



COMMITTEE MEETING

APPENDICES

ITEM: 12.5.1

ORDINARY COUNCIL MEETING

To Be Held

Wednesday, 29th of September 2021

Commencing at 5.00pm

At

Shire of Dardanup Administration

Centre Eaton

1 Council Drive - EATON

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MINUTES

AUDIT & RISK COMMITTEE MEETING

Held

8th of September 2021

At

**Shire of Dardanup
Administration Centre Eaton
1 Council Drive – EATON**

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VISION STATEMENT

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

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COMMITTEE MEMBERSHIP:

- CR. T GARDINER - CHAIRPERSON
- CR M BENNETT – DEPUTY CHAIRPERSON
- CR P ROBINSON
- CR. C BOYCE
- CR. M HUTCHINSON

AUDIT & RISK COMMITTEE CHARTER

The Terms of Reference for this Committee are located in the Tardis records system – refer to the following link:
[2020 - ToR - Audit and Risk Committee Charter](#)

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	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. 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.

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.

SHIRE OF DARDANUP

MINUTES FOR THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE HELD ON WEDNESDAY, 8 SEPTEMBER 2021, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 2.00PM.

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Chairperson, Cr Tyrrell Gardiner declared the meeting open at 2.00pm, welcomed those in attendance and referred to the Acknowledgement of Country; Emergency Procedures; and the Disclaimer and Affirmation of Civic Duty and Responsibility on behalf of Councillors and Officers:

Acknowledgement of Country

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

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.

Committee members acknowledge that only the Chief Executive Officer or a member of the Shire of Dardanup staff appointed by the Chief Executive Officer is to have contact with consultants and suppliers that are appointed under contract to undertake the development and implementation of projects.

The exception to this Policy is when there is a meeting of the committee or working group with the consultant and the Chief Executive Officer or the Chief Executive Officer's representative is present.

Members of committees acknowledge that a breach of this Policy may result in a request to Council to have them removed from the committee.

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, please proceed to the Assembly Area points located to the western side of the front office car park near the skate park and gazebo where we will meet (and complete a roll call).

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

2.1 AttendanceVoting

Cr Tyrrell Gardiner	-	Chairperson
Cr Peter Robinson	-	Deputy Shire President
Cr Carmel Boyce	-	Elected Member
Cr Mark Hutchinson	-	Elected Member

Non-Voting

Mr André Schönfeldt	-	Chief Executive Officer
Mr Phil Anastasakis	-	Deputy Chief Executive Officer
Mrs Donna Bailye	-	PA – Deputy Chief Executive Officer
Mrs Natalie Hopkins	-	Manager Financial Services
Mrs Cathy Lee	-	Manager Governance & HR
Mr Ray Pryce	-	Accountant
Mrs Cindy Barbetti	-	Compliance Officer
Mr Stephen Eaton	-	IT Manager

2.2 Apologies

Cr Michael Bennett	-	Shire President – Deputy Chairperson
Mr Luke Botica	-	Director Infrastructure

3. PRESENTATIONS

None.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

4.1 Audit & Risk Committee Meeting Held 16th of June 2021**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 15-21 MOVED - CR P Robinson SECONDED - Cr C Boyce

THAT the Minutes of the Audit & Risk Committee Meeting held on 16th of June 2021, be confirmed as true and correct subject to no corrections.CARRIED
4/0

5. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED
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5.1 Ransomware & Data Breach Awareness

It is recommended that the following item be heard behind closed doors.

Shire of Dardanup Standing Orders & Local Government Act 1995 Section 5.23 - Matters for Which Meeting May Be Closed:

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

- | |
|---|
| <p>S 5.23 (1) <i>Subject to subsection (2), the following are to be open to members of the public-</i></p> <ul style="list-style-type: none"> (a) <i>all Council meetings; and</i> (b) <i>all meetings of any committee to which a local government power or duty has been delegated.</i> <p>(2) <i>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 -</i></p> <ul style="list-style-type: none"> (a) <i>a matter affecting an employee or employees;</i> (b) <i>the personal affairs of any person;</i> (c) <i>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;</i> (d) <i>legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting;</i> (e) <i>a matter that if disclosed, would reveal -</i> <ul style="list-style-type: none"> (i) <i>a trade secret;</i> (ii) <i>information that has a commercial value to a person; or</i> (iii) <i>information about the business, professional, commercial or financial affairs of a person,</i>
<i>where the trade secret or information is held by, or is about, a person other than the local government;</i> (f) <i>a matter that if disclosed, could be reasonably expected to -</i> <ul style="list-style-type: none"> (i) <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;</i> (ii) <i>endanger the security of the local government's property; or</i> (iii) <i>prejudice the maintenance or enforcement of a lawful measure for protecting public safety;</i> (g) <i>information which is the subject of a direction given under section 23 (1a) of the Parliamentary Commissioner Act 1971; and</i> (h) <i>such other matters as may be prescribed.</i> <p>(3) <i>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.</i></p> |
|---|

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.

Discussion:

Chairperson, Cr. T Gardiner asked Councillors if there were any Declarations of Interest to be made.

There were no Declarations of Interest made.

REPORTS OF OFFICERS AND COMMITTEES**8.1 Title: Annual Financial Report – Interim Audit Results for the Year Ending 30 June 2021**

Reporting Department:	<i>Corporate & Governance Directorate</i>
Reporting Officer:	<i>Mr Phil Anastasakis - Deputy CEO Mrs Natalie Hopkins - Manager Financial Services</i>
Legislation:	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17</i>
Attachments:	<i>Appendix AAR:8.1A – Interim Audit Management Letter Appendix AAR:8.1B – 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 2021.

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 30 June 2021 has been completed and the OAG has submitted its report. The Interim Audit focused on audit samples from 1 July 2020 to 31 March 2021. 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.

A particular focus from this year's interim audit was revenue recognition (as reported in the Monthly Statement of Financial Activity to Council) in accordance with *AASB 15 Revenue from Contracts with Customers* and *AASB 1058 Income of Not-for-Profit Entities*, which came into effect in the 2019/20 financial year.

The report draws attention to the following Management Control Issues (Refer Appendix AAR 8.1A):

1. Revenue not recognised in accordance with AASB 15 or AASB 1058 – Rated Moderate;
2. Borrowings reconciliation lacked evidence of independent review – Rated Moderate;
3. Fixed Asset reconciliation lacked evidence of independent review – Rated Moderate; and
4. Untimely removal of terminated employee – Rated Minor.

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

Strategy 1.1.3 - Maintain best practice governance systems and practices. (Service Priority: Moderate)

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 Monitor and produce statutory budgetary and financial reporting requirements applicable to local government operations. (Service Priority: High)

Environment - None.

Precedents

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

Budget Implications

The 2020/2021 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: 8.1B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Annual Financial Report – Interim Audit Results for the Year Ending 30 June 2021
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 June 2021 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

Historically, the results of an interim audit were not formally reported, instead they were used as preparatory to the year-end audit. The reporting of these results now forms part of the formal requirement of audits conducted by OAG.

Since the Interim Audit concluded in May 2021, Council management have implemented all recommendations provided by the OAG. 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 Accounting Standards.

Council Role - Executive/Strategic.

Voting Requirements - Simple Majority.

Change to Officer Recommendation No Change.

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

AAR 16-21 MOVED - Cr P Robinson SECONDED - Cr T Gardiner

THAT the Audit & Risk Committee recommend that Council receive the Office of the Auditor General – Interim Audit Results for the Year Ending 30 June 2021 (refer Appendix AAR 8.1A).

CARRIED
4/0

8.2 Title: Update on Regulation 17 Audit Findings

Reporting Department:	<i>Corporate & Governance Directorate</i>
Reporting Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Legislation:	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996</i>
Attachments:	<i>AAR 8.2A – Risk Assessment</i>

Overview

To provide the Audit and Risk Committee with an update on the findings from the audit undertaken pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996*.

Background

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

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

In February 2021, AMD Chartered Accountants conducted an external Regulation 17 review with the scope of work based on the Local Government *Operational Guidelines No. 9 – Audit in Local Government*. A copy of the report was presented to the Audit and Risk Committee on 3 March 2021, with the committee through Council endorsement, requesting an update of the actions from the findings to be presented to each future committee meeting until resolved [OCM 67-21].

The report received from AMD contained six (6) findings for consideration, together with management's response on how these findings will be actioned. This report details the progress of those findings.

Legal Implications

*Local Government Act 1995
Local Government (Audit) Regulations 1996 (as Amended):*

Reg 17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and*
 - (b) internal control; and*
 - (c) legislative compliance.**
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) The CEO is to report to the audit committee the results of that review.*

Reg 16. Functions of audit committee

An audit committee has the following functions —

- (c) *to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*
- (i) *report to the council the results of that review; and*
 - (ii) *give a copy of the CEO's report to the council;*

Strategic Community Plan

Strategy 1.1.1 - Ensure equitable, inclusive and transparent 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 second 'update' report to be received by the Audit and Risk Committee on the progress of the findings resulting from the Regulation 17 review undertaken in February 2021.

Budget Implications

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

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

Budget – Whole of Life Cost

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

Council Policy Compliance

- Shire of Dardanup Risk Management Governance Framework (which incorporates *AP023 Risk Management Policy* and *PR036 Risk Management Procedure*).
- *CnG CP304 – Fraud, Corruption and Misconduct*.

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	Update on Regulation 17 Audit Findings
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.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Category Assessed Against	Legal and Compliance Reputational	Failure to fulfil 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.

Officer Comment

The table below presents the findings from the Regulation 17 Review report, together with the current progress and officer update of each of the findings.

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
2	Risk Management				
2.2.1	Outdated Policies and Handbook	Low	Manager Governance & HR	31 December 2021	In Progress
	<p>Auditor Recommendation We recommend those potentially out of date policies, procedures and handbooks be reviewed and updated accordingly. In addition, we recommend all policies, procedures and handbooks specify the next required review date with the review occurring in accordance with their stated review dates.</p> <p>Management Comment The review of the Council Policy Manual is undertaken biennially and next due in the middle of 2022. A comprehensive review of Administrative Policies and Procedures is currently underway and scheduled for completion around the middle of 2021.</p> <p>Officer Update Promapp® Software will be launched in 2021-2022 and will assist management to commence this comprehensive review. Individual Council policies have been updated or created during the financial year based on need or prioritisation.</p>				
2.2.2	Code of Conduct	Low	Manager Governance & HR	Was: 30 April 2021 Now: 30 September 2021	In Progress
	<p>Auditor Recommendation We recommend:</p> <ul style="list-style-type: none"> The Code of Conduct be updated to reflect reporting mechanisms; and The Code of Conduct be updated to reflect the consequences if an employee or Councillor was to breach the Code of Conduct. <p>Management Comment The review of the Council Code of Conduct Policy has been placed on hold in the past due to the impending state government regulations. These regulation changes have now occurred so a comprehensive review of the current Code of Conduct policy is currently underway and scheduled for completion around the end of April 2021.</p> <p>Officer Update The Elected Members Code of Conduct was adopted at the 24th February 2021 Council meeting; this was based on the Model Code of Conduct in the LG Regulations.</p> <p>The WALGA model Employee Code of Conduct was presented to the Executive Management Team (EMT) on the 13th July 2021. EMT has deferred a decision until after the Culture and Values have been set. It is anticipated this will occur September/October 2021.</p>				

2.2.3	<p>Framework, Plan and Procedures in Review The following Shire policies, procedures and/or plans are currently under internal review and yet to be adopted and implemented accordingly:</p> <ul style="list-style-type: none"> Local Emergency Management & Recovery Arrangement Plan; Work Health & Safety Framework; Contractor Management – High Risk Cover Procedure; and Administration Policy Register and Procedure Register. 	Low	Manager Governance & HR	31 December 2021	In Progress
<p>Auditor Recommendation We recommend finalisation of the above Shire policies, procedures and plans including adoption by Council. Once the documents have been adopted, we recommend they are endorsed and communicated to all staff, implemented and monitored on a regular basis including testing the appropriate sections of the plan to ensure that in the event of a disaster, appropriate actions can be taken.</p>					
<p>Management Comment A number of Plans and Framework documents are scheduled for finalisation during 2021, which will be communicated to staff and monitored into the future. A comprehensive review of Administrative Policies and Procedures is currently underway and scheduled for completion around the middle of 2021.</p>					
<p>Officer Update</p> <ul style="list-style-type: none"> Local Emergency Management & Recovery Arrangement Plan – subject of a 5-yearly review, due 2021. The Local Emergency Management Arrangements (LEMA) and Local Recovery Support Plan (LRSP) (now separate) have been reviewed and are currently with the Local Emergency Management Committee (LEMC) for feedback. Following that end date for feedback, it will go to the District Emergency Management Advisor (DEMA) and then to the November 2021 LEMC and subsequent OCM for endorsement. Note: contacts within the plan are reviewed annually and this function is up-to-date. Work Health & Safety Framework – completed; adopted in May 2021. Contractor Management – High Risk Cover Procedure – near completion, new FT WHS Officer to finalise by November 2021. Administration Policy Register and Procedure Register – Promapp® software will be launched in 2021-2022 and will assist management to commence this review. 					
3 Internal Controls					
3.2.1	<p>Contract Management Framework</p>	Moderate	Deputy CEO	31 December 2021	In Progress
<p>Auditor Recommendation We recommend a contract management framework is designed and documented to ensure that contracts are managed appropriately and in accordance with the stated framework. This approach will include the mandatory requirement of all contractors completing some level of induction (the level of induction completed should be determined based on the risks associated with the service or goods provided), ensuring that up to date insurances are on file and the contractor invoices the Shire in accordance with the contract/agreement.</p>					
<p>Management Comment A contract management framework will be considered as part of the new Procurement Framework, together with the Risk Management Governance Framework.</p>					
<p>Officer Update The Procurement Framework (which incorporates the contract management framework) was presented and endorsed by the Executive Management Team on the 9th March 2021. Management and officer level training has been rolled out across the organisation with the Framework in force from 1 July 2021.</p> <p>In relation to the contractor induction processes, Officers are required to complete a risk assessment as per AP023 Risk Management to determine the level of risk for a project. Once the level of risk has been determined, the Officer must refer to AP028 Contractor Management which requires the Officer to engage with WHS so that the contractor is made aware of the safety documentation, qualifications and licences required. This stage may require a site induction. The contractor induction safety presentation is emailed to contractors by WHS where required, and a receipt is provided to the Council's safety mailbox when completed.</p>					

3.2.2	Post Tender Review	Low	Deputy CEO	31 December 2021	Completed
<p>Auditor Recommendation WALGA best practice guidelines recommend formal performance management assessments be completed at the end of the tender period once goods or services have been tendered. We recommend a post tender / contract performance evaluation procedure be documented, implemented through the communication to all staff and monitored on an ongoing basis to ensure compliance with stated procedures.</p> <p>Management Comment Noted. This will be considered as part of the new Procurement Framework.</p> <p>Officer Update The Procurement Framework (which considers post-tender review and post-contract review) was presented and endorsed by the Executive Management Team (EMT) on the 9th March 2021. Management and officer level training have been rolled out across the organisation, with the Framework in force from 1 July 2021. This action is now completed.</p>					
4 Legislative Compliance					
4.2.1	Complaints Register	Low	Manager Governance & HR	31 December 2021	Completed
<p>Auditor Recommendation We recommend the Complaint Register include all necessary details as required by the Act.</p> <p>Management Comment A detailed review of the Customer Service processes and procedures is occurring during the first half of 2021.</p> <p>Officer Update The Complaints Register is up to date and mechanisms are now on place to audit quarterly. In addition, the Customer Service Charter and Fusion training have been provided by Business Solutions and will further assist in raising an awareness of the Complaints Register process. This action is now completed.</p>					

Management will continue to progress towards completing the outstanding actions. The Audit and Risk Committee will receive a further 'update' report at the December 2021 meeting.

Council Role - Legislative.

Voting Requirements - Simple Majority.

Change to Officer Recommendation No Change.

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

AAR 17-21 MOVED - Cr P Robinson SECONDED - Cr M Hutchinson

THAT the Audit and Risk Committee receive the September 2021 update report on the implementation of actions required from the findings of the February 2021 Regulation 17 Review.

CARRIED
4/0

8.3 Title: Biannual Compliance Task Report

Reporting Department:	<i>Corporate & Governance Directorate</i>
Reporting Officer:	<i>Mrs Cindy Barbetti – Senior Corporate Governance Officer</i>
Legislation:	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17</i>
Attachments:	<i>AAR 8.3A – Risk Assessment Compliance Calendar Confidential Attachment</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 CEO 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.]

Strategic Community Plan

Strategy 1.1.2 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Environment - None.

Precedents

The Audit and Risk Committee received the previous biannual compliance report (incorporating the period from July 2020 to December 2020) at the March 2021 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 8.3A) 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 2021 calendar year (January 2021 to June 2021). Please refer 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 2022 committee meeting.

Council Role - Legislative.

Voting Requirements - Simple Majority.

Change to Officer Recommendation No Change.

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

AAR 18-21 MOVED - Cr T Gardiner SECONDED - Cr C Boyce

THAT the Audit and Risk Committee receive the report on the Biannual Compliance Task Report as provided for in Confidential Attachment provided Under Separate Cover, and note the compliance tasks identified for the period 1st of January 2021 to 30th of June 2021.

CARRIED
4/0

8.4 Title: Western Australian Auditor General – Annual 2019-20 Financial Audits of Local Government Entities and Schedule of Reports

<i>Reporting Department:</i>	<i>Corporate & Governance Services</i>
<i>Reporting Officer:</i>	<i>Mrs Natalie Hopkins - Manager Financial Services</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</i>
<i>Attachments:</i>	<i>AAR 8.4A – Risk Assessment</i> <i>AAR 8.4B - WA Public Sector Financial Statements – Better Practice Guide</i> <i>AAR 8.4C – 2019-20 Financial Audit Results Report</i> <i>AAR 8.4D – Staff Exit Controls</i>

Overview

This report serves a dual purpose - to present the results from the 2019-20 financial audits into Local Governments in Western Australia that was submitted to Parliament by the Office of the Auditor General (OAG), and to provide a schedule of performance audit reports and guides that have been released.

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 OAG.

Since this proclamation, each year the OAG submits to the WA Parliament a report summarising the findings of the financial audits into Local Governments in Western Australia. The report is under section 24 of the *Auditor General Act 2006* and covers the third year of a four-year transition for the OAG to conduct the annual financial audits of the local government sector.

The report on the 2019-20 financial audits of 117 of the applicable, 132 local government entities include:

- Results of the audits of local government entities' annual financial reports, and their compliance with applicable legislation for the financial year ending 30th of June 2020; and
- Issues identified during these annual audits that are significant enough to bring to the attention of the Parliament.

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

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

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, r99. *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).*

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 June 2021 meeting that responded to the reports released by the OAG from January 2021 to May 2021.

Budget Implications

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

Budget – Whole of Life Cost

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

Risk Assessment

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

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Western Australian Auditor General – Annual 2019-20 Financial Audits of Local Government Entities and 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.

The reports released by the OAG are provided in the table below, together with staff responses to the findings.

DATE	REPORT NO	REPORT	APPENDIX
June 2021	28	WA Public Sector Financial Statements – Better Practice Guide	AAR:8.4B
June 2021	30	Annual 2019-20 Financial Audits of Local Government Entities	AAR:8.4C
August 2021	3	Staff Exit Controls	AAR:8.4D

- *Report 28 - WA Public Sector Financial Statements – Better Practice Guide*

The OAG acknowledges that high quality financial statements are an indicator of good governance, supporting the 3 pillars of integrity, accountability and transparency. To assist Western Australian local governments, the OAG has released the 'Better Practice Guide – Public Sector Financial Statements', to support entities in a practical sense to implement sound financial reporting arrangements to fulfil statutory obligations. The intent is to help make the annual audit process as smooth and cost-effective as possible.

There are challenges that exist in public sector financial reporting to balance the need for useful and reliable financial information in an increasingly complex sector with pressure to reduce costs and unnecessary compliance burden. Consequently, it has become critical that there is value in financial statements to stakeholders relative to costs of preparation without compromising on accuracy, reliability and meaningful disclosure. This practical guide and toolkit sets out better practice principles which, when applied, support a strong governance framework and an efficient and effective financial statement preparation process. Staff will consider the material in the guide and toolkit and how this could benefit the financial statement preparation processes moving forward.

- *Report 30 - Annual 2019-20 Financial Audits of Local Government Entities*

The OAG notes within the report that 2020 was an extraordinary year for local government financial reporting due to the COVID-19 pandemic, together with new revenue accounting standards coming into effect. Amendments made to the *Local Government (Financial Management) Regulations 1996* in November 2020 were retrospectively applied from 30 June 2020. This required many local government entities to recast and resubmit their financial reports, which caused unprecedented delays. The Shire of Dardanup received an unqualified audit report for the 2019-20 Annual Financial Report, which was presented to the Audit and Risk Committee on 7 December 2020.

In relation to the OAG report tabled in Parliament, there were no direct references to the Shire of Dardanup. The report also contained a section that dealt with material matters of non-compliance with legislation. There were numerous findings noted across 45 unnamed local government entities. Again, the Shire of Dardanup was not directly referenced in any of these findings. However, as a matter of good governance staff have undertaken an additional self-assessment against the findings to ensure that the internal controls of the Shire of Dardanup remain effective.

The Auditor General highlighted the need for the Department of Local Government Sport and Cultural Industries (DLGSC) to provide centralised professional support to assist entities to fulfil their financial reporting requirements. This should include professional advice on preparing for changes in accounting standards and legislation. DLGSC should also lead change in the sector's financial reporting requirements. This includes adopting reduced reporting principles, updating the long-standing legislative requirements for entities to report seven financial ratios, and for the auditor's report to disclose any adverse trends. As previously mentioned, a better practice guide has been published by OAG to assist with the preparation of annual financial statements.

Management have reviewed and considered the key findings included in the report, and have determined the following finding worthy of highlighting to the attention of the Audit and Risk Committee:

The budget implications of the Minister for Local Government's Circular No 3-2020 that LG entities freeze their rates for 2020-21 will extend well beyond 1 year, as entities' current year budget restraint deals with only the short-term ramifications. There will be significant challenges for entities preparing their long-term financial plans and budgets for some years.

The report included eight further recommendations, which have been summarised in table 1 below, together with management comments.

Table 1 – OAG Recommendation

OAG Recommendations	Management Comment
1. DLGSC should assess whether the current financial ratios in the FM Regulations remain valid criteria for fairly measuring and reporting the performance of each LG entity.	Management agree with this recommendation and note that WALGA has established a Working Group to review the current suite of ratios and provide recommendations going forward.
2. LG entities should ensure they maintain the integrity of their financial control environment through ongoing reviews and improving internal controls.	Agreed.
3. The DLGSC should seek ministerial approval for any proposed regulatory amendments well in advance of the financial year-end to ensure timely gazettal to facilitate action and avoid rework by all entities when finalising their end of year financial report.	Agreed.
4. LG entities should complete their assessment of the impact of any new regulations or accounting standards and prepare a position paper on the necessary adjustments to their financial report. If required, entities should seek external consultation when completing their assessment and adjust their financial report, prior to submitting it for audit.	<p>Management agree with this recommendation.</p> <p>As subscribers to the Moore Australia Financial Reporting and Management Reporting Manuals, Council's senior Finance staff regularly attend comprehensive training workshops which outline current and future changes to Accounting Standards and/or other relevant legislation that impacts local government.</p> <p>Management assess the impacts of Accounting Standard changes which may require a reallocation of resources.</p>
5. DLGSC should provide timely guidance to assist LG entities to update their accounting practices to ensure that their future reporting is compliant with all current accounting standards.	Agreed.
6. DLGSC should re-assess the amount of detail required to be included in annual financial reports, particularly for small and medium sized LG entities.	Agreed. The DLGSC is working to 'de-clutter' the annual financial statements, and possibly reduce the burden of disclosures for small to medium sized local governments.
7. To improve the quality of financial reports and achieve greater consistency across LG entities, the DLGSC should prepare timely regulation amendments for the Minister's approval which improve the sector's financial report framework. The DLGSC should also provide accounting support services to the sector. Proper management of financial resources is the most basic priority as from there all else is enabled or eroded.	Agreed.

OAG Recommendations	Management Comment
8. OAG encourage entities to make use of their WA Public Sector Financial Statements – Better Practice Guide to improve their financial management and reporting practices, processes and procedures.	The Guide and supporting templates have been downloaded and will assist in preparing the FY21 financial report. Officers also attended a guide release webinar.

A direct response or decision from Council is not required on the OAG Annual 2019-20 Financial Audit of Local Government Entities. However, the findings and recommendations will assist with Council's financial management practices and reduce the risk of future adverse findings.

- *Report 30 - Staff Exit Controls*

This audit assessed if certain State Government departments effectively and efficiently managed the exit of staff to minimise security, asset and financial risks.

The report determined that entities need to have controls in place to make sure that when a member of staff leaves their job through dismissal, resignation, retirement or end of contract that:

- Access to information systems, premises and confidential information is immediately cancelled;
- All physical controls such as ID cards, security access passes (fobs or cards) and keys are revoked;
- All entity owned property is collected;
- Individuals are reminded of their ongoing obligations not to disclose entity information; and
- A staff exit interview is offered.

While this audit was targeted at State Government level, Council staff identified some opportunities for improvement within the controls noted above. These improvements will be incorporated into existing policies and procedures to effectively manage the exit of Council staff.

- *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.

Note: Mr André Schönfeldt left the room at 2.34pm and returned at 2.36pm

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

AAR 19-21 MOVED - Cr P Robinson SECONDED - Cr M Hutchinson

THAT the Audit and Risk Committee receive the September 2021 report on the Western Australian Auditor General – Annual 2019-20 Financial Audits of Local Government Entities and Schedule of Reports as provided for in (Appendix AAR:8.4B to 8.4D).

CARRIED
4/0

8.5 Title: Internal Audit Program

Reporting Department:	<i>Corporate & Governance Directorate</i>
Reporting Officer:	<i>Mr Phil Anastasakis - Deputy CEO</i> <i>Mrs Cindy Barbetti - Senior Corporate Governance Officer</i>
Legislation:	<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>
Attachments:	<i>AAR 8.5A – Internal Audit Strategic Plan</i> <i>AAR 8.5B – Risk Assessment</i>

Overview

This report presents to the Audit and Risk Committee the Internal Audit Strategic Plan and the proposed Internal Audit Annual Work Plan for 2021-2022.

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:8.5A)

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.*

Strategic Community Plan

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

Strategy 1.1.2 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Strategy 1.1.3 Maintain best practice governance systems and practices. (Service Priority: Moderate)

Environment - None.

Precedents

An Internal Audit Strategic Plan and Internal Audit Annual Work Plan for 2020-2021 were presented at the September 2020 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 8.5B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	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 Internal Audit Annual Work Plan for 2021-2022 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.

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

AAR 20-21 MOVED - Cr T Gardiner SECONDED - Cr P Robinson

That the Audit and Risk Committee:

1. **Receive the September 2021 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 Internal Audit Annual Work Plan – 2021-2022. (Appendix AAR: 8.5A).**

CARRIED
4/0

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

None.

11. MATTERS BEHIND CLOSED DOORS
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It is recommended that the following item be heard behind closed doors.

Shire of Dardanup Standing Orders & Local Government Act 1995 Section 5.23 - Matters for Which Meeting May Be Closed:

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

- | |
|---|
| <p><i>S 5.23 (1) Subject to subsection (2), the following are to be open to members of the public-</i></p> <ul style="list-style-type: none"> <i>(a) all Council meetings; and</i> <i>(b) all meetings of any committee to which a local government power or duty has been delegated.</i> <p><i>(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 -</i></p> <ul style="list-style-type: none"> <i>(a) a matter affecting an employee or employees;</i> <i>(b) the personal affairs of any person;</i> <i>(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;</i> <i>(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;</i> <i>(e) a matter that if disclosed, would reveal -</i> <ul style="list-style-type: none"> <i>(i) a trade secret;</i> <i>(ii) information that has a commercial value to a person; or</i> <i>(iii) information about the business, professional, commercial or financial affairs of a person,</i>
<i>where the trade secret or information is held by, or is about, a person other than the local government;</i> <i>(f) a matter that if disclosed, could be reasonably expected to -</i> <ul style="list-style-type: none"> <i>(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;</i> <i>(ii) endanger the security of the local government's property; or</i> <i>(iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety;</i> <i>(g) information which is the subject of a direction given under section 23 (1a) of the Parliamentary Commissioner Act 1971; and</i> <i>(h) such other matters as may be prescribed.</i> <p><i>(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.</i></p> |
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**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 21-21 MOVED - Cr C Boyce SECONDED - Cr P Robinson

THAT in accordance with the Local Government Act 1995, S 5.23, the Audit & Risk Committee go Behind Closed Doors [2.46pm] to discuss:

- **A matter that if disclosed could be reasonably expected to endanger the security of the local governments property**

CARRIED
4/0**11.1 Title: Ransomware & Data Breach Awareness**

Reporting Department: Corporate & Governance Directorate

Reporting Officer: Mr Stephen Eaton – Acting Manager Information Services

Legislation: Local Government Act 1995 and Local Government (Financial Management) Regulations 1996

*Attachments: Appendix AAR:11.1A – Risk Assessment
Appendix AAR:11.1B – 2021 Cost of Data Breach - Global
Appendix AAR:11.1C – 2021 Cost of Data Breach – Australia
Appendix AAR:11.1D – OAIC Notifiable Data Breaches Report – January – June 2021*

REPORT UNDER SEPARATE COVER

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

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

AAR 22-21 MOVED - Cr C Boyce SECONDED - Cr P Robinson

THAT the Audit & Risk Committee recommend that Council:

- 1. Receive the 2021 Cost of Data Breach Report and support ongoing and additional measures required to increase protection against ransomware and data breach (refer Appendix AAR 11.1B, AAR 11.1C and AAR 11.1D).**
- 2. Request the Chief Executive Officer allow for provision in the 2022-23 Budget for managed services around network threat monitoring and detection in the Information Systems budget.**

CARRIED
4/0

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

AAR 23-21 MOVED - Cr T Gardiner SECONDED - Cr P Robinson

THAT the Audit & Risk Committee return from Behind Closed Doors. [3.17pm].

CARRIED
4/0

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, 1 December 2021.

There being no further business the Chairperson to declare the meeting closed at 3.17pm.

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Our Ref: 8658

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Dear Mr Schonfeldt

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDED 30 JUNE 2021**

We have completed the interim audit for the year ended 30 June 2021. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management Control Issues

We would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7551 if you would like to discuss these matters further.

Yours faithfully

A handwritten signature in black ink, appearing to read 'SKarki'.

Suraj Karki CA
Assistant Director
Financial Audit
3 August 2021

Attach

SHIRE OF DARDANUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
CURRENT YEAR FINDINGS			
Revenue not recognised in accordance with AASB 15 or AASB 1058		✓	
Borrowings reconciliations not independently reviewed		✓	
Fixed Assets reconciliation not independently reviewed		✓	
Untimely removal of terminated employees			✓

KEY TO RATINGS

The ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF DARDANUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Revenue not recognised in accordance with AASB 15 or AASB 1058

Finding

During the interim audit our sample testing of revenue transactions (rates, grants and fees & charges) noted that:

- waste collection fees have not been recognised in accordance with AASB 15; and
- 3 out of 26 grant revenue transactions tested (12%) were not recognised in accordance with the requirements of AASB 1058 in relation to capital grants.

Rating: Moderate

Implication

This accounting treatment is non-compliant with AASB 15 or 1058. As application of these standards result in delayed income recognition, the Shire's revenue is overstated for the 2020-21 financial year. In addition, monthly financial information does not reflect accurate rates and grant revenue, which may result in financial decision-making being ill-informed.

Recommendation

The Shire should complete a detailed revenue recognition assessment of all revenue streams. This is to conclude if a particular revenue stream or transaction arises from an enforceable contract with a customer and has sufficiently specific performance obligations. The assessment will trigger the revenue recognition requirements under AASB 15, or if it falls outside this scope, under AASB 1058, so that revenue is not misstated for the year ending 30 June 2021.

Management comment

Waste Collection Fees and Grant Revenue

Agreed. Council's Management agree with the recommendation that revenue for the waste charges and grant revenue should be raised in accordance with the performance obligations and a monthly journal processed to recognise revenue in the period of when the service is delivered.

In agreement with your recommendation, Council has reviewed its revenue recognition assessment process, and has implemented processes to ascertain revenue streams on a regular basis. Management agree that a 'Moderate' rating is reasonable.

Responsible person: Manager Financial Services
Completion date: 12 July 2021

SHIRE OF DARDANUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Borrowings reconciliations lacked evidence of independent review

Finding

There was no evidence that borrowings reconciliations were being independently reviewed.

Rating: Moderate

Implication

If this important reconciliation is not reviewed, erroneous or unusual reconciling items may not be detected and investigated in a timely manner.

Recommendation

The borrowing reconciliations should be subject to an independent supervisory review and signoff.

Management Comment

Agreed. As per the recommendation, Council staff have initiated a new process which incorporates the preparer completing this process (evidenced) and an independent reviewer signing the reconciliation report (Accountant or Manager Financial Services). Council's Management are in agreeance with the 'Moderate' rating.

Responsible Person: Manager Financial Services

Completion Date: 12 July 2021

SHIRE OF DARDANUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. Fixed Asset reconciliation lacked evidence of independent review

Finding

There were no evidence that fixed assets reconciliations were being independently reviewed.

Rating: Moderate

Implication:

Lack of an independent review of reconciliations increases the risk of errors or omissions remain undetected, which could lead to significant misstatements in financial reporting.

Recommendation

The fixed asset reconciliations should be subject to an independent supervisory review and signoff.

Management Comment

Agreed. In May 2021, post interim audit, Council staff initiated a new process which now incorporates the preparer completing this process (evidenced) and an independent reviewer signing the reconciliation report (Accountant or Manager Financial Services).

Council's Management are supportive of the 'Moderate' rating and have actioned the recommendation accordingly.

Responsible Person: Manager Financial Services

Completion Date: 12 July 2021

SHIRE OF DARDANUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

4. Untimely removal of terminated employees

Finding

During our testing of employee termination process, we noted an employee who was terminated in December 2020 but was not removed from the payroll system until March 2021.

Rating: Minor

Implication:

We did not identify any salary overpayments during our audit. However, because the employee was retained on the system for an extended period, there was an increased risk of making erroneous payments subsequent to the employee leaving the Shire's employment.

Recommendation

To help ensure that payments are not made in error to ex-employees, terminated staff should be removal from the payroll system on their last day of work or as soon as their final termination pay is made.

Management Comment


It is noted the casual employee was not removed from Council's payroll system (SynergySoft) in December 2020. Payroll Officer was notified of the employee resignation in March 2021, and subsequently removed from the system. Management are in agreeance with the auditor's rating of 'Minor'.

Responsible Person: Manager of Governance and HR

Completion Date: 12 July 2021

Internal Audit Strategic Plan

2021/22 – 2023/24

Document Control		 <p>Shire of Dardanup</p>			
Document ID: Internal Audit Strategic Plan					
Rev No	Date	Revision Details	Author	Approver	Adopted
1.0	01/07/2019	Original plan created and adopted	Cindy Barbetti / Phil Anastasakis	Phil Anastasakis	OCM 14-08-2019 Res 251-19
2.0	23/06/2020	Annual update of plan	Cindy Barbetti / Phil Anastasakis	Phil Anastasakis	OCM 30-09-2020 Res 280-20
3.0	03/08/2021	Annual update of plan	Cindy Barbetti / Phil Anastasakis	Phil Anastasakis	

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Introduction

The primary purpose of the Shire of Dardanup's Internal Audit 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:

- an Internal Audit Strategic Plan with a three year outlook that relates the role of internal audit to the requirements of the Council by outlining the broad direction of internal audit over the medium term, in the context of all the Council's assurance activities; and
- 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 and identify key issues relating to internal audit capability, such as the required professional skills.

This Annual Work Plan covers a financial year in line with the Council's annual budgeting and planning cycle and specifies the proposed internal audit coverage within the financial year.

It is reviewed annually by the Deputy CEO in the first quarter of each financial year and presented to the Audit and Risk Committee for endorsement.

Internal Audit Activities Overview

It is important that internal audit has a predominant focus on the conduct of assurance and advisory activities. Nevertheless, audit support activities are also important activities generally undertaken by Internal Audit.

The relative proportion of resources devoted to audit support activities, compared with audit assurance and advisory activities, is an important matter for consideration by the Audit and Risk Committee when considering Internal Audit plans and budgets.

It is important to note that the smaller the size of the in-house Internal Audit team, the greater the proportion of the audit support activities will be.

Internal Audit conducts the following audit support activities which are generally non-discretionary:

- Internal Audit strategic and operational planning;
- Internal Audit functional and administrative reporting;
- Monitoring the implementation of audit recommendations made by Internal Audit and the External Auditor;
- Liaison with the External Auditor;
- Internal Audit Quality Assurance and Improvement Program;

- Performing any appropriate special tasks or projects requested by the Deputy CEO, CEO or the Audit and Risk Committee; and
- Disseminating better practice and lessons learnt arising from the internal audit activities across local government.

The Internal Audit **assurance activities** include engagements with the following orientation:

- Financial

- Auditing the financial statements of externally funded grants including research, capital and other special purpose grants/programs; and
- Auditing the special purpose financial statements of discrete business operations such as Eaton Recreation Centre.

In performing financial statement audits, Internal Audit typically provides an audit opinion and a reasonable level of assurance to parties outside the Council, depending on the purpose for which the financial statements are prepared.

- Compliance

- Compliance has traditionally been a focus area for Internal Audit activities. The objective of a compliance engagement is to enable Internal Audit to express an opinion on whether the Council or an organisational area has complied in all material aspects, with requirements as measured by the suitable criteria which include:
 - Federal and State legislation and regulatory requirements;
 - Federal and State Government policies and administrative reporting guidelines;
 - Council policies, procedures and Code of Conduct;
 - contracts to which the Council is a party;
 - strategic plans, or operational programs;
 - ethics related objectives and programs; and
 - other standards and good practice control models.

- Performance (improvement)

- Performance (improvement) engagement is designed to assess the economy, efficiency and effectiveness of the Council's business systems and processes.

A compliance or performance (improvement) engagement is conducted either as an audit, which provides reasonable assurance, or as a review, which provides limited assurance.

For all assurance activities, Internal Audit observes, where applicable, the professional practice guidelines or statements issued by relevant professional bodies, including (but not limited to):

- CPA Australia; and

- Chartered Accountants Australia and New Zealand;

The Internal Audit **advisory activities** are to provide objective and relevant review services or ad hoc advice to management without assuming management responsibility.

The Deputy CEO considers accepting proposed review engagements based on the engagement's potential to improve the management of risks, add value, and improve the Council's operations.

Internal Audit applies the principle that issue prevention activities are more beneficial and could be more cost-effective than issue detection activities. Accordingly, Internal Audit acts proactively in providing ad hoc advice to utilise its control and risk evaluation skills in preventing control weaknesses and breakdowns by providing ad hoc advice to the Council's management on a range of matters, including:

- development of new programs and processes;
- risk management; and
- fraud control.

The percentages of Internal Audit effort to conduct audit support, assurance and advisory activities will fluctuate over the years depending on the Council's assurance needs and the Internal Audit's operational needs and priorities such as system, process, and staff professional development requirements. This is monitored by the Audit and Risk Committee.

Methodology

Internal Audit adopts a **risk based methodology**. The planning at both the functional and engagement levels is based on the risk assessment performed to ensure that it is appropriate to the size, functions and risk profile of the Council.

In order to provide optimal audit coverage to the Council and minimise duplication of assurance effort, due consideration is given to the following aspects:

- key Council business risks;
- any key risks or control concerns identified by management;
- assurance gaps and emerging needs; and
- scope of work of other assurance providers, internal and external.

Internal Audit maintains an open relationship with the external auditor and other assurance providers.

Internal Audit Coverage Prioritisation

During each financial year, the Internal Audit coverage will have a different focus depending on the Council's current risk profile and assurance needs. The Internal Audit coverage is categorised into the following broad groups. The order in which these are listed is in line with the current priority given to each group based on the risk assessment.

1. **Annual audits** to review key areas of financial, operational, and human resources across the whole Council. This group of engagements are treated as first priority audits to meet the external reporting and compliance obligation of the Council, which can include:
 - a. Grant Audits;
 - b. Direct assistance to external audit by performing audit or review procedures under the direction of the external auditor; such activities customarily include the following engagements:
 - i. Salaries Audit;
 - ii. Expenditure Audit;
 - iii. Revenue Audit; and
 - iv. Follow up on audit recommendations made by the external auditor.
2. Audits of **high risk areas/systems** where the controls are considered to be effective, however, independent assurance is required to ensure that the controls are in fact operating as intended;
3. Audits that review particular topics **across the whole Council** – such as supplier selection and WHS management framework. This group of engagements are aimed at addressing systemic risks;
4. Audits that review **particular processes/activities** owned by a particular Directorate or Divisions such as gym membership; and
5. Consultancy/ad hoc advice on new systems, processes and initiatives.

A small contingent time budget may be set aside to accommodate ad hoc or special requests, particularly those from the CEO and the Audit and Risk Committee.

Objective

Engagement objectives are broad statements developed by Internal Audit that define intended engagement accomplishments. This is largely informed by the identified risks and assurance needs of the Council upon commencing of an engagement. Internal Audit provides opportunities for auditees to have input in formulating audit objective(s). For high risk audits, Internal Audit also seeks the CEO's endorsement of the audit objective(s).

Engagement scope is driven by:

- the determined objectives; the broader the objectives, the wider the audit scope; and
- the level of assurance required; an "audit" provides a reasonable level of assurance and requires wider scope than that for a "review" which provides limited level of assurance.

Responsibilities

The Internal Audit program is to be undertaken by the Shire of Dardanup Senior Corporate Governance Officer, with oversight by the Deputy CEO and assistance of other Council staff when required or available.

Council staff involved with the Internal Audit program will have access to all areas of the Shire of Dardanup operations, including correspondence, files, accounts, records and documents as is necessary to perform the duties of the role, except those items that are noted as confidential and/or personal. Access to material noted as confidential and/or personal will only be provided upon request by the CEO.

Council staff involved with the Internal Audit program will conduct their reviews based on the methodology and internal audit coverage prioritization contained within the Internal Audit Plan, and report on the outcome of this review. Where it is reported that problems exist, corrective action will be recommended and followed through for action, ensuring that resources are directed towards areas of highest risk.

The Shire of Dardanup Internal Audit Plan will be reviewed and assessed on an annual basis. The Internal Audit Plan may be adjusted as a result of receiving requests to undertake special advisory services to conduct reviews that do not form part of the structured plan.

At the conclusion of each internal audit a report on the outcome will be forwarded to the Deputy CEO. This report will outline what auditing actions were actually taken, provide recommendations for corrective action as required, monitoring and reporting on the corrective actions undertaken.

Auditor General Reports

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 performance against the Auditor General findings and reporting the outcomes to the Audit and Risk Committee can be further viewed as a vital component of the internal control function under Regulation 17.

Internal Audit Annual Work Plan

INTERNAL AUDIT ANNUAL WORK SCHEDULE 2021-2022					
PROJECT	TYPE	RISK RATING	BUDGET DAYS	DATE	RESOURCES
Procurement: 2020-21 Annual Spend Analysis	Assurance - Financial; Compliance	Moderate	15	July 2021 to August 2021	Senior Corporate Governance Officer
Grants Management – Contract Liabilities	Assurance - Financial; Compliance	Moderate	10	September 2021 to October 2021	Senior Corporate Governance Officer
Contract Management	Assurance - Financial; Compliance	Moderate	20	March 2022 to April 2022	Senior Corporate Governance Officer
Receipting Petty Cash	Assurance – Financial; Compliance	Low	5	May 2022	Senior Corporate Governance Officer

Annual Audit Review 2021-2022

Assurance – Financial; Compliance

Procurement – Annual Spend Analysis

- Consider overall spend by good/service type for 2021-2022
- Recommend good/service to RFQ, RFT or Panel of Pre-Qualified Suppliers for 2021-2022
- Employee v Contractor analysis and correct cost allocation

Grants Management – Contract Liabilities

- Focus on management of grant funds received
- Alignment to Council Policy and Australian Accounting Standards
- Review process around recording

Contract Management

- Focus on the management of contracts
- Alignment to Procurement Framework
- Roles and responsibilities are clearly defined
- Effectiveness of recording and updating contractual information
- Effectiveness of contract governance including; monitoring, review, risk and reporting
- Adequate management of WHS/OSH requirements
- Perform testing on a sample basis over a selection of contractual arrangements

Receipting – Petty Cash

- Internal Controls
- Transaction Verification
- Authorising Process
- Compliance
- Perform testing on a sample basis over a selection of petty cash vouchers

Template – Internal Audit Assessment and Response Summary

SHIRE OF DARDANUP – INTERNAL AUDIT ASSESSMENT AND RESPONSE SUMMARY		
Prepared by		
Date		
Audit Focus Area		
ASSESSMENT	OBJECTIVES MET Yes/No/NA	COMMENTS
C1 Internal Controls C1.1 Ownership C1.2 Comprehensive Written Procedures C1.3 Confirm Staff Aware of Procedures C1.4 Confirm Staff Follow Procedures		
C2 Transaction Verification		
C3 Authorising Process		
C4 Processing		
C5 Compliance		
C6 Payments		
Reviewed by		
Date		
Signed		

