



Shire of Dardanup

CONFIRMED

MINUTES

AUDIT & RISK COMMITTEE MEETING

Held

12th June 2024

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

This document is available in alternative formats such as:

- ~ Large Print
- ~ Electronic Format
Upon request.

VISION STATEMENT

“Provide effective leadership in encouraging balanced growth and development of the Shire while recognizing the diverse needs of our communities.”

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COMMITTEE MEMBERSHIP:

CR. E LILLY –CHAIRPERSON
 CR M HUTCHINSON - DEPUTY CHAIRPERSON
 CR T GARDINER
 CR. S GILLESPIE
 CR. J MANONI

AUDIT & RISK COMMITTEE CHARTER

The Terms of Reference for this Committee are located in the Tardis records system – refer to the following link:

[2023 - ToR - Audit and Risk Committee](#)

COUNCIL ROLE

Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government / body / agency.
Executive/Strategic	The substantial direction setting and oversight role of the Council eg. Adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
Legislative	Includes adopting local laws, town planning schemes and policies.
Review	When Council reviews decisions made by Officers.
Quasi-Judicial	<p>When Council determines an application/matter that directly affects a person's rights and interests. The Judicial character arises from the obligations to abide by the principles of natural justice.</p> <p>Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg: under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</p>

DISCLAIMER

"Any statement, comment or decision made at a Council or Committee meeting regarding any application for an approval, consent or licence, including a resolution of approval, is not effective as an approval of any application and must not be relied upon as such.

Any person or entity that has an application before the Shire must obtain, and should only rely on, written notice of the Shire's decision and any conditions attaching to the decision, and cannot treat as an approval anything said or done at a Council or Committee meeting.

Any advice provided by an employee of the Shire on the operation of a written law, or the performance of a function by the Shire, is provided in the capacity of an employee, and to the best of that person's knowledge and ability. It does not constitute, and should not be relied upon, as a legal advice or representation by the Shire. Any advice on a matter of law, or anything sought to be relied upon as a representation by the Shire should be sought in writing and should make clear the purpose of the request."

RISK ASSESSMENT

Inherent Risk	The level of risk in place in order to achieve the objectives of the Council and before actions are taken to alter the risk's impact or likelihood.
Residual Risk	The remaining level of risk following the development and implementation of Council's response.
Strategic Context	These risks are associated with achieving Council's long term objectives.
Operational Context	These risks are associated with the day-to-day activities of the Council.
Project Context	<p>Project risk has two main components:</p> <ul style="list-style-type: none"> • Direct refers to the risks that may arise as a result of project, which may prevent the Council from meeting its objectives. • Indirect refers to the risks which threaten the delivery of project outcomes.

SHIRE OF DARDANUP

MINUTES OF THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE MEETING HELD ON WEDNESDAY, 12th June 2024, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 2.00PM.

1	DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS
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The Chairperson, Cr Ellen Lilly declared the meeting open at 2.01pm, welcomed those in attendance and referred to the Acknowledgement of Country; Emergency Procedures; and the Disclaimer and Affirmation of Civic Duty and Responsibility on behalf of Councillors and Officers:

Acknowledgement of Country

The Shire of Dardanup wishes to acknowledge that this meeting is being held on the traditional lands of the Noongar people. In doing this, we recognise and respect their continuing culture and the contribution they make to the life of this region and pay our respects to their elders, past, present and emerging. The Shire of Dardanup also respects and celebrates all cultures of all our residents and those visitors to our Shire.

Emergency Procedure

In the event of an emergency, please follow the instructions of the Chairperson who will direct you to the safest exit route. Once outside, you will be directed to an appropriate Assembly Area where we will meet (and complete a roll call).

Affirmation of Civic Duty and Responsibility

Councillors and Officers of the Shire of Dardanup collectively declare that we will duly, faithfully, honestly and with integrity fulfil the duties of our respective office and positions for all the people in the district according to the best of our judgement and ability. We will observe the Shire's Code of Conduct and Standing Orders to ensure efficient, effective and orderly decision making within this forum.

Note: Mr Kristin McKeachie, Manager Assets entered and left the room at 2.03pm. Mr Theo Naudé, Director Infrastructure left the meeting at 2.03pm.

2.	RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED
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2.1 Attendance

Voting

Cr Ellen Lilly	-	Deputy Shire President - Chairperson
Cr Tyrrell Gardiner	-	Shire President
Cr Mark Hutchinson	-	Elected Member – Deputy Chairperson
Cr Stacey Gillespie	-	Elected Member

Non-Voting

Mr Phil Anastasakis	-	Deputy Chief Executive Officer
Mr Theo Naudé	-	Director Infrastructure

Mr Ashwin Nair	-	Director of Sustainable Development
Mrs Cindy Barbetti	-	Corporate Excellence & Compliance Officer
Mrs Katherine Kaurin	-	Assistant Accountant
Ms Tricia Richards	-	Assistant Accountant
Mrs Rebecca Hobby	-	PA – Deputy Chief Executive Officer

2.2 Apologies

Voting

Cr Jack Manoni	-	Elected Member
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Non-Voting

Mr André Schönfeldt	-	Chief Executive Officer
Mrs Natalie Hopkins	-	Manager Financial Services
Mr Ricky Depillo	-	Accountant

3 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

None.

4 PUBLIC QUESTION TIME

None.

6 PETITIONS/DEPUTATIONS/PRESENTATIONS

None.

7 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

7.1 Minutes - Audit and Risk – 13th March 2024

OFFICER RECOMMENDED RESOLUTION & AUDIT & RISK COMMITTEE RESOLUTION

AAR 06-24 MOVED - Cr. Mark Hutchinson SECONDED - Cr. Stacey Gillespie

THAT the Minutes of the Audit & Risk Committee Meeting held on 13th of March 2024, be confirmed as true and correct subject to no corrections.

CARRIED
3/0

8. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

None.

9. QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

None.

10. DECLARATION OF INTEREST

"Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences."

Key Management Personnel (which includes Elected Members, CEO and Directors) are reminded of their requirement to disclose biannually transactions between Council and related parties in accordance with Council Policy CP039.

Discussion:

Chairperson, Cr. Ellen Lilly asked the Committee members if there were any Declarations of Interest to be made.

There were no Declarations of Interest made.

11	REPORTS OF OFFICERS AND COMMITTEES
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11.1 Title: Western Australian Auditor General – Schedule of Reports June 2024

Reporting Department	Corporate & Governance Directorate
Responsible Officer	Mr Phil Anastasakis - Deputy CEO
Reporting Officer	Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer
Legislation	Local Government Act 1995 Local Government (Audit) Regulations 1996
Council Role	Executive/Strategic.
Voting Requirement	Simple Majority.
Attachments	AAR: 11.1A – Risk Assessment AAR: 11.1B – Report 11 Funding for Community Sport and Recreation AAR: 11.1C – Report 12 Digital Identity and Access Management AAR: 11.1D – Report 14 Information Systems Audit (State Government) AAR: 11.1E – Report 16 Information Systems Audit (Local Government)

Overview

This report provides the Audit and Risk Committee with a schedule of Western Australian Auditor General Reports that have been released since the March 2024 committee meeting.

Note: Cr Tyrell Gardiner, Shire President, joined the meeting at 2.04pm.

Note: Mr Theo Naudé, Director Infrastructure, re-entered the meeting at 2.06pm.

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDED RESOLUTION & AUDIT & RISK COMMITTEE RESOLUTION

AAR 07-24 MOVED - Cr. Stacey Gillespie SECONDED - Cr. Ellen Lilly

THAT the Audit and Risk Committee receive the June 2024 report on the Western Australian Auditor General – Schedule of Reports.

CARRIED
4/0

Background

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on the 28th of October 2017. The purpose of the Act was to make legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General.

The Act also provides for a category of audits known as 'performance audit reports' which examine the economy, efficiency, and effectiveness of any aspect of a local government's operations. The findings of these audits are likely representative of issues in other local government entities that were not part of the sample. In addition, the Auditor General releases 'guides' to help support good governance within a local government's operations.

The Auditor General encourages all entities, not just those audited, to periodically assess themselves against the risks and controls noted in each of the performance audit reports and guides when published. Testing our performance against the Auditor General findings and reporting the outcomes to the Audit and Risk Committee can be viewed as a vital component of managing compliance reporting under Regulation 17.

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, r17

Reg 17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) risk management; and*
 - (b) internal control; and*
 - (c) legislative compliance.*
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) The CEO is to report to the audit committee the results of that review.*

Council Plan

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

The Audit and Risk Committee previously received a report at the March 2024 meeting that responded to the reports released by the OAG from December 2023 to February 2023.

Budget Implications

As part of the Corporate Excellence & Compliance Officer role, regular monitoring and assessment of reports released by the OAG is deemed a matter of good governance and a vital component of managing compliance under Regulation 17. Therefore, the cost to Council is through staff time and the usage of IT/Software systems where applicable.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance - None

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:11.1A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Event	Western Australian Auditor General – Schedule of Reports	
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Legal and Compliance	Not considering the risks, controls and recommendations arising from the Auditor General’s report could have an impact on Council not meeting its compliance requirements.
	Reputational	Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.

Officer Comment

Council staff take an active approach by reviewing each ‘Issue’, ‘Finding’ and ‘Recommendation’ as contained in any report released by the OAG to benchmark against Council’s own internal controls and processes working towards an industry ‘best practice standard’. Identifying relevant messages and opportunities from these reports leads to continuous improvement and informed decision making.

Since the last committee meeting, there have been four (4) reports released by the OAG that are of interest to the local government sector. The reports are reflected in the table below together with officer comment:

DATE	REPORT NO	REPORT	APPENDIX
March 2024	11	Performance Audit <i>Funding for Community Sport and Recreation</i>	AAR: 11.1B
March 2024	12	Better Practice Guide <i>Digital Identity and Access Management</i>	AAR: 11.1C
April 2024	14	Information Systems Audit <i>State Government 2022-2023</i>	AAR: 11.1D
May 2024	16	Information Systems Audit <i>Local Government 2022-2023</i>	AAR: 11.1E

- *Report 11: Funding for Community Sport and Recreation*

This report is an assessment of State government entity's ability to effectively apply sound administration practices to assess and approve funding for community sport and recreation, between 2020-21 and 2022-23, and if funding agreements were in place for approved projects.

The OAG was pleased to find that \$12 million of funding awarded each year by the Department of Local Government, Sport and Cultural Industries (DLGSC) followed important granting principles and the WA grant guidelines. The DLGSC rigorously assessed each project's merit and funding was based on an understanding of needs across the State. Decision-making was transparent and funding allocations are easily accessible to the public on the DLGSC website.

The State Government, however, did not require sport and recreation projects stemming from election commitments (\$136 million) or special programs, like the WA Recovery Plan (\$125 million), to be assessed against published criteria as part of an entity grant program. It is not clear how the merit of some of these projects was assessed, and there is no public transparency on why some projects were funded and others were not. Unlike other government decisions that affect the State Budget, election promises are commonly funded without an assessment of the project's priority need to the community or the capacity of the recipient to deliver the project. Good principles for government spending ensure money is awarded fairly and equitably, and generally include publicly available criteria and merit selection, irrespective of the origin of the announcement or the dollar value of the project.

The **Shire of Dardanup** is mentioned on page 24 of the report, as follows:

Projects awarded CSRFF funding between 2020-21 and 2022-23					
No	Recipient	Description	Amount awarded (\$)	LG where project is located	Electorate
//					
39	Shire of Dardanup	Construction of a pavilion at Eaton Oval	700,000	Shire of Dardanup	Collie-Preston
40	Shire of Dardanup	Construction of Eaton pump track	20,000	Shire of Dardanup	Collie-Preston

The Auditor General had no issues with the funding awarded through the CSRFF stream (projects 1 to 204 totalling \$36,342,117 over the 3 financial years), in which the Shire of Dardanup was a double recipient (projects 39 and 40).

The problematic areas and subsequent findings are centred around the WA Recovery Plan (projects 205 to 220 totalling \$124.8m) and Election Commitments 2021 (small projects 221 to 642 totalling \$18.9m; and large projects 643 to 678 totalling \$117.4m) funding streams over the 3 financial years. Note, the Shire of Dardanup was **not** a recipient in either of these funding streams.

The OAG has created an interactive dashboard on their website of all approved projects in the three funding streams they assessed, including the recipient, amount, and a brief project description. This provides the public with complete information about what was funded and allows the distribution of money by local government district and electorate to be compared. Please refer: [OAG Dashboard](#).

- *Report 12: Digital Identity and Access Management*

The complexity and scale of IT environments and rapid expansion of technology poses many security challenges for Western Australian public sector entities. One such challenge regularly highlighted by the OAG's General Computer Controls audits, is the management of digital identities and their access to entities' information systems. Strong management is essential to protecting key systems and the information they hold from cyber threats and inappropriate access.

To assist with this security challenge, the OAG has released a guide to provide public sector entities with principles to improve their digital identity and access management (IAM) practices.

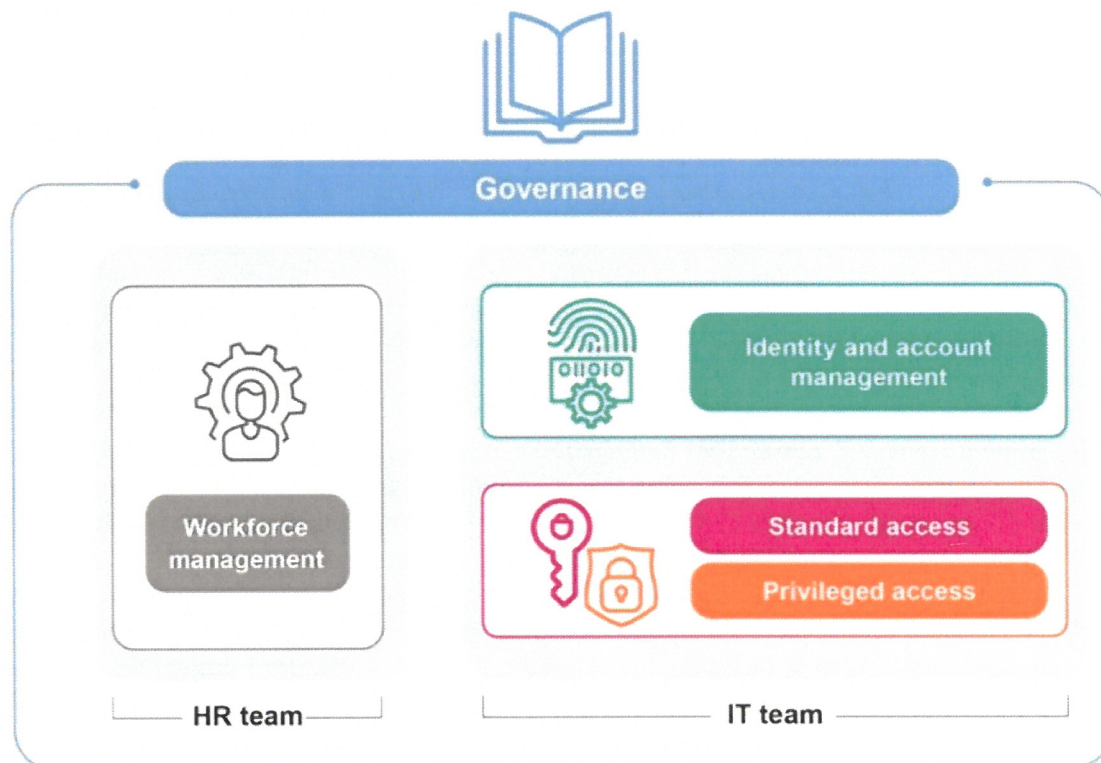
Digital identity and access management consists of the technologies and business processes to help the right identities access the right assets at the right time for the right reasons, while keeping unauthorised access and fraud at bay.

The OAG strongly encourages all public sector entities to adopt the principles in the guide as required in order to better protect their information assets from unauthorised access.

As some background, at the start of an individual's (entity staff and contractors) employment, a digital identity is created for them. This is then linked with accounts that provide access to business systems and information. Digital identities and accounts can also be created for devices and software applications. Over time accounts may accumulate unnecessary privileges. For example, when individuals permanently or temporarily change roles or when devices or software applications are replaced. Ongoing maintenance is required to ensure account privileges do not become excessive and are disabled when no longer required.

Protection of identities and access management is paramount as information systems drive decision-making and delivery of services to the public. Furthermore, the continued growth of remote and flexible work arrangements, underpinned by cloud technology, presents additional challenges for how entities manage digital identities and access. Identities and accounts present an attractive target for nation-state, organised crime, hacktivist and insider threat actors. The Office of the Australian Information Commissioner attributed the majority of notifiable data breaches in the first half of 2023 to compromised identity credentials.

The Digital Identity and Access Management Guide focuses on the key principles outlined in the diagram below to help improve the WA public sector's IAM capabilities.



Source: OAG Report 12 Digital Identity and Access Management Guide

Management and staff are currently working through the key principles to assist with assessing the Shire's IAM capabilities.

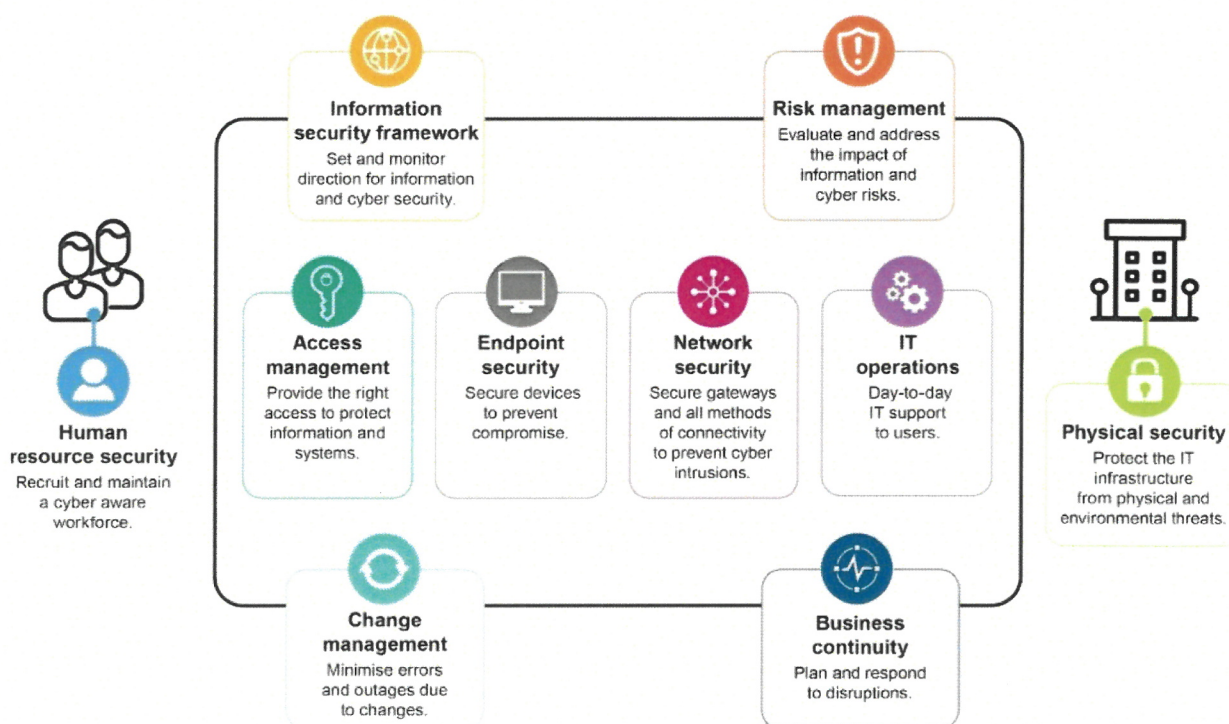
- *Report 14: Information Systems Audit (State Government) and Report 16: Information Systems Audit (Local Government)*

The OAG has released two Information Systems Audit reports, that summarises the results of the 2022-23 annual cycle of information systems audits for Western Australian State government entities and tertiary institutions (Report 14), and local government entities (Report 16).

The OAG acknowledges that WA public sector entities continue to transform and innovate their information systems to better deliver important services to the public. In doing so entities face many challenges, in particular a shortage of skilled cyber security professionals, and the need to ensure systems remain secure while being improved. The general computer controls (GCC) audits assess if entities have appropriate controls to protect the confidentiality, integrity and availability of key business systems.

Strong and well operating controls are a crucial defence to ever increasing cyber threats, enabling entities to safeguard their data, systems and information technology (IT) environments from potential security breaches.

As in past Information Systems Audits, the OAG's audit focused on the following 10 categories:



Source: OAG Report 14 Information Systems Audit and OAG Report 16 Information Systems Audit

Management and staff are once again assessing the Shire's processes in each of the 10 categories shown above, against the recommendations noted in the Information Systems Audit reports.

Conclusion

The OAG report review process will continue to be applied to future reports and guides released by the Auditor General. The analysis of these reports provides Council with a greater level of confidence in internal control practices and processes throughout Council operations.

END REPORT

11.2 Title: Biannual Risk Management Dashboard Report

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officer	<i>Mrs Cindy Barbetti - Senior Corporate Governance Officer</i>
Legislation	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17</i>
Council Role	<i>Legislative.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>AAR: 11.2A – Biannual Risk Dashboard Report AAR: 11.2B – Risk Assessment</i>

Overview

The purpose of this report is to present the biannual Risk Management Dashboard Report (Appendix AAR: 11.2A) to the Audit and Risk Committee for consideration.

Change to Officer Recommendation - No Change.

**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RESOLUTION**

AAR 08-24 MOVED - Cr. Tyrrell Gardiner SECONDED - Cr. Mark Hutchinson

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee recommend that Council receive the biannual Risk Management Dashboard Report for this reporting period, and as provided for in Appendix AAR 11.2A.

*CARRIED
4/0*

Background

In March 2023 Council, through the Audit and Risk Committee, adopted the revised Risk Management Governance Framework (the Framework) for the Council. The Framework has been developed to connect all of the risk management processes and methodologies and to clearly articulate the appetite for risk. This ensures Council's commitment to meeting its compliance obligations pursuant to the *Local Government (Audit) Regulations 1996*, Regulation 17.

A reporting requirement of the Framework specifies that every six (6) months, the Audit and Risk Committee is to receive a Risk Dashboard Report. The Dashboard summarises the risks of Council and provides the treatment plans (actions) that have been identified by management to improve certain key control ratings.

This requirement is further prescribed as a committee objective in the Terms of Reference, together with the committee's 2024 Annual Audit Work Plan, as shown below:

- Terms of Reference

- 5.8 *To consider the Shire of Dardanup Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness and progress on the relevant action plans biannually.*

- 2024 Annual Audit Work Plan

AUDIT AND RISK COMMITTEE – 2024 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	13 Mar 24	* Apr/ May 24	12 Jun 24	11 Sep 24	11 Dec 24
2. Risk Management					
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness. Current Framework adopted: OCM 28-06-2023 [Res 168-23]	Not applicable – next due 2026				
Receive the biannual dashboard report			● This meeting		● Net Yet Due

This report has been compiled in direct response to the Framework reporting requirements, Terms of Reference for the committee, and the 2024 Annual Audit Work Plan for the committee.

The Reporting Officer is seeking Council's endorsement, through the Audit and Risk Committee, of the biannual Risk Management Dashboard Report.

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, Regulation 17:

17. CEO to review certain systems and procedures

(1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*

- (a) *risk management; and*
- (b) *internal control; and*
- (c) *legislative compliance.*

(2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*

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

Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

The Audit and Risk Committee have been presented with Risk Management Dashboard Report's at the following meetings:

Committee Meeting Date	AAR Resolution Number
4 th December 2019	AAR 05-19
3 rd June 2020	AAR 14-20
7 th December 2020	AAR 26-20
16 th June 2021	AAR 08-21
1 st December 2021	AAR 31-21
8 th June 2022	AAR 09-22
7 th December 2022	AAR 27-22
14 th June 2023	AAR 10-23
6 th December 2023	AAR 33-23

Budget Implications

As part of the Corporate Excellence and Compliance Officer role, regular reporting of the Risk Management Governance Framework is essential. Therefore, the cost to Council is through staff time and the usage of IT/Software systems where applicable.

Budget – Whole of Life Cost - None.

Council Policy Compliance

Risk Management Governance Framework

- *Administration Policy AP023*
- *Procedure PR036*
- *Australian Standard AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines*

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR 11.2B) for full assessment document.

Tier 2 – 'Low' or 'Moderate' Inherent Risk.	
Risk Event	Biannual Risk Management Dashboard Report
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance Failure to fulfil compliance obligations

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
		pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.
	Reputational	Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.

Officer Comment

It is essential to monitor and review the management of risks, as changing circumstances may result in some risks increasing or decreasing in significance.

The Risk Management Dashboard Report for this reporting period (Appendix AAR 11.2A) summarises the risks of Council and provides the treatment plans (actions) that have been identified by management to improve certain key control ratings. Typically, these control ratings have been identified as inadequate and a treatment plan (action) has been determined to improve the control effectiveness to at least adequate.

The Dashboard focuses on both the inherent risk and the residual risk, together with a spider graph that highlights the impact of the controls against the residual risk.

To provide a comparison between reporting periods, table 1 below indicates that there are currently 19 treatments/action plans in place, compared to 18 last reporting period. 4 new treatments have been added, with 3 being completed in the last 6 months. As treatments are cleared or completed, they are removed from the Dashboard.

Table 1 – Treatment Plan Summary

(Last reporting period)			(This reporting period)		
Total	Completed	In Progress	Total	New	In Progress
18	3	15	15	4	19

The Dashboard also provides an indication of the value of the combined controls in mitigating levels of risk. This is summarised by the overall control rating (how effective the controls in place are operating) and the overall risk rating (the determined level of risk). From the last reporting period, there remains no change to the Overall Control Rating or the Overall Risk Rating. In summary, the Dashboard demonstrates that 10 combined controls are rated as ‘Adequate’ and 6 are rated as ‘Effective’.

The Audit and Risk Committee can expect the next Risk Dashboard Biannual Report at the committee meeting scheduled for December 2024.

END REPORT

11.3 Title: Update Report – 2023/2024 Regulation 17 Review

Reporting Department	Corporate & Governance Directorate
Responsible Officer	Mr Phil Anastasakis - Deputy CEO
Reporting Officer	Mrs Cindy Barbetti – Corporate Excellence and Compliance Officer
Legislation	Local Government Act 1995 Local Government (Audit) Regulations 1996
Council Role	Legislative.
Voting Requirement	Simple Majority.
Attachments	Confidential Attachment - 2023/2024 Regulation 17 Review Report Appendix AAR: 11.3 - Risk Assessment

Overview

The purpose of this report is to provide the Audit and Risk Committee with an update on the findings from the audit undertaken in February 2024 pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996*.

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDED RESOLUTION & AUDIT & RISK COMMITTEE RESOLUTION

AAR 09-24 MOVED - Cr. Mark Hutchinson SECONDED - Cr. Tyrrell Gardiner

THAT the Audit and Risk Committee recommend that Council receive the June 2024 update report on the implementation of actions required from the findings of the 2023/2024 Regulation 17 Review.

CARRIED
4/0

Background

Local Government (Audit) Regulations 1996, Regulation 17 prescribes a number of matters that are to be reviewed by a local governments audit committee. These matters are in relation to:

- a) Risk management,
- b) Internal control; and
- c) Legislative compliance.

In February 2024, AMD Chartered Accountants (AMD) conducted an external Regulation 17 Review (the 'review') with the scope of work based on the [Local Government Operational Guidelines - Number 09](#) (refer pages 17-19 of the guideline). In addition, management included in the review an audit of the preparedness of the local government in terms of mitigating cyber security risks, with particular focus on the recently adopted Cyber Security Framework.

The review was for the 3-year period ended 31st of December 2023.

A copy of the audit report from AMD (refer Appendix AAR: 11.3 confidential attachment under separate cover) was presented to the Audit and Risk Committee on the 13th of March 2024. The audit report contained four (4) minor findings and one (1) moderate finding for consideration, together with management's response on how these findings will be actioned.

The committee through Council endorsement, requested an update of the actions from the findings to be presented to each future committee meeting until resolved [OCM 94-24].

In addition, the endorsed 2024 Annual Audit Work Plan for the committee, provides the following schedule for the Regulation 17 Triennial Review:

AUDIT AND RISK COMMITTEE – 2024 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	13 Mar 24	* Apr/ May 24	12 Jun 24	11 Sep 24	11 Dec 24
7. Regulation 17 Triennial Review (report Due: March 2024)					
To consider the CEO's triennial review on risk management, internal control, and legislative compliance.	● Completed				
Set the action plan arising from auditor recommendations from the Regulation 17 review.	● Completed				
Receive an update on the action plan arising from auditor recommendations from the 2023-2024 Regulation 17 review (until all action items are completed).			● This meeting	● Not Yet Due	● Not Yet Due

This report has been compiled in direct response to Council resolution [OCM 94-24], together with the above schedule, to provide members of the committee with an update on the progression of the actions required from the findings of the AMD audit report.

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996 (as Amended):

Reg 17. CEO to review certain systems and procedures

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*

- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

Reg 16. Functions of audit committee

An audit committee has the following functions —

- (c) *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;*

Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

This is the first 'update' report to be received by the Audit and Risk Committee on the progress of the findings resulting from the Regulation 17 Review undertaken in February 2024.

Budget Implications

Staff time is the only resource requirement needed to implement the findings from the Regulation 17 Review. This remains in accordance with existing staff budgetary allocation.

Future Regulation 17 Reviews will be provided for as an expenditure allocation under Audit Fees in the annual budget relating to the financial year of review.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance

- Shire of Dardanup Risk Management Governance Framework (which incorporates AP023 Risk Management Policy and PR036 Risk Management Procedure).
- CnG CP304 – Fraud, Corruption and Misconduct.
- Delegation 1.3.9 Audit – CEO Review of Systems and Procedures.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 11.3) for full assessment document.

Tier 2 – 'Low' or 'Moderate' Inherent Risk.	
Risk Event	Update Report – 2023/2024 Regulation 17 Review
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Legal and Compliance	Failure to fulfil obligations pursuant to the <i>Local Government (Audit) Regulations 1996</i> , Regulation 17.
	Reputational	Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.

Officer Comment

The findings and status from the 2023/2024 Regulation 17 Review report are summarised in the table below:

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
2 Risk Management					
2.2.1	Testing of Disaster Recovery Plan	Moderate	Manager Information Services	31 December 2024	In Progress
2.2.2	Bushfire Management Plan	Low	Director Sustainable Development	31 December 2024	In Progress
3 Internal Controls					
3.2.1	Daily Banking Procedure	Low	Manager Governance	30 April 2024	Completed
3.2.2	Purchase Orders	Low	Manager Financial Services	30 April 2024	Completed
3.2.3	Grant – Contract Liabilities Register	Low	Manager Financial Services	30 April 2024	Completed
4 Legislative Compliance					
No findings to report in respect to the Shire’s legislative compliance.					

Management will continue to progress towards completing the outstanding actions (refer items 2.2.1 and 2.2.2) by the proposed completion dates.

In accordance with Council resolution 94-24, “an update of the actions required from the findings of the Regulation 17 Audit will be presented to each future Audit and Risk Committee meeting until resolved”.

END REPORT

11.4 Title: Audit Entrance Meeting

Reporting Department	Corporate & Governance Directorate
Responsible Officer	Mr Phil Anastasakis - Deputy CEO
Reporting Officer	Mrs Natalie Hopkins – Manager Financial Services
Legislation	Local Government Act 1995 and Local Government (Financial Management) Regulations 1996
Council Role	Executive/Strategic
Voting Requirement	Simple Majority.
Attachments	AAR:11.4 – Risk Assessment Confidential Attachment – Audit Strategy Memorandum

Overview

This report is to inform Council of its obligation in relation to the audit requirements under the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*.

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDED RESOLUTION & AUDIT & RISK COMMITTEE RESOLUTION

AAR 10-24 MOVED - Cr. Ellen Lilly SECONDED - Cr. Mark Hutchinson

OFFICER RECOMMENDED RESOLUTION

THAT the Audit & Risk Committee recommend that Council support and acknowledge the Audit Strategy Memorandum produced by the Office of the Auditor General, and OAG's sub-contractors Moore Australia (WA), for the 2023/24 annual financial report and accounts (Confidential Document – Under Separate Cover), which outlines the audit scope and approach, and key audit risk areas that will be a focus of audit procedures.

CARRIED
4/0

Background

Section 7.12A (2) requires a local government to meet with the auditor of the local government at least once in every year. The format for this year's audit, which is supported by the Office of the Auditor General (OAG), requires Council to hold both an Audit Entrance Meeting, prior to the commencement of the audit, and an Audit Exit Meeting, which typically occurs at the completion of the audit.

Moore Australia (WA) have been engaged by the Office of the Auditor General to perform the audit of Council's accounts and Annual Financial Report for the 2023/24 financial year. As determined by the OAG, this year's audit marks the first of a two year extension, to the initial three (3) year audit contract period undertaken by Moore Australia.

The Audit & Risk Committee Charter and Annual Audit Work Plan does not require the Audit Entrance Meeting to be held with the entire committee, but alternatively it is held with management and the Chairperson/Deputy of the Committee due to its operational focus.

The Audit Entrance Meeting was held on Wednesday 17 April 2024 via the Microsoft Teams application. In attendance, either in person or via Microsoft 'Teams' were:

- Chief Executive Officer – André Schönfeldt
- Deputy Chief Executive Officer – Phil Anastasakis
- Personal Assistant to D/CEO – Rebecca Hobby
- Manager Financial Services – Natalie Hopkins
- Accountant – Ricky Depillo
- Assistant Accountant – Tricia Richards
- Assistant Accountant – Katherine Kaurin
- Audit & Risk Committee Acting Chairperson - Cr Mark Hutchinson
- Audit & Risk Committee Proxy – Cr Tyrrell Gardiner
- OAG Representative (Teams) – Suraj Karki, Assistant Director Financial Audit; and
- Moore Australia (WA) Audit Partner Wen-Shien Chai and Audit Manager - Hayley Pratt (Teams).

**Audit & Risk Committee Chairperson Cr Ellen Lilly was an apology at the Audit Entrance Meeting. Cr Mark Hutchinson advised that Cr Tyrrell Gardiner would attend as a proxy for Cr Ellen Lilly.*

The Audit Entrance Meeting provided an overview on how this year's audit will be undertaken including key audit risks and focus areas as outlined in the Audit Strategy Memorandum (Confidential Document – Under Separate Cover). Key audit risk and focus areas include, but are not limited to:

- **Revenue Recognition**
 - Review and test the application of the Shire's revenue recognition policies for application under *AASB 15 Revenue from Contracts with Customers* and *AASB 1058 Income of Not-for-Profit Entities*
 - Control testing in accordance with documented audit sampling methodology
 - Consider nature, complexity and materiality of revenue transactions
 - Review and assess appropriateness of disclosures in the financial report
- **Completeness of Liabilities and Expenses**
 - Review and test expenditure and corresponding liabilities are brought to account
- **Property, Plant and Equipment (PPE), and Infrastructure**
 - Depreciation and Amortisation
 - Fair value assessments of non-financial assets
 - Assess Accounting Policies with fair value assessments and ensure compliance to Australian Accounting Standards
 - Control testing of key financial controls for PPE and Infrastructure
 - Substantive testing of asset additions and disposals
- **Accounting for employee related provisions**
 - In accordance with *AASB 119 Employee Benefits*
 - Perform substantive testing of details using sampling methodology, and year-end analytical review
- **Disclosures in the financial report**
 - Auditor remuneration
 - Contingent assets and liabilities
 - Related Party Transactions
 - Capital Commitments

- **Fraud risk and management override of controls**
 - Review journal entries, accounting estimates and application of accounting policies
- **Adequacy of the design and implementation of internal controls**
 - Evaluate the Shire's internal controls including system security, technology framework
 - Review service management, operations and change control
 - Review security governance and reporting, and security training

Effective Audit Entrance and Exit Meetings are essential for good outcomes. The Audit & Risk Committee will meet with Council's auditors on an annual basis for the presentation of the Annual Financial Report. In line with Moore Australia and the OAG audit strategy, this will be held as an audit exit meeting and is scheduled to occur mid November on completion of the financial statements and audit report. This meeting will provide the auditor the opportunity to highlight the key audit issues in a structured manner and provide the Council's Chief Executive Officer adequate opportunity to comment.

The following timetable is a broad outline of the key deliverables and timing aspects of the audit:

Audit Engagement Activity	Timing
Audit Planning	March 2024 - April 2024
Audit Entrance Meeting	17 April 2024
Interim Audit Visit	22 – 24 April 2024
Interim Management Report (if any matters to be reported)	24 May 2024
Receipt of Complete and Balanced Draft Financial Report	30 September 2024
Final Audit Visit	7 – 11 October 2024 (tbc)
Issuance of Audit Concluding Memorandum	8 November 2024 (tbc)
Concluding – Audit Exit Meeting	15 November 2024 (tbc)
Date CEO Sign-off on Financial Statements	15 November 2024 (tbc)
Final Sign-off of Auditor's Report & Management Report	22 November 2024 (tbc)

Following the Audit Exit Meeting with the Audit and Risk Committee, the Chief Executive Officer signs the declaration on the financial report and thereafter, the OAG issues the auditor's report.

The Audit Entrance Meeting should facilitate informed, respectful and robust exchanges between the auditors, management and the Audit and Risk Committee. The OAG states in their Audit Results Report that:

'it is best practice for the auditors to highlight and explain the key elements of their entrance or closing report to the audit committee and Management'.

Legal Implications

Local Government Act 1995

5.53. Annual reports

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain —
 - (a) a report from the mayor or president; and
 - (b) a report from the CEO; and
 - [(c), (d) deleted]
 - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and
 - (f) the financial report for the financial year; and
 - (g) such information as may be prescribed in relation to the payments made to employees; and

- (h) *the auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year; and*
- (ha) *a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and*
- (hb) *details of entries made under section 5.121 during the financial year in the register of complaints, including —*
 - (i) *the number of complaints recorded in the register of complaints; and*
 - (ii) *how the recorded complaints were dealt with; and*
 - (iii) *any other details that the regulations may require;*
- and*
- (i) *such other information as may be prescribed.*

7.12A. Duties of local government with respect to audits

- (1) *A local government is to do everything in its power to —*
 - (a) *assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and*
 - (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (3) *A local government must —*
 - (aa) *examine an audit report received by the local government; and*
 - (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*
 - (b) *ensure that appropriate action is taken in respect of those matters.*
- (4) *A local government must —*
 - (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*
 - (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
- (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

7.12AD. Reporting on a financial audit

- (1) *The auditor must prepare and sign a report on a financial audit.*
- (2) *The auditor must give the report to —*
 - (a) *the mayor, president or chairperson of the local government; and*
 - (b) *the CEO of the local government; and*
 - (c) *the Minister.*

Australian Auditing Standard ASA 260 – Communication With Those Charged With Governance

ASA 260 requires the auditor to discuss certain key aspects of the audit planning and the audit results with those charged with governance.

As a committee of Council, the Audit and Risk Committee is Council's preferred forum to enable effective audit communication.

Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

An Audit Entrance Meeting has been held in previous years and is a normal process that is followed in line with the audit strategy.

Budget Implications - None.

Budget – Whole of Life Cost - None.

Council Policy Compliance

Council have adopted the Audit & Risk Committee Charter (Terms of Reference) on 18 October 2023 which outlines the audit process and the Committee's function. The Audit & Risk Committee and Council also adopted the 2024 Annual Work Plan in December 2023, which is reviewed and updated each year.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 11.4) for full assessment document.

Tier 2 – 'Low' or 'Moderate' Inherent Risk.	
Risk Event	Audit Entrance Meeting
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance Risk that Council is non-compliant in providing information as requested by the Office of the Auditor General, as detailed in the Responsibilities of the Audit.

Officer Comment

The Audit Entrance Meeting is an important phase of the audit planning process and allows Council's Management and the Audit & Risk Committee Chair and Deputy Chairperson to meet with Council's auditors, Moore Australia, and the OAG to discuss the Audit Plan. It also provides an opportunity for staff and Committee members present to ask questions of the auditors and the OAG.

The Audit Plan details the audit scope and approach in summary format and aims to promote effective communication between the auditor and those charged with governance at a local government.

Whilst the financial reporting requirements has reduced for Class 3 (Dardanup) and Class 4 (previously termed 'Bands'), it is expected that there will continue to be an increased audit focus for 2023/24 financial statements.

END REPORT

11.5 Title: Interim Audit Update

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officers	<i>Mrs Natalie Hopkins - Manager Financial Services</i>
Legislation	<i>Local Government Act 1995 and Local Government (Financial Management) Regulations 1996</i>
Council Role	<i>Executive/Strategic.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>AAR:11.5 – Risk Assessment</i>

Overview

This report is to inform Council of the recent Interim Audit which was undertaken by Council Auditors, Moore Australia (WA) onsite from 22nd to 24th April 2024 inclusive.

Whilst the interim audit results have not yet been formally released by Moore Australia (WA) and the Office of the Auditor General (OAG), this report provides an update to Council on the status and projected outcomes from the Interim Audit.

OFFICER RECOMMENDED RESOLUTION

THAT the Audit & Risk Committee recommend that Council receive the Interim Audit Update report.

Change to Officer Recommendation

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

- *Recommended the inclusion of the Interim Audit Update email into the Resolution as supporting evidence.*

OFFICER RECOMMENDED RESOLUTION & INTEGRATED PLANNING COMMITTEE RESOLUTION

AAR 11-24 MOVED - Cr. Tyrrell Gardiner SECONDED - Cr. Ellen Lilly

THAT the Audit & Risk Committee recommend that Council receive the Interim Audit Update report as provided in the email to the Shire President.

CARRIED
4/0

Officer Comment

The 2023/24 Interim Audit process caps off another successful audit process within the 2023/24 financial year. As detailed in the report, feedback from Council's auditors to date has been positive with no issues raised or matters of concern by Moore Australia.

Similar to last year's interim audit, Council anticipate another successful result for the 23/24 Interim Audit period which can be attributed to Council's good governance, due diligence, a high-level focus on internal controls and compliance to Council's policy and procedures.

Historically, the results of an interim audit were not formally reported, instead they were used as preparatory information to the year-end audit. The reporting of these results now forms part of the formal requirement of audits conducted by OAG and will be included in the formalised *Annual Financial Report – Interim Audit Results for the Year Ending 30 June 2024* to be presented to the Audit & Risk Committee in September 2024.

END REPORT

12. ELECTED MEMBER MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

None.

13. NEW BUSINESS OF AN URGENT NATURE

[Please Note: This is Not General Business – This is for Urgent Business Approved By the Person Presiding or by Decision. In cases of extreme urgency or other special circumstance, matters may, with the consent of the person presiding, or by decision of the members present, be raised without notice and decided by the meeting.]

14. MATTERS BEHIND CLOSED DOORS**15. CLOSURE OF MEETING**

The date of the next Audit & Risk Committee Meeting will be Wednesday, 11 September 2024.

There being no further business the Chairperson declared the meeting closed at 2.30pm.

**CONFIRMATION OF MINUTES**

"As the person presiding at the meeting at which these Minutes were confirmed on the 18th of September 2024, I certify that these Minutes have been confirmed as a true and accurate recording of proceedings".

Signature:

Email:

Ellen.Lilly@dardanup.wa.gov.au