



# AGENDA

## **Audit Committee Agenda** Wednesday, 22 November 2023 6:00 PM

### **Disclaimer**

The purpose of this Council meeting is to discuss and, where possible, make resolutions about items appearing on the agenda.

Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a member or officer, or on the content of any discussion occurring, during the course of the meeting. Persons should be aware that the provisions of the Local Government Act 1995 (section 5.25 (e)) establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person.

The Town of East Fremantle expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any resolution of Council, or any advice or information provided by a member or officer, or the content of any discussion occurring, during the course of the Council meeting.

### **Copyright**

The Town wishes to advise that any plans or documents contained within this Agenda may be subject to copyright law provisions (Copyright Act 1968, as amended) and that the express permission of the copyright owner(s) should be sought prior to their reproduction.

### Procedure for Deputations, Presentations and Public Question Time at Council Meetings

Council thanks you for your participation in Council Meetings and trusts that your input will be beneficial to all parties. Council has a high regard for community input where possible, in its decision making processes.

<p><b>Deputations</b></p> <p>A formal process where members of the community request permission to address Council or Committee on an issue.</p>	<p><b>Presentations</b></p> <p>An occasion where awards or gifts may be accepted by the Council on behalf of the community, when the Council makes a presentation to a worthy recipient or when agencies may present a proposal that will impact on the Local Government.</p>
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#### Procedures for Deputations

The Council allows for members of the public to make a deputation to Council on an issue related to Local Government business.

Notice of deputations need to be received **by 5pm on the day before the meeting** and agreed to by the Presiding Member. Please contact Executive Support Services via telephone on 9339 9339 or email [admin@eastfremantle.wa.gov.au](mailto:admin@eastfremantle.wa.gov.au) to arrange your deputation.

Where a deputation has been agreed to, during the meeting the Presiding Member will call upon the relevant person(s) to come forward and address Council.

A Deputation invited to attend a Council meeting:

- (a) is not to exceed five (5) persons, only two (2) of whom may address the Council, although others may respond to specific questions from Members;
- (b) is not to address the Council for a period exceeding ten (10) minutes without the agreement of the Council; and
- (c) additional members of the deputation may be allowed to speak with the agreement of the Presiding Member.

Council is unlikely to take any action on the matter discussed during the deputation without first considering an officer’s report on that subject in a later Council agenda.

#### Procedure for Presentations

Notice of presentations being accepted by Council on behalf of the community, or agencies presenting a proposal, need to be received by **5pm on the day before the meeting** and agreed to by the Presiding Member. Please contact Executive Support Services via telephone on 9339 9339 or email [admin@eastfremantle.wa.gov.au](mailto:admin@eastfremantle.wa.gov.au) to arrange your presentation.

Where the Council is making a presentation to a worthy recipient, the recipient will be advised in advance and asked to attend the Council meeting to receive the award.

All presentations will be received/awarded by the Mayor or an appropriate Councillor.

### **Procedure for Public Question Time**

The Council extends a warm welcome to you in attending any meeting of the Council. Council is committed to involving the public in its decision making processes whenever possible, and the ability to ask questions during ‘Public Question Time’ is of critical importance in pursuing this public participation objective.

Council (as required by the **Local Government Act 1995**) sets aside a period of ‘Public Question Time’ to enable a member of the public to put up to three (3) questions to Council. Questions should only relate to the business of Council and should not be a statement or personal opinion. Upon receipt of a question from a member of the public, the Mayor may either answer the question or direct it to a Councillor or an Officer to answer, or it will be taken on notice.

Having regard for the requirements and principles of Council, the following procedures will be applied in accordance with the **Town of East Fremantle Local Government (Council Meetings) Local Law 2016**:

1. Public Questions Time will be limited to fifteen (15) minutes.
2. Public Question Time will be conducted at an Ordinary Meeting of Council immediately following “Responses to Previous Public Questions Taken on Notice”.
3. Each member of the public asking a question will be limited to two (2) minutes to ask their question(s).
4. Questions will be limited to three (3) per person.
5. Please state your name and address, and then ask your question.
6. Questions should be submitted to the Chief Executive Officer in writing by **5pm on the day before the meeting and be signed by the author**. This allows for an informed response to be given at the meeting.
7. Questions that have not been submitted in writing by 5pm on the day before the meeting will be responded to if they are straightforward.
8. If any question requires further research prior to an answer being given, the Presiding Member will indicate that the “question will be taken on notice” and a response will be forwarded to the member of the public following the necessary research being undertaken.
9. Where a member of the public provided written questions then the Presiding Member may elect for the questions to be responded to as normal business correspondence.
10. A summary of the question and the answer will be recorded in the minutes of the Council meeting at which the question was asked.

**During the meeting, no member of the public may interrupt the meetings proceedings or enter into conversation.**

**Members of the public shall ensure that their mobile telephone and/or audible pager is not switched on or used during any meeting of the Council.**

**Members of the public are hereby advised that use of any electronic, visual or audio recording device or instrument to record proceedings of the Council is not permitted without the permission of the Presiding Member.**



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## NOTICE OF MEETING

Elected Members

An Ordinary Meeting of the Audit Committee will be held on 22/11/2023 6:00:00 PM in the POD, 135 Canning Highway, East Fremantle and your attendance is requested.



JONATHAN THROSSELL  
Chief Executive Officer

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# AGENDA

## 1 DECLARATION OF OPENING OF MEETING/ANNOUNCEMENTS OF VISITORS

## 2 ACKNOWLEDGEMENT OF COUNTRY

*"On behalf of the Council I would like to acknowledge the Whadjuk Nyoongar people as the traditional custodians of the land on which this meeting is taking place and pay my respects to Elders past, present and emerging."*

## 3 RECORD OF ATTENDANCE

## 4 ELECTION OF PRESIDING PERSON

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### PURPOSE

The Chief Executive Officer advised that following the appointment of members to the Committee after the October 2023 Elections, it was now necessary to call for nominations as Presiding Member and Deputy Presiding Member.

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### EXECUTIVE SUMMARY

Nominations are sought in writing for the position of Presiding Member and Deputy Presiding Member.

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### BACKGROUND

Clause 5.8 of the Audit Committee Terms of Reference states that the Presiding Member and Deputy Presiding Member will be appointed by the Audit Committee, biennially by election by all committee members after the Ordinary Local Government Election.

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## CONSULTATION

Chief Executive Officer

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## STATUTORY ENVIRONMENT

Section 5.12 of the *Local Government Act 1995* deals with the election of presiding members and deputies – the members of the committee are to elect a presiding member and deputy presiding member from amongst themselves in accordance with Schedule 2.3, Division 1:

This procedure requires the election to be conducted in the same manner as for the local government elections; a key change resulting from amendments to the *Local Government Act 1995* mean that the method of voting to be used is the ‘optional preferential’ method.

The details are as follows:

- (1) *The council is to elect a councillor (other than the mayor or president) to fill the office.*
- (2) *The election is to be conducted in accordance with the procedure prescribed by the mayor or president, or if he or she is not present, by the CEO.*
- (3) *Nominations for the office are to be given to the person conducting the election in writing before the meeting or during the meeting before the close of nominations.*
- (3a) *Nominations close at the meeting at a time announced by the person conducting the election, which is to be a sufficient time after the announcement by that person that nominations are about to close to allow for any nominations made to be dealt with.*
- (4) *If a councillor is nominated by another councillor the person conducting the election is not to accept the nomination unless the nominee has advised the person conducting the election, orally or in writing, that he or she is willing to be nominated for the office.*
- (5) *The council members are to vote on the matter by secret ballot as if they were electors voting at an election.*
- (6) *Subject to clause 9(1) the votes cast under subclause (5) are to be counted, and the successful candidate determined, in accordance with Schedule 4.1 as if those votes were votes cast at an election.*
- (7) *As soon as is practicable after the result of the election is known, the person conducting the election is to declare and give notice of the result in accordance with regulations, if any.*

### **9. Votes may be cast a second time**

- (1) *If, when the votes cast under clause 8(5) are counted, there is an equality of votes between 2 or more candidates who are the only candidates in, or remaining in, the count, the count is to be discontinued and, not more than 7 days later, a special meeting of the council is to be held.*
- (2) *Any nomination for the office may be withdrawn, and further nominations may be made, before or when the special meeting is held.*
- (3) *When the special meeting is held the council members are to vote again on the matter by secret ballot as if they were voting at an election.*
- (4) *The votes cast under subclause (3) are to be counted, and the successful candidate determined, under Schedule 4.1 as if those votes were votes cast at an election*

Division 3 of **Schedule 4.1A** of the Act provides how votes are to be counted and how to ascertain results in a one office election.

### **2. One office election: 2 candidates**

- (1) *If there are only 2 candidates in a one office election –*

- (a) *the first-preference votes for each candidate must be counted; and*
- (b) *the candidate who has the greater number of first-preference votes is elected.*

(2) *If the candidates have the same number of first-preference votes, the returning officer must draw lots in accordance with regulations to determine which candidate is elected.*

3. **One office election: 3 or more candidates**

*Clauses 4 and 5 apply if there are 3 or more candidates in a one office election.*

4. **Count of first-preference votes**

- (1) *The first-preference votes for each candidate must be counted.*
- (2) *A candidate is elected if the number of first-preference votes for the candidate exceeds 50% of the total number of all the first-preference votes for candidates.*

5. **Process if no candidate elected under clause 4**

(1) *The process in subclause (2) —*

- (a) *must be followed if no candidate is elected under clause 4; and*
- (b) *as necessary, must be repeated until a candidate is elected under subclause (3).*

*Notes for this subclause:*

- 1. *Subclauses (4) to (6) supplement subclauses (2) and (3) for cases where candidates have the same number of votes.*
- 2. *Subclauses (7) and (8) explain how the terms ballot paper and continuing candidate are used in this clause.*

(2) *The process is as follows —*

- a. *exclude the candidate (the **excluded candidate**) with —*
  - i. *if this process is being followed for the first time — the fewest first-preference votes; or*
  - ii. *if this process is being repeated — the fewest votes on the last count under paragraph (d);*
- b. *set aside as exhausted any ballot paper of the excluded candidate that contains —*
  - i. *no preference votes at all; or*
  - ii. *no preference votes for any continuing candidates;*
- c. *transfer any remaining ballot papers of the excluded candidate that indicate the next available preference for a particular continuing candidate to that continuing candidate;*
- d. *count the number of votes for each of the continuing candidates by totalling the following —*
  - i. *the number of first-preference votes for the continuing candidate;*
  - ii. *if this process is being followed for the first time — the total number of ballot papers transferred to the continuing candidate under paragraph (c);*

*iii. if this process is being repeated — the total number of ballot papers transferred to the continuing candidate under paragraph (c) on this or a previous occasion.*

- (3) *A continuing candidate is elected if, on a count under subclause (2)(d), the number of votes for the continuing candidate exceeds 50% of the total number of all the votes for continuing candidates.*
- (4) *Subclause (6) applies if subclause (2)(a) cannot otherwise be applied because, as the case requires —*
- (a) 2 or more candidates have the same number of first-preference votes (no other candidates having fewer first-preference votes); or*  
*(b) 2 or more candidates have the same number of votes on the last count under subclause (2)(d) (no other candidates having fewer votes).*
- (5) *Subclause (6) also applies if subclause (3) cannot otherwise be applied because —*
- (a) there are only 2 continuing candidates in a count under subclause (2)(d); and*  
*(b) on the count, the continuing candidates have the same number of votes.*
- (6) *The returning officer must draw lots in accordance with regulations to determine, as the case requires —*
- (a) the candidate to be excluded; or*  
*(b) the continuing candidate to be elected.*
- (7) *For the purposes of the process in subclause (2), a ballot paper is a ballot paper of the excluded candidate if either of the following applies —*
- (a) the ballot paper contains a first-preference vote for the excluded candidate;*  
*(b) the process is being repeated and the ballot paper was transferred to the excluded candidate under subclause (2)(c) on a previous occasion.*
- (8) *For the purposes of the process in subclause (2), a continuing candidate is a candidate to whom neither of the following applies —*
- (a) the candidate is the excluded candidate;*  
*(b) the process is being repeated and the candidate was excluded under subclause(2)(a) on a previous occasion.”*

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#### POLICY IMPLICATIONS

There are no Council Policies relevant to this item.

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#### FINANCIAL IMPLICATIONS

There are no Financial Implications relevant to this item.

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#### STRATEGIC IMPLICATIONS

Town of East Fremantle Strategic Community Plan 2020-30  
 5.3 Strive for excellence in leadership and governance.



RISK IMPLICATIONS

RISKS

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
The election of the Presiding Person and Deputy Presiding Person is not conducted in accordance with the LGA	Unlikely (2)	Moderate (3)	Moderate (5-9)	COMPLIANCE Some temporary non-compliance	Manage by CEO conducting the election process....

RISK MATRIX

Consequence		Insignificant	Minor	Moderate	Major	Extreme	
		1	2	3	4	5	
Likelihood	Almost Certain	5	Moderate (5)	High (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)	High (10)
	Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

RISK RATING

<b>Risk Rating</b>	6
<b>Does this item need to be added to the Town’s Risk Register</b>	No
<b>Is a Risk Treatment Plan Required</b>	No

SITE INSPECTION

Not Applicable

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COMMENT

The following written nominations have been received:

**Presiding Person**

**Deputy Presiding Person**

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CONCLUSION

The following persons were elected as the Presiding Person and Deputy Presiding Person.

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CHOOSE AN ITEM. OFFICER RECOMMENDATION / COMMITTEE RESOLUTION

**Committee Resolution** Choose an item. Click or tap to enter a date.

5 MEMORANDUM OF OUTSTANDING BUSINESS

6 DISCLOSURES OF INTEREST

7 PUBLIC QUESTION TIME

8 PRESENTATIONS/DEPUTATIONS

9 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

9.1 AUDIT COMMITTEE WEDNESDAY, 27 SEPTEMBER 2023

**OFFICER RECOMMENDATION**

That the minutes of the Audit Committee meeting held on Wednesday, 27 September 2023 be confirmed as a true and correct record of proceedings.

10 ANNOUNCEMENTS BY THE PRESIDING MEMBER

11 REPORTS

Reports start on the next page

**11.1 2311 2024 MEETING SCHEDULE AND AUDIT WORK PLAN**

**Report Reference Number**            ACR-509  
**Prepared by**                             Peter Kocian, Executive Manager Corporate Services  
**Supervised by**                         Jonathan Throssell, Chief Executive Officer  
**Meeting date**                            Wednesday, 22 November 2023  
**Voting requirements**                 Simple  
**Documents tabled**  
**Attachments**

1. Risk Based Audit Work Plan

**PURPOSE**

The Audit Committee is requested to endorse the proposed work plan and meeting schedule for the 2024 calendar year.

**EXECUTIVE SUMMARY**

The Audit Committee previously endorsed the Risk Based Audit Work Plan at its November 2021 Meeting. This Work Plan has been updated with 2024 being the first year of the rolling four-year plan.

It is recommended that the Audit Committee meet 3 times in the 2024 calendar year (4<sup>th</sup> Wednesday of the month), with the suggested work plan as follows:

Month	Activity
February	<ul style="list-style-type: none"> <li>• Compliance Audit Return</li> <li>• Audit Report, Management Letter and Annual Meeting with Auditor</li> <li>• Mid-Year Budget Review</li> <li>• Review of Record Keeping Plan</li> <li>• Consolidated Status Report</li> </ul>
July	<ul style="list-style-type: none"> <li>• Risk Register Update (Standing Item)</li> <li>• Significant Accounting Policies/Position Papers</li> <li>• Audit of Purchase Requisitions over \$5k</li> <li>• Consolidated Status Report</li> <li>• Probity assessment of Contract Management Processes – East Fremantle Oval Redevelopment Project</li> </ul>
November	<ul style="list-style-type: none"> <li>• Review of Investment Policy and Performance</li> <li>• Draft Annual Financial Statements</li> <li>• External Audit Management Letters</li> <li>• Consolidated Status Report</li> </ul>

**BACKGROUND**

The Department of Local Government has prepared operational guidelines on audit in local government. The guidelines outline audit requirements including the establishment of an audit committee and key functions.

The Guidelines define the role of the Audit committee “to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability”.

The Guidelines also state that the Audit committee needs to form an opinion of the local governments internal audit requirements and recommend a course of action that ensures that any internal audit processes adopted are appropriate, accountable and transparent.

**Legislative Audit Framework:**

The *Local Government Act 1995*, *Local Government (Audit) Regulations 1996* and *Local Government (Financial Management) Regulations 1996* detail the statutory requirements with respect to audit of local government. The following reporting requirements to the audit committee are mandatory:

<b>Item</b>	<b>Requirements</b>	<b>Legislation</b>
External Audit Report	The Auditor is to provide a report (annually) giving an opinion on the financial position of the local government and the results of the operations of the local government. Where it is considered by the auditor appropriate to do so, the audit is to prepare a management report to accompany the auditor’s report.	Regulation 10 of the <i>Local Government (Audit) Regulations 1996</i>
Compliance Audit Return	Local Governments are required to complete a statutory compliance return (Compliance Audit Return) annually and have the return adopted by Council. The return is a checklist of a local government’s compliance with the requirements of the Act and its Regulations, concentrating on areas of compliance considered ‘high risk’. The audit committee is to review the Compliance Audit Return and report to the Council the results of that review.	Regulation 14 of the <i>Local Government (Audit) Regulations 1996</i>
Risk Management/Internal Controls/Legislative Framework	The CEO is to review the appropriateness and effectiveness of a local governments and procedures in relation to risk management, internal control and legislative compliance at least once every three years and report to the audit committee the results of that review.	Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i>

Financial Management Review	The CEO is review the appropriateness and effectiveness of the financial management systems and procedures of the local government at least once every years and reports the results of that review.	Regulation 5 of the <i>Local Government (Financial Management) Regulations 1996</i>
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**External Audit Framework:**

Pursuant to section 7.2 of the *Local Government Act 1995*, the accounts and annual financial report of a local government for each financial year are required to be audited. The Act and Regulations prescribe the scope of the external audit of the annual financial statements of the local government. The operational guidelines also include a minimum standard audit specification.

The critical matters for audit are:

- Revenue – rates revenue, government grants, fees and charges
- Expenditure – salaries and wages, depreciation, materials and contract expense, insurance
- Current Assets – bank and short-term assets, receivables, inventory
- Non-Current Assets – property, plant, furniture and equipment, infrastructure and depreciation
- Liabilities – creditors and accruals, loan borrowings, provision for annual and long service leave entitlements
- Reserve Funds
- Contingent Liabilities
- Capital Commitments
- Accounting Policies
- Cash Flow Statement
- Financial Ratios

**Internal Audit Framework:**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the effectiveness of risk management, control, and governance processes. Establishing a formal internal audit function is not a legislative requirement but the development of appropriate internal controls will enhance risk management processes. The internal audit function can either be resourced internally or contracted out.

All internal audit reports must be referred to the Audit Committee for consideration. Internal auditor’s activities should typically include the following:

- Examination of financial and operating information that includes detailed testing of transactions, balances and procedures;
- A risk assessment with the intention of minimizing exposure to all forms of risk on the local government;
- A review of the efficiency and effectiveness of operations and services including non-financial controls of a local government;
- A review of compliance with management policies and directives and any other internal requirements;
- Review of the annual Compliance Audit Return;
- Assist in the CEOs biennial reviews of the appropriateness and effectiveness of the local government’s systems and procedures in regard to risk management, internal control and legislative compliance.

The internal auditor should report functionally to the audit committee and administratively to the CEO. It should be remembered that pursuant to section 5.41 of the Act, the CEO is responsible for the day-to-day

management of local government activities including the direction of staff and implicitly the internal audit function. The CEO may choose to delegate this responsibility.

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#### CONSULTATION

Chief Executive Officer  
Office of the Auditor General  
Manager Finance  
Manager Corporate Services  
EA/Governance Coordinator

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#### STATUTORY ENVIRONMENT

The local government audit framework is governed by the *Local Government Act 1995* and Regulations including the *Local Government (Administration) Regulations 1996*, *Local Government (Audit) Regulations 1996*, *Local Government (Financial Management) Regulations 1996* and *Local Government (Functions and General) Regulations 1996*.

Regulation 12 of the *Local Government (Administration) Regulations 1996* requires a local government to give local public notice of the dates on which and the time and place at which Council and Committee Meetings are to be held in the next 12 months.

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#### POLICY IMPLICATIONS

Council has adopted an Internal Audit Charter, which outlines various objectives with respect to internal audit activities.

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#### FINANCIAL IMPLICATIONS

Each year, Council approves an annual budget ranging between \$10,000 - \$25,000 for internal audit activities. A budget of \$10,250 has been allocated against account E04240 for 23/24.

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#### STRATEGIC IMPLICATIONS

Strategic Priority 5 – Leadership and Governance  
5.1 Strengthen organisational accountability and transparency.  
5.3 Strive for excellence in leadership and governance.

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#### RISK IMPLICATIONS

RISKS

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Lack of resourcing to support an Internal Audit function	Possible (3)	Moderate (3)	Moderate (5-9)	COMPLIANCE Short term non-compliance but with significant regulatory requirements imposed	Manage by ensuring adequate budget allocation ....

RISK MATRIX

Consequence		Insignificant	Minor	Moderate	Major	Extreme	
		1	2	3	4	5	
Likelihood	Almost Certain	5	Moderate (5)	High (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)	High (10)
	Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

RISK RATING

<b>Risk Rating</b>	9
<b>Does this item need to be added to the Town’s Risk Register</b>	Yes
<b>Is a Risk Treatment Plan Required</b>	No

SITE INSPECTION

Not Applicable

COMMENT

The Audit Committee Terms of Reference requires the Audit Committee to meet at least three times per year, with the dates to be set each year by Council, with authority to convene additional meetings, as circumstances require.

Clause 6.7 of the Terms of Reference also requires the Audit Committee to develop a forward meeting schedule that includes the dates, location, and proposed work plan for each meeting for the forthcoming year, that cover all the responsibilities outlined. These responsibilities include:

- Risk Management
- Business Continuity
- Internal Control
- Review of Annual Financial Statements
- Internal/external performance audits

Regulation 6 of the *Local Government (Financial Management) Regulations 1996* states that:

“A local government is to ensure that an employee to whom is delegated responsibility for the day-to-day accounting or financial management operations of a local government is not also delegated the responsibility for –

- (a) conducting an internal audit; or
- (b) reviewing the discharge of duties by that employee,

or for managing, directing or supervising a person who carries out a function referred to in paragraph (a) or (b).

So, functionally the performance of the internal audit function should be independent to the finance team. This is however problematic given the Town’s size and structure, which is highlighted by the fact that the majority of audit work plan in the last 5 years has been performed by the finance team. Of relevance, the Select Committee into Local Government recommended, as part of the recent review of the Local Government Act, that the Government give active consideration to facilitating, through the Department of Local Government, Sport and Cultural Industries, a shared internal audit service for the Local Government sector, particularly to assist small and medium councils.

### **Compliance Audit Return**

In 2023 the Town engaged an independent party to review the Compliance Audit Return and provide an assurance as to the accuracy of the return. Quotes are being sought for this independent review, and subject to price and availability, this work may be scheduled in January, with the Compliance Audit Return to be presented to the February 2024 Audit Committee Meeting.

### **Probity Assessment of Contract Management Processes – East Fremantle Oval Redevelopment Project**

Given that the size of this project exceeded the Town’s annual budget by three-fold (circa \$35m), and multiple contracts were awarded, the Audit Committee may wish to assess the robustness of the Town’s contract management processes including a comparison of original contract sums versus final contract pricing (management of contract variations). This review could include the following scope:

- Review all contracts to ensure that contract documentation is adequate and complete (i.e., Executed Form of Agreement, defined specifications/deliverables, price schedules, use of applicable general conditions of contract).
- Review achievement against contract deliverables (high-level assessment).
- Review contract scope and pricing versus final contract outcomes.



- Review of all contract variations including variation to scope and pricing; assessment of documentation, approvals and use/recording of delegation.
- Review of contracts register and assess completeness/adherence to workflow.
- Consider the overall process undertaken by the Town including key items of legislation, regulations, relevant policies and procedures.

**CONCLUSION**

Given the above constraints, a moderate work plan has been recommended for the 2024 calendar year, which is reflective of resourcing capacity.

**10.2 OFFICER RECOMMENDATION / COMMITTEE RESOLUTION**

**Committee Resolution** Choose an item. Click or tap to enter a date.

**OFFICER RECOMMENDATION**

**That the Audit Committee recommend Council approve the following meeting schedule and work plan for the 2024 Calendar Year:**

Month – 4 <sup>th</sup> Wednesday @ 6.00pm	Activity
<b>February</b>	<ul style="list-style-type: none"> <li>• Compliance Audit Return</li> <li>• Audit Report, Management Letter and Annual Meeting with Auditor</li> <li>• Mid-Year Budget Review</li> <li>• Review of Record Keeping Plan</li> <li>• Consolidated Status Report</li> </ul>
<b>July</b>	<ul style="list-style-type: none"> <li>• Risk Register Update (Standing Item)</li> <li>• Significant Accounting Policies/Position Papers</li> <li>• Audit of Purchase Requisitions over \$5k</li> <li>• Consolidated Status Report</li> <li>• Probity assessment of Contract Management Processes – East Fremantle Oval Redevelopment Project</li> </ul>
<b>November</b>	<ul style="list-style-type: none"> <li>• Review of Investment Policy and Performance</li> <li>• Draft Annual Financial Statements</li> <li>• External Audit Management Letters</li> <li>• Consolidated Status Report</li> </ul>

**REPORT ATTACHMENTS**

Attachments start on the next page

**Town of East Fremantle - 4 year Internal Audit Work Plan**

Activity	Frequency	Risk Identified	Person Performing the Task	Consequence Rating	Likelihood rating	Risk Category	2024			2025			2026			2027		
							February	July	November	February	July	November	February	July	November	February	July	November
Compliance Audit Return	Annually (Due 31 March)	Breach of Legislation	EA/Governance Coordinator. Legal firms do provide a niche service to review the CAR and verify the responses, and this might be a service that the Audit Committee may wish to consider? Previous cost estimate circa \$10k	2	2	Low	█			█			█			█		
Procurement Process Review (Contract Management Processes - East Fremantle Oval Redevelopment Project)	As required	Inadequate Probity of Tender Processes	The WALGA Procurement Team completed an independent review of the Town's Tender processes in 2018. \$10k	4	2	Moderate		█										
Review of Credit Card Policy	Every 2 - 3 years	Misappropriation of funds/breakdown in controls	Manager Finance	4	1	Low				█	█							
Receive 5 Year Statutory Review of Record Keeping Plan and assessment against OAG Better Practice Guide.	Every 5 years	Inadequate record keeping practices	Manager Corporate Services	3	3	Moderate	█				█							
Review of Investment Policy (Divestments)	Every 2 - 3 years	Not optimising return on investment	Executive Manager Corporate Services	2	2	Low			█									
Receive of Annual Financial Report	Annually	The Auditors Report is not received by the Statutory deadline of 31 December (\$7.9 LGA) due to inadequate audit preparation	Manager Finance	4	3	High			█		█			█				█
Information Systems Audit (Performance Audit OAG). Receive of Management Letter.	Annually	The Towns General Computer Controls are inadequate impacting business continuity and security of information	The GCC Audit has been performed in 2018, 2022 and 2023. It is expected that the Audit will be undertaken concurrently with the financial audit.	5	3	High			█		█			█				█
Review of Financial Management and Risk and Internal Control Systems	Every 3 years	That key findings from the FMR/Reg 17 Review are not actioned resulting in control weaknesses	Moore Stephens last performed this independent review in December 2022. Next review due November 2025. Estimated cost \$25k	3	3	Moderate					█							
Mid Year Budget Review	Annually	Inadequate oversight of financial management resulting in material variances	Manager Finance/Executive Manager Corporate Services	3	3	Moderate	█			█			█			█		
Review of Significant Accounting Policies/Preparation of Position Papers	Annually	Annual Budget and Annual Financial Report is not consistent with Significant Accounting Policies	Manager Finance	3	3	Moderate		█			█			█			█	
Audit of all purchase requisitions over \$5k for compliance with Purchasing Policy	Annually	Non-compliance with Purchasing Policy	Senior Finance Officer/Manager Finance	3	3	Moderate		█			█			█			█	
Receive Risk Register Update including assessment of implementation of risk treatments and controls	Annually	Failure to implement risk treatments resulting in greater likelihood	Manager Corporate services	4	3	High		█			█			█			█	
Receive Consolidated Status Report of all Audit Findings	Standing Item	Key findings are not actioned resulting in control weaknesses	Manager Finance	3	3	Moderate	█	█	█	█	█	█	█	█	█	█	█	█
Review of Controls pertaining to Payroll and the new Payroll Module	One-off	Payroll fraud	Senior Finance Officer/Manager Finance	3	1	Moderate												
Review of HR On-Boarding/Off-Boarding Process	Every 2 - 3 years	Inadequate controls regarding access to IT systems and custody of portable items	Coordinator Corporate Services/HR	4	2	Moderate												
Self Audit against Auditor General's Report 'Timely Payment of Suppliers'	Every 2 years	Late payment to suppliers	Senior Finance Officer	2	2	Low												
Establishment of Supplier Payments Policy and General Conditions of Contract for the Supply of Goods and Services under a Purchase Order	One-off	Late payment to suppliers	Executive Manager Corporate Services	2	2	Low												
Independent Review of Structure of Risk Register and evaluation of implementation of Risk Treatments	Every 4 years	Failure to implement risk treatments resulting in greater likelihood	Recommended that this be outsourced to an external risk consultant. Estimated cost \$8k	4	3	High												

11.2 2311 AUDIT EXIT MEETING

<b>Report Reference Number</b>	ACR-507
<b>Prepared by</b>	Phil Garoni, Finance Manager
<b>Supervised by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Meeting date</b>	Wednesday, 22 November 2023
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil

**Attachments**

1. Audit Exit Briefing Paper (late attachment) Confidential
2. Draft Management Letter – Financial Audit Confidential
3. Draft Management Letter – General Computer Control Audit Confidential
4. General Computer Controls – Capability Maturity Model Confidential

**PURPOSE**

The purpose of this report is to update the Audit Committee on timing for the issuance of the Auditor’s Report for the year ended 30 June 2023 and matters related to the external audit.

**EXECUTIVE SUMMARY**

Pursuant to the Local Government (Audit) Regulations 1996, the Auditors Report is to be forwarded within 30 days of completing the audit, and under section 7.9 (1) of the *Local Government Act 1995* the audit report is to be provided by the 31 December.

As per the proposed audit schedule, the Auditors Report was originally planned to be issued by the 24 November 2023. It is anticipated that this issue date will be delayed by a week or so as the audit exit meeting is scheduled for the 22 November 2023.

**BACKGROUND**

Section 6.4 of the *Local Government Act 1995* requires local governments to prepare an annual financial report for the preceding financial year. The financial report is to be prepared and presented in the manner and form prescribed in the *Local Government (Financial Management) Regulations 1996*. Local Governments are required to submit the annual financial report to its auditor by the 30 September.

The following table outlines the proposed audit planning schedule for the Annual Financial Report:

## 10. Proposed audit schedule

	Date
Audit planning	April 2023
Interim audit	17 April to 21 April 2023
Interim management letter	By 12 May 2023
Information systems audit	July - August 2023
Final trial balance	By 29 September 2023
Receipt of CEO signed annual financial report	By 29 September 2023
Receipt of information for the following certifications: <ul style="list-style-type: none"> <li>Roads to Recovery</li> <li>Local Roads and Community Infrastructure Program</li> </ul>	By 15 September 2023
Final audit	25 September to 20 October 2023
Audit opinions issued for the following certifications: <ul style="list-style-type: none"> <li>Roads to Recovery</li> <li>Local Roads and Community Infrastructure Program</li> </ul>	By 31 October 2023
Receipt of clearance on Resource Recovery Group (RRG) balances	By 31 October 2023*
Exit meeting (week ending)	18 November 2022*
Receipt of signed annual financial report and management representation letter	18 November 2023*
Audit opinion issued	By 24 November 2023* (within 5 working days of the receipt of signed annual financial report and management representation letter)

\*The proposed date is dependent on the RRG audit progress

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### CONSULTATION

Office of the Auditor General

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### STATUTORY ENVIRONMENT

Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* applies to audit in local government.

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### POLICY IMPLICATIONS

The Department of Local Government has published Operational Guideline No. 9 Audit in Local Government that covers the appointment, functions and responsibilities of Audit Committees.

**FINANCIAL IMPLICATIONS**

There are no financial implications associated with this item.

**STRATEGIC IMPLICATIONS**

- Strategic Priority 5 – Leadership and Governance
- 5.1 Strengthen organisational accountability and transparency.
- 5.3 Strive for excellence in leadership and governance.

**RISK IMPLICATIONS**

**RISKS**

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That the Auditor’s Report is not received by the 31 December.	Possible (3)	Moderate (3)	Moderate (5-9)	COMPLIANCE Some temporary non-compliance	Control through Audit Committee monitoring of audit plan...

**RISK MATRIX**

Consequence		Insignificant	Minor	Moderate	Major	Extreme	
		1	2	3	4	5	
Likelihood	Almost Certain	5	Moderate (5)	High (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)	High (10)
	Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

**RISK RATING**

<b>Risk Rating</b>	6
<b>Does this item need to be added to the Town’s Risk Register</b>	No
<b>Is a Risk Treatment Plan Required</b>	No

**SITE INSPECTION**

Not applicable.

**COMMENT**

The Audit Exit Meeting is scheduled for Wednesday 22 November 2023. At this meeting, the Chief Executive Officer will re-sign the Audited Financial Statements and the Management Representation Letter. The Annual Financial Statements will then be stamped by the Office of the Auditor General and the Auditors Report issued shortly thereafter. It is expected that the Auditors Report will be received no later than the week ending Friday 8 December 2023. The Town expects to receive an unqualified audit report.

The final management letter relating to the financial audit is attached for the Committee’s information. Three (3) findings are listed, assessed as moderate risk by the Auditors. Management comment is contained within this document.

The Town was also subject to a General Computer Control audit as previously advised. The draft management letter and Capability Maturity Assessment were only just received at the time of writing this report, and management comment has yet to be provided to the Office of the Auditor General. These documents are attached and will be further discussed with the Audit Committee at a later date.

**CONCLUSION**

**CHOOSE AN ITEM. OFFICER RECOMMENDATION / COMMITTEE RESOLUTION**

**Committee Resolution** Choose an item. Click or tap to enter a date.

**OFFICER RECOMMENDATION**

**That the Audit Committee:**

- 1. Receive and note the Annual Financial Audit Exit Brief as provided in the confidential attachment (late attachment).**
- 2. Receive the Management Letters as provided in the confidential attachments and note that audit findings will be incorporated into the consolidated status report for monitoring.**
- 3. Note that the Auditors Report for the year ended 30 June 2023 is expected to be received no later than Friday 8 December 2023.**
- 4. Request that representatives from the Office of the Auditor General be invited to attend the February 2024 Audit Committee Meeting to discuss matters pertaining to the final audit.**

**REPORT ATTACHMENTS**

Attachments start on the next page

Attachment -1  
Late Attachment









### 11.3 2311 RISK REGISTER

<b>Report Reference Number</b>	ACR-503
<b>Prepared by</b>	Bron Browning, Manager, Corporate Services
<b>Supervised by</b>	Peter Kocian, Executive Manager, Corporate Services
<b>Meeting date</b>	Wednesday, 22 November 2023
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil.
<b>Attachments</b>	
	1. Dashboard Report

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#### PURPOSE

It is recommended that the Audit Committee receive the attached Risk Register Dashboard Report.

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#### EXECUTIVE SUMMARY

The 2019 Financial Management Review identified the requirement for a comprehensive Risk Register to be developed and presented to the Audit Committee as a standing item. A dashboard of this register is appended to this Report.

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#### BACKGROUND

A report providing background to the Town's Risk Management Governance Framework was considered by the Audit Committee at its meeting of 7 November 2019. A risk assessment tool has since been adopted by Council, and features in all Council agenda items.

Smart Office Systems was engaged to assist the Town in providing a documented SharePoint Risk Register for the ongoing management and reporting of strategic and operational risks. This project work has resulted in the development of a Risk Register Dashboard Report, which is appended to this report.

A number of actions and timeframes have been attached to each of the risks, the status of which will be reported to the Audit Committee on a reoccurring basis.

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#### CONSULTATION

Executive Team

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#### STATUTORY ENVIRONMENT

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of a local governments systems and procedures in relation to risk management, internal control and legislative compliance separately or all at the one time, on the provision that each matter is reviewed at least once every three years. The CEO is also required to report the results of that review to Council.

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#### POLICY IMPLICATIONS

Council has adopted Policy 2.2.4 Risk Management.

**FINANCIAL IMPLICATIONS**

There are no financial implications relevant to this item.

**STRATEGIC IMPLICATIONS**

Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

**RISK IMPLICATIONS**

**11.3.1.1.1 RISKS**

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
A major function of the Audit Committee is to oversee the treatment/management of extreme risks. Failure to do so may result in adverse consequences.	Unlikely (2)	Major (4)	Moderate (5-9)	SERVICE INTERRUPTION Prolonged interruption of services - additional resources; performance affected <1 month	Manage by Active Monitoring

**RISK MATRIX**

Consequence		Insignificant	Minor	Moderate	Major	Extreme	
		1	2	3	4	5	
Likelihood	Almost Certain	5	Moderate (5)	High (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)	High (10)
	Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk

rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

**RISK RATING**

<b>Risk Rating</b>	8
<b>Does this item need to be added to the Town’s Risk Register</b>	No
<b>Is a Risk Treatment Plan Required</b>	No

**SITE INSPECTION**

Not applicable

**COMMENT**

Council was provided with the following information at its Council Meeting of 19 September 2023. This information is still current.

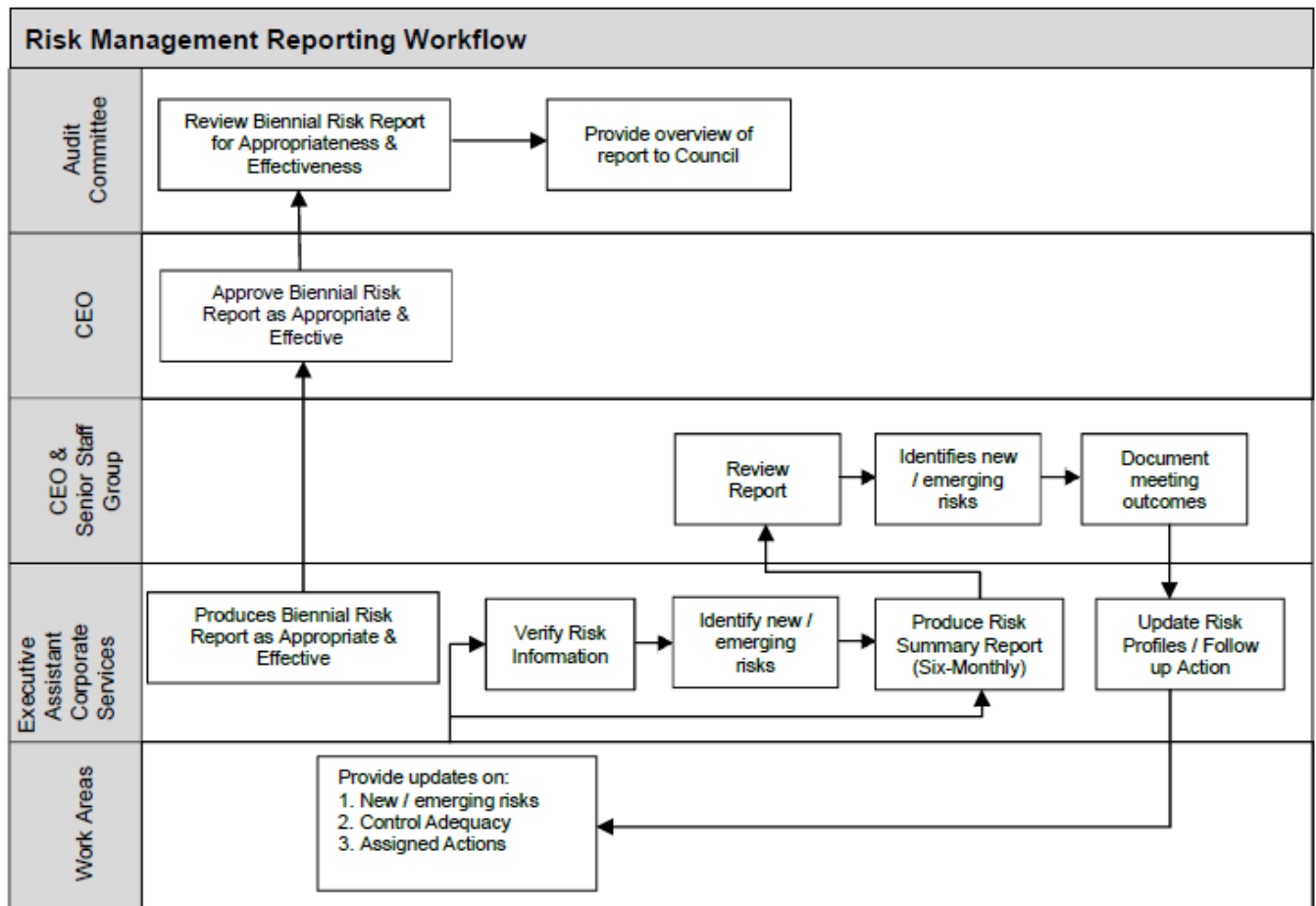
Council’s Risk Management Policy includes the following risk appetite statement:

*The Town defined its risk appetite through the development and endorsement of the Town’s Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Procedures and are subject to ongoing review in conjunction with this policy.*

*All organisational risks to be reported at a corporate level are to be assessed according to the Town’s Risk Assessment and Acceptance Criteria to allow consistency and informed decision making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisation’s appetite and are to be noted within the individual risk assessment and approved by a member of the Senior Staff Group.*

*As a public body, there is an expectation that the Town will maintain an inherent low appetite for risk and as a consequence adopt policies and maintain systems and procedures to create value and protect, the Town, and its stakeholders.*

The following is an extract from the Town’s Risk Management Procedures which illustrates a high-level view of the ongoing reporting process for Risk Management:



Thus, the following summary is being presented to the Audit Committee:

- Individual risks with a residual risk rating of “high”.
- Individual risk controls and treatments that are “inadequate.”
- Outstanding actions.

Please note the distinction between “inherent risk” and “residual risk” – inherent risk is typically defined as the level of risk in place in order to achieve an entity’s objectives and before actions are taken to alter the risk’s impact or likelihood. Residual risk is the remaining level of risk following the development and implementation of the entity’s response.

1. Risk Register – Residual Risk Ratings of High

The Town’s Risk Register contains 139 specific risks categorised by 16 defined risk profiles.

There are 2 specific risks (illustrated in the table below) with a residual risk rating of 10 or more (“high”) and 21 risks with a risk rating of 9.

Risk Description	Residual Risk Rating	Major Consequence	Likelihood	Additional Comment
Employment Practices – un-competitiveness of remuneration	12	Service Interruption	Likely	Whilst Council has been very supportive approving a 5% increase in salaries and wages for 23/24, real wages have decreased in the last 5 financial years with a cumulative maximum wage increase of 13% compared to an increase of 20.2 in the Perth price index between December 2018

				(111.3) and June 2013 (131.5). Turnover rate is increasing with remuneration one of the key reasons.
Safety and Security – Inadequate organisational Emergency Management requirements	10	Health	Unlikely	Some controls are assessed to be ineffective and there are several outstanding actions as discussed later in this report.

**Risk by risk profile**



**2. Risk Controls**

The Town has documented 616 Risk Controls which have been assigned to 139 specific risks. Risk control refers to mitigating or reducing risks associated with a particular activity. Controls generally relate to existing actions that are undertaken to modify the risk.

Some of the controls are duplicated as they relate to more than one risk. Controls are categorized as either “preventative” or “detective.” Controls ratings are assessed as either:

- Inadequate – needs corrective actions to improve.
- Adequate – some scope for improvement.
- Effective – little scope for improvement.

The following risk controls are assessed as “inadequate”:

Risk Control	Comment
Business Continuity Plan Exercises	Business continuity exercises are recommended annually. The last exercise was undertaken in 2019.

Contracts to be provided to Finance for review in accordance with the Purchasing Policy	Council's Purchasing Policy requires all purchases over \$50k to have a written contract and for a copy to be provided to Corporate Services for review and to be registered in the Contract Register. This workflow is not followed at all times. To address this, an Office 365 Contract's Register and workflow has been developed.
Key Register	The Town has not audited its key register for some time. Digital FOB systems have been installed for the Town Hall and Dovenby House, and digital systems should be considered for other facilities.
Local Emergency Management Exercises	The Town has a joint Local Emergency Management Arrangement with the City of Fremantle. The Town's Principal EHO is the Town's representative and coordination may have lost a bit of traction with staff turnover/absence.
Project Governance Framework	A Project Governance Framework has been developed but is not implemented on all occasions i.e., limited Project Initiation Documents/Project Plans have been prepared. Project sizing to be discussed at ELT to determine how the governance framework is to be used.
Redundancy power for key facilities	Town facilities do not have back up power including the Tricolore Community Centre which is designated as the emergency welfare centre.
Self-assessment against Policies and Procedures	The Town does not have an internal auditor to assess compliance against Council Policies.
WHS training for all staff with significant decision-making authority	The WHS Regulations 2022 have transformed the requirements for safety and placed significant responsibilities on all business leaders. The Town needs to assess training requirements and resource support in this area.

### 3. Risk Actions

The Town has documented 244 risk actions. There is some overlap between the documented risk controls and risk actions, but the actions generally reflect new activities that are planned or underway.

Some proposed actions have been outstanding for some time, indicating that additional resources may have to be allocated if these activities are considered a priority.

- Annual Business Continuity Exercise
- Council adoption of Asset Management Plans
- Review of Local Emergency Plan
- Review of WHS Manual
- Building accessibility audits (DAIP)
- Develop a Complaints Policy concerning staff behaviour
- Develop an Organisational Development and Training Plan
- Develop a Health and Wellbeing Strategy
- Develop a Staff Reward and Recognition Program
- Develop a Staff Attraction and Retention Strategy
- Statutory review of all local laws (due 2024)
- Building evacuation exercises
- Fire warden training



- First aid training certification
- Implementation of Urban Forest Strategy
- Rehabilitation plan for Jerrat Drive Foreshore
- Complete CHRMAP
- Fully implement Project Governance Framework
- Street tree audit and asset register
- Implement the LGIS Tree Management Guide

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## CONCLUSION

The Town's Risk Management maturity is evolving following the creation of the Office 365 Risk Register application and staff training workshops. Resources will need to be allocated to support the implementation of the risk actions, including in the WHS area.

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## CHOOSE AN ITEM. OFFICER RECOMMENDATION / COMMITTEE RESOLUTION

**Committee Resolution** Choose an item. Click or tap to enter a date.

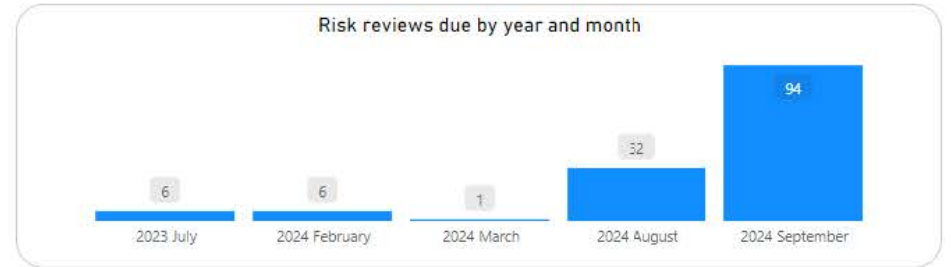
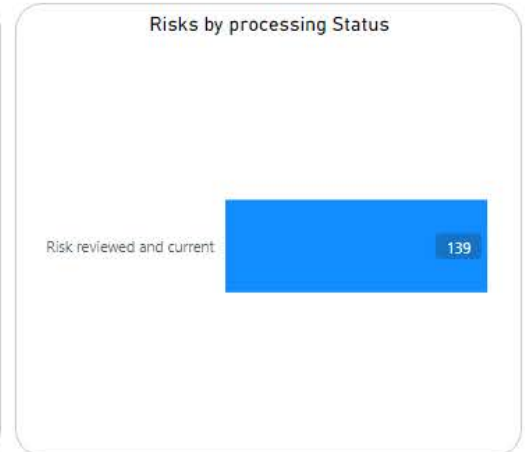
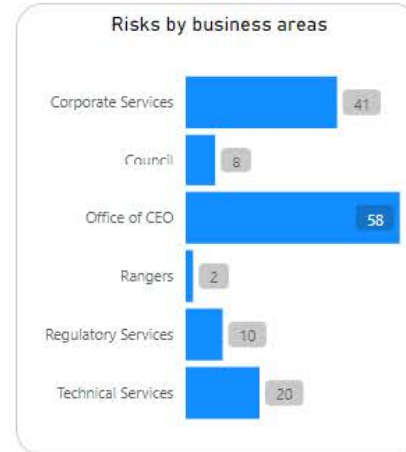
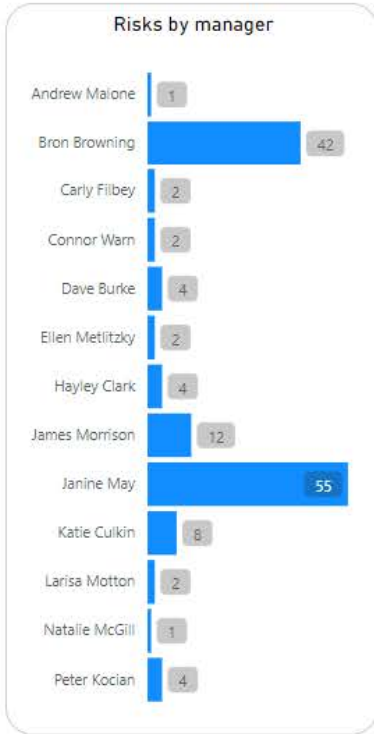
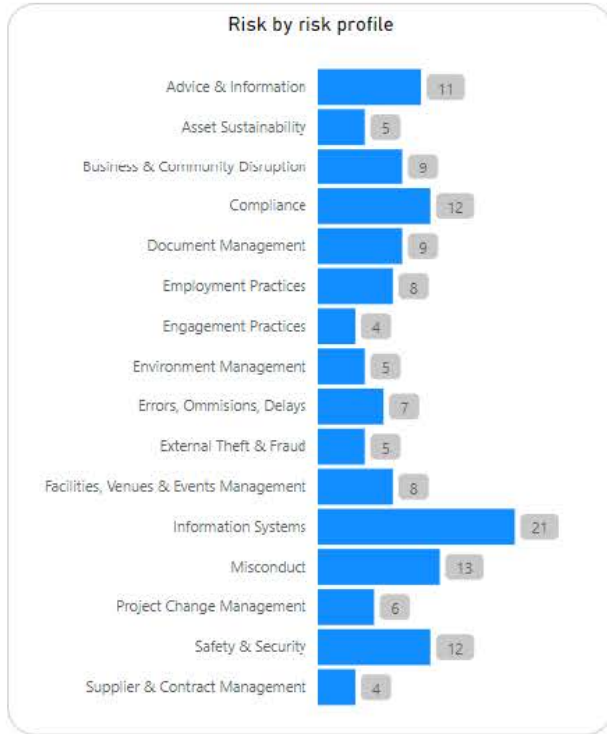
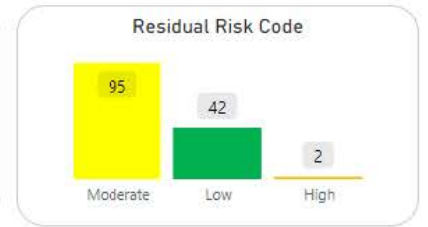
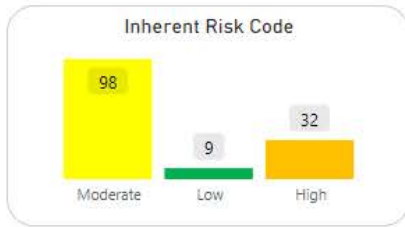
### OFFICER RECOMMENDATION

**That the Audit Committee recommend Council receives the Risk Register Dashboard as appended to this report and note that the current actions and timeframes contained within this document will be reviewed by the Committee on a reoccurring basis.**

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## REPORT ATTACHMENTS

Attachments start on the next page



## 11.4 2311 STATUS REPORT

<b>Report Reference Number</b>	ACR-505
<b>Prepared by</b>	Phil Garoni, Finance Manager
<b>Supervised by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Meeting date</b>	Wednesday, 22 November 2023
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	

### 1. Consolidated Status Report Confidential

#### PURPOSE

It is recommended that the Audit Committee receive a status report on all outstanding matters raised in external audit reports, financial management reviews, performance audits, internal audit reports and any other review relevant to the Audit Committee's Terms of Reference.

#### EXECUTIVE SUMMARY

A status report has been prepared reporting against identified issues with respect to audit, risk management, internal controls, procurement matters and legislative compliance. The status report is not an exhaustive listing and is a fluid document and updated as issues are identified. It is presented to the Audit Committee to assist in their role to report to Council and provide advice and recommendations on matters relevant to its terms of reference.

#### BACKGROUND

Department of Local Government has published an Operational Guideline on Audit in Local Government. Appendix 3 of this Guideline lists several matters that should be presented to an Audit Committee for review and monitoring:

##### Risk Management:

- Reviewing whether the local government has an effective risk management system;
- Reviewing whether the local government has a current and effective business continuity plan;
- Reviewing areas of potential non-compliance with legislation, regulations and standards and local governments policies;
- Reviewing the following; litigation and claims, misconduct, and significant business risks;
- Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewing the effectiveness of the local governments internal control system with management and the internal and external auditors;
- Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied.

Internal Control Systems:

- Separation of roles and functions, processing and authorisation;
- Control of approval of documents, letters and financial records;
- Limit of direct physical access to assets and records;
- Control of computer applications and information system standards;
- Regular maintenance and review of financial control accounts and trial balances;
- Comparison and analysis of financial results with budgeted amounts;
- Report, review and approval of financial payments and reconciliations;
- Comparison of the result of physical cash and inventory counts with accounting records.

Legislative Compliance:

- Monitoring compliance with legislation and regulations;
  - Reviewing the annual Compliance Audit Return and reporting to Council the results of that review;
  - Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;
  - Obtaining assurance that adverse trends are identified and review managements plans to deal with these;
  - Reviewing management disclosures in financial reports of the effect of significant compliance issues;
  - Considering the internal auditors role in assessing compliance and ethics risks in their plan;
- Monitoring the local government’s compliance frameworks dealing with relevant external legislation and regulatory requirements.

**CONSULTATION**

Executive Leadership Team  
 Manager Corporate Services  
 Responsible staff for implementing recommendations.

**STATUTORY ENVIRONMENT**

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of a local governments systems and procedures in relation to risk management, internal control and legislative compliance separately or all at the one time, on the provision that each matter is reviewed at least once every three years. The CEO is also required to report the results of that review to Council.

**POLICY IMPLICATIONS**

There are no Council Policies relevant to this matter.

**FINANCIAL IMPLICATIONS**

There are no direct financial implications stemming from the Officer’s Recommendation. However, should the Audit Committee request independent assurance that controls have been implemented, then 3<sup>rd</sup> party costs will be incurred.

**STRATEGIC IMPLICATIONS**

Strategic Priority 5 – Leadership and Governance.  
 5.1 Strengthen organisational accountability and transparency.  
 5.3 Strive for excellence in leadership and governance.

RISK IMPLICATIONS

RISKS

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That key audit findings are not actioned within a timely manner	Possible (3)	Moderate (3)	Moderate (5-9)	COMPLIANCE Some temporary non-compliance	Control through oversight by the Audit Committee and ensuring adequate budget allocation for resourcing....

RISK MATRIX

Consequence		Insignificant	Minor	Moderate	Major	Extreme	
		1	2	3	4	5	
Likelihood	Almost Certain	5	Moderate (5)	High (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)	High (10)
	Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives: occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

RISK RATING

<b>Risk Rating</b>	9
<b>Does this item need to be added to the Town’s Risk Register</b>	Yes
<b>Is a Risk Treatment Plan Required</b>	No

SITE INSPECTION

Not Applicable.

**COMMENT**

The consolidated status report has been updated with new findings from the recent external audit, general computer control audit, financial management review and audit reg 17 reviews completed in 2022, interim and final annual financial audit for 22/23 financial year and have been updated with management comment.

There was a total of 33 audit findings in the original status report that predominantly arose from the financial management review and audit reg 17 reviews completed in 2019 and 2022. Since the original listing the following items have been included:

- One item arising from the interim annual financial audit for 22/23 financial year and
- Three items arising from the final annual financial audit for 22/23 financial year.
- Three new items arising from OAG IS audit for 2023.
- Removed duplicate item which was also listed as item 19.

Note the OAG IS 2023 audit resulted in 9 findings of which 6 related to prior years.

All items that were marked as complete from the prior status report have been hidden within the document, leaving only those findings as incomplete or ongoing, with updated comment.

An Internal Audit Work Plan is submitted to the Audit Committee annually. At this time, the Audit Committee can resolve on priority internal audit projects and allocate resources accordingly.

Risk Category	No. Active Findings	Completed	Underway	Ongoing	Not Commenced
High	9	2	4	1	2
Medium	18	4	8	2	4
Low	12	2	8	-	2
	<b>39</b>	<b>8</b>	<b>20</b>	<b>3</b>	<b>8</b>

**CONCLUSION**

The Audit Committee should satisfy itself that the Town’s performance in relation to completion against the Consolidated Status Report is acceptable and within the parameters of the Risk Framework.

**CHOOSE AN ITEM. OFFICER RECOMMENDATION / COMMITTEE RESOLUTION**

**Committee Resolution** Choose an item. Click or tap to enter a date.

**OFFICER RECOMMENDATION**

**That the Audit Committee receives the Consolidated Status Report on items relevant to its Terms of Reference.**

**REPORT ATTACHMENTS**

Attachments start on the next page

Attachment -1  
Confidential Attachment

12 MATTERS BEHIND CLOSED DOORS

13 CLOSURE OF MEETING