



# **A G E N D A**

## **AUDIT & RISK COMMITTEE MEETING**

To Be Held

Wednesday, 14<sup>th</sup> June 2023  
Commencing at 2.00pm

At

Shire of Dardanup  
ADMINISTRATION CENTRE EATON  
1 Council Drive - EATON

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~ Large Print  
~ Electronic Format [disk or emailed]  
Upon request.



## NOTICE OF AN AUDIT & RISK COMMITTEE MEETING

Dear Committee Member

The Audit & Risk Committee Meeting of the Shire of Dardanup will be held on Wednesday 14<sup>th</sup> June 2023 to be held at the Eaton Administration Centre - commencing at 2.00pm.



**MR PHIL ANASTASAKIS**  
Acting Chief Executive Officer

Date: 7<sup>th</sup> June 2023

**Note:** If interested persons would like to make comment on any items in this agenda, please email [records@dardanup.wa.gov.au](mailto:records@dardanup.wa.gov.au) or hand deliver written comment to the Shire of Dardanup – Administration Centre Eaton, 1 Council Drive, Eaton. To be included in the meeting comments are to be delivered no later than 48 hours prior to the meeting.

The Chief Executive Officer will use his discretion as to whether the written comments are relevant and applicable to the meeting before approving their inclusion in the meeting.

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## 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 M BENNETT
- CR T GARDINER
- CR. M HUTCHINSON
- CR. P PERKS
- CR. E LILLY

## AUDIT & RISK COMMITTEE CHARTER

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

[2021 - 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

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

## RISK CATEGORY CONSEQUENCE TABLE - GUIDELINE

Rating (Level)	Health	Financial Impact	Service Interruption	Legal and Compliance	Reputational	Environmental	Property
<b>Insignificant (1)</b>	Near miss Minor first aid injuries	Less than \$10,000	No material service interruption - backlog cleared < 6 hours	<b>Compliance</b> - No noticeable regulatory or statutory impact. <b>Legal</b> - Threat of litigation requiring small compensation. <b>Contract</b> - No effect on contract performance.	Unsubstantiated, low impact, low profile or 'no news' item. <b>Example:</b> Gossip, Facebook item seen by limited persons.	Contained, reversible impact managed by on site response.	Inconsequential or no damage.
<b>Minor (2)</b>	Medical type injuries	\$10,001 - \$50,000	Short term temporary interruption – backlog cleared < 1 day	<b>Compliance</b> - Some temporary non compliances. <b>Legal</b> - Single minor litigation. <b>Contract</b> - Results in meeting between two parties in which one party expresses concern.	Substantiated, low impact, low news item. <b>Example:</b> Local paper / Industry news article, Facebook item seen by multiple groups.	Contained, reversible impact managed by internal response.	Localised damage rectified by routine internal procedures.
<b>Moderate (3)</b>	Lost time injury <30 days	\$50,001 - \$300,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	<b>Compliance</b> - Short term non-compliance but with significant regulatory requirements imposed. <b>Legal</b> - Single moderate litigation or numerous minor litigations. <b>Contract</b> - Receive verbal advice that, if breaches continue, a default notice may be issued.	Substantiated, public embarrassment, moderate impact, moderate news profile. <b>Example:</b> State-wide paper, TV News story.	Contained, reversible impact managed by external agencies.	Localised damage requiring external resources to rectify.
<b>Major (4)</b>	Long-term disability/ multiple injuries Lost time injury >30 days	\$300,001 - \$1.5 million	Prolonged interruption of services – additional resources; performance affected < 1 month	<b>Compliance</b> - Non-compliance results in termination of services or imposed penalties. <b>Legal</b> - Single major litigation or numerous moderate litigations. <b>Contract</b> - Receive/issue written notice threatening termination if not rectified.	Substantiated, public embarrassment, high impact, high news profile, third party actions. <b>Example:</b> Australia wide news stories. Regulatory / Political commentary involvement.	Uncontained, reversible impact managed by a coordinated response from external agencies.	Significant damage requiring internal & external resources to rectify.
<b>Catastrophic (5)</b>	Fatality, permanent disability	More than \$1.5 million	Indeterminate prolonged interruption of services – non-performance > 1 month	<b>Compliance</b> - Non-compliance results in litigation, criminal charges or significant damages or penalties. <b>Legal</b> - Numerous major litigations. <b>Contract</b> - Termination of contract for default.	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions. <b>Example:</b> Worldwide news, Focused articles (e.g. 60 minutes). Regulatory / Political oversight and involvement.	Uncontained, irreversible impact.	Extensive damage requiring prolonged period of restitution.  Complete loss of plant, equipment & building.

## RISK - LIKELIHOOD TABLE

LEVEL	RATING	DESCRIPTION	FREQUENCY
5	Almost Certain	The event is expected to occur in most circumstances	The event is expected to occur more than once per year
4	Likely	The event will probably occur in most circumstances	The event will probably occur at least once per year
3	Possible	The event should occur at some time	The event should occur at least once in 3 years
2	Unlikely	The event could occur at some time	The event could occur at least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	The event is not expected to occur more than once in 15 years

## LEVEL OF RISK GUIDE

CONSEQUENCE		Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD		1	2	3	4	5
Almost Certain	5	Moderate (5)	Moderate (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	Moderate (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

**SHIRE OF DARDANUP**

**AGENDA FOR THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE MEETING TO BE HELD ON WEDNESDAY, 14<sup>TH</sup> JUNE 2023, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 2.00PM.**

**1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

The Chairperson to declare the meeting open, welcome those in attendance and refer 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.*

**2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED****2.1 Attendance****2.2 Apologies****3. PRESENTATIONS**

None.

#### 4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

##### 4.1 Minutes - Audit and Risk - 15th March 2023

#### OFFICER RECOMMENDED RESOLUTION

**THAT the Minutes of the Audit & Risk Committee Meeting held on 15<sup>th</sup> of March 2023, be confirmed as true and correct subject to no / the following corrections:**

#### 5. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

##### 5.1 Title: JLT Public Sector Risk Report 2022-2023 and the JLT Public Sector Cyber-Security Controls Review 2023

It is recommended that the Committee go behind closed doors toward the end of the meeting in accordance with Shire of Dardanup Standing Orders & *Local Government Act 1995 Section 5.23 (2) - Matters for Which Meeting May Be Closed*:

Standing Order and the *Local Government Act 1995* provides for the Committee to resolve to close the meeting to the public and proceed behind closed doors for matters:

- S 5.23 (1) Subject to subsection (2), the following are to be open to members of the public-*
- (a) all Council meetings; and*
  - (b) all meetings of any committee to which a local government power or duty has been delegated.*
- (2) If a meeting is being held by a Council or by a committee referred to in subsection (1) (b), the Council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following -*
- (a) a matter affecting an employee or employees;*
  - (b) the personal affairs of any person;*
  - (c) a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;*
  - (d) legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting;*
  - (e) a 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;*
  - (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;*
  - (g) information which is the subject of a direction given under section 23 (1a) of the Parliamentary Commissioner Act 1971; and*
  - (h) such other matters as may be prescribed.*
- (3) A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.*

**Note:** The Chairperson to advise that the meeting will go behind closed doors toward the end of the meeting to discuss S.5.23 section (2)(f)(ii) a matter that if disclosed, could be reasonably expected to endanger the security of the local government's property.



## 6. QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

None.

## 7. 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.

## 8 REPORTS OF OFFICERS AND COMMITTEES

### 8.1 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:8.1A – Risk Assessment AAR:8.1B – Confidential Document – Audit Strategy Memorandum - Under Separate Cover

### 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.

### 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 2022/23 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.**

### Change to Officer Recommendation

No Change. **OR:**

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

## 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 2022/23 financial year. As determined by the OAG, this year's audit marks the third, and final, annual financial audit undertaken by Moore Australia of the three (3) year audit contract period. *It is expected that during the 2023/24 financial year, Council will be advised of the next audit contract as determined by the OAG.*

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 19 April 2023 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
- Acting Manager Governance – Donna Bailye
- Manager Financial Services – Natalie Hopkins
- Audit & Risk Committee Chairperson - Cr Tyrrell Gardiner
- Audit & Risk Committee Proxy – Cr Michael Bennett\*
- OAG Representative (Teams) – Vignesh Raj on behalf of Acting Director Financial Audit, Suraj Karki; and
- Moore Australia (WA) Audit Partner Wen-Shien Chair and Audit Manager - Hayley Pratt (Teams).

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

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:

- Property, Plant and Equipment, and Infrastructure
  - Depreciation and Amortisation
  - Fair value assessments of non-financial assets
- Financial Assets and Reserves
  - Review classification of other financial assets
  - Review use the funds to ensure Reserve funds being used for intended use
- Employee Benefit Provisions
  - In accordance with AASB 119 *Employee Benefits*
  - Perform substantive testing of details using sampling methodology, and year-end analytical review

- Revenue, Receivables and Contract Liabilities
  - In accordance with 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
- Expenditure
  - Substantive testing from operational and capital expenditure
- Material Disclosures
  - Review of processes, disclosure requirements
- Management Override of Controls
  - Delegated Authority
  - Review of General Journal entries and adjustments
  - Accounting estimates and application of accounting policies
  - Review of significant or unusual transactions
- IT General Controls
  - System Security
  - Technology Framework
  - Service Management, Operations and Change Control
  - Security Governance and Reporting
  - Security Training

Effective Audit Entrance and Exit Meetings are essential for good outcomes. As per previous audits, the Audit & Risk Committee has typically met with Council's auditors on an annual basis on the presentation of the Annual Financial Report and Audit Report in December.

In line with Moore Australia and the OAG audit strategy, the audit exit meeting is scheduled to occur in late 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:

<b>Audit Engagement Activity</b>	<b>Timing</b>
Audit Planning	March - April 2023
Audit Entrance Meeting	19 April 2023
Interim Audit Visit	26 – 28 April 2023
Interim Management Report (if any matters to be reported)	26 May 2023
Receipt of Complete and Balanced Draft Financial Report	30 September 2023
Final Audit Visit	9 – 13 October 2023 (tbc)
Issuance of Audit Concluding Memorandum	24 November 2023 (tbc)
Concluding – Audit Exit Meeting	30 November 2023 (tbc)
Date CEO Sign-off on Financial Statements	30 November 2023 (tbc)
Final Sign-off of Auditor's Report & Management Report	7 December 2023 (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**

This is the first year that an Audit Entrance Meeting has occurred, which will become a normal process in the future.

**Budget Implications** - None.

**Budget – Whole of Life Cost** - None.

#### **Council Policy Compliance**

Council have adopted the Audit & Risk Committee Charter (Terms of Reference) on 29 September 2021 which outlines the audit process and the Committee's function. The Audit & Risk Committee and Council also adopted the 2023 Annual Work Plan in December 2022, 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: 8.1A) 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)

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 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. It 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.

It is expected the 2022/23 financial audit will include a higher number of samples and supporting documents.

END REPORT

## **8.2 Title: Interim Audit Update**

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Reporting Officers</b>	<i>Mrs Natalie Hopkins - Manager Financial Services</i>
<b>Legislation</b>	<i>Local Government Act 1995 and Local Government (Financial Management) Regulations 1996</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR:8.2 – 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 26<sup>th</sup> to 28<sup>th</sup> April 2023 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***

No Change. **OR:**

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

### ***Background***

An annual audit of the Shire of Dardanup's financial systems, process and reports, is undertaken in accordance with the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996*.

Since the proclamation of the *Local Government Amendment (Auditing) Act 2017*, legislative changes were made to the *Local Government Act 1995*. These changes mandated responsibility for overseeing local government audits to the Office of the Auditor General (OAG).

Local government audits are now performed in two parts:

#### ***1. Interim Audit***

The purpose of this audit is to evaluate the Council's overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal controls, and to obtain an understanding of the key business processes, risks and internal controls relevant to the OAG audit of the annual financial report. Outcomes of this audit are provided in a management letter to the Chief Executive Officer and Shire President outlining any findings with recommendations; and

#### ***2. Final Year-End Audit***

The outcomes of this audit are provided in a management letter addressed to the Chief Executive Officer and Shire President, and the annual audit report. The annual audit report, together with the annual financial statements form part of the annual report.

The 2022/23 Interim Audit focused on audit samples from 1<sup>st</sup> July 2022 to 28<sup>th</sup> February 2023. Interim audit information requirements included, but not limited to, the following audit requirements:

- Accounts by Nature & Type;
- Rates Billing;
- Payroll & Employee Provisions;
- General Ledger Reconciliation / Trial Balance;
- Bank Reconciliations, Credit Card Statement Reconciliations;
- Inventory, Fixed Asset Reconciliations;
- Borrowings;
- Lease Liabilities;
- Contract Liabilities;
- Trade Creditors including Masterfile Changes;
- Accounts Receivables;
- Procurement Policy Compliance;
- Monthly Financial Reporting;
- IT, Covid-19, Fraud and Error Assessment Questionnaires; and
- Various Council Policies, Administration Policies and Procedures.

Early feedback from Council's auditors Moore Australia have indicated there are no areas of concern or interim audit findings, hence, Council is not expected to receive an **Interim Management Letter** for the 2022/23 financial year. The non-issuance of an Interim Management Letter reflects favourably on Council as it demonstrates that Council's financial management, accounting treatment of expenses and revenue, and compliance to policy and procedure is of a high level.

Whilst it is no longer normal practice for the OAG to issue an Interim Audit Results report if there are no findings, Council staff have requested a formal response from the OAG which is expected in the coming weeks. It is therefore expected the *Annual Financial Report – Interim Audit Results for the Year Ending 30 June 2023* will be brought back to the Audit & Risk Committee in September 2023.

### **Legal Implications**

Local Government Act 1995, s7.9

#### **7.9. Audit to be conducted**

- (1) *An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —*
- (a) *the mayor or president; and*
  - (b) *the CEO of the local government; and*
  - (c) *the Minister.*

Local Government (Audit) Regulations 1996, r9

#### **9. Performance of audit**

- (3) *An auditor must carry out the work necessary to form an opinion whether the annual financial report —*
- (a) *is based on proper accounts and records; and*
  - (b) *fairly represents the results of the operations of the local government for the financial year and the financial position of the local government at 30 June in accordance with —*
    - (i) *the Act; and*
    - (ii) *the Australian Accounting Standards (to the extent that they are not inconsistent with the Act).*

### **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 report is an informal update to the Audit and Risk Committee on the Interim Audit. A separate report will be presented to the Audit and Risk Committee when the Interim Audit results are released on receipt of the Interim Management Report, as issued by the OAG and Moore Australia (WA).

### **Budget Implications**

The 2022/2023 budget includes an allocation for the conduct of the full annual audit, including the interim audit.

### **Budget – Whole of Life Cost**

The 2022/2023 budget includes an allocation for the conduct of the annual audit.

**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: 8.2) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Event	Interim Audit Update	
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 2022/23 Interim Audit process caps off another successful audit process within the 2022/23 financial year. As detailed in the report, there were no issues raised or matters of concern by Moore Australia, and the OAG. The successful result for the Interim Audit 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.

As stated in the background of this report, it is no longer normal practice for the OAG to issue an Interim Audit Results report if there are no findings. However, Management and staff have requested this be formally documented by the OAG as a clear and concise report that can be included in the formalised *Annual Financial Report – Interim Audit Results for the Year Ending 30 June 2023* due to be presented to the Committee in September 2023.

Additionally, the Manager Finance and Deputy CEO met representatives from Moore (our contracted Audit firm) and the OAG on the 26 May 2023. The meeting discussed the interim audit process and a proposal where the OAG was seeking feedback on the idea of the CEO and/or Audit & Risk Committee signing off on the (draft) annual financial statements when they were provided to the Auditors by the 30 September each year.

Council Officers provided feedback that the idea of having the CEO sign off the Annual Financial Statements (draft) would be fine as this would not impact on any of our timelines, and would be a minor addition to our current processes leading up to the 30 September. However, concerns were raised with the idea of having the Audit & Risk Committee sign off on the (draft) Annual Financial Statements before the 30 September, as this would be an unrealistic expectation due to the limited time between raising the rates in July, rolling out the next years' budget, and the requirement to provide the Agenda for a Committee meeting 2 weeks in advance.

This would effectively require staff to have the annual financial statements prepared and completed around the start of September each year, which is only 2 months after the end of the financial year. The OAG accepted the concerns raised and will not be requiring Council to do this, but it does signal their desire to improve the quality across the sector of the draft Annual Financial Statements provided to the auditors by the 30 September each year.

END REPORT

### 8.3 Title: Biannual Risk Management Dashboard Report

Reporting Department	Corporate & Governance Directorate
Responsible Officer	Mr Phil Anastasakis - Deputy CEO
Reporting Officer	Mrs Cindy Barbetti - Senior Corporate Governance Officer
Legislation	Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17
Council Role	Legislative.
Voting Requirement	Simple Majority.
Attachments	AAR: 8.3A – Biannual Risk Dashboard Report AAR: 8.3B – Risk Assessment

#### **Overview**

The purpose of this report is to present the biannual Risk Management Dashboard Report (Appendix AAR: 8.3A) to the Audit and Risk Committee for consideration.

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

**THAT the Audit and Risk Committee receive the biannual Risk Management Dashboard Report for this reporting period, and as provided for in (Appendix AAR 8.3A).**

#### **Change to Officer Recommendation**

No Change. **OR:**

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

#### **Background**

In August 2019 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*.

In accordance with the reporting requirements of the Framework, the Senior Corporate Governance Officer is required to present the Audit and Risk Committee with a Risk Dashboard Report every six (6) months. In addition, the Terms of Reference within the Audit and Risk Committee Charter state the following as a committee objective:

- 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.*

This report has been compiled in direct response to the Framework reporting requirements and Terms of Reference for the committee. The Reporting Officer is seeking the committee's endorsement 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 <sup>th</sup> December 2019	AAR 05-19
3 <sup>rd</sup> June 2020	AAR 14-20
7 <sup>th</sup> December 2020	AAR 26-20
16 <sup>th</sup> June 2021	AAR 08-21
1 <sup>st</sup> December 2021	AAR 31-21
8 <sup>th</sup> June 2022	AAR 09-22
7 <sup>th</sup> December 2022	AAR 27-22

## Budget Implications

As part of the Senior Corporate Governance 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 8.3B) 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	<div>Legal and Compliance</div> <div>Reputational</div> <div>Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17. 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.</div>

## 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 8.3A) 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 now 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 18 treatments/action plans in place/proposed, compared with 16 treatments last reporting period. 5 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
16	3	13	13	5	18

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, the Overall Control Rating for the Work Health and Safety Theme has been amended from Effective to Adequate as the Shire works through introducing further controls around the safety of volunteers and in particular Bush Fire Brigade Volunteers. There remains no change to the Overall Risk Rating. In summary, the Dashboard demonstrates that 10 combined controls are rated as ‘Adequate’ and 6 are rated as ‘Effective’.

END REPORT

## 8.4 Title: Western Australian Auditor General - Schedule of Reports

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Reporting Officer</b>	<i>Mrs Cindy Barbetti - Senior Corporate Governance Officer</i>
<b>Legislation</b>	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR: 8.4A – Risk Assessment</i> <i>AAR: 8.4B – Information Systems Audit Report – State Government Entities</i> <i>AAR: 8.4C – Regulation of Air-handling and Water Systems</i>

### **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 2023 committee meeting.

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

**THAT the Audit and Risk Committee receive the June 2023 report on the Western Australian Auditor General – Schedule of Reports.**

### **Change to Officer Recommendation**

No Change. **OR:**

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

### **Background**

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on 28<sup>th</sup> 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 governments 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 2023 meeting that responded to the reports released by the OAG from December 2022 to February 2023.

### **Budget Implications**

As part of the Senior Corporate Governance 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.

### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:8.4A) for full assessment document.

<b>Tier 2 – 'Low' or 'Moderate' Inherent Risk.</b>	
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 two (2) reports released by the OAG that hold significance to the local government sector. These reports are reflected in the table below together with officer comment:

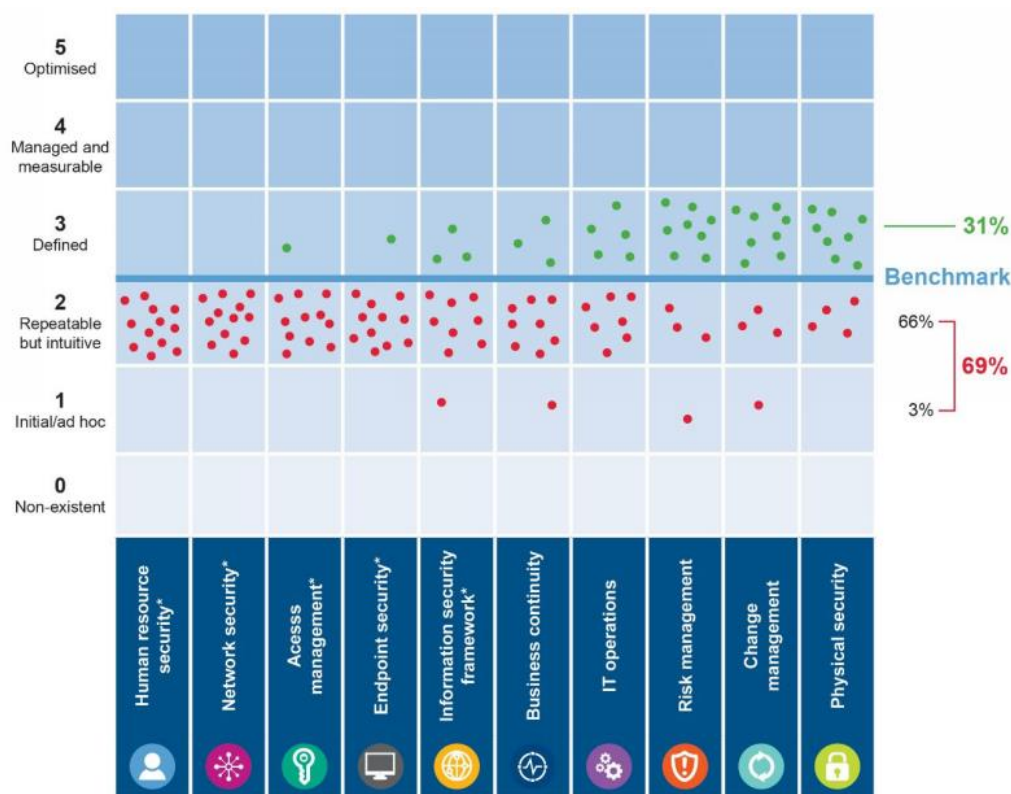
DATE	REPORT NO	REPORT	APPENDIX
March 2023	19	Information Systems Audit Local Government 2021-22	AAR:8.4B
April 2023	20	Regulation of Air-handling and Water Systems	AAR:8.4C

- *Report 19: Information Systems Audit Local Government 2021-22*

This report is the fourth local government annual information systems (IS) audit reported by the OAG. It summarises the results of the 2021-22 cycle of information systems audits, which involved auditing general computer controls for 53 local government entities. Out of those 53 entities, 12 were provided with a further capability maturity assessment to determine the level of development and capability of their IT controls. These audits were performed between April 2022 and March 2023, and the Shire of Dardanup was not involved in the audit or the capability maturity assessment.

The OAG states that local government entities are increasingly adopting technologies and systems to deliver efficiencies in their operations and improve the delivery of services to the communities they serve. As local government entities' digital footprints increase, so too do their risks. The information systems audits are designed to help local government entities to identify and mitigate these risks and protect citizens' information against inappropriate disclosure, loss, or misuse. The recent cyber security incidents in both Australia and globally highlight the ever-present risk of cyber-attacks and the need for entities to manage and secure their information system environments.

The majority of the 12 entities assessed for their capability maturity failed to meet the benchmark in the five information and cyber security categories, with human resource security and network security being the weakest. In the other five categories, the OAG acknowledges improvements in the areas of IT risk management, change management, physical security, IT operations and business continuity. The expectation of the OAG is that entities achieve a level 3 (Defined) rating or better in each of the 10 categories. These results are further demonstrated in the capability assessment table shown below (Figure 1).



Source: OAG

\* Information and cyber security control categories.

**Figure 1: Capability maturity assessment results.**

In response to this report, management undertook an internal assessment against the recommendations to ensure the Shire's current processes are aligned with or working towards industry best practice. In addition, cyber security awareness training has recently been launched for staff to know what good security behaviours look like. The aim of this training is to minimise the risk of phishing attacks or security breaches against the Shire. This project is being delivered by the Shire's Cyber Security Administrator for all current staff, with a learning module being available on the HR platform (HIVE) in the new financial year for any new incumbents.

- *Report 20: Regulation of Air-handling and Water Systems*

This report assessed the Department of Health and three local government entities (Joondalup, Perth, and Melville) ability to effectively regulate air-handling and water systems to minimise the risk of Legionella.

Air-handling and water systems circulate water through built environments. Common examples include:

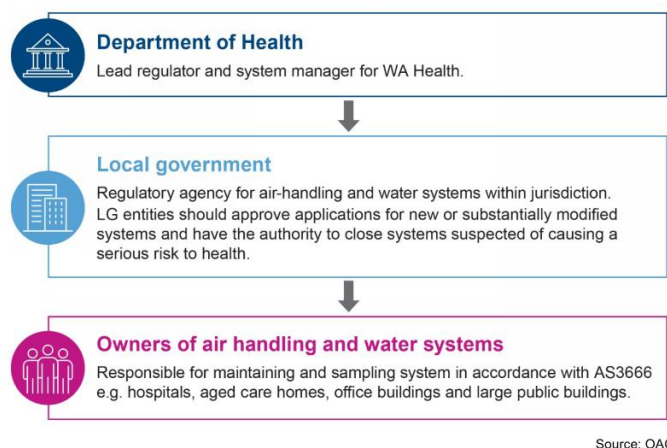
- Cooling towers and evaporative air conditioners – devices commonly used for air cooling in hotels, hospitals, shopping centres, office towers and universities.
- Warm water systems – plumbing systems that distribute water at warm temperatures (approximately 40°C) to reduce the risk of scalding, often found in hospitals and aged care settings.

Wet surfaces within these systems can support the growth of viruses, fungi, and bacteria. The most concerning risk is the growth of *Legionella pneumophila* (*Legionella*) bacteria. These bacteria naturally occur in the environment but can flourish in poorly managed systems. If water droplets containing these bacteria are inhaled, it can result in Legionnaires' disease.

The *Health (Air-handling and Water Systems) Regulations 1994* detail the requirements for the design, installation, maintenance and operation of air-handling and water systems. The Regulations reference the Australian/New Zealand Standard 3666 titled *Air-handling and water systems of buildings – Microbial control*.



Under the current Regulations, the Department of Health is the enforcement agency at the State level, whereas the Shire of Dardanup is the enforcement agency at the municipal and district level, as demonstrated by figure 2 below.



Source: OAG

**Figure 2: Current regulatory framework for air-handling and water systems.**

Within the Shire of Dardanup, the majority of public buildings (private, commercial and Shire owned) have dry-type air conditioning units that do not use water for the cooling process (e.g. cooling towers and evaporative air conditioning). However, all of these buildings will have a water system by way of cold water to taps, with a number potentially having an intentional warm water supply (such as aged care facilities).

Under the current Regulations the Shire of Dardanup is responsible for:

- Assessing applications to install an air handling or water system that do not confirm to AS 3666, and either approving or refusing such applications.
- Enforcement if a system is emitting liquids or dust.
- Enforcement if it is discovered a system is made from unsuitable materials.
- Closing air handling or water systems that do not conform to either the Regulations, or AS 3666.

The OAG report acknowledges that the existing regulatory framework requires improvement and that gaps in the current arrangements result in limited monitoring and information. The Department of Health has recognised this and is developing new regulations for air-handling and water systems. Shire officers anticipate that there will be a requirement for the Department to maintain a central register of 'all public buildings' in Western Australia that have air-handling and water systems. This could result in the Shire of Dardanup taking on a significant monitoring and enforcement role, and ensuring public buildings within the Shire district are recorded on the central register.

Legislative change can be a long process and, in the interim, the OAG encourages all State and local government entities that 'own' these systems to maintain and test in accordance with the standards. However, there is no legislative obligation for the Shire to conduct active monitoring of these systems under the current regulations.

### **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

## 8.5 Title: Risk Management Governance Framework Review – 3 Yearly Review

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Reporting Officers</b>	<i>Mr Phil Anastasakis - Deputy CEO</i> <i>Mrs Cindy Barbetti - Senior Corporate Governance Officer</i>
<b>Legislation</b>	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR 8.5A – 2019 Risk Management Governance Framework (OUTGOING)</i> <i>AAR 8.5B – 2023 Risk Management Governance Framework (INCOMING)</i> <i>AAR 8.5C – Risk Assessment</i>

### **Overview**

This report provides the Audit and Risk Committee with the reviewed 2023 Shire of Dardanup Risk Management Governance Framework for consideration and subsequent Council endorsement.

### **OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit and Risk Committee:**

- 1. Receive the June 2023 report relating to the three (3) yearly review of the Shire of Dardanup Risk Management Governance Framework;**
- 2. Recommend that Council endorse the revised 2023 Shire of Dardanup Risk Management Governance Framework as provided for in (Appendix AAR 8.5B); and**
- 3. Recommend that a summary ‘Dashboard’ report that summarises the 16 Risk Theme Profiles is presented on an alternate quarterly basis to both the Audit and Risk Committee and the Executive Management Team (EMT).**

### **Change to Officer Recommendation**

No Change. **OR:**

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

### **Background**

In August 2019 Council [Res 250-19], through the former Audit Committee, adopted the revised 2019 Shire of Dardanup Risk Management Governance Framework (the Framework) (Appendix: AAR 8.5A). The Framework was developed to connect all 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.

In line with the governance responsibilities of the Framework, a review for appropriateness and effectiveness must be undertaken at least once in every three (3) financial years.

To assist with reviewing the Framework and enhancing the risk culture within the organisation, management engaged the services of Council’s insurer, Local Government Insurance Services WA (LGISWA). The Divisional Manager of Risk Services, Mr Ben Galvin, was appointed to work with the

Shire's Senior Corporate Governance Officer in reviewing the Framework. Mr Galvin has been pro-active in continually developing and implementing this Framework across many local governments in both a strategic and operational manner.

The scope of the review was as follows:

Program of Work	Process/Deliverables
Update of Risk Profiles (Register)	Work with the Senior Corporate Governance Officer to review existing risk profiles, identify new risks, assess those risks, and identify existing and additional controls.  Update risk profiles and dashboard.
Review and update of Risk Management Governance Framework	Review the Framework, including the reporting requirements, and update accordingly.

This report presents the reviewed 2023 Shire of Dardanup Risk Management Governance Framework (Appendix AAR: 8.5B) for consideration and subsequent Council endorsement.

### **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.

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

**Environment** - None.

### **Precedents**

The former Audit Committee previously considered the revised 2019 Shire of Dardanup Risk Management Governance Framework on 17 July 2019 [AUD 08-19].

### **Budget Implications**

The review approach was funded through LGISWA, rather than as a fee basis to the Shire. Therefore, no budgetary implications incurred other than staff time.

### **Budget – Whole of Life Cost**

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

### **Council Policy Compliance**

Shire of Dardanup Risk Management Governance Framework

- AP023 Risk Management Policy
- PR036 Risk Management Procedure
- 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:8.5C) for full assessment document.

<b>Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.</b>	
Risk Event	Risk Management Governance Framework – 3 yearly review
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	<div>Legal and Compliance</div> <div>Failure to fulfil the reporting and governance requirements of the Risk Management Governance Framework.</div> <div>Reputational</div> <div>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 the Risk Management Governance Framework.</div>

### **Officer Comment**

LGISWA have commended the Executive and the Council on the positive approach displayed in understanding and mitigating Shire risks. Generally, when they are contacted to undertake a review for a local government it is for one of two reasons:

1. A recent Regulation 17 review has found no register/profile or corresponding risk management framework; or
2. The existing profile and framework have not been reviewed and/or updated (or touched) for an extended period, in some cases since it was first implemented.

In the case of the Shire of Dardanup, it was evident to LGISWA that management and staff are proactively maintaining the profiles in regular consultation with internal stakeholders and risk owners, together with the required reporting through to EMT and the Audit and Risk Committee.

With this in mind, LGISWA together with the support of EMT, propose minor updates only to the Shire of Dardanup Risk Management Governance Framework, as demonstrated in the table below, or as highlighted in yellow in the proposed Framework – Refer (Appendix AAR: 8.5B).

<b>SECTION</b>	<b>CHANGES</b>
<b>Roles &amp; Responsibilities (Page 5)</b>	<b>Council:</b> Amend Council responsibility to review and approve the Framework only (which incorporates the risk tables). AP023 Risk Management Policy is an administration policy which is endorsed by CEO/EMT, not Council, so this function is proposed to be deleted.

SECTION	CHANGES
	<p>Amend Council responsibility to Engage external auditor only as the Auditor General is the appointed auditor.</p> <p><b>CEO/EMT:</b> Amend the CEO/EMT function to approve AP023 Risk Management Policy.</p>
<b>A: Scope, Context, Criteria (Page 8)</b>	Further definition of the three levels of risk context: Strategic Risk, Operational Risk and Project Risk.
<b>B: Risk Identification (Page 9)</b>	Definition of Inherent Risk as the Risk Dashboard report will be amended to report on both inherent and residual risk, previously the emphasis was on residual risk only.
<b>D: Risk Evaluation (Page 11)</b>	Introducing further risk appetite terminology to coincide with the acceptance criteria (how the Shire will or will not accept risks according to the residual risk rating).
<b>H: Recording &amp; Reporting (Page 13)</b>	<p>Expanding the risk management reporting workflow to clearly define the Regulation 17 review process and the Risk Management Governance Framework review process as two independent review processes.</p> <p>Incorporating the reporting responsibilities of the Deputy CEO, CEO/EMT and the Audit &amp; Risk Committee in relation to risk management.</p>
<b>Risk Profiles (Pages 17 – 18)</b>	<p>After the review, LGISWA were of the opinion that the risk profiles remain consistent with the risk profiles of other local members in the sector and are relevant in the current environment.</p> <p>Minor changes to the following profile names:</p> <ul style="list-style-type: none"> <li>• Community Engagement (formerly known as Engagement Practices)</li> <li>• Project management (formerly known as Project/Change Management)</li> <li>• Purchasing and Supply (formerly known as Supplier and Contract Management)</li> <li>• Work Health and Safety (formerly known as Safety and Security Practices)</li> </ul> <p>At the prior request of the Audit &amp; Risk Committee, the following risk profile has been separated from Project management and recognised as its own risk profile:</p> <ul style="list-style-type: none"> <li>• Change Management</li> </ul> <p>This therefore takes the number of Risk Profiles to 16, up from 15.</p>
<b>Appendix A – Risk Assessment and Acceptance Criteria</b>	<p><b>Measures of Consequence (page 19):</b></p> <ul style="list-style-type: none"> <li>• Reputational – expanded to include examples; and</li> <li>• The addition of Property when assessing risk.</li> </ul> <p><b>Risk Acceptance Criteria (page 21):</b></p> <ul style="list-style-type: none"> <li>• Extreme risk acceptance criteria amended to ‘Risk generally not acceptable. However, if risk is accepted, then all treatment plans to be explored and implemented where possible, managed by highest level of authority (Council) and subject to continuous monitoring’.</li> </ul>

SECTION	CHANGES
	<b>Existing Controls Ratings (page 21):</b> <ul style="list-style-type: none"> <li>The description has been further classified into operating and design effectiveness.</li> </ul>
<b>Appendix D – Risk Dashboard Report (Page 24)</b>	The dashboard report now focuses on both inherent and residual risk, together with a spider graph that highlights the impact of the controls against the residual risk.
<b>Appendix F – Risk Management Policy (Pages 26 – 29)</b>	<p>This has been updated in accordance with the reviewed Administration Policy endorsed by the CEO/EMT.</p> <p>AP023 Risk Management Policy has been amended to include policy content from the LGISWA policy template, together with definitions from the standards 31000:2018.</p> <p>The policy intent is to direct officers to the Risk Management Governance Framework for the Shire’s risk management process, that is the identification, analysis, evaluation, treatment, monitoring, reviewing, recording, and reporting of risk.</p> <p>The risk tables are included in the Framework and are the primary source.</p>
<b>Appendix G – Risk Management Procedure (Pages 30 – 31)</b>	<p>This has been updated in accordance with the reviewed Procedure endorsed by the CEO/EMT.</p> <p>PR036 Risk Management Procedure has been amended to include the definitions from the standards 31000:2018, and a minor update to 3.2 How to Reference Risk for Council Decision Making Process, to ensure a risk assessment is documented.</p>

The Risk Management Governance Framework is next scheduled for the 3-yearly review in June 2026.

END REPORT

## 8.6 Title: Credit Card Fraudulent Activity

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Reporting Officer</b>	<i>Mrs Natalie Hopkins - Manager Financial Services</i>
<b>Legislation</b>	<i>Local Government Act 1995</i>
<b>Council Role</b>	<i>Legislative.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR: 8.6 – Risk Assessment</i>

### **Overview**

This report provides an overview of two unsuccessful fraudulent transactions that were attempted on 1<sup>st</sup> February 2023 by an unknown online source on a Council issued corporate credit card in the name of Shire of Dardanup. The two attempted fraudulent transactions of \$344.10 and \$344.50 from Coles Online were unsuccessful as the transactions were ‘blocked’ by Commonwealth Bank (CBA) Security Team.

### **OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit and Risk Committee receive the Credit Card Fraudulent Activity report.**

### **Change to Officer Recommendation**

No Change. **OR:**

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

### **Background**

Credit card fraud is the unauthorised use of a credit or debit card to fraudulently obtain money. On the 1<sup>st</sup> February 2023 the Manager Financial Services was notified via a phone call from the CBA that a Council issued credit card had been ‘compromised’ and the CBA had ‘blocked’ two attempted transactions of \$344.10 and \$344.50 from Coles Online. No transactions were processed and the Council issued Credit Card was immediately cancelled by the CBA Security Team.

It is not known if this was an intentional attempted fraudulent offence, or if incorrect credit card details were entered by the potential online customer, however, it does highlight the risk involved with credit card transactions.

Council currently has two issued Corporate Credit Cards as follows:

- Deputy Chief Executive Officer – Credit Limit \$10,000
- Manager Financial Services – Credit Limit \$5,000

The total facility limit is \$15,000, with the majority of transactions occurring on the Manager Financial Service’s corporate credit card (limit of \$5,000). In accordance with CnG CP023 Use of Corporate Credit Card, Council has stringent processes and approvals in place when determining what transactions can be paid via the credit card *including Form 100 Request Form – Use of*

*Corporate Credit Card and Purchase Order approval process.* The credit card is held in the custody Manager Financial Services.

The council issued credit card is primarily used for payments where the Shire does not have access to an account or for online payments. In accordance with Council Policy CnG CP035 Payment of Accounts Policy the preferred method of payment for goods and services is via the EFT which forms part of Council's Accounts Payable process.

Globally credit card fraud and scams have escalated in recent years primarily due to credit card scamming on the internet. For Commonwealth Bank customers, accounts are monitored 24 hours a day, with advanced security and fraud detection systems in place to detect abnormal transactions or spending patterns.

### **Legal Implications**

#### **Local Government (Financial Management) Regulations 1996**

##### **Part 2 s. 5**

#### **5. CEO's duties as to financial management**

- (1) *Efficient systems and procedures are to be established by the CEO of a local government —*
  - (a) *for the proper collection of all money owing to the local government; and*
  - (b) *for the safe custody and security of all money collected or held by the local government; and*
  - (c) *for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and*
  - (d) *to ensure proper accounting for municipal or trust —*
    - (i) *revenue received or receivable; and*
    - (ii) *expenses paid or payable; and*
    - (iii) *assets and liabilities; and*
  - (e) *to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
  - (f) *for the maintenance of payroll, stock control and costing records; and*
  - (g) *to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*
- (2) *The CEO is to —*
  - (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
  - (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
  - (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

#### **Local Government (Audit) Regulations 1996 - s. 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.*

### **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 recent attempted, but unsuccessful, fraudulent transactions of \$344.10 and \$344.50 from Coles Online is the second occurrence of fraudulent activity in recent years. The last credit card fraudulent activity occurred in April 2021 and was reported to the Audit & Risk Committee in June 2021 (two fraudulent transaction breaches totalling \$71.74 subsequently refunded back to Council via CBA).

### **Budget Implications**

There are no budget implications as no transactions were processed.

### **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**

Council Policy - CnG CP023 – Use of Corporate Credit Card.

Council Policy - CnG CP CP035 – Payment of Accounts Policy.

### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.6) for full assessment document.

Tier 3 – ‘High’ or ‘Extreme’ Inherent Risk.		
Risk Event	Credit Card Fraudulent Activity	
Inherent Risk Rating (prior to treatment or control)	High (12 - 19)	
Risk Action Plan (treatment or controls proposed)	CBA have systems and processes in place to monitor, review and notify cardholders of abnormal spending patterns.	
Residual Risk Rating (after treatment or controls)	Low (1 - 4)	
Further Risk Categories Assessed Against (with a low to moderate inherent risk rating)	Financial Impact	Potential for Council to incur additional fraudulent transactions on Council issued credit card/s
	Legal and Compliance	If undetected or not actioned, Council could be liable for incurring expenditure for fraudulent transactions and/or unbudgeted expenditure. Failure to act may also result in delay of refund by banking supplier.
	Reputational	Risk of Council’s reputation being viewed negatively for being exposed to credit card fraudulent scams.

### **Officer Comment**

The risk to Council with attempts of this nature is concerning and highlights the vulnerability of credit card payment for Council expenditure. However, this risk is reduced due to the low credit card total facility limit of \$15,000; the issuance of two (2) Corporate Credit Cards to the Deputy CEO (\$10,000 limit) and Manager Financial Services (\$5,000 limit); and the preferred payment of accounts by Electronic Funds Transfer (Accounts Payable process).

END REPORT

## 9. ELECTED MEMBER MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

None.

## 10. 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.]

## 11. MATTERS BEHIND CLOSED DOORS

### 11.1 Title: JLT Public Sector Risk Report 2022-2023 and the JLT Public Sector Cyber-Security Controls Review 2022

Reporting Department	Corporate & Governance Directorate
Responsible Officer	Mr Phil Anastasakis - Deputy CEO
Reporting Officer	Mrs Cindy Barbetti - Senior Corporate Governance Officer
Reporting Officer	Mr Chris Murray - Manager Information Services
Legislation	Local Government Act 1995
Council Role	Legislative.
Voting Requirement	Simple Majority.
Attachments	AAR:11.1A – JLT Public Sector Risk Report 2022-2023 AAR:11.1B – Risk Assessment Tool

### REPORT UNDER SEPARATE COVER

Note: In accordance with the Local Government Act 1995 5.23 (2) this report is not available to the public. The Chairperson tables the confidential report on this matter and provides copies to each elected member. The report will be located in the Records Management System of the Council.

### OFFICER RECOMMENDED RESOLUTION

**THAT the Audit & Risk Committee return from Behind Closed Doors [time].**

*Note: In accordance with Standing Order 5.2(6) the Presiding Officer, may cause the motion passed by the Audit & Risk Committee whilst behind closed doors to be read out.*

## **12. CLOSURE OF MEETING**

The date of the next Audit & Risk Committee Meeting will be Wednesday, 13<sup>th</sup> of September 2023.

There being no further business the Chairperson to declare the meeting closed.