



Shire of Dardanup

A G E N D A

AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 14th September 2022
Commencing at 2.00pm

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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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 14th September 2022 to be held at the Eaton Administration Centre- commencing at 2.00pm.



MR ANDRÉ SCHÖNFELDT
Chief Executive Officer

Date: 8th September 2022

Note: If interested persons would like to make comment on any items in this agenda, please email 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.

VISION STATEMENT

“The Shire of Dardanup is a healthy, self-sufficient and sustainable community, that is connected and inclusive, and where our culture and innovation are celebrated.”

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COMMITTEE MEMBERSHIP:

- CR M BENNETT
- CR J DOW
- CR T GARDINER
- CR. M HUTCHINSON
- CR. P PERKS

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

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.

RISK CATEGORY CONSEQUENCE TABLE - GUIDELINE

Rating (Level)	Health	Financial Impact	Service Interruption	Legal and Compliance	Reputational	Environment
Insignificant (1)	Near miss Minor first aid injuries	Less than \$10,000	No material service interruption - backlog cleared < 6 hours	Compliance - No noticeable regulatory or statutory impact. Legal - Threat of litigation requiring small compensation. Contract - No effect on contract performance.	Unsubstantiated, low impact, low profile or 'no news' item	Contained, reversible impact managed by on site response
Minor (2)	Medical type injuries	\$10,001 - \$50,000	Short term temporary interruption – backlog cleared < 1 day	Compliance - Some temporary non compliances. Legal - Single minor litigation. Contract - Results in meeting between two parties in which one party expresses concern.	Substantiated, low impact, low news item	Contained, reversible impact managed by internal response
Moderate (3)	Lost time injury <30 days	\$50,001 - \$300,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Compliance - Short term non-compliance but with significant regulatory requirements imposed. Legal - Single moderate litigation or numerous minor litigations. Contract - Receive verbal advice that, if breaches continue, a default notice may be issued.	Substantiated, public embarrassment, moderate impact, moderate news profile	Contained, reversible impact managed by external agencies
Major (4)	Lost time injury >30 days	\$300,001 - \$1.5 million	Prolonged interruption of services – additional resources; performance affected < 1 month	Compliance - Non-compliance results in termination of services or imposed penalties. Legal - Single major litigation or numerous moderate litigations. Contract - Receive/issue written notice threatening termination if not rectified.	Substantiated, public embarrassment, high impact, high news profile, third party actions	Uncontained, reversible impact managed by a coordinated response from external agencies
Catastrophic (5)	Fatality, permanent disability	More than \$1.5 million	Indeterminate prolonged interruption of services – non-performance > 1 month	Compliance - Non-compliance results in litigation, criminal charges or significant damages or penalties. Legal - Numerous major litigations. Contract - Termination of contract for default.	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Uncontained, irreversible impact

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, 14TH SEPTEMBER 2022, 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 Audit & Risk Committee Meeting Held 8th June 2022

OFFICER RECOMMENDED RESOLUTION

THAT the Minutes of the Audit & Risk Committee Meeting held on 8th June 2022, be confirmed as true and correct subject to the following correction:

5. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

5.1 Title: Cyber Security - Improved Protection

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
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8.1 Title: Western Australian Auditor General – Schedule of Reports

<i>Reporting Department:</i>	<i>Corporate & Governance Services</i>
<i>Reporting Officer:</i>	<i>Mrs Cindy Barbetti – Senior Corporate Governance Officer</i>
<i>Legislation:</i>	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996</i>
<i>Attachments:</i>	<i>8.1 Confidential Attachment – Under Separate Cover AAR 8.1A – Risk Assessment AAR 8.1B – 2022 Transparency Report: Major Projects – State Government Entities AAR 8.1C – Forensic Audit – Construction Training Fund AAR 8.1D – Fraud Risk Management – Better Practice Guide AAR 8.1E – Information Systems Audit Report 2022 – Local Government Entities AAR 8.1F – Financial Audit Results – Local Government 2020-21</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 June 2022 committee meeting. These reports hold some significance to the local government sector and staff have provided their observations in response to the Auditor General’s findings.

Background

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on 28 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 June 2022 meeting that responded to the reports released by the OAG from December 2021 to May 2022.

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:8.1A) 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	<p>Legal and Compliance</p> <p>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.</p> <p>Reputational</p> <p>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.</p>

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.

There have been five (5) reports/guides released by the OAG that hold some relevance to Council operations and are provided in the table below, followed with a summary of the report and staff responses to the findings.

DATE	REPORT NO	REPORT	APPENDIX
June 2022	17	2022 Transparency Report: Major Projects – State Government Entities	AAR:8.1B
June 2022	19	Forensic Audit – Construction Training Fund	8.1 Confidential Attachment AAR:8.1C
June 2022	20	Fraud Risk Management – Better Practice Guide	AAR:8.1D
June 2022	22	Information Systems Audit Report 2022 – Local Government Entities	AAR:8.1E
August 2022	5	Financial Audit Results – Local Government 2020-21	AAR:8.1F

- *Report 17: 2022 Transparency Report: Major Projects – State Government Entities*

This report provides a snapshot of 17 selected major projects for certain State government entities. The report highlights the impacts on project costs and delivery timeframes from ongoing material and labour supply shortages due in part to the COVID-19 pandemic responses.

The OAG notes that many State projects are now competing with a boom in WA's building and construction sector, driven by stimulus measures, supply chain disruption and a tight labour market. The Government has responded to these market pressures by smoothing its pipeline of works through delayed commencement of some projects, particularly in the Transport portfolio. It is important the State Government considers predictable events, such as stimulus measures and the impact of closed borders on labour supply, when planning the delivery of its Asset Investment Program to avoid overstimulating industry.

Another takeaway from the report is the Auditor General's desire for Government to regularly report publicly on the status of projects to improve transparency to both Parliament and the public. This reporting would satisfy parliamentary and public interest, promote accountability, and build community trust and confidence around the management of the State's significant investment of public money in major public assets.

While this report currently has no direct implications for local government, it does demonstrate the challenges that the Council can possibly face with capital projects in terms of project costs and delivery timeframes, together with the Auditor General's opinion on public project reporting.

- *Report 19: Forensic Audit – Construction Training Fund*

The OAG conducted a forensic audit into the Building and Construction Industry Training Board (the Board) in response to risks identified during their financial audits.

As some background, the Board is a statutory authority whose purpose is to create a skilled and sustainable workforce for the WA building and construction industry. It is managed by industry representatives and an independent chairperson with members appointed by the Minister for Education and Training.

The Board oversees an account called the Building and Construction Industry Training Fund (BCITF). The Board, its staff and its oversight of the BCITF are branded as the Construction Training Fund (CTF). Under the *Building and Construction Training Fund and Levy Collection Act 1990* (CTF Act), the CTF collects a training levy on all building and construction projects in WA valued at more than \$20,000. Collected levies are intended to be used to subsidise the training of a diverse, job-ready workforce and educate the next generation about the variety of roles and opportunities on offer in the building and construction industry. Most of the levies collected are paid to:

- Several thousand different construction related businesses across the State employing apprentices working towards relevant qualifications; and
- Registered training organisations through grants and subsidy payments.

The OAG forensic audit concluded that the CTF's disorganised financial management exposed it to an alarming level of fraud vulnerability. Numerous shortcomings were identified in process and controls, and significant instances of non-compliance with procurement and record keeping obligations.

For some further context, the Shire of Dardanup collects the training levy for building and construction projects within the Shire and holds these funds in a Trust account pending remittance. At the end of each month, these funds are then cleared from the Trust account and remitted to CTF. As a matter of good governance and to support Council's internal controls, an independent reconciliation of the Trust account has been undertaken by the Senior Corporate Governance Officer, up to 30th June 2022.

Management and staff have also worked through the recommendations noted in the OAG report to further strengthen accounts payable, procurement and record keeping controls and to further recognise fraud risks in relation to risk management. Please refer to (8.1 Confidential Attachment – Under Separate Cover).

- *Report 20: Fraud Risk Management – Better Practice Guide*

This Better Practice Guide (the Guide) has been released by the OAG with the aim to help Western Australian public sector entities manage their fraud and corruption risks. It outlines why fraud and corruption risk management is important and provides practical guidance on the process of developing a fraud and corruption risk management program.

Fraud and corruption are ever present and growing threats to businesses, including the public sector. As well as loss of funds, fraud and corruption can result in loss of confidence in government institutions. The community needs to have faith that the public sector is serving them well for democracy to work.

Good governance is critical to safeguarding public assets from fraudulent or corrupt activity. To do this, there must be an understanding of the risks that occur generally within the public sector environment and the specific risks relevant to the activities undertaken.

Management and staff have reviewed the Guide and are committed to raising the current standard of fraud and corruption control for Council. With the support of Council, the first step in this process is to engage an external training firm to undertake organisational fraud awareness training. This training will align with our TRACES values, in particular Accountability – where all staff are accountable for fraud control in the organisation, and being committed to transparency. It will be a

further opportunity to raise awareness of the Public Interest Disclosure (PID) process and building upon a positive culture that encourages 'reporting as good'.

- *Report 22: Information Systems Audit Report 2022 – Local Government Entities*

This report summarises important findings and recommendations from the 2020-21 annual cycle of information systems audits at 45 local government entities (entities). To note, the Shire of Dardanup was not directly involved in this audit.

Entities rely on information systems to prepare their financial statements and to deliver a wide range of services to their communities. In doing so, they collect and store vast amounts of information about their residents and operations. As information and cyber security threats continue to evolve, it is increasingly important that entities implement appropriate controls to protect their valuable information and systems.

This audit assessed if entities have effective system controls in place to support the confidentiality, integrity and availability of their IT systems and financial reporting. For those entities not involved in the audit, the OAG recommends a self-assessment against the recommendations noted in the report to address weaknesses in information systems controls and to improve capability maturity.

Management note that Report 22 is very similar to past Information Systems Audits undertaken by the OAG for both State and Government entities, and the findings and recommendations have again been characteristic of these prior audits.

- *Report 5: Financial Audit Results – Local Government 2020-21*

This report contains findings from the OAG's 2020-21 financial audits of the local government sector. It includes the results for 132 of the 148 entities, with the remaining 16 entities' results to be tabled in Parliament once their audits are completed.

The Shire of Dardanup is noted within the report as receiving a clear opinion, with financial statement timeliness being received by the statutory deadline of 30th September 2021 (refer page 44). Dardanup is again mentioned in relation to grant acquittals, and the date that certification was given (refer page 58).

The OAG has seen a demonstrated effort by the sector to improve the quality and timeliness of their annual financial reports and pleasingly reported a 15% decrease in weaknesses in financial management controls. This follows a 12% decrease the year before. To see this reduction in management control issues, across a larger number of audited entities, shows a comprehensive response by the sector to improve their current practices and strengthen the integrity of their financial reporting environment.

The OAG notes the newfound willingness and leadership of the Department of Local Government, Sport and Cultural Industries to enhance financial reporting, reduce complexity and cost, and enable improved governance for the sector.

To support continuous improvement in the local government sector, the OAG encourages entities to review the findings of their audits, as well as this audit results report. Each entity should consider the recommendations in the context of their own operating environments and governance frameworks. Management and staff will meet in the coming weeks to work through the recommendations noted on page 13 of the report. However, on face value the recommendations are consistent with *Local Government (Audit) Regulations 1996*, Regulation 17, in terms of compliance, risk management and internal control; together with addressing control weaknesses noted in audits or reviews; and finally maintaining currency with new and revised accounting standards.

- *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.

Council Role - Executive/Strategic.

Voting Requirements - Simple Majority.

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:

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee:

1. **Receive the September 2022 report on the Western Australian Auditor General – Schedule of Reports as provided for in (Appendix AAR: 8.1B – AAR: 8.1F).**
2. **Requests that Council receive the information in 8.1 Confidential Attachment – Under Separate Cover.**
3. **Request that Council supports the Officer Recommendation A and B noted within the 8.1 Confidential Attachment –Under Separate Cover.**
4. **Request that Council supports the engagement of an external training firm to undertake organisational fraud awareness training. This training will align with our TRACES values, in particular Accountability – where all staff are accountable for fraud control in the organisation, and being committed to transparency.**

8.2 Title: Biannual Compliance Tasks

<i>Reporting Department:</i>	<i>Corporate & Governance Directorate</i>
<i>Reporting Officer:</i>	<i>Mrs Cindy Barbetti – Senior Corporate Governance Officer</i>
<i>Legislation:</i>	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17</i>
<i>Attachments:</i>	<i>8.2 Compliance Calendar - Confidential Attachment Under Separate Cover AAR 8.2A - Risk Assessment</i>

Overview

The purpose of this report is to provide the Audit and Risk Committee with the biannual compliance tasks undertaken since the last report was presented to the committee.

Background

Under Regulation 17 of the *Local Government (Audit) Regulations 1996*, the Chief Executive Officer is required to review the appropriateness and effectiveness of the local government's systems and procedures, including those in relation to legislative compliance.

To ensure legislative compliance obligations are met, the Compliance Manual, incorporating the Annual Compliance Calendar has been developed. The calendar is a tool that identifies the yearly compliance tasks throughout the calendar year. In accordance with 5.10(ii) of the Audit and Risk Committee Charter, the committee is required to receive the biannual compliance report. This report informs the committee on the progression of the compliance tasks noted within the annual calendar.

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 at least once every 2 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

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 received the previous biannual compliance report (incorporating the period from July 2021 to December 2021) at the March 2022 meeting.

Budget Implications

Effective legislative compliance management ensures compliance responsibilities are carried out and legislative requirements are met, which ultimately reduces risk. Compliance management forms part of the Senior Corporate Governance Officer role. 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

There is no current Council Policy 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 8.2A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Biannual Compliance Task 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	<p>Legal and Compliance Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.</p> <p>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.</p>

Officer Comment

This biannual report captures the first six (6) months of the 2022 calendar year (January 2022 to June 2022). Please refer to the 8.2 Confidential Attachment provided Under Separate Cover for the compliance tasks identified. Responsible officers have provided an audit score of the progression of each task together with any necessary commentary to support the achievement of legislative compliance.

The next biannual compliance task report will be presented to the March 2023 committee meeting.

Council Role - Legislative.

Voting Requirements - Simple Majority.

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:

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee receive the report on the Biannual Compliance Task Report as provided for in the 8.2 Confidential Attachment provided Under Separate Cover, and note the compliance tasks identified for the for the period 1st January 2022 to 30th June 2022.

8.3 Title: 2022/2023 Internal Audit Program

<i>Reporting Department:</i>	<i>Corporate & Governance Directorate</i>
<i>Reporting Officer:</i>	<i>Mr Phil Anastasakis - Deputy CEO</i> <i>Mrs Cindy Barbetti - Senior Corporate Governance Officer</i>
<i>Legislation:</i>	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996, Regulation 17</i> <i>Local Government (Financial Management) Regulations 1996, Regulation 5</i>
<i>Attachments:</i>	<i>AAR 8.3A – Internal Audit Strategic Plan</i> <i>AAR 8.3B – Risk Assessment</i>

Overview

This report presents to the Audit and Risk Committee the Internal Audit Strategic Plan and the proposed 2022/2023 Internal Audit Annual Work Plan.

Background

Internal control is a vital component of a sound governance framework. An effective and transparent internal control environment is built on many key areas that are guided, strengthened and monitored through an Internal Audit Strategic Plan. This ensures that the Council is meeting compliance with applicable regulations and internal procedures, which provides a greater level of confidence in internal control practices and processes throughout Council operations.

The primary purpose of the Internal Audit Strategic Plan is to align its focus and activities on the Council's key internal risks. The Internal Audit functional planning framework consists of two key elements:

1. An Internal Audit Strategic Plan, with a three year outlook that relates the role of the internal audit to the requirements of Council by outlining the broad direction of an internal audit over the medium term, in the context of all the Council's assurance activities; and
2. An Internal Audit Annual Work Plan which includes an internal audit annual work schedule.

Together, these plans serve the purpose of setting out, in strategic and operational terms, the broad roles and responsibilities of Internal Audit of the Shire of Dardanup, with the aim to achieving regulatory compliance.

A copy of the Internal Audit Strategic Plan is provided for in (Appendix AAR:8.3A)

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 at least once every 2 calendar years.*

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

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

Local Government (Financial Management) Regulations 1996, Regulation 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.*

Council Plan

13.1 - Adopt best practice governance.

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

Environment - None.

Precedents

An Internal Audit Strategic Plan and Internal Audit Annual Work Plan for 2021-2022 were presented at the September 2021 Audit and Risk Committee meeting.

Budget Implications

As part of the Senior Corporate Governance Officer role, internal control is integral to meeting the obligations 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

Internal Audit Strategic Plan

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	2022/2023 Internal Audit Program
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	<p>Legal and Compliance Not considering internal control within the organisation would result in non-compliance with Regulation 17</p> <p>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.</p>

Officer Comment

A local government’s internal audit function performs a different role to external audit. The external audit provides independent assurance that the financial statements are reliable and comply with prescribed requirements. It is primarily a financial audit, which assesses the internal control framework and focuses on the material components of the financial statements and how significant financial reporting risks have been dealt with by management.

In contrast, the type of internal audits performed each year will vary depending upon Council’s current risk profile and assurance needs. The internal audit program is the responsibility of the Senior Corporate Governance Officer and is complementary to the Risk Management Governance Framework and Compliance Manual in meeting the obligations pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996*.

The Internal Audit Strategic Plan (Plan) has been developed to assist the organisation in achieving its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control. Within the Plan, is the 2022/2023 Internal Audit Annual Work Plan that has been considered based on Council’s current risk profile and assurance needs.

The Internal Audit program is also supported by the performance audit reports and guides released by the Auditor General. This provides a further opportunity to assess our processes against findings that are relevant to the local government sector.

Council Role - Legislative.

Voting Requirements - Simple Majority.

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:

OFFICER RECOMMENDED RESOLUTION

That the Audit and Risk Committee:

- 1. Receive the September 2022 report relating to the Internal Audit Program of the Shire of Dardanup.**
- 2. Recommends that Council endorse the Shire of Dardanup Internal Audit Strategic Plan, inclusive of the 2022/2023 Internal Audit Annual Work Plan. (Appendix AAR: 8.3A).**

8.4 Title: Annual Financial Report – Interim Audit Results for the Year Ending 30th June 2022

<i>Reporting Department:</i>	<i>Corporate & Governance Directorate</i>
<i>Reporting Officer:</i>	<i>Mr Phil Anastasakis - Deputy CEO</i> <i>Mrs Natalie Hopkins - Manager Financial Services</i>
<i>Legislation:</i>	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17</i>
<i>Attachments:</i>	<i>Appendix AAR:8.4A – Interim Audit Results Letter (ie Interim Management Letter)</i> <i>Appendix AAR:8.4B – Risk Assessment</i>

Overview

The purpose of this report is to present to the Audit and Risk Committee the Interim Audit Results for the year ending 30th of June 2022.

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 interim audit for the year ending 30th June 2022 was performed onsite at the Shire's Eaton Administration Centre by OAG sub-contacted auditors, Moore Australia, from 18th to 20th May 2022 inclusive. The Interim Audit focused on audit samples from 1st July 2021 to 30th April 2022, with the OAG issuing the Interim Audit Results Report (ie Interim Management Letter) on 12th July 2022 (Appendix AAR 8.4A).

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.

As per the OAG Interim Audit Results Letter (Appendix AAR 8.4A), the result of the interim audit was declared satisfactory with **no findings issued**, that is '**No Management Control Issues**' for the Interim Audit 30th June 2022; an excellent result.

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 Community Plan

13.1 - Adopt best practice governance.

Environment - None.

Precedents

The Interim Audit Results form part of the formal requirement of audits conducted by OAG.

Budget Implications

The 2021/2022 budget includes an allocation for the conduct of the full annual audit, including the interim audit.

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: 8.4B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Annual Financial Report – Interim Audit Results for the Year Ending 30 th June 2022.
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 Not presenting the Interim Audit Results for the year ending 30 th June 2022 to the Audit and Risk Committee (and subsequently Council).
	Reputational Council’s reputation could be seen in a negative light for not being open and transparent with disclosing findings from the Auditor General.

Officer Comment

The Interim Audit Results report highlights the strong focus the OAG places on a local government’s Monthly Financial Reporting processes, the Internal Controls that are integral to these processes, and the application of new and existing Accounting Standards.

On the 8th June 2022 an ‘Interim Audit Update’ report was presented to the Audit and Risk Committee provided a brief update on the Interim Audit 30th June 2022 whereby early feedback from Council’s auditors, Moore Australia, indicated there were no areas of concern.

Council received the Interim Audits Result Letter on 12th July 2022 that confirmed that the Interim Audit was satisfactory and there were no findings issued. Whilst it is not uncommon for auditors to issue findings to local governments in both interim and final audits, this year marks the first time in several years that Council has received ‘no findings’ or ‘management control issues’ for an Interim Audit.

The successful result for the Interim Audit can be attributed to Councils good governance, due diligence, high-level focus on internal controls and compliance to Council policies and procedures.

Council Role - Executive/Strategic.

Voting Requirements - Simple Majority.

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:

OFFICER RECOMMENDED RESOLUTION

THAT the Audit & Risk Committee recommend that Council receive the Office of the Auditor General – Interim Audit Results for the Year Ending 30th June 2022. (refer Appendix AAR 8.4A).

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: *Cyber Security - Improved Protection*

<i>Reporting Department:</i>	<i>Corporate & Governance Directorate</i>
<i>Reporting Officer:</i>	<i>Mr Chris Murray - Manager Information Services</i>
<i>Legislation:</i>	<i>Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Local Government (Audit) Regulations</i>
<i>Attachments:</i>	<i>Appendix AAR 11.1 – Risk Assessment Appendix AAR 11.1B – Dell Quarterly Report Appendix AAR: 11.1C – Sopho - Cyber Insurance</i>

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.

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, 7th of December 2022.

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