective requiring managers approval	Moderate	Low	Low	Medium	High	High
< \$10,000	First aid treatment injury or illness	Unsubstantiated, low impact, low profile or "no news" item	Little impact	Little impact	Minor breach of policy, or process requiring approval or variance	Small variation to cost , timelines, scope or quality of objectives and required outcomes	Insignificant	Low	Low	Low	Medium	High

Risk Appetite and Tolerance

Given that local governments have limited resources, it is important to focus on the key risks. The risk management methodology outlined below has been adapted from the Australian /New Zealand Standard on Risk Management (AS/NZ ISO 31000:2009) to provide a structured approach for the City. This methodology will assist in the risk management process with particular emphasis on the following:

-) Identifying the key risks facing the organisation
-) Assessing whether the associated internal controls are effective
-) Identifying whether further controls may be required

Step 1: Identify Risks

The first step is to identify the key risks facing the City. The purpose of the risk identification stage is to consider those events that may affect the City's ability to achieve its objectives and goals. It is important that careful attention is paid to this step because potential risks not identified during this stage are likely to be excluded from further analysis.

Step 2: Analyse Risks

Following identification of the risks, each risk is assessed in terms of the causes and consequences of each risk event. Following this, identified risks are assessed in terms of how likely the event is to occur (likelihood) and the possible magnitude (consequences of each risk).

Step 3: Risk Evaluation

The next step is to identify the existing preventative and mitigating controls that are currently in place for each risk event. This provides for a residual risk level. Following this risk tolerance is assessed determining whether the risk is to be accepted or further actions are required in order to manage the risk.

If the risk tolerance decision is not accepted or is subject to further action, target risk ratings are to be completed to determine a new target residual risk level.

Step 4: Risk Treatment

The final step is to treat risks and control activities with the implementation of any action plans to correct deficiencies. It is also appropriate to identify the further controls that should be implemented to ensure the risks are being managed at an acceptable level. Consistent with the accountability principles of a robust corporate governance environment, each additional control to be implemented should be assigned to a nominated responsible officer.

Risk Treatment

When a risk has been assessed there are a number of options available including:

-) Not undertake or continue with an activity
-) Increase the risk to pursue an opportunity
-) Remove the source of the risk
-) Change the likelihood of the risk
-) Share the risk with another party such as insurers
-) Retain the risk and ensure it is continually monitored.

Monitoring and Review of Risk

An essential element of the risk management process is the monitoring and review of risk. This may be by internal audit review of process and internal controls depending on the nature of the process.

Tools – Risk Registers

The risk register enables staff to document, manage, monitor, review and update strategic, corporate and operational risk information. Maintaining and updating the risk register allows management to monitor and review risks in alignment with the strategic plan, divisional operational plans, programs of change and other related plans.

Risk Reporting

As there is no one single risk report that meets the decision making needs of the City, risk reports are tailored by the accountable area and summarised using the preferred templates to support management decision during the planning and review processes, and in support of reports to Council.

Tools for Building Risk Capability

A range of guides and publications are available to build staff awareness and develop skills by enabling staff to proactively manage risk. This increased awareness and understanding provides staff with greater self-confidence and willingness to take responsibility for the management of risk across their business unit directorate.

Recommended guides and publications include:

-) Risk Management Resources – Department of Local Government March 2013
-) Section 7 of the Western Australian Local Government Accounting Manual – Department of Local Government
-) AS/NZS ISO 31000:2009 Risk Management – Principles and guidelines by Standards Australia
-) International Standard on Auditing 315 – Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement

Monitoring and Review

Review risk management performance against objectives
 Review risk management IT system (CAMMS Module)
 Review organisational risk management culture
 Include review of the risk registers in strategic and operational planning and budgeting.
 Include Risk Management in all new business ventures and activities
 Include Risk Management as part of purchasing process.
 Include risk management in annual performance appraisals
 Conduct annual risk management internal audit
 Look for continuous improvement opportunities
 Review if the Integrated Organisational Risk Management Plan used as reference and orientation document

Review if risk management accountabilities and responsibilities are included in position descriptions and KPIs.

Review if hazard management processes aligned for both OSH and all organisational risks

KPIs and Performance Measures

The Key Performance Indicators (KPI's) for Risk Management are in development. Currently the Risk Management KPI measures the number of identified risks not mitigated.

Monitoring, Review and Continual Improvement of the Framework

The monitoring and review will be a planned part of the risk management process and involve regular checking and surveillance. Strategic risks should be reviewed six monthly by the Executive. Project risks should be reviewed on an ongoing basis and operational risk should be reviewed by each Directorate six monthly.

Responsibilities for monitoring and review should be carried out periodically and clearly defined. The review process should encompass all aspects of the risk management process.

The main aim of the monitoring and review process is to:

-) Ensure key controls remain efficient and effective within the City
-) Provide early identification of changes in the risk context or risk assessment which may require revision of the risk treatment
-) Identify any new or emerging risk due to changes in circumstances including new technology, new personnel, corporate restructuring, new business models, changes in operating environment, new accounting pronouncements and legislative changes
-) Review risks due to changes in legislation and procedures
-) Independent investigations and reports with adverse findings requiring steps to be taken in relation to risk and processes.

Appendix

A. Risk Register

B. Example of Completed Template for Inclusion in Reports to Council on Risk Management

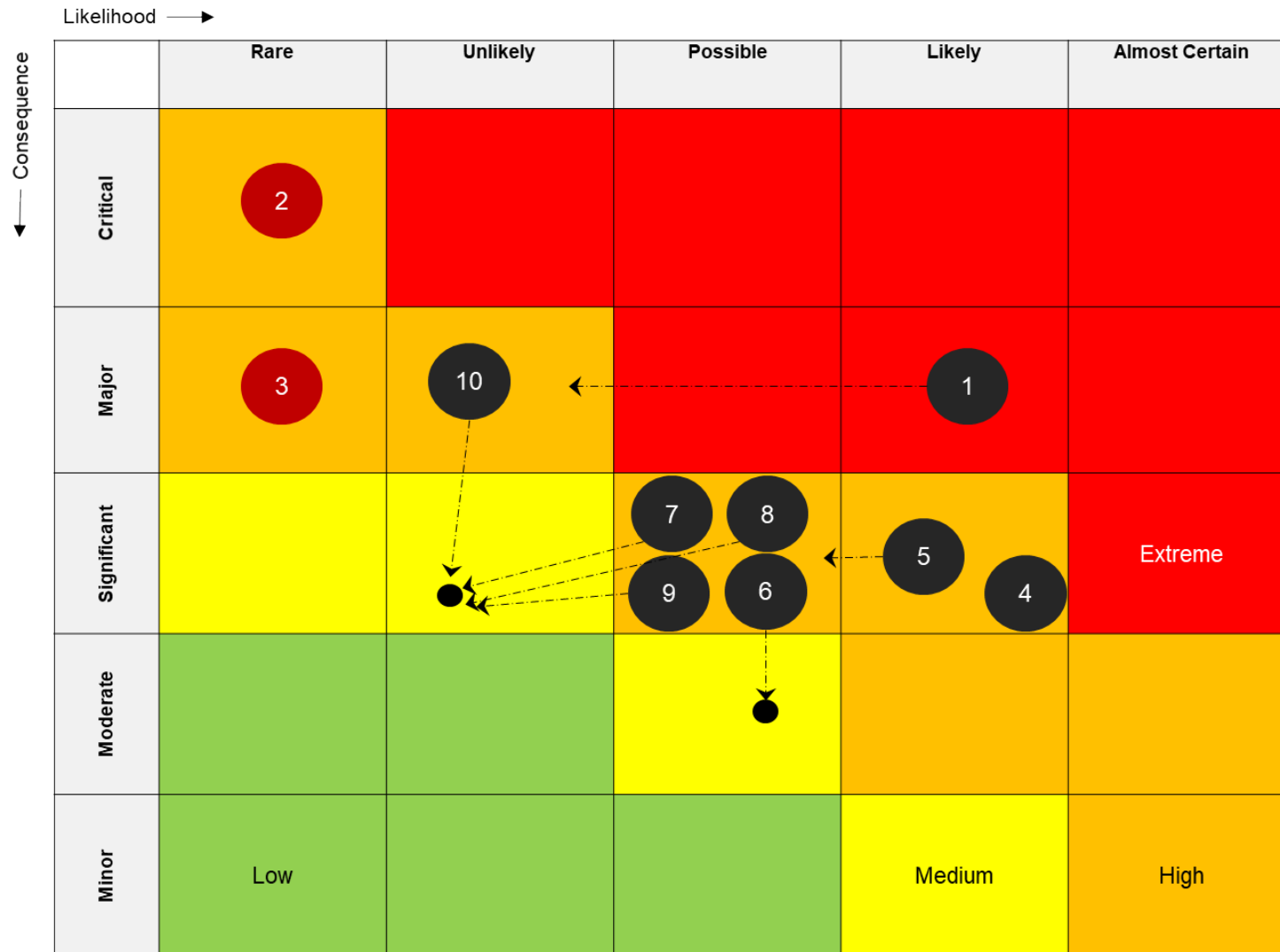
A: Risk Register

RISK IDENTIFICATION				RISK ANALYSIS				RISK RATING									RISK TREATMENT ACTION PLAN					
ID No.	Objective	Risk Description	Risk Owner	Causes	Consequences	Existing Preventative Controls	Existing Mitigating Controls	Current Risk Rating				Risk Tolerance Decision	Target Risk Rating				Treatment Action	Responsible Person	Due Date	Action Status	Follow Up date	Risk Action Status
								Consequence	Likelihood	Current Residual Risk Level	Rating Basis/ Scenario		Consequence	Likelihood	Target Residual Risk Level	Rating Basis/ Scenario						

B: Example of Completed template for inclusion in Reports to Council on Risk Management

B	Example of Risk management Considerations for Inclusion in Reports to Council			
RISK	LIKELIHOOD	CONSEQUENCES	RISK RATING	ACTION/STRATEGY
1. Delays in supporting Planning amendments	Unlikely	Insignificant	Low	Ensure the WA Planning Commission is fully briefed on the planning merits of this proposal

RISK PROFILE



Rank	RISK NAME
1	Degradation of Biodiversity
2	Occupational Health & Safety
3	Emergency Response and Recovery
4	Information Security
5	Contaminated Land
6	Public Advocacy
7	Asset & Facilities Management
8	Aged & Disability Housing
9	Community Views - Planning vs Environmental Values
10	Governance & Decision Making

- Fatality Risk
- Target Risk Rating following implementation of treatment actions

9.1.2. Audit & Risk Committee Structure

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

Previous Items	OCM 170/2017; OCM 242/2017
Directorate	Corporate Services
Business Unit	Corporate Services
File Reference	N/A
Applicant	N/A
Owner	N/A

Attachments	1. Audit and Risk Committee Terms of Reference [9.1.2.1]
	2. Audit and Risk Committee Revised Terms of Reference [9.1.2.2]
	3. Comparative Analysis [9.1.2.3]
	4. LG Operational Guidelines - Number 9 [9.1.2.4]

EXECUTIVE SUMMARY

1. The purpose of this report is to consider the structure and Terms of Reference for the Audit and Risk Committee.
2. It is recommended that Council endorses the revised Terms of Reference for the Audit and Risk Committee as shown as Attachment 9.1.2.2.
3. The Audit and Risk Committee meets at least quarterly and the current terms of reference were last updated in 2013.

BACKGROUND

4. The Presiding Member of the Audit and Risk Committee (the Committee) requested that the CEO prepare a report for the March 2018 Audit and Risk Committee giving consideration to an alternate Committee structure that considers:
 - a) the ability to include suitably qualified independent members and the associated appointment process;
 - b) how Audit and Risk Committees are structured in other local governments; and
 - c) what changes if any, should be made to the Committees Terms of Reference.
5. The Audit and Risk Committee plays an integral role in assisting a local government to fulfil its governance and oversight responsibilities relating to financial reporting, internal control structures, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

6. The current terms of reference for the Committee were last formally reviewed in 2013. The Committee currently consists of all Councillors and does not contain external membership, although auditors are asked to attend Council meetings when presenting the annual financial report or audit reports.
7. The City has undertaken a review of the Terms of Reference for the Audit Committees for five other local governments and considered the structure of audit committees from 12 local governments. In addition, Local Government Operational Guideline Number 9 shown as Attachment 9.1.2.4 – Audit in Local Government was utilised as a reference point.

DETAILS

8. It is a requirement under the *Local Government Act 1995* (WA) (**Act**) that the Audit and Risk Committee be appointed by Council containing a minimum of three councillors as members whilst allowing for the appointment of independent members, provided that councillors form the majority of the committee. The election of members is by an absolute majority.
9. The composition of the Committee is not to include the Chief Executive Officer or any other City employees.
10. It is timely to undertake a review of the Committee as the City has recently appointed new internal auditors and the Office of the Auditor General (OAG) will shortly take over the responsibility for conducting external audits of local governments. As part of these changes, there is likely to be an additional audit focus, with performance auditing and reviews of efficiency and effectiveness falling within the mandate of the OAG audit reviews.
11. In response to the Notice of Motion, a review of the structures of 12 local governments was undertaken with reviews of the Terms of Reference, and committee memberships undertaken. The following local governments were reviewed:
 - a) City of Gosnells
 - b) City of Armadale
 - c) City of Canning
 - d) City of Bayswater
 - e) City of Perth
 - f) City of Belmont
 - g) City of Joondalup
 - h) City of Stirling
 - i) City of Swan
 - j) City of Vincent
 - k) Town of Cambridge
 - l) Shire of Mundaring
12. The comparison of 12 local government's committee structures found that nine local governments had independent members on the Committee. The comparisons also highlighted that each of the local governments reviewed had varying membership numbers with some meetings being confidential and others open to the public.

13. The appointment of external members to the Committee may bring different perspectives and different skills to the Committee. Should the City introduce external members to the Committee, it would be appropriate to publicly advertise these appointments in order to attract suitably skilled members.
14. Appointment of external members to the Committee will result in additional costs to the City. Remuneration is likely to consist of reimbursement of approved expenses, although one of the Councils that were reviewed paid its external member \$500 per meeting. In addition, another of the Councils reviewed pays its external members an undisclosed sitting fee.

STATUTORY AND LEGAL CONSIDERATIONS

15. Section 7.1 of the Act requires a local government to establish an audit committee of three or more persons to exercise and discharge the duties conferred on it.
16. Section 7.2 of the Act requires the accounts and annual financial report of a local government to be audited by an auditor appointed by the local government.
17. The appointment of the auditor by Council under section 7.3(1) of the Act is to be by recommendation of the Audit Committee. The person appointed as external auditor will be required to comply with section 7.9 of the Act and the *Local Government (Audit) Regulations 1996*.
18. Regulation 5(1) and 5(2) of the *Local Government (Financial Management) Regulations 1996* requires the CEO to establish efficient systems and procedures for the general financial management under section 6.10 of the Act, and undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of a local government at least once in every 4 years.

POLICY CONSIDERATIONS

19. Nil.

COMMUNITY ENGAGEMENT REQUIREMENTS

Internal Referrals

20. Nil.

External Referrals

21. Nil.

FINANCIAL CONSIDERATIONS

22. In the event that Council decided to appoint an external member to the Committee, additional costs will be incurred. The actual cost of appointing an external member would as a minimum represent reimbursement of costs.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

23. *Kalamunda Advancing Strategic Community Plan to 2027*

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

SUSTAINABILITY

Social Implications

24. Nil.

Economic Implications

25. Nil.

Environmental Implications

26. Nil.

RISK MANAGEMENT CONSIDERATIONS

27.	Risk: That the Audit and Risk Committee is ineffective.		
	Likelihood	Consequence	Rating
	Possible	Moderate	Medium
	Action/Strategy		
	Review the Audit and Risk Committee Terms of Reference.		
	Annual Review of the Audit Plan.		
	Auditors invited to attend key Audit and Risk Committee meetings.		
	Risk: Inadequate oversight over Audit Functions.		
	Likelihood	Consequence	Rating
	Possible	Moderate	Medium
	Action/Strategy		
	Internal Audit Plan reviewed regularly.		
	Internal Audit provides briefing to Audit & Risk Committee.		
	City activities subject to external Audit review.		

OFFICER COMMENT

28. The Terms of Reference for the Audit and Risk Committee have been reviewed and proposed amendments incorporated into Attachment 9.1.2.2.
29. The Audit and Risk Committee is an integral component of the City's corporate governance framework providing oversight responsibilities relating to financial reporting, internal controls, risk management, legislative compliance, ethical accountability and the internal and external audit functions.

30. Whilst the appointment of external members to the committee offers some benefits, it is proposed that the committee calls on the services of external members on an as needs basis.
31. The Terms of Reference have been reviewed to modernise requirements and to introduce a stronger focus on the performance of efficiency and effectiveness audits.

An amended recommendation was provided to Council with adjusted Terms of Reference. The change is reflected on page 3, point 8 Meetings. The original Terms of Reference gave the impression future meetings would be closed to the public, this wasn't the intent. Questions ensued and as there was no mover for the original recommendation the motion lapsed.

Voting Requirements: Simple Majority

RECOMMENDATION

That Council:

1. Endorses the revised Terms of Reference for the Audit and Risk Committee.
2. Notes information provided regarding the operation of Audit and Risk Committees in other local governments.

Moved: **LAPSED**

Seconded:

Vote:

ALTERNATIVE MOTION

That Council:

1. Endorses the revised Terms of Reference for the Audit and Risk Committee **with amendment to the membership to include an independent external member with expertise in auditing.**
2. **Request the CEO prepare a report to Council outlining the selection criteria and the appointment process of an external member.**
3. Notes information provided regarding the operation of Audit and Risk Committees in other local governments.

Moved: **Cr John Giardina**

Seconded: **Cr Dylan O'Connor**

Vote: **CARRIED UNANIMOUSLY (10/0)**

Audit and Risk Committee

Terms of Reference

The Council of the Shire of Kalamunda has resolved to establish a committee to be known as the Audit and Risk Committee with its purpose, objectives, composition, terms of office, duties and responsibilities, as follows:

Purpose

To ensure that the audit of Council's financial and statutory functions are undertaken in accordance with the provisions of the Local Government Act 1995 and associated regulations. The Committee will also undertake a Risk Management function to ensure risk management practices and procedures are fully integrated into the Shire of Kalamunda's strategic and operational planning processes and day to day business practices.

Objectives

External Audit

- a. Is to provide guidance and assistance to the local government –
 - i. As to the carrying out its functions in relation to audits carried out under Part 7 of the Act; and
 - ii. As to the development of a process to be used to select and appoint a person to be an auditor; and
- a. Is to provide guidance and assistance to the local government as to –
 - i. Matters to be audited;
 - ii. The scope of audits;
 - iii. Its functions under Part 6 of the Act; and
 - iv. Carrying out its functions relating to other audits and other matters related to financial management.

Internal Audit

- b. Is to provide regular reports in accordance with the audit plan on –
 - i. Review of compliance with Council Policies and Practices;
 - ii. Review of key internal controls within accounting systems;
 - iii. Review of accounting systems and procedures;
 - iv. Review the annual statutory Compliance Audit Return;
 - v. Ensure monthly and annual financial reports to Council complies with legislation and Australian Accounting Standards;
 - vi. Special reports as required from time to time by the Audit Committee; and
 - vii. An assessment of risk management practices, policies and procedures used as part of operational planning processes and procedures.

Membership

The Audit Committee shall comprise of all members of Council.

Term of Membership

Members appointed for two (2) year terms to coincide with local government election cycle.

Meeting

The Audit Committee shall meet at least once every three months and such additional meetings as the chairperson shall decide in order to fulfil its duties. Meetings will not be open meetings in the context of Section 5.23(1) of the *Local Government Act 1995*.

Access

The Audit Committee shall have access to both the internal and external auditors.

Reporting

The Committee will report to the Council

Duties and ResponsibilitiesExternal Audit

- Develop and recommend to Council:-1) A list of those matters to be audited; and 2) the scope of the audit to be undertaken;

Note: *Provision should be made to review the scope of the audit on a regular basis.*

- Develop and recommend to Council an appropriate process for the selection and appointment of the person as the Shire's auditor;

Note: *A person is to be appointed the auditor not a firm.*

- Develop and recommend to Council a written agreement (contract) for the appointment of an auditor. The agreement to include:
 - i. The objectives of the audit;
 - ii. The scope of the audit;
 - iii. A plan of the audit;
 - iv. Details of remuneration and expenses to be paid to the auditor;
 - v. The method to be used by the Shire to communicate and supply information to the auditor;
 - vi. An evaluation program in relation to the adequacy of the financial control systems in operation at the Shire
- Meet with the auditor at least once every year and report to Council on the matters discussed and the outcome of discussions.

- Examine the reports of the Auditor – together with accompanying reports of the Chief Executive Officer or Chief Financial Officer – to ensure that adequate measures have been taken in respect of any matters of concern raised.
- Review the draft annual report focusing upon:
 - i. Accounting policies and practices;
 - ii. Any changes to the accounting policies and practices;
 - iii. The processes used in making significant accounting estimates;
 - iv. Significant adjustments to the financial report (if any) arising from the audit process;
 - v. Compliance with accounting standards and other reporting requirements; and
 - vi. Significant variances from prior years.

Internal Audit

- To ensure adequate control processes are in place;
 - a. Receive regular reports from the Chief Executive Officer and/or the Internal Auditor on the relevance, appropriateness and adequacy of the internal audit processes being utilised at the Shire;
 - b. Review and make recommendations to Council on the completed Compliance Audit Return after receiving a report detailing:-1) staff explanation regarding non-compliance (if any) or where full compliance has not been received; 2) remedial action implemented to ensure future compliance.

Note: the report presented to the Audit Committee should specifically highlight those cases of non-compliance which have occurred.
- Review and ensure appropriate action is being taken in respect to:
 - Monthly bank reconciliations are up to date;
 - The ratio of collections in respect of sundry debtors is reasonable;
 - The ratio of rate collections is reasonable;
 - Inventory (stock takes) are regularly undertaken and reconciliations effected;
 - Waste Management (both household rubbish and recycling) accounts are reconciled;
 - Accounts are expeditiously rendered to debtors;
 - Funds are being appropriately invested;
 - Review Council and internal policies;
 - Taxation issues (e.g. GST) are being appropriately dealt with; and
 - Other matters deemed appropriate.
- Receive and make recommendations to Council in respect of reports from the Chief Executive Officer or the Internal Auditor which deal with such matters as those listed above.
- Review the completed Compliance Audit return and consider the following:
 - Staff explanations regarding cases of non-compliance (if any) or where full compliance has not been achieved.

- Remedial action that has been taken or will be taken to ensure future compliance.
- The Audit Committee will not have delegated authority to decide matters on behalf of Council.
- An assessment of risk management practices, policies and procedures used as part of operational planning processes and procedures.

Audit and Risk Committee

Revised Terms of Reference

(LAST UPDATE 26/02/2018)

The Council of the City of Kalamunda has resolved to establish an Audit and Risk Committee with responsibility for supporting the City in fulfilling its governance and oversight responsibilities as they relate to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

1. Name

The name of the Committee shall remain as the Audit & Risk Committee.

2. Purpose

The Committee is responsible for providing guidance and assistance to Council in relation to the annual external audit and liaises with the external auditor to ensure that Council can be satisfied with the performance of the Administration in managing its financial and governance affairs.

The Committee will work with the Internal Auditor to ensure that internal audit work complements that of the external auditor and is effective in improving the efficiency of City operations and internal control systems. The review and assessment of risk management and risk management projects is part of the Internal Auditor role and the Committee will review the work of the Internal Auditor. It is noted that internal audit has been outsourced and that the Internal Auditor will present their first report in 2018.

The Committee will also review the Annual Compliance Audit Return and the CEO's biennial reviews of systems.

3. Objectives

3.1 External Audit

To provide guidance and assistance to the local government –

- i. To carry out its functions in relation to audits under Part 7 of the Act;
- ii. To develop the process to be used to select and appoint a person to be an auditor and recommend to Council the person or persons to be appointed as the auditor;
- iii. To perform its functions under Part 7 of the Act; and
- iv. To carry out functions relating to other audits and other matters related to financial management, including particularly a review of the draft Annual Financial Report.

3.2 Internal Audit

To review regular reports and audit plans in accordance with, and in terms of the integrity, adequacy and effectiveness, of such plans.

- i. Review of compliance with Council Policies and Practices;

- ii. Review of key internal controls within accounting systems;
- iii. Review of accounting systems and procedures;
- iv. Review the annual statutory Compliance Audit Return;
- v. Ensure monthly and annual financial reports to Council comply with legislation and Australian Accounting Standards;
- vi. Special reports as required from time to time by the Audit Committee; and
- vii. An assessment of risk management practices, policies and procedures used as part of operational planning processes and procedures.

3.3 Risk Management

To identify and assess risks and manage the mitigation of risk overall.

- i. To review and make recommendations to the Council on the City's risk management strategies, policies, systems and practices and the adequacy of same, the management of strategic risk, and identifying as appropriate, specific risks for more detailed review and assessment.
- ii. To review the assessment of control activities and business processes, including an assessment of risk and compliance with legislation and accounting policies.

3.4 Performance and Process Improvement

To review the performance of the City's business units with regards to:

- i. Assessing the effectiveness of the City's business units in achieving its outcomes;
- ii. Assessing the efficiency of the City's business units in delivering outcomes

4. Council's Strategic Alignment

Kalamunda Advancing - Strategic Community Plan to 2027

Strategy 4.1.1 Provide good governance.

5. Membership

The membership of the Committee shall consist of all elected members.

6. Term of Membership

Members are appointed for two (2) year terms to coincide with local government election cycle.

7. Observers

The CEO, Director of Corporate Services and Manager Financial & Risk Services can attend meetings of the Committee. Other members of staff may attend by invitation and may speak at the meeting.

Auditors, external and internal may be invited by the presiding member to the meeting.

8. Meetings

The Audit and Risk Committee shall meet at least once every three months and such additional meetings as the chairperson shall decide in order for the Committee to fulfil its duties. Meetings will not be open meetings in the context of Section 5.23(1) of the *Local Government Act 1995*. Decisions of the Committee are to be made by a simple majority and will be considered by Council at the next Ordinary Council Meeting after the committee meeting.

9. Access

The Audit Committee shall have access to both the internal and external auditors.

10. Powers of the Audit Committee

The Committee is responsible for the provision of guidance and assistance to Council in relation to the annual external audit, liaises with the external auditor to ensure that Council can be satisfied with the performance of the Administration in managing its financial and governance affairs and for ensuring that the City effectively manages risk.

11. Duties and Responsibilities

The duties and responsibilities of the Committee are outlined within the four primary focus areas:

11.1 External Audit

- a) Develop and recommend to Council an appropriate process for the selection and appointment of the City's auditor and recommend an auditor after the completion of the tender process.
- b) Develop and recommend to Council a written agreement for the appointment of an auditor, including objectives, scope, audit planning, remuneration, communication methodology and requirements for evaluation of financial systems.
- c) Meet with the auditor at least once every year and report to Council on the matters discussed and the outcome of discussions.
- d) Examine and review the reports of the Auditor, together with accompanying reports of the Chief Executive Officer or Manager Financial & Risk Services to ensure that adequate measures have been taken in respect of any matters of concern raised.
- e) Review the draft annual financial report focusing on, accounting policies and practices and changes thereto, processes used in making significant accounting estimates, adjustments to financial statements arising from the audit process, compliance with Accounting Standards and other legislation, and significant variances when compared to prior years.

11.2 Internal Audit

Receive regular reports from the Chief Executive Officer, the Manager Finance and Risk and/or the Internal Auditor on the relevance, appropriateness and adequacy of the internal audit processes being utilised at the City;

- a) Provide direction with regard to the development of the City's Audit Plan;

- b) Review of compliance with Council Policies and Practices and with relevant legislation;
- c) Review of key internal controls within accounting systems;
- d) Review of accounting systems and procedures;
- e) Review the annual statutory Compliance Audit Return;
- f) Review the CEO's biennial review of systems.
- g) Review the format and content of and of monthly and annual financial reports to Council, ensuring compliance with legislation and Australian Accounting Standards;
- h) Encourage and require the preparation of special reports as required from time to time by the Audit Committee which may extend to process and performance improvement.; and
- i) Review and make recommendations to Council on the completed Compliance Audit Return.

11.3 Risk Management

- a) Assess risk management practices, policies and procedures used as part of operational planning processes and procedure.
- b) Ensure that adequate steps are taken to identify, analyse, evaluate and treat or mitigate risks.
- c) Ensure that the City complies with legislation and accounting principles.

11.4 Performance and Process Improvement

Provide direction and input into the City's efficiency and effectiveness program focusing on:

- a) Evaluating business unit effectiveness in achieving outcomes;
- b) Evaluating business unit efficiency in delivering outcomes.
- c) Identification of business process improvement opportunities.

Comparative Analysis

Local Government	Membership Number	Independent Members	Meeting Type
City of Gosnells	5	0	Confidential
City of Armadale	4	0	Confidential
City of Canning	4	1	Open to the Public
City of Bayswater	5	0	Open to the Public
City of Perth	4	1	Open to the Public
City of Belmont	5	1	Open to the Public
City of Joondalup	7	1	Open to the Public
Shire of Mundaring	5	1	Open to the Public
Town of Cambridge	2	2	Open to the Public
City of Stirling	8	1	Open to the Public
City of Swan	4	1	Open to the Public
Town of Vincent	6	2	Open to the Public



Government of **Western Australia**
Department of **Local Government and Communities**

Local Government Operational Guidelines

Number 09 – Revised September 2013

Audit in Local Government

The appointment, function
and responsibilities of
Audit Committees

1. Introduction

The *Local Government Act 1995* (the Act) requires that all local governments establish an audit committee. An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

The purpose of this guideline is to assist local governments to establish and operate an effective audit committee. Clear and comprehensive terms of reference, setting out the committee's roles and responsibilities, are essential and a model terms of reference for an audit committee is provided with this guideline. Matters such as the governing legislation, membership, primary roles and responsibilities of the committee and ancillary functions are also addressed. Guidance is provided to the committee as it approaches its task of appointing an external auditor through provision of a minimum standard audit specification and as it forms an opinion of the local government's internal audit requirements.

2. Audit Requirements, Committees and Functions

The relevant parts of the Act and regulations that relate to audit requirements, audit committees and their functions are listed below.

Financial Management

In relation to financial management under Part 6 of the Act, a local government is to –

- a) prepare and adopt an annual budget in the form and manner prescribed (section 6.2). A copy of the budget is to be sent to the Department within 30 days of adoption.
- b) prepare an annual financial report and such other financial reports as prescribed. The accounts of the local government and annual financial report are to be submitted to the auditor for audit by 30 September (section 6.4).
- c) have a municipal fund and a separate and distinct trust fund (section 6.6).
- d) establish and maintain reserve funds for the holding of monies set aside for future use (section 6.11).

Audit Requirements for Local Governments

Part 7 of the Act and the *Local Government (Audit) Regulations 1996* (the Regulations) address the situation of audit. In relation to the duties of the local government with respect to audits –

- a) the local government is to do everything in its power to –
 - i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and

- ii. ensure that audits are conducted successfully and expeditiously;
- b) a local government is to meet with its auditor at least once in every year;
- c) a local government is to examine the report of the auditor and is to –
 - i. determine if any matters raised require action to be taken by the local government; and
 - ii. ensure that appropriate action is taken in respect of those matters;
- d) a local government is to –
 - i. prepare a report on any actions taken in respect of any matters raised in the report of the auditor; and
 - ii. forward a copy of that report to the Minister by the end of the next financial year, or six months after the last report prepared by the auditor is received by the local government, whichever is the latest in time.
- e) the only powers and duties that can be delegated to a committee are any of the powers and duties of the local government under Part 7 of the Act; that is, those relating to audit. The committee cannot on-delegate the powers and duties delegated to it;
- f) an audit committee with a member who is a person that is not an elected member can be delegated powers and duties referred to in (e); and
- g) a decision of the committee is to be made by simple majority.

Audit Committee Functions

The Regulations state that an audit committee –

Establishment of the Audit Committee

The Act and Regulations provide that:

In relation to the establishment of an audit committee –

- a) each local government is to establish an audit committee consisting of three or more persons to exercise the powers and discharge the duties conferred on it;
- b) members of the committee are to be appointed by an absolute majority decision of Council. At least three of the members, and the majority of the members, are to be elected members;
- c) the Chief Executive Officer (CEO) is not to be a member of the committee and may not nominate a person to be a member or have a person to represent him or her as a member of the committee;
- d) an employee is not to be a member of the committee;
- e) is to provide guidance and assistance to the local government –
 - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act;
 - (ii) as to the development of a process to be used to select and appoint a person to be an auditor;
- f) may provide guidance and assistance to the local government as to –
 - (i) matters to be audited;
 - (ii) the scope of audits;
 - (iii) its functions under Part 6 of the Act;
 - (iv) the carrying out of its functions relating to other audits and other matters related to financial management;
- g) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to –
 - (i) report to the council the results of that review;
 - (ii) give a copy of the CEO's report to the council;

- (d) review the annual Compliance Audit Return and report to the council the results of that review, and
- (e) consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and report to the council the results of those reviews.

3. Operation of Audit Committees

Role and Responsibilities

The role of the audit committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

The audit committee should critically examine the audit and management reports provided by the external auditor. The committee would then determine if matters raised in the reports require action to be taken by the local government and ensure that appropriate action is implemented.

A further role for the audit committee would be to receive and authorise the report relating to the audit prepared by the CEO that is to be sent to the Minister.

This report would outline any actions the local government has taken or intends to take in relation to the matters identified by the auditor.

While a formal internal audit function could be considered to be an operational function and therefore the responsibility of the CEO, it is desirable for an internal auditor to have a direct line of communication to the Audit Committee.

The Audit Committee needs to form an opinion of the local government's internal audit requirements and recommend a course of action that ensures that any internal audit processes adopted are appropriate, accountable and transparent. The role of the external auditor in this regard can be established at the time of appointment.

Please note that an audit committee (or any other committee) cannot be given a management task where the Act and Regulations make the CEO specifically responsible. Where the local government is assigned the function through the legislation, the audit committee may have a role unless the function has been delegated to the CEO by the Council.

The deliberations and recommendations of the committee must be independent and autonomous. Therefore, the Act prohibits the CEO being a member of the committee. However, it is essential that the CEO be given every opportunity to provide his/her expert advice to the committee as he/she does with full Council and other committees.

A model terms of reference is attached as Appendix 1 to assist local governments to define an appropriate role for its audit committee. When considering the model, local governments need to remember it is a guide and they can delete or modify any matters they believe not applicable.

It is important to note that the legislation gives the audit committee a specific role in appointing the auditor. It is to recommend to the Council who should be appointed as the auditor. Attached as Appendix 2 is a model 'Minimum Standard Audit Specification' that local governments can use when developing a process to be used to select and appoint a person to be the auditor.

Local governments can amend the document to suit their individual requirements. Any scope adopted must meet, as a minimum, the legislative requirements, as outlined in the Act and the Regulations.

The legislation specifies that a local government is required to meet with its auditor at least once in every year. The term "local government" in this context means the Council. If Council so resolved via a formal delegation, a meeting between the audit committee and the auditor would satisfy this requirement.

It is acknowledged that the requirement to meet at least once per year may incur a significant financial burden for the more remote local governments. In such circumstances the meeting can be conducted by telephone or video conference. The Council or audit committee should resolve how the meeting with the auditor will be conducted and for the record of the meeting to show that the auditor was involved and the matters discussed. It would be inappropriate for Council representatives to meet with the auditor in their offices unless they were members of the Audit Committee or a significant majority of the members are present.

The committee may need to liaise regularly with the external auditor to discuss the audit plan, results of the audit and implementation of any recommendations for action emerging from the audit. How communication and liaison between auditor and committee is to occur should be addressed in the agreement of appointment.

Advice from the auditor may address issues such as –

- (i) an assessment of accounting procedures;
- (ii) an assessment of internal controls;
- (iii) an assessment of risk;
- (iv) compliance with the Act and associated regulations;
- (v) compliance with Council policies;
- (vi) performance assessments on the efficiency and effectiveness of operations;
- (vii) processes of the internal audit;
- (viii) outcomes of the external audit prior to issue of management and audit reports; and
- (ix) changes to accounting standards and legislation and the impact on the local government.

Membership

The Act requires that an audit committee is to consist of a minimum of 3 members and in that situation all must be council members. Where a committee consists of more than 3 members then a majority of those members must be council members. Local governments may decide to appoint a committee involving only elected members or they may appoint one or more persons who are external to the Council. If a Council considers it appropriate, the whole Council can be appointed to the audit committee.

If the local government wishes to appoint one or more persons other than elected members to the committee, which is recommended, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee.

Operation of the Committee

Irrespective of the membership of the committee, all legislative requirements relating to committee meetings such as advertising meeting dates, notice of meeting and keeping minutes of meetings need to be complied with.

The legislation prevents a meeting fee being paid to an external person but it is permissible for a payment to be made as a reimbursement of expenses, commensurate with the expertise and knowledge such people bring to the committee. The Council will need to determine whether payment will be offered and the level of that reimbursement payment.

Members of the committee should be encouraged to attend appropriate courses to keep them up to date with legislation, accounting and other relevant issues.

Other Responsibilities

Local governments are required by legislation to complete a statutory compliance return (Compliance Audit Return or CAR) annually and have the return adopted by Council. The return is a checklist of a local government's compliance with the requirements of the Act and its Regulations, concentrating on areas of compliance considered "high risk."

The Audit Committee is to review the annual CAR and report to the Council the results of that review, prior to adoption of the return by Council. After adoption, the return is to be signed by the Mayor or President and the CEO prior to it being forwarded to the Department.

The Audit Committee is to consider the CEO's biennial reviews (see Regulation 17) of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and report to the council the results of those reviews.

Attached as Appendix 3 is information to assist in determining what falls within the terms 'risk management,' 'internal control' and 'legislative compliance.'

The audit committee could also consider proposals from the CEO as to whether the compliance audit, and the biennial reviews of risk management, internal control and legislative compliance, are undertaken internally or an external party is contracted to undertake the task. In the case of an external party the audit committee would have responsibility to receive the review report from the CEO and make recommendations on it to full Council.

4. The External Audit

Appointment of the Auditor

The Act and Regulations provide that –

- a) on the recommendation of the audit committee a local government is to from time to time appoint, by absolute majority, a person to be its auditor;
- b) the local government may appoint one or more persons as its auditor;
- c) the local government's auditor is to be a person who is –
 - a. a registered company auditor; or
 - b. an auditor approved by the Minister;
- d) a person may not be appointed as a local government auditor if that person is –
 - a. a councillor or employee of the local government;
 - b. in debt to the local government for more than \$5,000;
 - c. a councillor or employee of a regional local government in which the local government is a participant;
 - d. a member of an incorporated association formed by the local government; or
 - e. a class of persons as prescribed in the Regulations;
- e) an auditor is not to be appointed for more than five years; and
- f) the appointment of a person as an auditor is to be made by agreement in writing and is to include –
 - i. the objectives of the audit;
 - ii. the scope of the audit;
 - iii. a plan for the audit;
 - iv. details of the remuneration and expenses to be paid to the auditor; and
 - v. the method to be used by the local government to communicate with, and supply information to, the auditor.

The committee should undertake a proper selection and appointment process as part of appointing, or reappointing an auditor. If reappointment is being considered, the process should include the review of key issues as in i. to v. above.

It is important to realise that the Act specifies that it is a named person(s) that is appointed as auditor, not the company, or 'the partners' of the company which employs the person. Therefore, when the audit report is received it must be signed by the person(s) appointed as the auditor; it cannot be the generic signature identifying the firm.

Conduct of the Audit

The Act and Regulations provide that –

- a) the auditor is required by 31 December next following the financial year to which the audit relates, to examine the accounts and annual financial report submitted for audit;
- b) the auditor is to form an opinion as to whether –
 - i. the accounts are properly kept; and
 - ii. the annual financial report –
 - is prepared in accordance with the financial records; and
 - represents fairly the results of the operations of the local government and its financial position at 30 June;
- c) the auditor is to prepare a report on the audit and within 30 days of completing the audit forward a copy to –
 - i. the mayor or president;
 - ii. the CEO of the local government; and
 - iii. the Minister;

- d) the report is to give the auditor's opinion on –
 - i. the financial position of the local government; and
 - ii. the results of the operation of the local government;
- e) the report is to include –
 - i. any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government;
 - ii. any matters indicating non-compliance with financial management requirements of the Act, Regulations and any other written law;
 - iii. details of whether information and explanations were obtained;
 - iv. a report on the conduct of the audit; and
 - v. the opinion of the auditor as to whether or not the specific financial ratios reported are supported by verifiable information and reasonable assumptions;
- f) where it is considered appropriate to do so the auditor is to prepare a management report to accompany the auditor's report;
- g) where the auditor considers that –
 - i. there is any error or deficiency in an account or financial report;
 - ii. any money paid from, or due to the local government has been, or may have been misapplied; or
 - iii. there is a matter arising from the audit that needs to be addressed by the local government; details are to be included in the report to the Minister; and

- h) the auditor has a right of access at all reasonable times to such books, accounts, documents and assets of the local government as are in the opinion of the auditor necessary to allow the audit to be conducted.

Scope of the Audit

The Act and Regulations prescribe the scope of the external audit of the annual financial statements of a local government.

The scope details are going to vary between local governments but as an aid a model minimum standard audit specification is attached as Appendix 2 to this guideline. Individual local governments can amend that document to suit their particular needs.

Reporting by the Auditor

Regulations require the auditor, where appropriate, to prepare a management report to accompany the auditor's report. Although there is no legislative requirement for the auditor to prepare a management report unless he or she deems it appropriate, local government may wish to require the auditor to prepare a report on all issues identified during the audit.

The auditor, after completing the audit, is to forward a copy of his or her audit and management report to –

- the Mayor or President;
- the CEO of the local government; and
- the Minister via the Department.

It is the CEO's responsibility to ensure that the external audit report is provided to the audit committee. In considering the audit and management reports presented to the audit committee, the CEO should:

- a) examine any critical matters raised in the reports that affect the financial position of the local government; and
- b) provide comment on any critical matters raised and action proposed to be taken to address those matters.

Once Council has addressed matters raised, or accepted the CEO's planned remedial action on matters raised in the audit and management reports, the CEO should provide feedback to the Department on those matters.

Appendix 1

Model Terms of Reference – Audit Committees

Important: The following Model Terms of Reference contains clauses that may not be applicable to each local government. Local governments will need to consider each clause and only adopt those that are applicable to the roles and responsibilities and delegated powers and functions that will apply to their audit committee.

The clauses that may be considered optional have been asterisked (*).

Objectives of Audit Committees

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate –

- the enhancement of the credibility and objectivity of *internal and external financial reporting;

- *effective management of financial and other risks and the protection of Council assets;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- *the coordination of the internal audit function with the external audit; and
- the provision of an effective means of communication between the external auditor, *internal auditor, the CEO and the Council.

Powers of the Audit Committee

The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

Membership

The committee will consist of *four members with three elected and *one external person. All members shall have full voting rights.

*External persons appointed to the

committee will have business or financial management/reporting knowledge and experience, and be conversant with financial and other reporting requirements.

*Appointment of external persons shall be made by Council by way of a public advertisement and be for a maximum term of two years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.

*Reimbursement of approved expenses will be paid to each external person who is a member of the committee.

The CEO and employees are not members of the committee.

The CEO or his/her nominee is to be available to attend meetings to provide advice and guidance to the committee.

The local government shall provide secretarial and administrative support to the committee.

Meetings

The committee shall meet at least *quarterly.

Additional meetings shall be convened at the discretion of the presiding person.

Reporting

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.

*The committee shall report annually to the Council summarising its activities during the previous financial year.

Duties and Responsibilities

The duties and responsibilities of the committee will be –

- a) Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor;
- c) Develop and recommend to Council –
 - a list of those matters to be audited; and
 - the scope of the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as auditor;
- e) Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include –
 - the objectives of the audit;
 - the scope of the audit;
 - a plan of the audit;
 - details of the remuneration and expenses to be paid to the auditor; and
 - the method to be used by the local government to communicate with, and supply information to, the auditor;
- f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) Liaise with the CEO to ensure that the local government does everything in its power to –
 - assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
 - ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the auditor after receiving a report from the CEO on the matters to –
 - determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) *Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO (see reference to internal audit page 14);
- l) *Review the level of resources allocated to internal audit and the scope of its authority;
- m) *Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;
- n) *Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- o) *Review the local government's draft annual financial report, focusing on –
 - accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;

- compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years;
- p) *Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
- q) *Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;
- r) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council;
- s) Review the annual Compliance Audit Return and report to the council the results of that review, and
- t) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.

Internal Audit

Many local governments have recognised the need to improve their internal auditing processes, and have moved to either employ an internal auditor or contract out the internal audit function.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an

organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of an internal audit would be determined by the Audit committee, with input from the CEO, based on the size of the local government's internal operations and the level of compliance to be achieved. The role differs from that of the external auditor who is appointed by council on the recommendation of the Audit Committee, to report independently to it, through the mayor/president and the CEO, on the annual financial statements. The external auditor's primary role is to decide whether the annual financial statements of a local government are free of material misstatement.

There are certain functions of the internal audit that complement the external auditor's role. As the external auditor plans for an effective audit they need to assess and determine whether to include the scope, procedures and outcomes of the internal audit. The CEO must refer all internal audit reports to the Audit Committee for consideration.

An internal auditor's activities should typically include the following:

- (a) review of the internal control structure, monitoring the operations of the information system and internal controls and providing recommendations for improvements;
- (b) a risk assessment with the intention of minimising exposure to all forms of risk on the local government;
- (c) examination of financial and operating information that includes detailed testing of transactions, balances and procedures;

- (d) a review of the efficiency and effectiveness of operations and services including non-financial controls of a local government;
- (e) a review of compliance with management policies and directives and any other internal requirements;
- (f) review of the annual Compliance Audit Return;
- (g) assist in the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance; and
- (h) specific tasks requested by management.

For local government, the internal auditor should report functionally to the audit committee and administratively to the CEO. It should be remembered that pursuant to section 5.41 of the Act, the CEO is responsible for the day-to-day management of council activities including the direction of staff and implicitly the internal audit function. The CEO may choose to delegate this responsibility provided always that the delegation does not directly or indirectly interfere with the ability of the Internal Auditor to conduct an internal audit function free from interference.

A clear and properly defined reporting relationship ensures that the internal auditor is empowered to perform their role working with management. The direct reporting line to the audit committee also acts as an adequate safeguard in the event of a serious breakdown in internal controls or internal control culture at senior levels in the organisation.

While it is recognised that smaller councils may not be able to justify a

full-time internal auditor, a small size of operation does not justify forgoing internal audit altogether. If audit committee or management is of the view that the employment of an independent internal auditor either full-time or part-time is not warranted, it may request the council to have the internal audit function undertaken as necessary by an external contractor, or expand the role of its external auditor.

The external auditor or his or her professional company should only undertake internal audit functions that complement the external audit and do not cloud the objectivity and independence of the external audit. An external auditor must not audit information prepared by them or their accounting practice, as this is considered incompatible with the standard of independence.

Local governments that do not establish an internal audit process but require a review of the financial management systems and procedures, may decide to use the services of the external auditor for that purpose. Such reviews are to be undertaken every four years in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

The review of financial management systems and procedures provides the external auditor with greater assurance of systems and procedures used to prepare the annual financial statements, and whether they provide information free of material misstatement.

Appendix 2

Model Minimum Standard Audit Specification

Important: The following Model Minimum Standard Audit Specification may be used as the basis for the calling of tenders or seeking of quotes for the appointment of an auditor. Local governments need to consider the Model to ensure that only those clauses applicable to its requirements are used. This applies, in particular, to the "Critical matters to be audited".

Introduction

This document is provided for the assistance of auditors who wish to apply for the role of auditor with the City/Town/Shire.

Auditors are required to address all of the matters outlined in the specification.

Auditors who submit an application may be asked to provide further information and/or make a presentation to the audit committee.

Objectives of the Audit

To provide an independent audit opinion of the accounts and annual financial reports of the local government for each financial year covered by the term of the audit appointment.

Term of Audit Appointment

For the financial years commencing 1 July through to 30 June..... (not more than 5 years)

Scope of the Audit

The auditor is to –

Carry out such work as is necessary to form an opinion as to whether –

- (a) the accounts are properly kept; and
- (b) the annual financial report –
 - (i) is prepared in accordance with the financial records; and
 - (ii) represents fairly the results of the operations of the local government and the financial position of the local government at 30 June in accordance with the Australian Accounting Standards, the *Local Government Act 1995* (as amended) (the Act), the *Local Government (Financial Management) Regulations 1996* (as amended) and other mandatory professional reporting requirements.

Give an opinion in his or her audit report on –

- (a) the financial position of the local government; and
- (b) the results of the operation of the local government.

Include in his or her audit report –

- (a) any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government;
- (b) any matters indicating non-compliance with financial management or control requirements of the Act, Regulations and any other written law;
- (c) details of whether information and explanations were obtained by the auditor;

- (d) a report on the conduct of the audit; and
- (e) the opinion of the auditor as to whether or not the specific financial ratios reported are supported by verifiable information and reasonable assumptions.

Audit Methodology and Approach

Other requirements of the Auditor –

- (a) The auditor is required to comply with the requirements of section 7.9 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*;
- (b) An audit is to be carried out in accordance with accounting standards adopted from time to time by the Australian Government Auditing and Assurance Standards Board (AuASB);
- (c) The auditor is to provide the local government with a general outline of his/her methodology;
- (d) The auditor is to provide the local government with a plan for the audit including –
 - timing of interim audit visits;
 - final audit visit (within 30 days of being advised that the accounts and annual financial report are available for audit);
 - timing of the legislative requirement to meet with the local government and whether that meeting will be in person or by some other means;
 - the method to be used to communicate with, and provide advice and information to, the local government; and
- (e) The auditor is required to produce an audit report as required by section 7.9 of the *Local Government Act 1995* and, if considered appropriate by the auditor, a management report.

Critical Matters to be Audited

The auditor is to include in his or her application the extent to which the critical matters outlined below will be audited so as to form an opinion on the manner in which they have been maintained.

- (i) Revenue
 - Rates revenue
 - Government grants
 - User pays revenue
 - Profit on sale of non-current assets
 - Other income
- (ii) Expenditure
 - Salary and wage costs
 - Depreciation
 - Materials and contract expenditure
 - Loss on sale of non-current assets
 - Insurances
 - Bad debts
 - Other expenditure
- (iii) Current Assets
 - Bank and short term investments
 - Receivables and prepayments
 - Inventory
- (iv) Non-Current Assets
 - Property, plant, furniture and equipment
 - Infrastructure and depreciation
 - Other receivables
- (v) Liabilities (Current and non-current)
 - Creditors and accruals
 - Loan borrowings including new loans raised
 - Provision for annual and long service leave entitlements
- (vi) Reserve Funds
- (vii) Contingent Liabilities
- (viii) Capital Commitments
- (ix) Accounting Policies and Notes to the Financial Statements
- (x) Cash Flow Statement
- (xi) The financial ratios required by the *Local Government (Financial Management) Regulations 1996*

Hours, Fees and Expenditure

The auditor is to provide –

- estimate of the time to be spent on the audit;
- fees for completing the audit in accordance with this specification;
- nominated auditor(s) and registered company audit number(s); and
- experience of the nominated auditors in completing local government audits.

The auditor is to provide a fee for any additional audit requested by Council.

Terms

Conditions to be noted by auditors –

- the auditor shall not sub contract to a third party;
- the auditor shall not, and has no right to, assign the audit contract to third parties;
- the auditor shall not be engaged by the local government to undertake any financial consultancy with the local government that requires the preparation of financial information that will be the subject of the annual audit; and
- the auditor shall confirm that he or she has, and will maintain during the duration of the audit term, professional indemnity insurance covering the legal liability arising out of any neglect, default, error, or omission.

Termination of Appointment

The appointment as auditor is terminated if –

- (a) the auditor ceases to be a registered company auditor;
- (b) the auditor ceases to be an approved auditor under Section 7.5 of the *Local Government Act 1995*;
- (c) the auditor is a disqualified person under Section 7.4(2) of the *Local Government Act 1995*;
- (d) the auditor resigns by notice in writing to Council; or
- (e) Council serves notice in writing to the auditor terminating the appointment.

Appendix 3

Issues that should be considered for inclusion in the CEO's Review of Risk Management, Internal Control and Legislative Compliance

Please note: Section 7 of the Department's Western Australian Local Government Accounting Manual provides a comprehensive internal control framework related to internal control and risk management.

Risk Management

Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

- Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered;
- Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas;
 - potential non-compliance with legislation, regulations and standards and local government's policies;
 - important accounting judgements or estimates that prove to be wrong;
 - litigation and claims;
 - misconduct, fraud and theft;
 - significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;
- Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment;
- Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated,

monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

Internal Control

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

An effective and transparent internal control environment is built on the following key areas:

- integrity and ethics;
- policies and delegated authority;
- levels of responsibilities and authorities;
- audit practices;
- information system access and security;
- management operating style; and
- human resource management and practices.

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Aspects of an effective control framework will include:

- delegation of authority;
- documented policies and procedures;
- trained and qualified employees;
- system controls;
- effective policy and process review;
- regular internal audits;
- documentation of risk identification and assessment; and

- regular liaison with auditor and legal advisors.

The following are examples of controls that are typically reviewed:

- separation of roles and functions, processing and authorisation;
- control of approval of documents, letters and financial records;
- comparison of internal data with other or external sources of information;
- limit of direct physical access to assets and records;
- control of computer applications and information system standards;
- limit access to make changes in data files and systems;
- regular maintenance and review of financial control accounts and trial balances;
- comparison and analysis of financial results with budgeted amounts;
- the arithmetical accuracy and content of records;
- report, review and approval of financial payments and reconciliations; and
- comparison of the result of physical cash and inventory counts with accounting records.

Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- Monitoring compliance with legislation and regulations;
- Reviewing the annual Compliance Audit Return and reporting to Council the results of that review;
- Staying informed about how management is monitoring the

effectiveness of its compliance and making recommendations for change as necessary;

- Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;
- Obtaining assurance that adverse trends are identified and review management's plans to deal with these;
- Reviewing management disclosures in financial reports of the effect of significant compliance issues;
- Reviewing whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee;
- Considering the internal auditor's role in assessing compliance and ethics risks in their plan;
- Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements; and
- Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.

These guidelines are also available on the Department's website at www.dlgc.wa.gov.au



About the Guideline series

This document and others in the series are intended as a guide to good practice and should not be taken as a compliance requirement. The content is based on Department officer knowledge, understanding, observation of, and appropriate consultation on contemporary good practice in local government. Guidelines may also involve the Department's views on the intent and interpretation of relevant legislation.

All guidelines are subject to review, amendment and re-publishing as required. Therefore, comments on any aspect of the guideline are welcome. Advice of methods of improvement in the area of the guideline topic that can be reported to other local governments will be especially beneficial.

For more information about this and other guidelines, contact the Local Government Regulation and Support Branch at:

Department of Local Government and Communities

Gordon Stephenson House, 140 William Street, Perth WA 6000

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Translating and Interpreting Service (TIS) – Tel: 13 14 50

9.1.3. Strategic Internal Audit Plan 2017-20

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

Previous Items
Directorate Corporate Services
Business Unit Financial Services
File Reference
Applicant
Owner

Attachments 1. Strategic Audit Plan **[9.1.3.1]**

EXECUTIVE SUMMARY

1. The purpose for this report is to provide Council with the draft Strategic Internal Audit Plan (SIAP) 2017-2020 for endorsement.
2. The SIAP will be implemented by an external professional firm, Crowe Howarth Pty Ltd (CW) which was awarded the contract for the provision of Internal Audit Services for the same period.
3. It is recommended that Council:
 - a) endorses the City of Kalamunda Internal Audit Plan 2017-2020;
 - b) notes that Crowe Howarth Pty Ltd, the appointed Internal Auditor is to provide a quarterly report to the Audit and Risk Committee assessing completed work; and
 - c) notes that an annual review will be conducted of the Strategic Audit Plan and changes will be brought to the Audit and Risk Committee for endorsement prior to commencement of works.

BACKGROUND

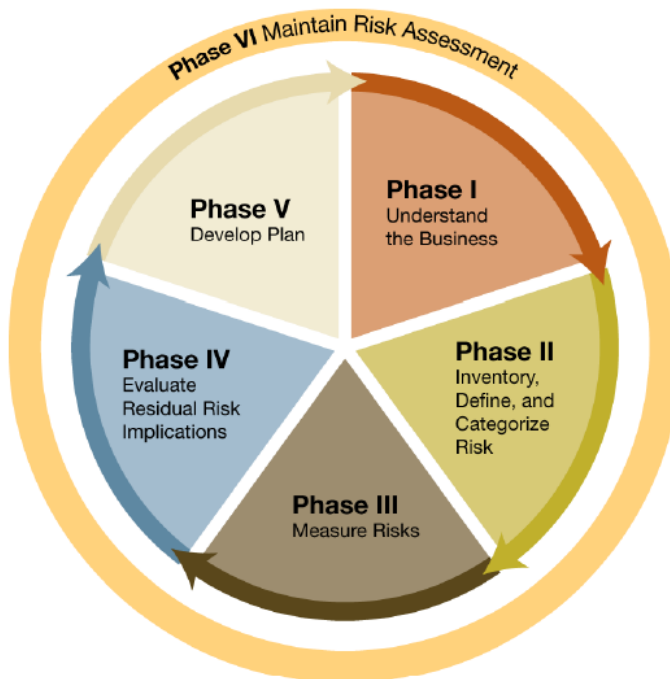
4. Internal Audit focuses on:
 - a) compliance with the *Local Government Act 1995* (WA) and associated regulations;
 - b) compliance with Australian Accounting Standards;
 - c) assessment of accounting procedures;
 - d) assessment of internal controls;
 - e) assessment of risk; and
 - f) compliance with Council policies.
5. The SIAP has been developed in conjunction with the endorsed Strategic Risk Register and Strategic Community Plan, *Kalamunda Advancing 2027*.
6. Detailed consultations have been conducted with the following:
 - a) Audit & Risk Chairperson;
 - b) Audit & Risk Deputy Chairperson;
 - c) Executive Management Team; and
 - d) Key Management.

The discussions have helped formulate areas of operational risks identified which would benefit from an Internal Audit Review.

DETAILS

7. The City decided to outsource its Internal Audit Function from 1 July 2017 and Access the market so as to source a professional firm that would be able to provide a multi-faceted team with background in internal audit, data analytics and specialist services such as Information technology, Enterprise Risk Management, Waste Management.
8. The City ran a tender process in August 2017 and CW was appointed as the successful tenderer in November 2017. The period of coverage is in line with the SIAP, from 1 July 2017 to 30 June 2020.
9. Working in liaison with the Manager Finance & Risk Services, the following methodology was conducted to formulate the SIAP:
 - a) Phase I – Understand the Business;
 - b) Phase II – Conduct and inventory, define and categorise risk;
 - c) Phase III – Measure Risks;
 - d) Phase IV – Evaluate Residual Risk Implications;
 - e) Phase V – Develop Plan; and
 - f) Phase VI – Maintain Risk Assessment

As per above, Phase VI is the over-arching and most critical phase in the development of the SIAP in which key issues, risks and challenges facing the City face were identified and prioritised.



CW Internal Audit Plan Methodology

10. The Internal Audit services to be performed are:

- a) Compliance Audits
Compliance audits focus primarily on the entities or their suppliers compliance with regulations, directions, policies, plans and procedures.
- b) Financial Audits
- c) Financial audits are focused on the practices and activities relating to the accounting and reporting of financial transactions, including budget commitments, approvals and the receipt and disbursement of funds. Additionally, the reliability and integrity of financial information and safeguarding of assets is reviewed.
- d) Performance /Operational Audits
A Performance Audit is focused on assessing activities in terms of their efficiency, effectiveness including:
 - The adequacy of the internal control structure or specific internal controls ensuring due regard for economy and effectiveness;
 - The extent to which resources have been managed economically and efficiently; and
 - The extent to which activities have been effective in achieving organisational objectives.

11. In developing the SIAP, CW perused the following City documents to formulate the contents:

- a) Audit and Risk Committee Terms of Reference (TOR);
- b) Internal Audit Plan Status;
- c) Internal Audit Policy and Procedure;
- d) Previous Internal Audit Reports;
- e) Operational Risks Assurance Maps (in development);
- f) Strategic Risk Register;
- g) Corporate Business Plan;
- h) Annual Report;
- i) Annual Budget and Long Term Financial Plan; and
- j) Legislative and regulatory requirements.

12. CW held interviews with relevant managers, senior executive team and the Chairperson and Deputy Chairperson of the Audit & Risk Committee to:

- a) Understand their expectations of the internal audit function; and whether stakeholder expectations in order to align with the TOR;
- b) Positively advocate internal audit being value creation rather than a necessary corporate governance function that is a “cost of doing business”;
- c) Confirm relevance of previously determined auditable areas;
- d) Understand known and emerging risks; and the potential auditable areas addressing these risks;
- e) Identify key projects or initiatives where the stakeholder requires assurance accordingly;
- f) Identify key controls and systems; and
- g) Discuss the role of other assurance providers and the respective assurance requirements, or assurance provision.



CW Progressive Internal Audit Model

13. The results of the document analyses and interviews were then synthesised to prioritise audits based on the following:

- a) non-negotiable/ "mandatory" and/or high risk topics;
- b) budget;
- c) impacts of risk on the City;
- d) areas of the City where stakeholders considered internal audit could add value or where they seek assurance that risks are being managed to an acceptable level, including special projects or initiatives captured in the Strategic Risk Register; and
- e) previous audit history, including findings and recommendations.

The above was then used to define the objectives and scope of the identified auditable areas and confirm the same with the administration with expected deliverable spread over the three years.

14. The audit plan presented incorporates time allocation for CW to prepare a status report every quarter to the Audit and Risk Committee.

STATUTORY AND LEGAL CONSIDERATIONS

15. *Local Government Act 1995.*
Local Government (Financial Management) Regulations 1996.
Local Government (Functions and General) Regulations 1996.

POLICY CONSIDERATIONS

16. Nil.

COMMUNITY ENGAGEMENT REQUIREMENTS

Internal Referrals

17. Detailed consultations have been conducted with the following:
- a) Audit & Risk Chairperson;
 - b) Audit & Risk Deputy Chairperson;
 - c) Executive Team; and
 - d) Key Management.

The discussions have helped formulate areas of operational risks identified which would benefit from an Internal Audit Review.

External Referrals

18. Nil.

FINANCIAL CONSIDERATIONS

19. CW contracted hours are charged at the rate of \$120/ph. The SIAP as presented shows the time allocation as follows:

Year	Hours	\$
2017/18	760	91,200
2018/19	975	117,000
2019/20	905	108,600

The appropriate budget has been allowed under the Finance Business Unit.

20. The monitoring and review of internal controls within the Internal Audit program will reduce the risk and likely exposure of potential loss to the City.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

21. *Kalamunda Advancing Strategic Community Plan to 2027*

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

Strategy 4.1.2 - Build an effective and efficient service based organisation.

SUSTAINABILITY

Social Implications

22. Nil.

Economic Implications

23. Nil.

Environmental Implications

24. Nil.

RISK MANAGEMENT CONSIDERATIONS

25.	Risk: Internal Audit fails to identify material non-compliance or control deficiencies.		
	Likelihood	Consequence	Rating
	Unlikely	Moderate	Low
	Action/Strategy		
	Internal Audit Plan developed and reviewed annually.		
	Internal Audit working papers reviewed by External Auditors.		

OFFICER COMMENT

26. The Internal Audit Plan was completed in accordance with the provisions of the *Local Government Act 1995*, associated regulations, Australian Accounting Standards (AASB) and International Standards for the Professional Practice of Internal Auditing (IPPF).
27. The Internal Audit services are focused on Compliance Audits, Financial Audits and Performance (Operational) Audits

The Presiding Member recommended suspension of standing orders to allow for the Auditors to provide an introduction and then invite Council to have an open discussion.

Suspension of Standing Orders

Voting Requirements: Simple Majority

MOTION

1. That in accordance with Clause 17.1 of the Standing Orders all clauses in the Standing Orders be suspended.

Moved: **Cr John Giardina**

Seconded: **Cr Michael Fernie**

Vote: **CARRIED UNANIMOUSLY (10/0)**

Standing Orders were suspended at 7:00pm.

The Auditors introduced themselves and provided answers to Council's questions.

Resumption of Standing Orders

Voting Requirements: Simple Majority

MOTION

1. That in accordance with Clause 17.1 of the Standing Orders all clauses in the Standing Orders be resumed.

Moved: **Cr Sara Lohmeyer**

Seconded: **Cr Dylan O'Connor**

Vote: **CARRIED UNANIMOUSLY (10/0)**

Standing Orders resumed at 7:19pm.

Voting Requirements: Simple Majority

RECOMMENDATION

That Council:

1. Endorses the City of Kalamunda Strategic Internal Audit Plan 2017-2020 **to include scope changes as raised by Council.**
2. Notes that Crowe Howarth Pty Ltd, the appointed Internal Auditor is to provide a quarterly report to the Audit & Risk Committee commenting on the work done to date.
3. Notes that an annual review will be conducted of the Strategic Internal Audit Plan and changes brought to the Audit and Risk Committee for endorsement prior to commencement or works.

Moved: **Cr Dylan O'Connor**

Seconded: **Cr Lesley Boyd**

Vote: **CARRIED UNANIMOUSLY (10/0)**



Three-year Strategic Internal Audit Plan 1 July 2017 to 30 June 2020

City of Kalamunda

Confidential

Prepared for: Audit & Risk Committee

Prepared by: Andrew Zavitsanos, Partner



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Disclaimer

The services provided in connection with the engagement comprise an advisory engagement which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance will be expressed. This Internal Audit plan has been prepared at the request of the City of Kalamunda's Audit & Risk Committee.

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that are subject to procedures we perform operate, is not reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed are not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate. The key strategic risks of City of Kalamunda noted within its Internal Audit plan reflect the perceptions, at a point in time, of the Board and Management of City of Kalamunda involved in the process. Crowe Horwath (Aust) Pty Ltd provides no warranty regarding the accuracy or completeness of the information. All opinions, conclusions, forecasts or recommendations are reasonably held at the time of compilation but are subject to change without notice by Crowe Horwath (Aust) Pty Ltd. Crowe Horwath (Aust) Pty Ltd assumes no obligation to update this document after it has been issued. Except for any liability which by law cannot be excluded, Crowe Horwath (Aust) Pty Ltd, its Directors, employees and agents disclaim all liability (whether in negligence or otherwise) for any error, inaccuracy in, or omission from the information contained in this document or any loss or damage suffered by the recipient or any other person directly or indirectly through relying upon the information.

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1 Introduction

This proposed three-year Strategic Internal Audit Plan including the Annual Audit Plan, sets out the scope of the planned work to be undertaken by Internal Audit for the City of Kalamunda (the “City”) for 2017-18 through to 2019-20. The plan was developed based on consideration of the following:

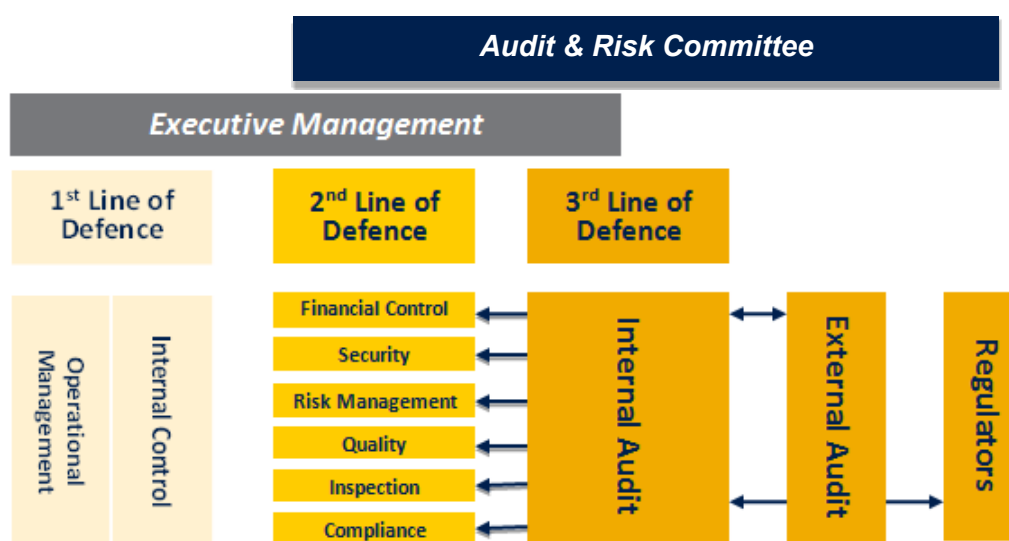
- Reviewing of the City’s current Risk Register.
- Consultation with the CEO, Executive team, senior Managers and the Chair of the Audit & Risk Committee.
- Give consideration to other local governments’ Internal Audit universe.
- Topical audit areas of focus in the market.
- Validation of the audit universe through conversations with City’s Executive team.

Stemming from this process we have identified a range of issues facing the City and how Internal Audit resources might best be employed to support management and the Audit & Risk Committee in its governance role.

Internal Audit aims to assist the Audit & Risk Committee, CEO and Executive to achieve objectives, improve business performance and manage risk through:

- Providing an independent assessment of risks, controls and processes across the City;
- Promoting mechanisms that encourage a culture which is conscious of risk, control and process; and
- Assisting and supporting the City in its drive for process improvement and achievement of its objectives.

Internal Audit is an important part of an organisations risk management framework. The relationship between Internal Audit and the City can be summarised using the “*Three Lines of Defence*” model below.



Three Lines of Defence Model



In the *Three Lines of Defence* model, management control is the first line of defence in risk management, the various risk control and compliance oversight functions established by management are the second line of defence, and independent assurance – Internal Audit – is the third.

The following principles have been adopted in developing this plan to achieve its purpose:

Principles	Value
A risk based approach	Development of an Internal Audit Plan that includes the core risks of City supporting Management with a culture that reinforces risk and seeks continuous improvement in business processes.
Integration with other Assurance providers and processes	Internal Audit work with other Assurance providers of City, such as the External Auditor and other specialists, to ensure there is efficiency within the audit effort and to avoid duplication (wherever possible). Internal Audit also considers the assurance activities undertaken by the business. Assurance mapping can then be developed presenting, visually, the assurance activities apply to a specific risk or set of compliance requirements.
Flexibility	Responding quickly to changes in the business environment, business risks and City's priorities.
Operational efficiency	The plan will be cost effective in terms of the cost and quality of the work performed.
Practical and timely recommendations	Recommendations will be practical and realistic, and will be monitored regularly for implementation.

The three-year Strategic Internal Audit Plan has been designed to ensure that the activities of Internal Audit are focused on the risks that matter to the City.

The plan seeks to adapt to the changing environment the City operates in, and accordingly the timing of projects is subject to change based on the assessment that will be performed at the commencement of each Internal Audit planning cycle.

Where matters of higher priority arise over the course of the three-year plan, they will be considered and the detail of the plan may be revised to accommodate the new risk. These changes will be communicated, and a detailed annual plan will be presented for approval by the Audit & Risk Committee at the commencement of each year in respect of that year's proposed activity.

2 Context and Approach

The City governs its operations through legislation, local laws, standing orders, council resolutions, policies, procedures and guidelines¹. Within in this context, there are a range of benefits that can be derived from implementing an effective governance framework. These include:

- Greater likelihood of achieving objectives;
- Compliance with legislative and regulatory requirements;
- Improved stakeholder trust and confidence;
- Encouragement of decisive leadership rather than crisis management;
- Better information for improved decision making;
- Reduced unexpected and costly surprises;
- Better results from projects and programs; and
- More effective and efficient allocation of resources.

2.1 Plan Development – Approach

The Strategic Internal Audit Plan have been developed to ensure that the Internal Audits are focused on the risks set out in City's risk register and the areas where the Executive team and the Audit & Risk Committee members seek a higher level of assurance in relation to the effectiveness of internal controls in managing those risks. **The program seeks to focus on those risks and activities where the most value can be derived for the City.**

In identifying the audits to be undertaken, Internal Audit has considered the periodic assurances and audits undertaken to maintain robust corporate governance, as well as regulatory reviews required.

The Internal Audit plan is intended to be flexible to accommodate the changing face of the City business and the environment within which it operates. As new risks and issues arise they will be considered and taken into account with the annual refresh of the Strategic Internal Audit Plan. This will ensure that the proposed Internal Audit projects are risk focused and relevant to the strategic imperatives of City at the time.

In addition to the audits proposed in this plan, Internal Audit is committed to:

- Reporting, following up and proactively monitoring activities.
- Continuing & strengthening the relationship between Risk and Governance and the business.
- Proactively seeking out opportunities to assist the City in creating a risk aware culture.

Providing assistance on significant projects and activities as required.

Set out in Section 3 is a summary of the Internal Audits identified for the period 2018-2020.

¹ *City of Kalamunda Governance and Policy Framework - 2017*



2.2 Types of Review

Broadly, there are three types² of Internal Audits to be performed:

Compliance Audits

Compliance audits concentrate primarily on the entity's (or their suppliers') compliance with legislation, regulations, directions, policies, plans and procedures.

Financial Audits

Financial audits are concerned with practices and activities relating to the accounting and reporting of financial transactions including budget commitments, approvals and the receipt and disbursement of funds, as well as the reliability and integrity of financial information and the safeguarding of the assets.

Performance (Operational) Audits

A Performance Audit is an audit of all or a part of an entity's activities to assess economy, efficiency and effectiveness and focuses on:

- The adequacy of an internal control structure or specific internal controls to ensure due regard for economy and effectiveness;
- The extent to which resources have been managed economically and efficiently; and
- The extent to which activities have been effective in achieving organisational objectives.

² Department of Finance, Government Procurement, *Audit Services and Financial Advice, Buying Guide*, CUA23706, 9 January 2018

3 Summary of the three-year Strategic Internal Audit Plan

Set out below a summary of the proposed audits to be undertaken over the three years.

Auditable Areas	Type of Audit	Division	Financial Year		
			2018	2019	2020
Management of Licences	<ul style="list-style-type: none"> Compliance 	All	75		
Grants Management	<ul style="list-style-type: none"> Performance Compliance Financial 	All	40		
Business Unit Review	<ul style="list-style-type: none"> Performance 	All - TBD		75	75
Waste Management	<ul style="list-style-type: none"> Performance Compliance Financial 	Asset Services	100		
Inventory Management	<ul style="list-style-type: none"> Financial Compliance 	Asset Services	15		
Project Management	<ul style="list-style-type: none"> Performance Compliance Financial 	Asset Services			60
Assets Management	<ul style="list-style-type: none"> Performance Compliance Financial 	Asset Services			60
Fleet management	<ul style="list-style-type: none"> Performance Compliance Financial 	Asset Services			40
Building Maintenance	<ul style="list-style-type: none"> Compliance Performance Financial 	Building Maintenance			90
Relationship between Elected Members and Administration	<ul style="list-style-type: none"> Performance Compliance 	CEO		40	
Fraud Management Review	<ul style="list-style-type: none"> Performance 	CEO	75		
Policies and Procedures (Phase 1)	<ul style="list-style-type: none"> Compliance 	CEO	40		
Policies and Procedures (Phase 2)	<ul style="list-style-type: none"> Compliance 	CEO		75	
Advisory Committee	<ul style="list-style-type: none"> Performance 	CEO		40	
Occupational Health and Safety Risk (OHS)	<ul style="list-style-type: none"> Compliance 	CEO			120

Auditable Areas	Type of Audit	Division	Financial Year		
			2018	2019	2020
Customer Service	<ul style="list-style-type: none"> Performance Compliance 	CEO		40	40
Advocacy	<ul style="list-style-type: none"> Performance Compliance 	CEO		40	
Workforce Planning	<ul style="list-style-type: none"> Performance 	CEO		60	
Human Resource Management	<ul style="list-style-type: none"> Performance Compliance 	CEO		75	
Contract Management	<ul style="list-style-type: none"> Compliance Performance Financial 	Corporate Services	60		
Procurement and Tendering	<ul style="list-style-type: none"> Compliance Financial 	Corporate Services		40	40
Business Continuity Planning (BCP) and Disaster Recovery (DR)	<ul style="list-style-type: none"> Performance Compliance 	Corporate Services		120	
Payroll	<ul style="list-style-type: none"> Financial Compliance 	Corporate Services	40		
General Financial Controls (excluding Procurement and Tendering)	<ul style="list-style-type: none"> Financial Compliance Performance 	Corporate Services	40	40	40
Records Management	<ul style="list-style-type: none"> Performance Compliance 	Corporate Services	60		
Risk Management	<ul style="list-style-type: none"> Performance Compliance 	Corporate Services		60	
Cyber Security	<ul style="list-style-type: none"> Performance Compliance 	Corporate Services		60	
Audit & Risk Committee	<ul style="list-style-type: none"> Performance 	Corporate Services	40	40	40
Waste Transfer Station	<ul style="list-style-type: none"> Performance Compliance 	Corporate Services			75
Cloud Migration	<ul style="list-style-type: none"> Performance 	Corporate Services		75	
ICT Governance	<ul style="list-style-type: none"> Performance Compliance 	Corporate Services			75
Digital Risk	<ul style="list-style-type: none"> Performance 	Corporate Services			75
Developer Contribution Plans	<ul style="list-style-type: none"> Financial Compliance 	Development Services			75
Cats & Dogs Registration	<ul style="list-style-type: none"> Compliance Performance Financial 	Development Services	40		
Closed-Circuit Television (CCTV)	<ul style="list-style-type: none"> Performance Compliance Financial 	Development Services	75		



Auditable Areas	Type of Audit	Division	Financial Year		
			2018	2019	2020
Sustainable Environment	<ul style="list-style-type: none"> Performance Compliance 	Development Services		75	
Planning Approval	<ul style="list-style-type: none"> Compliance Performance 	Development Services	60		
Bushfire Management	<ul style="list-style-type: none"> Performance Compliance 	Development Services		40	
Emergency Management	<ul style="list-style-type: none"> Performance Compliance 	Development Services		40	
TOTAL HOURS			760	975	905



4 Linking your Strategic Objectives and Risks to the Audit Plans

The City's key strategic risks and core business processes have been considered as part of the development of the Strategic Internal Audit Plan and linked to the strategic objectives in the Strategic Community Plan (*Kalamunda Advancing 2027*).

It should be noted that an Internal Audit engagement does not indicate full coverage of a risk, as a risk may be managed through a number of business processes and control procedures. Similarly, an Internal Audit of a process may be associated with more than one risk area.

4.1 Annual Plan 2018 Internal Audits

The Internal Audits identified for 2018 with indicative timing are presented below (Table 1) for the consideration and approval of the Audit & Risk Committee. These audits represent the specific area of risk within the strategic risk or critical business processes, which our enquiries have identified are the priority for an assurance activity. The impetus for the audits range from a high strategic risk, regulatory requirements, and regular compliance reviews.

The specific scope and approach of each Internal Audit will be formally confirmed with the relevant City Management representative responsible for the process prior to the commencement of the Internal Audit in a Memorandum of Audit Plan (MAP), which summarises the terms of reference for each audit. This will ensure that current risks and issues are considered in the audit. As such, the hours estimated below are subject to change following the detailed scoping process. It is our experience that such changes are relatively minor.

Internal Audit will carry out the work as agreed, report the findings to Management, and make recommendations on actions to be taken by Management which are realistic, practical and address the weakness in the process level risk. During the audits, areas for process simplification and process improvement will be considered.

Where new and pressing issues or risk arise, additional Internal Audits may be included in the Internal Audit Plan with the approval of the Chief Executive Officer and / or the Audit & Risk Committee.

**Table 1: Internal Audits FY2018**

Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours	Timing
4.1.1 Provide good governance.	Management of Licences Assess the effectiveness of the controls over the management of licences, including obtaining an understanding of the type of licence held by the City.	<ul style="list-style-type: none"> Licenses are not renewed in a timely manner or failure to obtain relevant licenses. 	<ul style="list-style-type: none"> Register of licence. Process for recording renewals. Roles and responsibilities. System used. Managing currency of staff qualifications and licences. Example of licence type to be covered include: <ul style="list-style-type: none"> IT software Building statutory Waste transfer station Depot fuel. 	<ul style="list-style-type: none"> Compliance 	All	75	TBA
4.1.1 Provide good governance. 4.2.2 Increase advocacy activities and develop partnerships to support growth and reputation.	Grants Management Assess whether the City have effective controls and procedures in respect to management of grants.	<ul style="list-style-type: none"> Grant work is not effectively managed resulting in portion of the grant having to be repaid to the funding body due to a failure to meet deadlines, or future grants not being awarded to the City due to poor performance or missed opportunities for significant funding options. Expenditures relating to a grant have not been accurately allocated to the correct grant resulting in misreporting. 	<ul style="list-style-type: none"> Application of grants. Receipt and recording of funds. Financial accounting. Annual work planning. Performance monitoring activities. Compliance with the conditions attached to funding. Ownership and responsibility for grant. application and management across the organisation. 	<ul style="list-style-type: none"> Performance Compliance Financial 	All	40	TBA



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours	Timing
		<ul style="list-style-type: none"> Grant conditions breached as a result of a lack of understanding by City staff of the acquittal process and of their responsibilities as project/contract managers. 	<ul style="list-style-type: none"> Review process for recognition of unspent/carry forward of grant monies. Check the following grants: Roads-to-Recover, SES, Bushfire Brigade, WA Grants Commission, Community Sport Recreation Facilities 				
<p>4.1.2 Build an effective and efficient service based organisation.</p> <p>2.3.1 Identify and implement strategies to reduce waste.</p>	<p>Waste Management</p> <p>Assess the City's processes and controls in place to manage waste services provided by the council on garbage, recycling, garden waste and kerbside clean ups.</p>	<ul style="list-style-type: none"> City's waste management services do not meet expected standards. The City's contractor is not able to service or support the City's waste management needs. The City incurs financial losses because of poor administration. The City's waste management practices are not sustainable resulting in an unsafe and unhealthy environment for residents, visitors and workers. The risk of non-compliance with Federal and State Waste Management policies. 	<ul style="list-style-type: none"> Contract management focusing on reconciliations of: <ul style="list-style-type: none"> Charges for waste management with contract. Match bins to the rating/GIS system. Review skip bin process controls and reconciliation with Contractor Invoices against physical deliveries. Collection of wastes: <ul style="list-style-type: none"> too often/not enough/not collecting correct type of waste collected number of services billed with number of services charged to ratepayers special waste services e.g. problem waste, e-waste, asbestos. 	<ul style="list-style-type: none"> Performance Compliance Financial 	Asset Services	100	TBA



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours	Timing
			<ul style="list-style-type: none"> Transporting of waste: <ul style="list-style-type: none"> frequency approved vehicle used by contractor Tipping and processing of waste: <ul style="list-style-type: none"> type of waste being dumped approved vehicle used by contractor use of landfill sites tipping cost processing of waste, diversion rates and targets Reconciliation between amount dumped against amount invoiced. Monitoring and reporting: <ul style="list-style-type: none"> system generated reports effective budget monitoring 				
4.1.1 Provide good governance.	Inventory Management Review the inventory management process including stock control and classification of items (consumables vs inventory).	<ul style="list-style-type: none"> Inventory level reported is inaccurate. Inventory maybe misappropriated, not available when required affecting operations. 	<ul style="list-style-type: none"> Policy/process development. Daily/monthly reconciliations and independent reviews. Control of inventory management. Reporting. 	<ul style="list-style-type: none"> Financial Compliance 	Asset Services	15	TBA



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours	Timing
4.1.1 Provide good governance. 4.1.2 Build an effective and efficient service based organisation.	Fraud Management Review The review will assess Council's performance in relation to fraud management and prevention. The review will consider five key elements of fraud management and prevention as follows: <ul style="list-style-type: none"> Communicating intent Identifying risks Limiting opportunities Raising awareness Monitoring. 	<ul style="list-style-type: none"> Incidents of fraud may result in financial loss and/ or reputation damage to the City. 	<ul style="list-style-type: none"> Fraud risk assessment. Public Interest Disclosure. Code of Conduct. Induction. Investigation and reporting procedures. 	<ul style="list-style-type: none"> Performance 	CEO	75	TBA
4.1.1 Provide good governance.	Policies and Procedures (Phase 1) Conduct a gap analysis of the City's policy framework.	<ul style="list-style-type: none"> The City has not established key policies resulting in a lack of established principles to guide staff's actions. Breach of legislative requirements. 	<ul style="list-style-type: none"> Policy management framework. 	<ul style="list-style-type: none"> Compliance 	CEO	40	TBA
4.1.1 Provide good governance. 4.1.2 Build an effective and efficient service based organisation.	Contract Management Assess the adequacy and effectiveness of the City's contract management processes.	<ul style="list-style-type: none"> Fail to maintain compliance requirements for City contracts. Fraud (e.g. payment for services/goods not delivered or received). Third-party risk. 	<ul style="list-style-type: none"> Alignment of procurement and contract management policies and procedures. Qualitative and quantitative performance measures that have been put in place to enable the contract manager to monitor and measure service delivery. Performance review processes including KPIs. 	<ul style="list-style-type: none"> Compliance Performance Financial 	Corporate Services	60	TBA



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours	Timing
			<ul style="list-style-type: none"> Compliance with commercial contract conditions. Segregation of duties. Monitoring, review and management of contractor relationships, performance and spend (including variation, extensions of time, risk management, delegated financial authority). Payment approval process. Building and Tree maintenance contracts. 				
<p>4.1.1 Provide good governance.</p> <p>4.1.2 Build an effective and efficient service based organisation.</p>	<p>Payroll Review the adequacy of payroll payment processes with respect to:</p> <ul style="list-style-type: none"> Internal controls designed to prevent fraud and corruption in the payment processes; Recording and paying autopay, timesheets, leave, overtime worked and changes in pay rates; Review the adequacy of the IT system controls including: <ul style="list-style-type: none"> System access and profiles (at the application level); 	<ul style="list-style-type: none"> Wages, salaries and/or conditions of employment are incorrectly paid to employees. 	<ul style="list-style-type: none"> Setting up of employees in the system. Payment processing in accordance with LGIA, EBA's, City's additional terms and conditions and grandfathered benefits. Reconciliation. Recovery of overpayment. Eligible Termination Payments (ETPs). Payroll system – review access controls. Processing timesheets. Authorisation, including overtime approval. 	<ul style="list-style-type: none"> Financial Compliance 	Corporate Services	40	TBA



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours	Timing
	<ul style="list-style-type: none"> – Key IT processing controls (embedded segregation, reasonableness limits, logic tests). – System generated reporting (masterfile changes, standard reports); – Administrator access; – EFT controls; and – Edit-ability of payroll data files (ABA file). 		<ul style="list-style-type: none"> ▪ Recording and paying employees for leave. ▪ Review archiving practice for ex-employee records. ▪ Cross-reference banking records against creditor/debtor modules. 				
<p>4.1.1 Provide good governance.</p> <p>4.1.2 Build an effective and efficient service based organisation.</p>	<p>General Financial Controls (excluding Procurement and Tendering)</p> <p>Assess the effectiveness of the process level controls within the following financial functions:</p> <ul style="list-style-type: none"> ▪ Credit cards; ▪ Bank reconciliations; ▪ Petty Cash; ▪ Receipts and Receivables (front counter); ▪ Fees and Charges; ▪ Investments; ▪ Purchases, Payments and Payables; 	<ul style="list-style-type: none"> ▪ The risk that the City has incomplete and / or inaccurate financial records. 	<ul style="list-style-type: none"> ▪ Financial management guidelines/procedures. ▪ Reconciliations. ▪ Control framework including system access controls. ▪ Electronic fund transfer security protocols. ▪ Segregation of duties including fraud management controls. ▪ Management reporting. 	<ul style="list-style-type: none"> ▪ Financial ▪ Compliance ▪ Performance 	Corporate Services	40	TBA



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours	Timing
	<ul style="list-style-type: none"> Fixed Assets; Receipting Administration (Libraries, Recreation Centres, Health and Community Care); Contributions/Lessee Improvements; Fringe Benefits Tax; GST & BAS; Bonds; and Loan Borrowings. 						
<p>4.1.1 Provide good governance.</p> <p>4.1.2 Build an effective and efficient service based organisation.</p>	<p>Records Management Assess the systems and processes in relation to records capture and retrieval, retention and disposal, risk of loss of vital information.</p>	<ul style="list-style-type: none"> Inadequate records management practices could result in a breach of State Records Keeping Act 2000 and loss of information. Records cannot be located in a timely and effective manner particularly in the event of appeal or litigation as well as all other operational requirements. 	<ul style="list-style-type: none"> Document control processes, including: <ul style="list-style-type: none"> Mail opening and distribution processes. File recording including emails and faxes. Access to hardcopy and electronic files. Retrieval, issuing, monitoring and control processes (check who has access and do they need it, review protocols in place). Storage and recording of vital documents. Procedures and practices in managing the electronic and 	<ul style="list-style-type: none"> Performance Compliance 	Corporate Services	60	TBA



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours	Timing
			<p>hard copy records, including meeting current requirements and long-term storage needs, including:</p> <ul style="list-style-type: none"> – IT record management system. – File archiving. – Storage security and access. – File destruction. <ul style="list-style-type: none"> ▪ Data privacy: <ul style="list-style-type: none"> – What data is collected; – Where data is stored; – What purpose; and – Users and access control. ▪ Processes for restricting access to confidential and sensitive information including management of commercial and confidential files. ▪ Resourcing in the responsible business area. ▪ Staff training on recordkeeping and awareness. ▪ Monitoring and auditing. 				
4.1.1 Provide good governance.	Audit & Risk Committee Preparing reports and attending the Audit and Risk Committee each quarter, including review of the process undertaken for the formulation of the compliance annual return.				Corporate Services	40	TBA



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours	Timing
4.1.1 Provide good governance.	Cats & Dogs Registration Review the effectiveness of the cat and dog's registration process.	<ul style="list-style-type: none"> Register of cats and dogs not being maintained and updated on a regular basis as required by legislation. Owners of cats and dogs not being billed in accordance with legislation and the schedule of fees and charges. Outstanding debt for unpaid fees not reviewed and overdue debts followed up. 	<ul style="list-style-type: none"> Registration procedures. Enforcement process. System used, including management of database. Operational responsibilities. Debt collection. 	<ul style="list-style-type: none"> Compliance Performance Financial 	Development Services	40	TBA
4.1.1 Provide good governance.	CCTV The objective of the Internal Audit is to consider the effectiveness of systems and processes in place for CCTV in the City.	<ul style="list-style-type: none"> Breach of legislation. Ineffective use of CCTV. Misconduct risks. 	<ul style="list-style-type: none"> Strategy, policy, procedures and guidelines. Cross-divisional responsibilities and governance. Control framework in respect to access, storage and management of information collected. Including the City's consideration of applicable legislation. Performance measures established to assess the effectiveness of the CCTVs, and whether they are realising the benefits envisaged on installation Stakeholder access to information. 	<ul style="list-style-type: none"> Performance Compliance Financial 	Development Services	75	TBA



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours	Timing
			<ul style="list-style-type: none"> Maintenance and control of the CCTV network. Information management. 				
4.1.1 Provide good governance. 4.1.2 Build an effective and efficient service based organisation.	Planning Approval Review and assess the effectiveness of the City's statutory planning approval process (controls in place) for timeliness, compliance with customer service standards and integrity in decision making.	<ul style="list-style-type: none"> Delays in the planning approval process results in tribunal appeals. Inadequate internal quality assurance procedures lead to poor outcomes binding the City. Professional advice given by staff performing duties relating to planning, building and health is incorrect and this advice is used by the public to make decisions resulting in loss or litigation. Systems do not support ease of use in relation to planning and development approvals. Planning development process perceived by community as incompatible with environmental value. Degradation of City's biodiversity profile through the development process. 	<ul style="list-style-type: none"> Discretionary decisions. Delegated authority. Policies and procedures. Systems. Archiving of information. Business continuity. Resourcing. Environmental, Health, Building approvals. 	<ul style="list-style-type: none"> Compliance Performance 	Development Services	60	TBA
ESTIMATED TOTAL HOURS						760	



4.2 Proposed 2019 & 2020 Internal Audits

The following audit areas have been identified by management or through our enquiries as those that will require assurance activities in the near future. While there is an intention to cover the risks identified, should higher priority audits emerge or if the risks noted below are sufficiently mitigated through alternative means, then the program will be amended to recognise the change.

Any alterations to the plan will be submitted to the Audit & Risk Committee for approval. Furthermore, an annual Internal Audit plan will be submitted for approval from the Audit & Risk Committee at the commencement of the 2019 (Table 2) and 2020 year (Table 3).

**Table 2: Internal Audits FY2019**

Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
4.1.1 Provide good governance. 4.1.2 Build an effective and efficient service based organisation. 2.3.1 Identify and implement strategies to reduce waste.	Business Unit Review Assess the efficiency and effectiveness of Business Unit.	<ul style="list-style-type: none"> Service requirements and plans are insufficient to meet the communities' needs or expectations. The Business Unit is unable to continue to deliver services during or after an incident/disruption. Professional advice given by staff performing duties is incorrect and this advice is used by the public to make decisions resulting in loss or litigation. Projects are not managed effectively. Business Unit Managers may not be able to effectively monitor their resources. 	<ul style="list-style-type: none"> Objectives of business unit and alignment with the City's business plan. Performance monitoring and reporting including KPIs. Business unit plan. Roles and responsibilities. Policies and Procedures. Systems and processes. Records management. Risk management. Regulatory compliance. 	<ul style="list-style-type: none"> Performance 	All - TBD	75
4.1.1 Provide good governance. 4.1.2 Build an effective and efficient service based organisation.	Relationship between Elected Members and Administration 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	<ul style="list-style-type: none"> Council resolutions lack clarity, do not contain sufficient information, are ambiguous or non-directional which leads to implementation difficulties by staff. Council resolutions have not been fully implemented by the City. Council decisions are based on inaccurate or misleading information resulting in poor outcomes for the community. Councillor remarks/discussions with stakeholders are inappropriate resulting in reputational damage to City. 	<ul style="list-style-type: none"> Documentation and recording of council decisions. Monitoring, reporting and tracking of implementation. Accuracy, relevance, and timeliness of reporting. Management verification and approval of completed actions. Notice of motions. Officer's reports. Training for elected members. Cultural risk assessment. 	<ul style="list-style-type: none"> Performance Compliance 	CEO	40



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
		<ul style="list-style-type: none"> Ineffective governance and decision-making impacts and inhibits ability to effectively govern. Culture risk. 				
4.1.1 Provide good governance.	Policies and Procedures (Phase 2) Assess the extent of City's compliance with key policies and procedures.	<ul style="list-style-type: none"> The City has not established key policies resulting in a lack of established principles to guide staff's actions. Breach of legislative requirements. 	<ul style="list-style-type: none"> Policy management framework. 	<ul style="list-style-type: none"> Compliance 	CEO	75
4.1.1 Provide good governance.	Advisory Committee Assess the effectiveness of the Advisory Committee.	<ul style="list-style-type: none"> The Advisory Committee is ineffective. Recommendations by the Advisory Committee not duly considered and implemented, which negatively affect the City's reputation and reduce outcomes for the community. 	<ul style="list-style-type: none"> Charter / mandate / terms of reference. Structure and compositions. Governance and formality including agenda and minutes. Reporting structure. Meetings including frequency and attendance. Tracking of recommendations and reporting of implementation of outcomes. 	<ul style="list-style-type: none"> Performance 	CEO	40
4.1.2 Build an effective and efficient service based organisation.	Customer Service Review the adequacy and effectiveness of customer service in relation to the following: <ul style="list-style-type: none"> Operation and management of the customer service 'desks', processes and 'culture' within the City; The processes for handling phone enquiries and customer complaints; 	<ul style="list-style-type: none"> Customer Service is not effectively embedded throughout the City and staff have the attitude that Customer Service is not their responsibility. Customer enquiries are not adequately managed in a timely manner resulting in reputational damage. 	<ul style="list-style-type: none"> Key performance indicators for customer service. Management information and reporting is in place for key areas. Strategy, internal guidance and the Customer Service Charter and Standards. 	<ul style="list-style-type: none"> Performance Compliance 	CEO	40



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
	<ul style="list-style-type: none"> Monitoring and tracking of responses, outstanding queries and complaints; The handling of after-hours queries; Response times to queries including general responding time to residents' enquiries; Tracking of outstanding queries/complaints; Relevant staff training; and For the City's website, the review considers: <ul style="list-style-type: none"> The process for maintaining version control and content/currency of publicly available information; and Management, handling and monitoring of online requests and queries. Review protocols around release of information, communication, advertisement to the public. 	<ul style="list-style-type: none"> Internal support services are not focused or understanding of their role in delivering external community services. Complaints are mismanaged resulting in customer dissatisfaction and possible escalation of complaint to external bodies. 	<ul style="list-style-type: none"> Processes for escalating service requests, complaints and interaction with other areas. Training for general staff and customer services with regards to key requirements. 			
4.2.2 Increase advocacy activities and develop partnerships to support growth and reputation.	Advocacy Review the adequacy and effectiveness of the City's advocacy activities.	<ul style="list-style-type: none"> Ineffective advocacy resulting in lost financial opportunities and / or detrimental policy decision of Government. 	<ul style="list-style-type: none"> Advocacy plan and strategy. Policy and guidelines. Code of Conduct. Reporting and monitoring. Measurement of output and outcomes. 	<ul style="list-style-type: none"> Performance Compliance 	CEO	40



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
<p>4.1.1 Provide good governance.</p> <p>4.1.2 Build an effective and efficient service based organisation.</p>	<p>Workforce Planning To consider the City's ability to meet future objectives and challenges to deliver effective outcomes for ratepayers.</p>	<ul style="list-style-type: none"> The skill set of staff does not match the need of the organisation. Corporate knowledge is lost or ineffectively communicated resulting in inefficient processes or ill- informed decision making. 	<ul style="list-style-type: none"> HR Manual and other relevant policy and procedural documents. Procedures for identifying skill gaps and ensuring that training and development needs are addressed. Succession planning. 	<ul style="list-style-type: none"> Performance 	CEO	60
<p>4.1.1 Provide good governance.</p> <p>4.1.2 Build an effective and efficient service based organisation.</p>	<p>Human Resource Management 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>	<ul style="list-style-type: none"> The City is unable to recruit and retain sufficiently skilled people to fulfil strategic objectives Recruitment process opened to challenge; misconduct risks. Recruited staff does not have the requisite skills, experience and expertise. High turnover or short retention period. 	<ul style="list-style-type: none"> Strategic HR plan. Policies and procedures (recruitment, leave, flexible work arrangement etc). Recruitment, selection and appointment processes including internal review of recruitment lessons. Casuals and labour hire. Staff on long term higher duties. Performance appraisal and management system. Training. Staff retention strategies. Grievance and disciplinary guidelines and procedures. Personnel records management including privacy. Termination. 	<ul style="list-style-type: none"> Performance Compliance 	CEO	75



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
<p>4.1.1 Provide good governance.</p> <p>4.1.2 Build an effective and efficient service based organisation.</p>	<p>Procurement and Tendering</p> <p>Assess the City's processes, procedures, controls and activities in relation to procurement, including tendering, supplier's selection, and approval.</p>	<ul style="list-style-type: none"> Breach of probity standards and/or Local Government Act 1995. Loss of reputation due to a lack of transparency, accountability, impartiality, confidentiality and security of information in the procurement process. Failure to obtain the best value for money. 	<ul style="list-style-type: none"> Tendering policies and procedures. The requirements and process for the preparation of tender documents. The processes for tender advertising, submission and receipting and securing. The process of tender evaluation. Compliance with governance processes, policy and procedures. Probity measures. Efficacy and integrity process, including value for money testing. Internal controls designed to prevent fraud and corruption. Authorisation and approval processes, delegations. 	<ul style="list-style-type: none"> Compliance Financial 	Corporate Services	40
4.1.1 Provide good governance.	<p>Business Continuity Planning (BCP) and Disaster Recovery (DR)</p> <p>Review the adequacy of the various processes that have been put in place within Council, to manage and control the Business Continuity Planning (BCP) and Disaster Recovery processes. This review will be undertaken utilising ISO 22301:2012 Societal security: Business</p>	<ul style="list-style-type: none"> City is unable to sustain and/or recover operations, or manage effects on the community or the environment, in the event of a disaster. Ineffective information security protocols. 	<p>The scope of the Internal Audit will include:</p> <ul style="list-style-type: none"> Definition and accuracy of the BCP and DR objectives. Coverage of the BCP and DR Plans. Benchmark against best practices. 	<ul style="list-style-type: none"> Performance Compliance 	Corporate Services	120



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
	continuity management systems framework.		<ul style="list-style-type: none"> Organisational roles, responsibilities and authorities. Communication, training and awareness of the plan. Business impact analysis and development of the plans. On-going evaluation of the plan including exercising and testing. Continuous Improvement of the plan. 			
<p>4.1.1 Provide good governance.</p> <p>4.1.2 Build an effective and efficient service based organisation.</p>	<p>General Financial Controls (excluding Procurement and Tendering) Assess the effectiveness of the process level controls within the following financial functions:</p> <ul style="list-style-type: none"> Credit cards; Bank reconciliations; Petty Cash; Receipts and Receivables (front counter); Fees and Charges; Investments; Purchases, Payments and Payables; Fixed Assets; Receipting Administration (Libraries, Recreation Centres, Health and Community Care); 	<ul style="list-style-type: none"> The risk that the City has incomplete and / or inaccurate financial records. 	<ul style="list-style-type: none"> Financial management guidelines/procedures. Reconciliations. Control framework including system access controls. Electronic fund transfer security protocols. Segregation of duties including fraud management controls. Management reporting. 	<ul style="list-style-type: none"> Financial Compliance Performance 	Corporate Services	40



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
	<ul style="list-style-type: none"> Contributions/Lessee Improvements; Fringe Benefits Tax; GST & BAS; Bonds; and Loan Borrowings. 					
4.1.1 Provide good governance.	Risk Management This review will consider the policies, procedures and practices implemented in regard to Risk Management including: <ul style="list-style-type: none"> how the City is progressing with the actions it has identified; the process of identifying new risks and the frequency of management monitoring; and the maturity of the risk register and framework. 	<ul style="list-style-type: none"> The risk that opportunities or challenges facing the City are not identified and capitalised or mitigated. 	<ul style="list-style-type: none"> Compliance with governance processes. Consistency of application of risk management policy and procedures and compare to best practice. Processes in place for identifying, prioritising and managing risks to acceptable levels. Risk communication, awareness and reporting. 	<ul style="list-style-type: none"> Performance Compliance 	Corporate Services	60
4.1.1 Provide good governance.	Cyber Security Assess the adequacy of security measures in place to prevent security incidents occurring.	<ul style="list-style-type: none"> The system is accessed by unauthorised personnel resulting in compromised data, data leaks or system corruption. Staff members impersonate other staff members through account/password sharing (financial approvals etc). Computer virus, Trojans, worms or similar infect a number of PCs or servers, which compromises the security or effectiveness of the network. 	<ul style="list-style-type: none"> 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. Process to identify key risks related to cyber security; including: <ul style="list-style-type: none"> classification of critical or sensitive data and 	<ul style="list-style-type: none"> Performance Compliance 	Corporate Services	60



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
			<p>alignment of data management procedures to these data types (WHAT);</p> <ul style="list-style-type: none"> – assessment of potential threats from internal and external sources (WHO); and – how potential attackers may access the data (HOW). <ul style="list-style-type: none"> ▪ Key IT security protocols including: <ul style="list-style-type: none"> – application of application whitelisting; – use of and process for patch applications and/or patch operating systems; – use on untrusted or unsupported Microsoft Office macros; – use of application hardening; – restricting user access privileges and multi factor authentication; and – daily back up of critical data. ▪ Training and awareness 			



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
			<ul style="list-style-type: none"> System security controls including: <ul style="list-style-type: none"> Logical access policies, standards and processes over the network; Border security management including firewall and intrusion detection; Physical security management over the key production servers; Operating system patch management; Internet/Intranet and email management; System availability management; and Anti-virus management. 			
4.1.1 Provide good governance.	Audit & Risk Committee Preparing reports and attending the Audit and Risk Committee each quarter.				Corporate Services	40
4.1.1 Provide good governance.	Cloud Migration Assess the adequacy and effectiveness of procedures and controls internal and external over the Cloud computing practices.	<ul style="list-style-type: none"> Interruption of services. Services not available when required. Business requirements not met. Information security is compromised. Loss of vital data. 	<ul style="list-style-type: none"> Risk management and compliance: <ul style="list-style-type: none"> Business Case – presenting business value; Deployment model – Private, Public, Hybrid Cloud; 	Performance	Corporate Services	75



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
			<ul style="list-style-type: none"> – Cloud computing service – SaaS, PaaS, IaaS; and – Organisational risk register with mitigation plans. ▪ Governance <ul style="list-style-type: none"> – Policies and processes; – Monitoring and reporting; – Compliance and regulations. ▪ Delivery and Architecture (internal and external): <ul style="list-style-type: none"> – Performance measure controls; – Management and demand of cloud services; and – Controls applied to Cloud based integration with local systems and processes. ▪ Infrastructure Security (internal and external): <ul style="list-style-type: none"> – Network, application security; and – Vulnerability management. ▪ Identity and Access Management (internal and external): <ul style="list-style-type: none"> – Access and privileges controls; – Management of users; 			



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
			<ul style="list-style-type: none"> – Data Management; – Data transfer and storage; and – Data usage and restrictions. ▪ Business Availability: <ul style="list-style-type: none"> – Disaster Recovery and Business Continuity Plan; and – System and data recovery. ▪ IT Operations: <ul style="list-style-type: none"> – Incident Management; – Change Management; – Project Management; and – Resources – people and skills. ▪ Vendor Management <ul style="list-style-type: none"> – Compliance with rules and regulations; – Contractual agreements, management and monitoring; – Clearly defined system and data ownership; and – SLAs (Service Level Agreements) & QoS (Quality of Service). ▪ Business Operations 			



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
			<ul style="list-style-type: none"> Financial reporting on Cloud expenses; Controls related to system reliability and business satisfaction; and Business capability to operate and manage Cloud services. 			
<p>2.1.1 Enhance our bushland, natural areas, waterways and reserves.</p> <p>2.1.2 Support the conservation and enhancement of our biodiversity.</p> <p>2.1.3 Community engagement and education in environmental management.</p> <p>2.3.1 Identify and implement strategies to reduce waste.</p> <p>3.1.1 Plan for diverse and sustainable housing, community facilities and industrial development to</p>	<p>Sustainable Environment Assess the adequacy and effectiveness of the City's environmental policies, process and activities.</p>	<ul style="list-style-type: none"> Degradation of City's biodiversity profile through the development process. City does not plan for or provide resources to manage the effects of environmental change. The City is not prepared to respond to operational changes relating to the environment and the impact of climate change. 	<ul style="list-style-type: none"> Environmental strategy and plan. Processes and practices adopted to understand and to manage future climate variability. 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. Status of previous strategies and climate change scenarios. Cross-divisional responsibilities. Planning policy review and how decision making takes into account biodiversity profile of the City. 	<ul style="list-style-type: none"> Performance Compliance 	Development Services	75



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
meet changing social and economic needs.						
<p>2.1.1 Enhance our bushland, natural areas, waterways and reserves.</p> <p>1.2.1 Facilitate a safe community environment.</p>	<p>Bushfire Management The objectives of the Internal Audit are to:</p> <ul style="list-style-type: none"> Assess the current controls, processes and policies to ensure the operation of a safe and effective bushfire management service for prevention/mitigation and preparedness; and 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. 	<ul style="list-style-type: none"> The City fails to manage its responsibilities in relation to compliance with the Bush Fire Act (1954). 	<ul style="list-style-type: none"> Stakeholder engagement including MOUs and agreements with stakeholders such as DFES, Water Corporation, etc. Bushfire management plan. Inspection regime. Staff training. Volunteers. Risk assessment. Roles and responsibilities. Review efficacy of education/ community awareness 	<ul style="list-style-type: none"> Performance Compliance 	Development Services	40
<p>4.1.1 Provide good governance.</p> <p>1.2.1 Facilitate a safe community environment.</p>	<p>Emergency Management Assess the adequacy of the policies, procedures and practices implemented by Council in relation to emergency management.</p>	<ul style="list-style-type: none"> Business Unit is unable to continue to deliver services during or after an incident/disruption. Organisation is not prepared to handle business disruptions. 	<ul style="list-style-type: none"> Development/existence of the Emergency Plan. Documentation and Communication of the Emergency Management Plan. Notification and mobilisation procedures. Management of vulnerable persons. Training for staff including testing of the plan. 	<ul style="list-style-type: none"> Performance Compliance 	Development Services	40



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
			<ul style="list-style-type: none"> ▪ Debriefing and feedback procedures. ▪ Record keeping. ▪ Integration with other community organisations and services. 			
TOTAL HOURS						975

**Table 3: Internal Audits FY2020**

Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
4.1.1 Provide good governance. 4.1.2 Build an effective and efficient service based organisation. 2.3.1 Identify and implement strategies to reduce waste.	Business Unit Review Assess the efficiency and effectiveness of Business Unit.	<ul style="list-style-type: none"> Service requirements and plans are insufficient to meet the communities' needs or expectations. The Business Unit is unable to continue to deliver services during or after an incident/disruption. Professional advice given by staff performing duties is incorrect and this advice is used by the public to make decisions resulting in loss or litigation. Projects are not managed effectively. Business Unit Managers may not be able to effectively monitor their resources. 	<ul style="list-style-type: none"> Objectives of business unit and alignment with the City's business plan. Performance monitoring and reporting including KPIs. Business unit plan. Roles and responsibilities. Risk identification. Policies and Procedures. Systems and processes. Records management. 	<ul style="list-style-type: none"> Performance 	All - TBD	75
4.1.1 Provide good governance. 4.1.2 Build an effective and efficient service based organisation.	Project Management Assess the effectiveness of the overall project planning and management processes and risk controls employed within the City.	<ul style="list-style-type: none"> Failure to deliver project within time, budget, quality. Project scope exceeds initial budget allocation resulting in the need for the project to be 'cut back' or additional budget to be sought. 	<ul style="list-style-type: none"> Governance over project management (roles, responsibilities, approval/authorisation structure – delegations of authority, segregation of duties, probity – principles & management). Resourcing planning. Reporting mechanism. Quality assurance process. 	<ul style="list-style-type: none"> Performance Compliance Financial 	Asset Services	60



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
			<ul style="list-style-type: none"> ▪ The performance of the project against the original milestones or intentions. ▪ The project ability to meet time and cost forecast. ▪ Compliance requirements met for externally funded projects. ▪ Review process for recording retention money/performance bonds and its release. ▪ Compliance with the City's project management methodology. 			
3.2.1 Optimal management of all assets. 4.1.1 Provide good governance.	Assets Management Review the adequacy and effectiveness of the City's asset management framework.	<ul style="list-style-type: none"> ▪ City assets are not maintained or managed for the future need of the community. 	<ul style="list-style-type: none"> ▪ Identification and establishment of the Asset Management Principles, including: <ul style="list-style-type: none"> – integration with corporate and business plans; – asset management policies and objectives; and – linkages to asset strategies. ▪ Risk Management Assessment, including: <ul style="list-style-type: none"> – risk assessment process; and – asset control and monitoring. 	<ul style="list-style-type: none"> ▪ Performance ▪ Compliance ▪ Financial 	Asset Services	60



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
			<ul style="list-style-type: none"> ▪ Determine the adequacy of Asset Management Planning undertaken, including: <ul style="list-style-type: none"> – Asset Management Plans; – Service delivery needs; and – Management monitoring and reporting. ▪ Does asset conditioning match to level of maintenance? ▪ Review underlying assumptions for condition reporting. ▪ Review calculation of statutory ratios. 			



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
<p>4.1.1 Provide good governance.</p> <p>4.1.2 Build an effective and efficient service based organisation.</p>	<p>Fleet management The review will assess the adequacy of:</p> <ul style="list-style-type: none"> ▪ Policies and procedures ▪ Monitoring and management of vehicle maintenance and fuel usage ▪ Use of information technology systems used to manage the fleet ▪ Timing of vehicle replacement practices ▪ Overall security of vehicles ▪ Process of purchasing and disposing of vehicles ▪ Environmental considerations and minimisation strategies 	<ul style="list-style-type: none"> ▪ Usage of the City's motor vehicles is not optimised. ▪ Non-compliance with the City's established policies. 	<ul style="list-style-type: none"> ▪ Financial costs relating to fleet management. ▪ Related governance process. ▪ Light fleet purchase in consideration of whole of life costings and business needs. ▪ Environmental consideration when purchasing replacement vehicles. ▪ Review FBT reporting by users and monitoring of same. 	<ul style="list-style-type: none"> ▪ Performance ▪ Compliance ▪ Financial 	Asset Services	40
<p>1.2.3 Provide high quality and accessible recreational and social spaces and facilities.</p> <p>3.2.1 Optimal management of all assets.</p> <p>4.1.1 Provide good governance.</p>	<p>Building Maintenance Review and assess the effectiveness of the City's systems, processes and activities in relation to building infrastructure and maintenance services.</p>	<ul style="list-style-type: none"> ▪ Dilapidation of building leading to a lack of capacity for services. ▪ Increased building and more infrastructure will increase the costs of renewal & maintenance to such an extent that it will be unsustainable for the City into the future, resulting in reduced customer service. 	<ul style="list-style-type: none"> ▪ Inspection. ▪ Condition surveys and reporting (on a random basis, confirmation of the condition reports matching to physical site inspection). ▪ Budget and financial management. ▪ Risk assessment. 	<ul style="list-style-type: none"> ▪ Compliance ▪ Performance ▪ Financial 	Building Maintenance	90



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
4.1.2 Build an effective and efficient service based organisation.		<ul style="list-style-type: none"> The City could be exposed to litigation by third party users of City buildings. A fire results in injury or death to members of the public and/or City staff. 	<ul style="list-style-type: none"> OSH inspections (e.g. evidence of test & tag, fire management, roof restraints). Inductions. JSA's. Procedures and contract administration. Management of work orders and service requests. Asbestos register review. 			
4.1.1 Provide good governance.	Occupational Health and Safety Risk (OHS) Assess the City's compliance with measures implemented in connection to OHS requirements and safe working practices.	<ul style="list-style-type: none"> Injury or death from an unsafe work environment or systems of work. The City and its employees do not comply with OHS legislation exposing the City to litigation. 	<ul style="list-style-type: none"> Safety Management Plan and related policies, procedures, templates, tools and guidelines. Appointment of Safety Coordinator and Safety Advisors. OHS induction training. Annual Work Plan. Review Tool box meeting. Review OHS certification. OHS Legislation and compliance. OHS Reporting. OHS Audits. OHS Management Systems. Pre-employment medicals. Drug and alcohol testing. 	<ul style="list-style-type: none"> Compliance 	CEO	120



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
			<ul style="list-style-type: none"> Inspections. Ergonomic assessments. Safety Committee meetings. Fitness for work. HR Metrics. 			
4.1.2 Build an effective and efficient service based organisation.	Customer Service Review the adequacy and effectiveness of customer service in relation to the following: <ul style="list-style-type: none"> Operation and management of the customer service 'desks', processes and 'culture' within the City; The processes for handling phone enquiries and customer complaints; Monitoring and tracking of responses, outstanding queries and complaints; The handling of after-hours queries; Response times to queries including general responding time to residents' enquiries; Tracking of outstanding queries/complaints; 	<ul style="list-style-type: none"> Customer Service is not effectively embedded throughout the City and staff have the attitude that Customer Service is not their responsibility. Customer enquiries are not adequately managed in a timely manner resulting in reputational damage. Internal support services are not focused or understanding of their role in delivering external community services. Complaints are mismanaged resulting in customer dissatisfaction and possible escalation of complaint to external bodies. 	<ul style="list-style-type: none"> Key performance indicators for customer service. Management information and reporting is in place for key areas. Strategy, internal guidance and the Customer Service Charter and Standards. Processes for escalating service requests, complaints and interaction with other areas. Training for general staff and customer services with regards to key requirements. 	<ul style="list-style-type: none"> Performance Compliance 	CEO	40



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
	<ul style="list-style-type: none"> Relevant staff training; and For the City's website, the review considers: <ul style="list-style-type: none"> The process for maintaining version control and content/currency of publicly available information; and Management, handling and monitoring of online requests and queries. Review protocols around release of information, communication, advertisement to the public. 					
<p>4.1.1 Provide good governance.</p> <p>4.1.2 Build an effective and efficient service based organisation.</p>	<p>Procurement and Tendering</p> <p>Assess the City's processes, procedures, controls and activities in relation to procurement, including tendering, supplier's selection, and approval.</p>	<ul style="list-style-type: none"> Breach of probity standards and/or Local Government Act 1995. Loss of reputation due to a lack of transparency, accountability, impartiality, confidentiality and security of information in the procurement process. Failure to obtain the best value for money. 	<ul style="list-style-type: none"> Tendering policies and procedures. The requirements and process for the preparation of tender documents. The processes for tender advertising, submission and receipting and securing. The process of tender evaluation. Compliance with governance processes, policy and procedures. 	<ul style="list-style-type: none"> Compliance Financial 	Corporate Services	40



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
			<ul style="list-style-type: none"> ▪ Probity measures. ▪ Efficacy and integrity process, including value for money testing. ▪ Internal controls designed to prevent fraud and corruption. ▪ Authorisation and approval processes, delegations. 			
<p>4.1.1 Provide good governance.</p> <p>4.1.2 Build an effective and efficient service based organisation.</p>	<p>General Financial Controls (excluding Procurement and Tendering)</p> <p>Assess the effectiveness of the process level controls within the following financial functions:</p> <ul style="list-style-type: none"> ▪ Credit cards; ▪ Bank reconciliations; ▪ Petty Cash; ▪ Receipts and Receivables (front counter); ▪ Fees and Charges; ▪ Investments; ▪ Purchases, Payments and Payables; ▪ Fixed Assets; ▪ Receipting Administration (Libraries, Recreation 	<ul style="list-style-type: none"> ▪ The risk that the City has incomplete and / or inaccurate financial records. 	<ul style="list-style-type: none"> ▪ Financial management guidelines/procedures. ▪ Reconciliations. ▪ Control framework including system access controls. ▪ Electronic fund transfer security protocols. ▪ Segregation of duties including fraud management controls. ▪ Management reporting. 	<ul style="list-style-type: none"> ▪ Financial ▪ Compliance ▪ Performance 	Corporate Services	40



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
	Centres, Health and Community Care); <ul style="list-style-type: none"> Contributions/Lessee Improvements; Fringe Benefits Tax; GST & BAS; Bonds; and Loan Borrowings. 					
4.1.1 Provide good governance.	Audit & Risk Committee Preparing reports and attending the Audit and Risk Committee each quarter.				Corporate Services	40
4.1.1 Provide good governance.	Waste Transfer Station Assess the effectiveness of controls over the management of Waste Transfer Station.	<ul style="list-style-type: none"> Dumping of wastes at the City's waste transfer station by those who do not have entitlement. The risk that funds are misappropriated or lost during the cash handling process Misconduct risk. 	<ul style="list-style-type: none"> Cash handling controls. Mandalay system. Drop off. Sale of salvage items. Management of staff. Site security and accessibility. 	<ul style="list-style-type: none"> Performance Compliance 	Corporate Services	75



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
<p>4.1.1 Provide good governance.</p> <p>4.1.2 Build an effective and efficient service based organisation.</p>	<p>ICT Governance Assess the adequacy of procedures and controls over the IT governance practices in the following key areas:</p> <ul style="list-style-type: none"> Strategic alignment; IT value proposition and alignment with business objectives with respect to IT services and IT projects; Value delivery; IT enables the business to maximise benefits, including IT cost effectiveness and value for money; Resources management; IT critical resources (vendors/3rd party, people, infrastructure, applications, data/information and processes) are managed appropriately including adequate IT capability to support current and expected future business requirements; Risk management; IT risk awareness and management of risks 	<ul style="list-style-type: none"> Technology and infrastructure not meeting the City's requirements. Inadequate security provisions for network. The City cannot deliver effective and accessible online information and services to the public via the internet (web). The risks that data within the various systems is not consistent or efficiently capture due to systems having limited connectivity. The risk that changes to technology is not timely and operations are inefficient or computer system failures are more regular. 	<ul style="list-style-type: none"> ICT plan and strategy. Business planning including budget. Risk assessment. Organisational hierarchy and responsibilities. Service agreement with outsourced service providers. Resourcing - roles and responsibilities, capabilities. Reporting. Recovery plan. 	<ul style="list-style-type: none"> Performance Compliance 	Corporate Services	75



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
	including responsibility allocation; <ul style="list-style-type: none"> Performance measures; and Track and monitor IT activities, from strategic plans, projects, service delivery, resource usage and maintaining financial performance (cost vs. budget). 					
4.1.1 Provide good governance.	Digital Risk Assess the adequacy of the controls in managing digital risks.	<ul style="list-style-type: none"> Identity, privacy, and security risks. Digital risk frameworks not fit-for-purpose. Third-party risk. Reputational risk. Theft of intellectual property. 	<ul style="list-style-type: none"> Adequacy of the digital transformation strategies, including assessment of the risk and impact presented by future digital transformation activities Review of the operating effectiveness of the City's digital risk management framework Assessment of the policies and processes to manage digital risk (including data, privacy and reputational) Assessment of the City's digital lifecycle management processes from development, deployment, and retirement 	<ul style="list-style-type: none"> Performance 	Corporate Services	75



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
			<ul style="list-style-type: none"> Assessment of the adequacy of processes to manage and protect the City's digital asset. 			
<p>4.1.1 Provide good governance.</p> <p>4.1.2 Build an effective and efficient service based organisation.</p>	<p>Developer Contribution Plans Assess the effectiveness of the processes and control within the City to Manage DCPs.</p>	<ul style="list-style-type: none"> Cost estimates and assumption for infrastructure to determine the contribution rates have not been applied accurately. The Developer Contribution Plan has not been formulated and administered in line with the State Planning Policy. 	<ul style="list-style-type: none"> Forrestfield Industrial Stage 1. The development of DCP and Capital Expenditure Plan (CEP) and the process followed in accordance with State Planning Policy 3.6 and Town Planning Scheme. Tendering processes for contractors and contract management. Approval of DCP. Calculating Contribution payment rates including assumptions. The system used for administering/monitoring existing plans and status of DCP. Monitoring/administration of payment plans, cost contribution requests and receipt of funds and securities. Ensuring allocation of funds to appropriate areas of spend in line with the CEP and reconciliations of DCP. 	<ul style="list-style-type: none"> Financial Compliance 	Development Services	75



Strategic Planning Objectives	Audit Objective	Risk	Indicative Audit Scope Description	Type of Audit	Division	Hours
			<ul style="list-style-type: none"> Review process of transitioning completed assets to the City for Management. 			
TOTAL HOURS						905



4.3 Other Audits for Consideration

The following audits were raised for consideration during our discussions. They have not been included in the above based on priority assessment. Should the related risks increase, these audits will be considered for inclusion in the plan at the relevant time.

Strategic Planning Objectives	Audit Objective	Risk	Brief Audit Scope Description	Type of Audit	Division
4.1.1 Provide good governance.	Portable and Attractive (Minor) Assets Assess the adequacy and effectiveness of the control framework over the management of minor assets.	<ul style="list-style-type: none"> ▪ Misappropriation or theft of assets. ▪ Misconduct risks. ▪ Misuse of assets. 	<ul style="list-style-type: none"> ▪ Tracking and record keeping of minor assets including location and custodianship of the assets. ▪ Manage and monitor the complete lifecycle of minor assets. ▪ Staff usage. ▪ Stocktake and maintenance of register. ▪ Disposal of minor assets (donation, destruction, gift, sell). 	<ul style="list-style-type: none"> ▪ Financial 	Asset Services
3.2.1 Optimal management of all assets.	Service & Facilities Assess the management effectiveness of the City's service and facilities.	<ul style="list-style-type: none"> ▪ City is unable to effectively respond to the demands on essential community services. ▪ City does not fully capitalise on the usage of existing assets and services resulting in financial losses. ▪ City is ineffective in managing its commercial property portfolio exposure i.e. reliance on tenancies. 	<ul style="list-style-type: none"> ▪ Agreements and contracts. ▪ Community surveys. ▪ Utilisation, patronage. ▪ Disposal, sell (rationalisation of assets). ▪ Financial management. ▪ Maintenance, upgrade. ▪ Operational responsibilities. 	<ul style="list-style-type: none"> ▪ Performance ▪ Compliance 	Corporate Services



Strategic Planning Objectives	Audit Objective	Risk	Brief Audit Scope Description	Type of Audit	Division
		<ul style="list-style-type: none"> City buys or sells assets that are against community expectations resulting in adverse resident/media attention. Community groups utilising City facilities do not have formal agreements exposing the City to financial/asset losses, reputational damage or compliance failures. 	<ul style="list-style-type: none"> Review currency of community facilities plan. 		
4.1.1 Provide good governance.	Fines and Enforcement The objective of the audit is to assess the design and operating effectiveness of controls over fines and enforcement.	<ul style="list-style-type: none"> Fines and enforcement management do not comply with established policy and procedures. Misconduct risks. 	<ul style="list-style-type: none"> Handling of infringements, appeals and other back office functions. Access to system and management control over cancellation of infringements. Compliance with policy and procedure and its adequacy. 	<ul style="list-style-type: none"> Performance Compliance 	Development Services
4.1.1 Provide good governance. 4.1.2 Build an effective and efficient service based organisation.	Fuel Management Review the utilisation of fuels (diesel & unleaded) and justifications for maintaining a fuel tank at the depot.	<ul style="list-style-type: none"> Fuel could be acquired more economically from other mechanisms. Theft of fuel. Financial loss from poor management of fuel utilisation. 	<ul style="list-style-type: none"> Purchase of fuel in line with policies and procedures. Access and control over use including reconciliations. Reporting and monitoring. 	<ul style="list-style-type: none"> Financial Compliance 	Asset Services



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Crowe Horwath (Aust) Pty Ltd ABN 84 006 466 351

9.1.4. Officer of the Auditor General - Focus Audit on City of Kalamunda Corporate Credit Cards

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

Previous Items

Directorate

Corporate Services

Business Unit

Financial Services

File Reference

Applicant

Owner

Confidential

Provided under separate cover **[9.1.1.1]**

Attachment

Reason for Confidentiality: Local Government Act 1995 (WA) Section 5.23 (2) (f) - "a matter that if disclosed, could be reasonably expected to - (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; (ii) endanger the security of the local government's property; or (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety"

EXECUTIVE SUMMARY

1. The purpose of this report is to inform the Audit & Risk Committee of the results of a focus audit conducted by the Office of the Auditor General (OAG) for Credit Card transactions covering the period 1 January 2017 to 30 September 2017.
2. The findings identified two moderate matters that the City is currently addressing.
3. The Audit noted that the City's supporting documentation was strong and there were no inappropriate purchases.

BACKGROUND

4. Under the *Local Government Amendment (Auditing) Act 2017*, the OAG is responsible for the financial and performance auditing of local governments.

The City of Kalamunda was selected as part of a focus audit looking at controls over credit card usage. There were in total eight Local Governments (LG's) selected.
5. The objective of the audit was to assess whether LG's have effective control over the expenditure using corporate credit card.
6. The period of review was from 1 January 2017 to 30 September 2017.

DETAILS

7. The audit covered the following aspects:
 - a) Assessing the whether local government have appropriate policies and administrative systems in place for corporate credit cards.
 - b) Assessing the suitability of controls in place to monitor and manage the issue and use of cards and the timely approval of card transactions.
 - c) Assessing whether the management periodically reviews their use of corporate credit cards and act on identified shortcomings.
8. The OAG audit approach involves the following:
 - a) Liaison with City staff to gain an understanding of policies, procedures and practices of the management of corporate credit cards;
 - b) Review of policies, procedures and practices for the management of corporate credit cards, including relevant regulations;
 - c) Informal progress briefings with City staff including discussion on emerging findings;
 - d) Issuance of a management letter containing draft key findings, and obtaining management's comments on findings and recommendations
 - e) Issuing a draft report and seeking the City's comment prior to tabling report in the Parliament
9. The City had 15 credit cards in issuance at the during the audit period. These are mainly to:
 - a) Executive team (4);
 - b) People Services Manager (1);
 - c) Procurement Officer (1);
 - d) Emergency Management (1);
 - e) Building Maintenance (2);
 - f) Functions (1);
 - g) Library (1);
 - h) Recreation Centre (1); and
 - i) HACC (3) discontinued from 1 July 2017.
10. The audit identified the following findings during the review:
 - a) Two control matters were identified. These are assessed as moderate risk which requires the City to take mitigating actions. The response is provided in Confidential Attachment 9.1.1;
 - b) There were no observations of in-appropriate use;
 - c) The policies and procedures in place were deemed to be adequate;
 - d) The documentation and support for all expenditure incurred via the credit card was adequate; and
 - e) The Finance staff were acknowledged for the corporation and assistance given throughout the Audit.

STATUTORY AND LEGAL CONSIDERATIONS

11. *Local Government Amendment (Auditing) Act 2017.*
Local Government Act 1995.
Local Government (Financial Management) Regulations 1996.
Local Government (Functions and General) Regulations 1996.

POLICY CONSIDERATIONS

12. SM-FIN01 – Corporate Credit Card.

COMMUNITY ENGAGEMENT REQUIREMENTS

Internal Referrals

13. The OAG staff worked closely with the Finance Staff who are involved in processing the Credit Card transactions.
- The findings were discussed with the Chief Executive Officer (CEO) and the Director Corporate Services.

External Referrals

14. Nil.

FINANCIAL CONSIDERATIONS

15. Nil.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

16. *Kalamunda Advancing Strategic Community Plan to 2027*
- Priority 4: Kalamunda Leads**
Objective 4.1 - To provide leadership through transparent governance.
Strategy 4.1.1 - Provide good governance.

SUSTAINABILITY

Social Implications

17. Nil.

Economic Implications

18. Nil.

Environmental Implications

19. Nil.

RISK MANAGEMENT CONSIDERATIONS

20.	Risk: Credit Card could be used for inappropriate purposes. Misuse of corporate credit cards could result in financial loss and reputational damage to the City.		
	Likelihood	Consequence	Rating
	Possible	Insignificant	Low
	Action/Strategy		
	<ul style="list-style-type: none"> • Review of credit card holders; • Strong controls in place for acquittal and oversight; • Review current capture, recording and validation and improve on it. 		

OFFICER COMMENT

21. The Manager Finance & Risk Services has noted the findings of the Audit Report and has commenced strengthening the controls in line with the recommendations.
22. The Finance Department is reviewing systems and improving the process for credit card transaction capture, reporting and acquittal. The changes will bring greater efficiency in data entry, transparency in credit card spend and also reduce potential misuse or duplication of spend in the future.
23. Crowe Howarth Pty Ltd will as part of their Audit Plan reporting bring back to the Audit and Risk Committee their observations on the changes to the controls and reporting as a result of the OAG audit.

Voting Requirements: Simple Majority

RECOMMENDATION

That Council:

1. Notes the OAG report and recommendations as provided in Confidential Attachment 9.1.1.1;
2. Requests the Internal Auditor, Crowe Howarth Pty Ltd to provide an update in the June Audit and Risk Meeting of the changes in the controls/review of credit card spend.

Moved: **Cr John Giardina**

Seconded: **Cr Margaret Thomas**

Vote: **CARRIED UNANIMOUSLY (10/0)**

9.2. Office of the CEO Reports

9.2.1. Compliance Audit Return 2017

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

Previous Items	N/A
Directorate	Office of the CEO
Business Unit	Governance & Legal Services
File Reference	N/A
Applicant	N/A
Owner	N/A

Attachments	1. City of Kalamunda - 2017 Compliance Audit Return v 2 [9.2.1.1]
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EXECUTIVE SUMMARY

1. The City of Kalamunda is to carry out a compliance audit for the period 1 January to 31 December in each year. The compliance audit return is to be carried out in accordance with regulations 13, 14 and 15 of the *Local Government (Audit) Regulations 1996* (Regulations).
2. In accordance with those requirements, the Legal and Governance Services team has compiled a comprehensive compliance review with the results now presented to Council for consideration and adoption.
3. Officers are requesting Council endorsement of the compliance audit return, including additional explanatory information, for the period of 1 January 2017 to 31 December 2017, as Attachment 9.2.1.1 of this report.

BACKGROUND

4. Each local government in Western Australia is required to carry out a compliance audit return for the period 1 January 2017 to 31 December 2017. A compliance audit is an audit of compliance with the statutory requirements prescribed by regulation 13 of the Regulations.
5. After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister. The compliance audit return for 2017 has been prepared through the Department of Local Government and Communities' Smart Hub and is attached to this report (Attachment 9.2.1.1).
6. 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.
7. After the audit committee has reported to the council under sub regulation (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.

8. After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with-
- a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - b) any additional information explaining or qualifying the compliance audit,

is to be submitted to the Executive Director by 31 March next following the period to which the return relates.

9. Certification in relation to a compliance audit return means signed by —
- a) the mayor or president; and
 - b) the CEO.

DETAILS

10. The compliance audit return for 2017 is the first return carried out by the City's new Legal and Governance Services team. In accordance with the requirements, the team has compiled a comprehensive compliance review with the results now presented to Council for consideration and adoption.
11. There has been a minor compliance issue with regard to the timing of lodgement of Primary Returns by designated persons, however the Department of Local Government and Communities has already been made aware of the situation.
12. Despite this minor compliance issue, the results of the 2017 compliance audit return show a strong culture of compliance by the City with the requirements of the *Local Government Act 1995* (WA) and its regulations.
13. Once adopted by Council, the results of the compliance audit return will be forwarded to the Department of Local Government and Communities by 31 March 2018.

STATUTORY AND LEGAL CONSIDERATIONS

14. Regulations 13-15 of the *Local Government (Audit) Regulations 1996*

POLICY CONSIDERATIONS

15. Nil.

COMMUNITY ENGAGEMENT REQUIREMENTS

Internal Referrals

16. The compliance audit return required input from the following Business Units:
- 1. Office of the Chief Executive Officer;
 - 2. Asset Services;
 - 3. Governance and Legal Services;
 - 4. Economic Land & Property Services;

5. Financial & Risk Services; and
6. People Services.

External Referrals

17. Guidance has been communicated by the Department of Local Government & Communities (DLGC) via government circulars, guidelines and direct contact.

FINANCIAL CONSIDERATIONS

18. Nil.

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

19. *Kalamunda Advancing Strategic Community Plan to 2027*

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

Strategy 4.1.2 - Build an effective and efficient service based organisation.

SUSTAINABILITY

Social Implications

20. Nil.

Economic Implications

21. Nil.

Environmental Implications

22. Nil.

RISK MANAGEMENT CONSIDERATIONS

23.	Risk: That the Council does not endorse the City's 2017 compliance audit return.		
	Likelihood	Consequence	Rating
	Unlikely	Moderate	Low
	Action/Strategy		
	<ul style="list-style-type: none"> The City would request an extension of time from the Department; The CAR would be represented to the Council once any concerns had been addressed. 		

OFFICER COMMENT

24. In addition to the compliance audit return, it is a legislative requirement for the CEO to conduct a review of certain systems and procedures. This review looks at the appropriateness and effectiveness of the City's systems and procedures in regard to risk management, internal control and legislative compliance.

Prescribed actions are detailed at regulation 17 of the Regulations:

"(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 at least once every 2 calendar years.

(3) The CEO is to report to the audit committee the results of that review."

Discussions ensued between Councillors and as points of clarification are required from officers, it was recommended the matter be deferred to the Ordinary Council Meeting. As no mover was found for the substantive motion it lapsed.

Voting Requirements: Simple Majority

RECOMMENDATION

That Council:

1. Notes that the City's Audit and Risk Committee has reviewed the compliance audit return for the period of 1 January 2017 to 31 December 2017.
2. Endorse the compliance audit return, including additional explanatory information, for the period of 1 January 2017 to 31 December 2017 as Attachment 1 of this report.
3. Request that a certified copy of the compliance audit return is lodged by the City with the Department of Local Government and Communities by 31 March 2018.

Moved: **LAPSED**

Seconded:

Vote:

RECOMMENDATION

That Council:

1. Defer the item until March Ordinary Council Meeting.

Moved: **Cr John Giardina**

Seconded: **Cr Geoff Stallard**

Vote: **CARRIED UNANIMOUSLY (10/0)**



Department of
**Local Government, Sport
and Cultural Industries**

Kalamunda - Compliance Audit Return 2017

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2017.	N/A	The City did not have any land transaction or business undertaking meeting the >\$10m criteria.	Peter Rogers
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2017.	N/A	The City did not have any land transaction or business undertaking meeting the >\$10m criteria.	Peter Rogers
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2017.	N/A	The City did not have any land transaction or business undertaking meeting the >\$10m criteria.	Peter Rogers
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2017.	N/A	The City did not have any land transaction or business undertaking meeting the >\$10m criteria.	Peter Rogers
5	s3.59(5)	Did the Council, during 2017, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A	The City did not have any land transaction or business undertaking meeting the >\$10m criteria.	Peter Rogers



Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	Yes		Peter Rogers
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	Yes		Peter Rogers
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	Yes		Peter Rogers
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A	The only power ever delegated to a Committee was to the OCM 170/2017, which was subsequently rescinded through OCM 242/2017. As such, by the end of 2017 there were no recorded delegations on the register.	Peter Rogers
5	s5.18	Has Council reviewed delegations to its committees in the 2016/2017 financial year.	N/A	None to review.	Peter Rogers
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Peter Rogers
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Peter Rogers
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Peter Rogers
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Peter Rogers
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes	OCM 242/2017 to revoke a delegation to the Audit and Risk Committee was carried with an absolute majority (8/3).	Peter Rogers
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Peter Rogers
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2016/2017 financial year.	Yes	OCM 102/2017 which was the report on the review of delegations, which was passed with an absolute majority.	Peter Rogers
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Peter Rogers

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Peter Rogers
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes	All interests are registered by way of a form, and called out at the meeting. The form captures the interest, the reason for the declaration and the Councillor. During 2017, Council has never considered a vote to allow a Councillor to remain in the chamber when declaring an interest.	Peter Rogers
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Peter Rogers
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	No	Two new Councillors did not submit their primary returns by the required date. Both have been referred to the Department and the CCC.	Peter Rogers
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	No	One new staff member has not filled out a primary return by the required date.	Peter Rogers
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2017.	Yes		Peter Rogers
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2017.	Yes		Peter Rogers
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Peter Rogers
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Peter Rogers
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Peter Rogers
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Peter Rogers



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Peter Rogers
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Peter Rogers
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Peter Rogers
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Peter Rogers
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Peter Rogers

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	N/A	Community Leases are exempt under Regulation (2)(b) of the Local Government (Functions and General) Regulations 1996. Lease to NBN Co of portion of Reserve 52678 was exempt under Regulation 30(2)(c)(ii) of the Local Government (Functions and General) Regulations 1996.	Peter Rogers
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	N/A		Peter Rogers



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Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	Yes	All disclosure of gift forms completed by candidates and received by the City (there being three forms from two candidates) were placed on a public register. Both candidates were unsuccessful and gift declarations have since been removed.	Peter Rogers

Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes	Council established its Audit and Risk Committee on 25 February 2013, OCM 13/2013. This resolution was carried with an absolute majority.	Peter Rogers
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A	The Audit and Risk Committee does not have any delegated authority to decide matters on behalf of Council.	Peter Rogers
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes	Grant Thornton, Michael Hillgrove – Certificate of Registration No. 16037.	Peter Rogers
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes	Appointed by resolution of Council, OCM 150/2015.	Peter Rogers
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2017 received by the local government within 30 days of completion of the audit.	Yes	Audit Report signed on 13 October 2017.	Peter Rogers
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2017 received by the local government by 31 December 2017.	Yes	Sent to Department via email on 30 October 2017.	Peter Rogers
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A	No matters raised.	Peter Rogers



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No	Reference	Question	Response	Comments	Respondent
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A	No matters raised.	Peter Rogers
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A	No matters raised.	Peter Rogers
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes	Objectives of the audit contained in Engagement Letter dated 18 April 2017.	Peter Rogers
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes	Refer to Audit Findings Report, page 4 – Audit Focus Areas.	Peter Rogers
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes	Refer to Audit Findings Report, page 4 – Audit Focus Areas.	Peter Rogers
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes	Contained in Engagement Letter dated 18 April 2017.	Peter Rogers
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes	Contained in Engagement Letter dated 18 April 2017.	Peter Rogers

Integrated Planning and Reporting

No	Reference	Question	Response	Comments	Respondent
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	Council adopted Kalamunda Achieving: Corporate Business Plan 2017 (the City's Corporate Business Plan) at 26 June 2017 Ordinary Council Meeting [OCM 104/2017].	Peter Rogers
2	s5.56 Admin Reg 19DA (6)	Has the local government adopted a modification to the most recent Corporate Business Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	Council adopted Kalamunda Achieving: Corporate Business Plan 2017 (the City's Corporate Business Plan) at 26 June 2017 Ordinary Council Meeting [OCM 104/2017].	Peter Rogers



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No	Reference	Question	Response	Comments	Respondent
3	s5.56 Admin Reg 19C (7)	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	Council adopted Kalamunda Advancing – Strategic Community Plan 2017-2027 (the City's Strategic Community Plan) at 26 June 2017 Ordinary Council Meeting [OCM 103/2017].	Peter Rogers
4	s5.56 Admin Reg 19C (7)	Has the local government adopted a modification to the most recent Strategic Community Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	Council adopted Kalamunda Advancing – Strategic Community Plan 2017-2027 (the City's Strategic Community Plan) at 26 June 2017 Ordinary Council Meeting [OCM 103/2017].	Peter Rogers
5	S5.56	Has the local government adopted an Asset Management Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	Yes	<p>The City has adopted an overarching Asset Management Strategy.</p> <p>Pathways Asset Management Plan – endorsed May 2017 OCM.</p> <p>Parks Asset Management Plan 2017 – endorsed August 2017 OCM.</p> <p>Roads and Drainage Asset Management Plan's proposed for 2018 and Buildings Asset Management Plan proposed for 2019.</p>	Peter Rogers
6	S5.56	Has the local government adopted a Long Term Financial Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	Yes	Council adopted the amended Kalamunda Accountable: Long Term Financial Plan to 2027 (the City's Long Term Financial Plan) at 28 June 2017 Special Council Meeting [SCM 112/2017].	Peter Rogers
7	S5.56	Has the local government adopted a Workforce Plan. If Yes, in Comments please provide date of the most recent Plan plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	Yes	Workforce Plan adopted by in June 2013. A new draft Workforce Plan has been developed by management. It is being updated during the budget process for 2018/19 and will then be presented to Council for endorsement.	Peter Rogers



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Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A	The City did not recruit a CEO during 2017.	Peter Rogers
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A	The City did not recruit a CEO during 2017. The CEO is currently the only senior employee of the City.	Peter Rogers
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A	The City did not recruit a CEO during 2017.	Peter Rogers
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A	The City did not recruit a CEO during 2017.	Peter Rogers
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A	The City did not consider any employment or dismissal of a senior employee during 2017, as the CEO is the City's only senior employee.	Peter Rogers



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Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A	The CEO is the complaints officer.	Peter Rogers
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes	The City has no complaints which required action.	Peter Rogers
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Peter Rogers
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Peter Rogers
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Peter Rogers
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes		Peter Rogers

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes	All tenderers were publicly invited to submit a tender in order to create a contract worth equal to or greater than \$150,000.	Peter Rogers
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	Yes	The City did not split any tenders to avoid the requirement to comply with regulation 11(1) of the Local Government (Functions and General) Regulations 1996.	Peter Rogers
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes	All tenders were advertised in the West Australian.	Peter Rogers



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No	Reference	Question	Response	Comments	Respondent
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Peter Rogers
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Peter Rogers
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Peter Rogers
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes	Any tender submissions that were non-compliant with regulation 18(1) was refused and returned to the tenderer unopened.	Peter Rogers
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Peter Rogers
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes	There is more information in the City's tender register than required by Regulation 17, and is currently being removed by officers.	Peter Rogers
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Peter Rogers
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes		Peter Rogers
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A	All Expressions of Interest received by the City were submitted by the correct time and in the correct location, therefore there was no need to reject any EOI.	Peter Rogers
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	Yes		Peter Rogers
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	Yes		Peter Rogers



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No	Reference	Question	Response	Comments	Respondent
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	N/A	The City has not invited any pre-qualified suppliers.	Peter Rogers
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	N/A	The City has not invited any pre-qualified suppliers.	Peter Rogers
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	N/A	The City has not invited any pre-qualified suppliers.	Peter Rogers
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	N/A	The City has not invited any pre-qualified suppliers.	Peter Rogers
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A	The City has not invited any pre-qualified suppliers.	Peter Rogers
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application(s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	N/A	The City has not invited any pre-qualified suppliers.	Peter Rogers
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	N/A		Peter Rogers
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	N/A	The City has not invited any pre-qualified suppliers.	Peter Rogers
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A	The City of Kalamunda doesn't have a policy with regard to regional price preference.	Peter Rogers
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	N/A	The City of Kalamunda doesn't have a policy with regard to regional price preference.	Peter Rogers



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No	Reference	Question	Response	Comments	Respondent
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes		Peter Rogers

I certify this Compliance Audit return has been adopted by Council at its meeting on _____

Signed Mayor / President, Kalamunda

Signed CEO, Kalamunda

10. Motions of Which Previous Notice has been Given

10.1 Nil.

11. Questions by Members Without Notice

11.1 Nil.

12. Questions by Members of Which Due Notice has been Given

12.1 Nil.

13. Urgent Business Approved by the Presiding Member or by Decision

13.1 Nil.

14. Meeting Closed to the Public

14.1. That the meeting be closed to the public at 7:24pm to discuss Confidential Items.

Moved: **Cr Michael Fernie**

Seconded: **Cr John Giardina**

Vote: **CARRIED UNANIMOUSLY (10/0)**

14.1.1 Probity Audit – RFQ Results

Voting Requirements: Simple Majority

RECOMMENDATION

That Council:

1. Requests the CEO to engage an independent auditor to carry out an additional review of 10 tenders chosen randomly by the consultant at a cost of \$15,400.
2. Allocates additional budget of \$16,000 for the purposes of carrying out an additional review of tenders.
3. Notes that the results of the additional Probity Audit will be reported to the June 2018 Audit and Risk Committee meeting.

Moved: **Cr Margaret Thomas**

Seconded: **Cr John Giardina**

Vote: **CARRIED UNANIMOUSLY (10/0)**

14.1.2 **Probity Audit – Actions on Recommendations**

Voting Requirements: Simple Majority

RECOMMENDATION

That Council:

1. Notes the remedial actions undertaken so far which have been addressed in the Deloitte probity reports and requests the internal auditor to provide an update in the June 2018 meeting.

Moved: **Cr John Giardina**

Seconded: **Cr Geoff Stallard**

Vote: **CARRIED UNANIMOUSLY (10/0)**

15. Meeting Open to the Public

- 15.1 That the meeting be reopened to the public following discussion of Confidential Items.

Moved: **Cr Margaret Thomas**

Seconded: **Cr Cameron Blair**

Vote: **CARRIED UNANIMOUSLY (10/0)**

The meeting reopened at 7.40pm.

16. Closure

- 16.1 There being no further business, the Presiding Member declared the Meeting closed at 7.42pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Council.

Signed: _____
Presiding Member

Dated this _____ day of _____ 2018.