



Shire of Dardanup

A G E N D A

AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 8th June 2022
Commencing at 2.00pm

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON

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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 8th June 2022 to be held at the Eaton Administration Centre- commencing at 2.00pm.



MR PHIL ANASTASAKIS
Acting Chief Executive Officer

Date: 2nd June 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

“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 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, 8TH JUNE 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 16th March 2022

OFFICER RECOMMENDED RESOLUTION

THAT the Minutes of the Audit & Risk Committee Meeting held on 16th March 2022, be confirmed as true and correct subject to the following correction.

Page 11 of the Minutes - Amends Part 1 of the Finance section of the 2021 Compliance Audit Return [CAR] from:

FINANCE					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes	OCM held 30/09/20 Council Resolution 279-20	PHIL ANASTASAKIS - Deputy CEO

To read:

FINANCE					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes	OCM held 20/10/21 Council Resolution 312-21	PHIL ANASTASAKIS - Deputy CEO

5. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

None.

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: *Bi-Annual Risk Management Dashboard Report*

<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>AAR 8.1A - Risk Dashboard Report AAR 8.1B - Risk Assessment</i>

Overview

The purpose of this report is to present the six-monthly Risk Dashboard Report to the Audit and Risk Committee for consideration.

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 (Appendix AAR 8.1A) 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.*

The Risk Dashboard Report has been developed as part of the Framework and in collaboration with a risk consultant from Council's insurer (LGIS), and contains an overall snapshot of the following 15 Risk Theme Profiles:

1. Asset Sustainability Practices.
2. Business and Community Disruptions.
3. Failure to Fulfil Compliance Requirements (Statutory, Regulatory).
4. Document Management Processes.
5. Employment Practices.
6. Engagement Practices.
7. Environment Management.
8. Errors, Omissions and Delays.
9. External Theft and Fraud (includes Cyber Crime).
10. Management of Facilities, Venues and Events.
11. IT, Communication Systems and Infrastructure.
12. Misconduct.
13. Project/Change Management.
14. Safety and Security Practices.
15. Supplier and Contract Management.

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.]

Strategic Community Plan

Strategy 1.1.3 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Strategy 1.1.4 - Maintain best practice governance systems and practices. (Service Priority: Moderate)

Strategy 1.3.5 - Implement a Risk Management Governance Framework for the Shire of Dardanup (Service Priority: High)

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 December 2019	AAR 05-19
3 June 2020	AAR 14-20
7 December 2020	AAR 26-20
16 June 2021	AAR 08-21
1 December 2021	AAR 31-21

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

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

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 8.1B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Bi-Annual 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	<p>Legal and Compliance</p> <p>Reputational</p> <p>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.</p>

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 Dashboard Report for June 2022 (Appendix AAR 8.1A) summarises the risks of Council and provides the current 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.

To provide a comparison between reporting periods, table 1 below indicates that there are currently 17 treatments/action plans in place, compared with 23 treatments in December 2021. Three new treatments have been added, with 9 being completed in the last 6 months. As treatments are cleared or completed they are removed from the Dashboard.

Table 1 – Treatment Plan Summary

December 2021 (last reporting period)			June 2022 (this reporting period)		
Total	Completed	In Progress	Total	New	In Progress
23	9	14	17	3	14

The Risk Dashboard Report (Appendix AAR 8.1A) 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, theme 8. Errors, Omissions and Delays has had the Overall Control Rating increased from Adequate to Effective. There remains no change to the Overall Risk Rating for any of the 15 themes. In summary, the Dashboard Report shows that of the 15 Risk Profile Themes, 8 combined controls are rated as 'Adequate' and 7 are rated as 'Effective'.

The Audit and Risk Committee can expect the next Risk Dashboard Biannual Report at the committee meeting scheduled for December 2022.

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 June 2022 Risk Dashboard Report provided in (Appendix AAR 8.1A).

8.2 Title: Western Australian Auditor General – Schedule of Reports

<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 Local Government (Audit) Regulations 1996</i>
<i>Attachments:</i>	<i>AAR 8.2A - Risk Dashboard Report AAR 8.2B - Information Systems Audit Report – State Government Entities AAR 8.2C – Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities; Part 2: COVID-19 Impacts</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 December 2021 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 new 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.*

Strategic Community Plan

Strategy 1.1.3 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Strategy 1.1.4- Maintain best practice governance systems and practices. (Service Priority: Moderate)

Strategy 1.3.5 - Implement a Risk Management Governance Framework for the Shire of Dardanup. (Service Priority: High)

Environment - None.

Precedents

The Audit and Risk Committee previously received a report at the December 2021 meeting that responded to the reports released by the OAG from September to November 2021.

A further report was presented at the March 2022 meeting that informed committee members of the release of the Audit Practice Statement which is a guiding document for the OAG only and bears no significance to the Shire of Dardanup.

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: 8.2A) 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 has been two (2) reports released by the OAG that holds some relevance to Council operations and is provided in the table below, together with a summary of the report and staff responses to the findings.

DATE	REPORT NO	REPORT	APPENDIX
March 2022	13	Information Systems Audit Report 2022 – State Government Entities	AAR:8.2B
May 2022	14	Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities; Part 2 COVID-19 Impacts	AAR:8.2C

- *Report 13: Information Systems Audit Report 2022 – State Government Entities*

This report summarises the results of the 2020-21 annual cycle of information systems audits for State government entities and tertiary institutions in the Western Australian public sector. These audits were performed between February 2021 and February 2022.

Global trends show more organisations are experiencing information and cybersecurity attacks. Compromise of supply chains, ransomware, and exploitation of vulnerabilities remain high. Government entities are not immune to these attacks as they deliver key services and hold valuable citizen data. As internal and external threats continue to evolve it is important that entities constantly improve the key controls that protect their information systems and IT environments from information and cybersecurity risks.

The report highlighted that many entities continue to have poor controls over information security. Only 50% of entities met the OAG benchmark in this area, with no noticeable improvement from the previous year. These results contributed to the highest number of qualified opinions on financial statements, controls or key performance indicators ever reported by the OAG in 2020-21. Effective general computer controls support entities to achieve their objectives and defend against information systems' compromise and data breaches.

Whilst this audit was targeted at State government entities, it is a matter of good governance and best industry practice to assess our current practices and processes against the recommendations noted within the report. This will assist with improving the Shire's general computer controls to ensure that information security remains a heightened area of focus. This report will also assist with developing the Shire of Dardanup Cyber Security Strategic Plan, with the aim to reducing system vulnerability and security information exposure.

- *Report 14: Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities; Part 2 COVID-19 Impacts*

The OAG has tabled a report about the impacts of COVID-19 on the WA public sector, following on from their 2020-21 financial audits of State government entities.

While it isn't a comprehensive report on the management of the pandemic and the impacts across the whole community, it does provide some surprising statistics on the financial cost to State government entities. The report also touches on the impacts to the social fabric of the WA community which shows an increase in the rates of family assault or threatening behaviour, and a decrease in home burglary/theft.

The COVID-19 pandemic has significantly affected staff in both public and private sectors, providing distractions from day-to-day tasks and extra work at a time when it is difficult to find additional staff. When entities take on additional functions or responsibilities over shortened timeframes, focus on strong foundations in financial management and governance foundations can inadvertently slip. This increases the risk that other critical areas may not receive the level of focus or priority they would usually warrant.

The OAG also acknowledges the extent to which public service personnel have gone above and beyond their normal duties, as well as significant levels of co-operation between entities, in responding to the pandemic.

The key take away from this report is for staff and management of all WA government entities to be watchful for gaps where normal financial and operational controls may cease to operate effectively, and to understand the costs of their decisions and actions on their core services as well as on other parts of our community.

- *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 receive the June 2022 report on the Western Australian Auditor General – Schedule of Reports as provided for in (Appendix AAR:8.2B & AAR: 8.2C).

8.3 Title: Audit Entrance Meeting

<i>Reporting Department:</i>	<i>Corporate & Governance Directorate</i>
<i>Reporting Officer:</i>	<i>Mrs Natalie Hopkins - Manager Financial Services</i>
<i>Legislation:</i>	<i>Local Government Act 1995 and Local Government (Financial Management) Regulations 1996</i>
<i>Attachments:</i>	<i>Appendix AAR:8.3 – Risk Assessment (Confidential Document – Under Separate Cover – Audit Strategy Memorandum)</i>

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.

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 2021/22 financial year. As determined by the OAG, this year's audit marks the second annual financial audit undertaken by Moore Australia of the three (3) year audit contract period.

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 Thursday 5th May 2022 via the Microsoft Teams application. In attendance, either in person or via Microsoft 'Teams' were:

- Chief Executive Officer – André Schönfeldt (Teams)
- Deputy Chief Executive Officer – Phil Anastasakis
- Personal Assistant to D/CEO – Donna Bailye
- Manager Financial Services – Natalie Hopkins
- Audit & Risk Committee Chairperson - Cr Tyrrell Gardiner (Teams)
- Audit & Risk Committee Deputy Chairperson - Cr Mark Hutchinson (Teams)
- OAG Assistant Director Suraj Karki (Teams); and
- Moore Australia (WA) Audit Partner Wen-Shien Chair and Audit Supervisor - Hayley Pratt (Teams).

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;
- Revenue – in accordance with AASB 15 Revenue from Contracts with Customers, and AASB 1058 Income of Not-for-Profit Entities;

- Employee Benefit Provisions;
- Expenditure – sampling from operational and capital expenditure;
- Management Override of Controls – for example General Journal entries and adjustments, accounting policies and practices, evaluation of business rationale;
- Related Party Disclosures;
- IT General Controls – assessment of IT controls for Council’s system security, technology framework, operations, reporting and training; and
- Significant Adverse Trends – assessment of statutory ratios.

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:

Audit Engagement Activity	Timing
Audit Planning	April 2022
Audit Entrance Meeting	5 th May 2022
Interim Audit Visit	18 th May to 20 th May 2022
Interim Management Report (if any matters to be reported)	June 2022
Receipt of Complete and Balanced Draft Financial Report	30 th September 2002
Final Audit Visit	10 th to 13 th October 2022
Issuance of Audit Concluding Memorandum	Late November 2022
Concluding – Audit Exit Meeting	Late November 2022
Date CEO Sign-off on Financial Statements	Late November 2022
Final Sign-off of Auditor’s Report & Management Report	Late November 2022

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.*

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.

Strategic Community Plan

Strategy 1.1.1 Ensure equitable, inclusive and transparent in decision-making. (Service Priority: High)

Strategy 1.1.3 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Strategy 1.1.4 Maintain best practice governance systems and practices. (Service Priority: Moderate)

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 29th September 2021 which outlines the audit process and the Committee's function. The Audit & Risk Committee and Council also adopted the Annual Work Plan in December 2021, 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: 8.3) for full assessment document.

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

Officer Comment

The Audit Entrance Meeting is an important phase of the audit planning process. 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.

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 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 2021/22 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.

8.4 Title: Interim Audit Update

<i>Reporting Department:</i>	<i>Corporate & Governance Directorate</i>
<i>Reporting Officer:</i>	<i>Mrs Natalie Hopkins - Manager Financial Services</i>
<i>Legislation:</i>	<i>Local Government Act 1995 and Local Government (Financial Management) Regulations 1996</i>
<i>Attachments:</i>	<i>Appendix AAR:8.4</i>

Overview

This report is to inform Council of the recent Interim Audit which was undertaken by Council Auditors, Moore Australia (WA) onsite from 18th May to 20th May 2022 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.

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 focuses on audit samples from 1st July 2021 to 30th April 2022. 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 2021/22 financial year. However, it should be noted that whilst the non-issuance of an Interim Management Letter reflects favourably on Council and its processes, the audit file is currently subject to final review with Council's auditors and the OAG.

It is expected that the final audit results from the Interim Audit will be released by the OAG, and Moore Australia (WA) in the coming weeks and presented to the Audit & Risk Committee at the next meeting in September 2022.

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).*

Strategic Community Plan

Strategy 1.1.4 - Maintain best practice governance systems and practices. (Service Priority: Moderate)

Strategy 1.3.4 Monitor current and develop new revenue streams. (Service Priority: High)

Strategy 1.3.1 Implement the Integrated Planning and Reporting Framework including the Long Term Financial Plan, Workforce Plan, Asset Management Plans and Corporate Business Plan. (Service Priority: High)

Strategy 1.3.2 To monitor and produce statutory budgetary and financial reporting requirements applicable to local government operations. (Service Priority: High)

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

Budget – Whole of Life Cost

The 2021/2022 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: 8.4) 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

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.

Although the Interim Audit Results have not yet been released by the OAG and Council auditors Moore Australia (WA), initial feedback from Council’s auditors has been positive with no issues or findings highlighted during the interim audit. However, it is expected the final Interim Audit Results will be released in the coming weeks and presented to the Audit & Risk Committee at the next meeting in September 2022.

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 Interim Audit Update 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

None.

12. CLOSURE OF MEETING

The date of the next Audit & Risk Committee Meeting will be Wednesday, 14th of September 2022.

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