



AGENDA

Audit Committee Meeting

Monday, 8 March 2021 at 6.30pm

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.

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NOTICE OF MEETING

Elected Members

An Ordinary Meeting of the Audit Committee will be held on **Monday, 8 March 2021** in the Council Chamber, 135 Canning Highway, East Fremantle commencing at 6.30pm and your attendance is requested.



GARY TUFFIN
Chief Executive Officer

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**
 - 3.1 Attendance**
 - 3.2 Apologies**
 - 3.3 Leave of Absence**
- 4. MEMORANDUM OF OUTSTANDING BUSINESS**
- 5. DISCLOSURES OF INTEREST**
 - 5.1 Financial**
 - 5.2 Proximity**
 - 5.3 Impartiality**
- 6. PUBLIC QUESTION TIME**
 - 6.1 Responses to previous questions from members of the public taken on notice**
 - 6.2 Public Question Time**
- 7. PRESENTATIONS/DEPUTATIONS**
 - 7.1 Presentations**
 - 7.2 Deputations**

8. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

8.1 Audit Committee (4 November 2020)

8.1 OFFICER RECOMMENDATION

That the minutes of the Audit Committee meeting held on Wednesday 4 November 2020 be confirmed as a true and correct record of proceedings.

9. ANNOUNCEMENTS BY THE PRESIDING MEMBER

TOWN OF
EAST FREMANTLE



MINUTES

Audit Committee Meeting

Wednesday, 4 November 2020 at 6.30pm

Disclaimer

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 I) 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

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**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 29 JANUARY 2020**



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**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



**MINUTES OF THE ORDINARY MEETING OF THE AUDIT COMMITTEE HELD IN THE COUNCIL CHAMBER,
135 CANNING HIGHWAY EAST FREMANTLE ON WEDNESDAY, 4 NOVEMBER 2020.**

1. DECLARATION OF OPENING OF MEETING/ANNOUNCEMENTS OF VISITORS

The Presiding Member opened the meeting at 6.37pm.

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

3.1 Attendance

The following members were in attendance:

Cr A Natale	Presiding Member
Cr A McPhail	
Cr M McPhail	
Cr A Watkins	

The following staff were in attendance:

Mr G Tuffin	Chief Executive Officer
Mr P Kocian	Executive Manager Corporate Services
Ms Bron Browning	Minute Secretary

3.2 Apologies

Mayor J O'Neill
Cr J Harrington

3.3 Leave of Absence

Nil.

4. MEMORANDUM OF OUTSTANDING BUSINESS

Nil.

5. DISCLOSURES OF INTEREST

5.1 Financial

Nil.

5.2 Proximity

Nil.

5.3 Impartiality

Nil.

6. PUBLIC QUESTION TIME

6.1 Responses to previous questions from members of the public taken on notice

Nil.

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



6.2 Public Questions

Nil.

7. PRESENTATIONS/DEPUTATIONS

7.1 Presentations

Nil.

7.2 Deputations

Nil. The Auditor will be at the next meeting

8. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

8.1 Audit Committee (29 June 2020)

8.1 OFFICER RECOMMENDATION

Moved Cr A McPhail, seconded Cr M McPhail

That the minutes of the Audit Committee meeting held on Monday 29 June 2020 be confirmed as a true and correct record of proceedings.

(CARRIED UNANIMOUSLY)

9. ANNOUNCEMENTS BY THE PRESIDING MEMBER

Nil.

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



10. REPORTS

10.1 Interim Audit Management Letter

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	4 November 2020
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Interim Audit Management Letter for Year Ended 30 June 2020

Purpose

The purpose of this report is for the Audit Committee to receive the Audit Management Letter from the 2020 interim audit.

Executive Summary

Interim Audit results for the year ended 30 June 2020 are presented to the Audit Committee in the attached management letter. The focus of the interim audit was to evaluate the Town's overall control environment and to obtain an understanding of the key business processes, risks and internal controls relevant to the audit of the annual financial report.

Background

In accordance with 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 by an Auditor.

Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* addresses the situation of audit. In relation to the duties of the local government with respect to audits –

- a. *the local government is to do everything in its power to –*
 - i. *assist the auditor to conduct an audit and carry out his or her other duties under the Act; and*
 - ii. *ensure that audits are conducted successfully and expeditiously;*
- b. *a local government is to meet with its auditor at least once in every year;*
- c. *a local government is to examine the report of the auditor and is to –*
 - i. *determine if any matters raised require action to be taken by the local government; and*
 - ii. *ensure that appropriate action is taken in respect of those matters;*
- d. *local government is to –*
 - i. *prepare a report on any actions taken in respect of any matters raised in the report of the auditor; and*
 - ii. *forward a copy of that report to the Minister by the end of the next financial year, or six months after the last report prepared by the auditor is received by the local government, whichever is the latest in time.*

The primary role of the Audit Committee is 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 Committee should critically

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



examine the audit and management reports provided by the external auditor and then determine if matters raised in the reports require action to be taken by the local government administration.

Consultation

Chief Executive Officer

Statutory Environment

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

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

The annual budget includes an allocation of \$25,000 for internal audit project work. There may be a cost associated with implementing some of the audit findings.

Risk Implications

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Theme	Risk Action Plan (Controls or Treatment proposed)
Key findings from the interim and annual audits are not actioned	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance	Control through Audit Committee monitoring of status report

Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
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.

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



Risk Rating	9
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

Comment

All of the key findings from the interim and annual audit will be incorporated into the standing Status Report and will be presented to the Audit Committee for ongoing monitoring.

There are 11 findings contained within the Interim Audit Management Letter – 4 findings were identified in the current audit and 7 findings carried over from prior year audits.

Three of the current audit findings have been reviewed, controls implemented, and can be marked off as complete.

Of the 7 prior year findings, 2 have been completed, and 4 of the findings are considered to be ongoing as they relate to recurrent activities and are not static items.

10.1 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION A011120

Moved Cr A McPhail, seconded Cr Watkins

That the Audit Committee recommend Council:

- 1. receive the Audit Management Letter from the Interim Audit for the Year Ended 30 June 2020, as presented as attachment 1 to this report.**
- 2. note that the key audit findings will be incorporated into the standing Status Report and will be presented to the Audit Committee for ongoing monitoring.**

(CARRIED UNANIMOUSLY)

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



10.2 Recurrent Status Report – Risk Management, Internal Controls and Legislative Compliance

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	4 November 2020
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Status Report

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 will become a living 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

The Department of Local Government has published an Operational Guideline on Audit in Local Government. Appendix 3 of this Guideline lists a number of 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;

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



- 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

Chief Executive Officer

Manager Finance and Administration

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 item.

Financial Implications

There are no financial implications relevant to this item.

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



Risk Implications

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

Risk Matrix

Consequence		Insignificant	Minor	Moderate	Major	Extreme
Likelihood		1	2	3	4	5
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	9
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

Comment

The status sheet has been updated accordingly.

The following summary of completion is provided:

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WEDNESDAY, 4 NOVEMBER 2020**



Risk Category	No. Issues	Completed	Underway	Not Commenced
High	21	15	5	1
Medium	38	24	19	5
Low	11	8	2	1
	70	47	26	7

10.2 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION A021120

Moved Cr Watkins, seconded Cr M McPhail

That the Audit Committee receives the status report on items relevant to its Terms of Reference.

(CARRIED UNANIMOUSLY)

NB: The Committee agreed that all completed items on the Status Report would be removed following the next meeting of the Audit Committee. A traffic light status will also be added to the last column of the Status Report.

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



10.3 Operational and Strategic Risk Registers

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	4 November 2020
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Operational Risk Register 2. Strategic Risk Register

Purpose

It is recommended that the Audit Committee receive the attached Operational and Strategic Risk Register.

Executive Summary

The Town's most recent Financial Management Review identified the requirement for a comprehensive Risk Register to be developed and presented to the Audit Committee as a standing item. This project has now been completed, with an Operational Risk Register and Strategic Risk Register appended to this report.

Background

Operational Risk Register

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. Any item with a risk rating over 16 is required to be included in the attached Operational Risk Register.

The 2019 General Computer Control (GCC) Audit also included a finding that *"a register to track and record the Town's information risks does not exist"*. An Information Systems risk profile has now been incorporated into the Operational Risk Register and includes all findings from the GCC Audit.

Strategic Risk Register

Local Government Insurance Services (Risk Management Team) was engaged to assist the Town to identify potential strategic risks, facilitate the assessment and development of mitigation activities for prioritised strategic risks, and to provide a documented format for the ongoing management and reporting of strategic risks.

The above project work has resulted in the development of a Strategic Risk Dashboard Report (see attached Strategic Risk Register). Five key strategic risks have been identified by the Executive Team:

- Waste Recycling
- Inadequate provision of facilities or services
- East Fremantle Oval Precinct Project
- Strategic Planning
- Stakeholder Engagement

The inherent risk (risk prior to implementation of any controls) is considered to be high or extreme for all of the aforementioned. A number of actions and timeframes have been attached to each of the Strategic Risks, the status of which will be reported to the Audit Committee on a reoccurring basis.

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



Consultation

Executive Team

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

Council has adopted Policy 2.2.4 Risk Management.

Financial Implications

There are no financial implications relevant to 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

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 actively monitoring

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
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	8
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Comment

The Dashboard reports from the Risk Registers identify a number of actions to be completed within the next 12-months. The Committee's attention is drawn to these items and any queries/concerns/prioritised actions will be documented in the minutes from this meeting and reported against by staff at the next meeting.

10.3 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION A031120

Moved Cr Watkins, seconded Cr A McPhail

That the Audit Committee receives the Operational Risk Register and Strategic Risk Register 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.

(CARRIED UNANIMOUSLY)

NB: The Audit Committee requested that only the dashboard summary be presented for future meetings with the exception of a new risk profile. The bar graph on top of the Strategic Risk Register is also to be removed. A definition of each risk is to be added to the Operational Risk Register dashboard.

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



10.4 Annual Financial Report Audit – Planning Summary

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	4 November 2020
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Annual Financial Report Audit – Planning Summary

Purpose

The purpose of this report is for the Audit Committee to receive the Annual Financial Report Audit – Planning Summary.

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 contained on page 11 of the attached Annual Financial Report Audit – Planning Summary, the Auditors Report is intended to be issued the 11 December.

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:

Final Trial Balance	12 October
Receipt of Annual Financial Report	12 October
Final Audit	26 October – 20 November
Exit Meeting (week ending)	4 December
Receipt of Signed Financial Statements and Management Representation Letter	7 December
Issue of Auditor's Report	By 11 December

Consultation

Chief Executive Officer

Statutory Environment

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

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



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.

Risk Implications

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	Control through Audit Committee monitoring of audit plan

Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
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	9
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

**MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020**



Comment

The final audit field work has commenced. Given that the Auditors Report is planned to be issued on the 11 December, a Special Meeting of the Audit Committee will be required in January 2021 to receive the audited Annual Financial Report for the year ended 30 June 2020. This will then enable the preparation of the 2019/20 Annual Report which will be submitted to the February 2021 Ordinary Meeting of Council.

There are also some foreshadowed changes to the *Local Government (Financial Management) Regulations 1996* which may impinge audit timelines, as they are to be applied retrospectively to the accounts as at 30 June 2020. The *Local Government (Financial Management) Amendment Regulations 2020* was going to be tabled at the Executive Council on 20 October 2020 with the aim for it be gazetted on 23 October 2020. This did not occur. Local Government Professionals has advised that the next Executive Council meeting is 3 November 2020. The Parliamentary Counsel's Office now handles publishing in the Government Gazette; therefore, it is expected publication in the Gazette to be Friday 6 November 2020 or Tuesday 10 November 2020, assuming it is approved at the Executive Council Meeting. It is our understanding that the Office of Auditor General is not signing off audits until the amendments are gazetted.

10.4 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION A041120

Moved Cr A McPhail, seconded Cr Watkins

That the Audit Committee recommend that Council:

- 1. receive the Annual Financial Report Audit – Planning Summary.**
- 2. note that Auditors Report is planned to be issued on the 11 December 2020, meaning that a special meeting of the Audit Committee/Council may be required in January 2021 to receive the Annual Financial Report inclusive of the Auditor's report, and to meet with the Auditor to discuss audit findings.**

(CARRIED UNANIMOUSLY)

MINUTES OF AUDIT COMMITTEE MEETING
WEDNESDAY, 4 NOVEMBER 2020



11. **MATTERS BEHIND CLOSED DOORS**
Nil.

12. **CLOSURE OF MEETING**
Meeting closed at 8.00pm.

*I hereby certify that the Minutes of the ordinary meeting of the **Audit Committee** of the Town of East Fremantle, held on **4 November 2020**, Minute Book reference 1. to 12. were confirmed at the meeting of the Committee on*

.....

Presiding Member

10. REPORTS

10.1

Attendance of Office of Auditor General

File ref

F/AUD1

Prepared by

Peter Kocian, Executive Manager Corporate Services

Supervised by

Gary Tuffin, Chief Executive Officer

Meeting Date:

8 March 2021

Voting requirements

Simple Majority

Documents tabled

Nil

Attachments

1. Audit Opinion **Confidential Attachment**
2. Final Audit Findings for the year ended 30 June 2020 **Confidential Attachment**
3. Interim Audit Findings for the year ended 30 June 2020 **Confidential Attachment**

Purpose

The Audit Committee is being requested to note that representatives (Mr Jeff Sweetman – Audit Manager; Mr Aram Madnack – Director) from the Office of Auditor General will be attending the March meeting.

Executive Summary

The Town has requested attendance by the Office of Auditor General to this meeting. This presents an opportunity for the Committee to meet with the Audit Team to discuss the Audit Plan and any matters relating to the external audit.

Background

On 24 August 2017, amendments to the *Local Government Act 1995* were passed by State Parliament that enables the Auditor General to audit Council finances and performance. The reforms will change the way local government audits are conducted.

The Auditor General will take over responsibility for financial audits on a transitional basis as existing audit contracts expire. The Town of East Fremantle fell under the audit remit of the Office of Auditor General from the 2018/19 financial year.

Consultation

Office of Auditor General

Statutory Environment

Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* addresses the situation of audit. In relation to the duties of the local government with respect to audits –

- a. the local government is to do everything in its power to –
 - i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and
 - ii. ensure that audits are conducted successfully and expeditiously;
- b. **a local government is to meet with its auditor at least once in every year;**
- c. a local government is to examine the report of the auditor and is to –
 - i. determine if any matters raised require action to be taken by the local government; and
 - ii. ensure that appropriate action is taken in respect of those matters;
- d. local government is to –

- i. prepare a report on any actions taken in respect of any matters raised in the report of the auditor; and
- ii. forward a copy of that report to the Minister by the end of the next financial year, or six months after the last report prepared by the auditor is received by the local government, whichever is the latest in time.

Policy Implications

There are no Council Policies relevant to this item.

Financial Implications

There are no financial implications relevant to 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

Comment

The Independent Auditor's Report is appended to this report. The Auditor has provided the opinion that the financial report of the Town of East Fremantle:

- (i) Is based on proper accounts and records; and
- (ii) Fairly represents, in all material respects, the results of the operations of the Town for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

The Auditor has however raised two (2) 'significant' matters that meet the review and reporting requirements of section 7.12A (3)(4) of the *Local Government Act 1995*. These matters are listed below, along with management comment.

Significant Finding 1

The following material matter indicates a significant adverse trend in the financial position of the Town:

- a. The Operating Surplus Ratio as reported in Note 34 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the past three financial years.

Management Comment

This material matter was also reported in the independent auditor's report for last year. Management comment is repeated below.

Council adopted a 15-year Strategic Resource Plan (combined asset management and long-term financial plan) at its ordinary meeting of May 2019. Section 5.11 of this document discusses the forecast operating ratios from 2019-2034. The Operating Surplus Ratio is not projected to meet the Department's standard of 1.00% until the 2028-29 financial year. Council is aware of this, with the following comment provided in the agenda report of May 2019:

Council has a legislative requirement to comply with the principles of sound financial management, of which a key component is the preparation of a Long-Term Financial Plan. The Office of Auditor General

is also required to undertake a performance audit of adverse financial trends in the financial position or the financial management practices of the local government. This will be limited a high-level assessment of whether the 7 financial ratios reported in the notes to the financial report achieved the standards set by the Department of Local Government, Sport and Cultural Industries. Council therefore needs to be cognizant of the ratio analysis included in the Forecast Financial Statements as 3 of the ratios are below benchmark.

A number of assumptions underpin the Strategic Resource Plan, including a 3% annual rate increase. Every endeavour will be made to ensure operating revenue grows at a faster rate than operating expenditure in order to achieve an improved Operating Surplus Ratio.

Additional Comment: A local government working group has been established to review the rationale and calculations of each of the statutory ratios and provide recommendations to the Department. Changes are being proposed to each of the ratios including the Operating Surplus Ratio. The working group consensus is that the ratio is flawed as it excludes recurrent grants that are tied to expenditure. This is the case for the Town of East Fremantle whereby we are required to include operating expenditure associated with the delivery of CHSP services in the numerator of the ratio but exclude the annual grant revenue in the denominator. This results in an unfavourable ratio.

The following are material matters identified by the Auditor indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law.

Significant Finding 2

Access controls over a key application of the Town were inadequate to contribute to appropriate segregation of duties. This could lead to inappropriate use of the application; however, our audit testing did not identify any such instances.

Management Comment

1. A review of user access has been completed and new permissions implemented. Screen shots of all changes have been provided to the Office of auditor General.
2. New user groups have been established to inform access levels. The 'New User' IT form now includes a check box to assign permission levels.

Regulations require the auditor, where appropriate, to prepare a management report to accompany the auditor's report. Although there is no legislative requirement for the auditor to prepare a management report unless deemed appropriate, local governments may wish to require the auditor to prepare a report on all issues identified during the audit.

The audit findings from interim and final audit is presented as attachment 2 and 3 to this report and will be incorporated into the standing status report that is presented to the Audit Committee for ongoing monitoring.

10.1 OFFICER RECOMMENDATION

That the Audit Committee note that representatives from the Office of Auditor General will be attending the March Meeting to discuss the Audit Opinion and Audit Findings for the year ended 30 June 2020.

10.2 Compliance Audit Return 2020

Applicant	Town of East Fremantle
File ref	A/DLG1
Prepared by	Janine May, EA to CEO
Supervised by	Peter Kocian, Acting Chief Executive Officer
Date of Meeting	8 March 2021
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Compliance Audit Return 2020

Purpose

To facilitate the adoption of the Compliance Audit Return 2020 for submission to the Department of Local Government, Sport and Cultural Industries (DLGSC) by 31 March 2021.

Executive Summary

The statutory Compliance Audit Return runs on a calendar year basis and is for the period 1 January to 31 December 2020.

The statutory Compliance Audit Return has been completed by self-assessment by the Executive Assistant to the Chief Executive Officer, Executive Manager Corporate Services and Chief Executive Officer.

Background

The Compliance Audit Return is required to be:

1. reviewed by the Audit Committee,
2. presented to an Ordinary Meeting of Council,
3. adopted by Council; and
4. recorded in the minutes of the meeting at which it is adopted.

After the Compliance Audit Return (CAR) has been presented to Council, a certified copy of the return signed by the Mayor and Chief Executive Officer, along with the relevant section of the minutes and any additional information detailing the contents of the return are to be submitted to the DLGSC by 31 March 2021.

Statutory Environment

Section 7.13(i) of the *Local Government Act 1995* requires that each local government carry out a compliance audit for the period 1 January to 31 December each year.

Regulations 14 & 15 of the *Local Government (Audit) Regulations 1996* specify requirements with respect to the compliance audit.

Policy Implications

There are no policy implications.

Financial Implications

There are no financial implications.

Strategic Implications

The Town of East Fremantle Strategic Community Plan 2017 – 2027 states as follows:

STRATEGIC PRIORITY 5: Leadership and Governance

A proactive, approachable Council which values community consultation, transparency and accountability.

5.1 Strengthen organisational accountability and transparency.

Site Inspection

N/A

Risk Implications

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)
Non compliance with statutory requirements	Rare (1)	Major (4)	Low (1-4)	COMPLIANCE Short term non-compliance but with significant regulatory requirements imposed	Manage by self-assessment tools such as the Compliance Audit Return

Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
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	4
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Comment

The statutory Compliance Audit Return has been completed.

Council complied in almost all areas of the Return with only the two following questions requiring explanation:

Finance

Question 7 Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?

Yes. Two significant matters were reported. These were considered at the Special Council Meeting on 27 January 2021, and a report provided to the Minister as required. One of the findings has been fully addressed whilst the other finding relates to an adverse trend in the Town's Operating Surplus Ratio.

Tenders for Providing Goods and Services

Question 2 Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000?

No. The Office of Auditor General identified instances where the requisite number of quotations were not obtained for purchases between the value of \$5,000 and \$20,000.

During the Auditor's procurement testing, 6 purchases were identified in this range, out of a sample of 8, where there was insufficient documentation to indicate that the requisite number of quotations had been obtained.

Extended security permissions, including a purchasing requisition system, were implemented in June 2019. Staff are now required to upload evidence of quotations for purchases in excess of \$5,000 against a requisition request, which is converted into a purchase order only after it has been reviewed and approved by a Manager.

A procurement review of all purchases over \$5k, for the period 1 July 2019 to 22 May 2020, for assessment of compliance against Council's Purchasing Policy was presented to the Audit Committee Meeting of 29 June 2020. Of 111 purchase orders reviewed, 97 were deemed compliant with the Purchasing Policy. Staff education and constructive reinforcement of purchasing requirements has been implemented.

10.2 OFFICER RECOMMENDATION

That the Audit Committee endorse the submission of 2020 Compliance Audit Return to Council for adoption.

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
Local Government, Sport
and Cultural Industries

East Fremantle - Compliance Audit Return 2020

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2020?	N/A		Peter Kocian
2	s3.59(2)(b) F&G Regs 7,8,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2020?	N/A		Peter Kocian
3	s3.59(2)(c) F&G Regs 7,8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2020?	N/A		Peter Kocian
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2020?	N/A		Peter Kocian
5	s3.59(5)	During 2020, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Peter Kocian

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
Local Government, Sport
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East Fremantle - Compliance Audit Return 2020

Delegation of Power/Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16	Were all delegations to committees resolved by absolute majority?	Yes		Janine May
2	s5.16	Were all delegations to committees in writing?	Yes		Janine May
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	Yes		Janine May
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes		Janine May
5	s5.18	Has council reviewed delegations to its committees in the 2019/2020 financial year?	Yes		Janine May
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes		Janine May
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes		Janine May
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		Janine May
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Janine May
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	Yes		Janine May
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes		Janine May
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2019/2020 financial year?	Yes		Janine May
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	Yes		Janine May

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
Local Government, Sport
and Cultural Industries

East Fremantle - Compliance Audit Return 2020

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes		Janine May
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	Yes		Janine May
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	N/A		Janine May
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes		Janine May
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2020?	Yes		Janine May
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes		Janine May
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76?	Yes		Janine May
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A, in the form prescribed in Admin Reg 28?	Yes		Janine May
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?	Yes		Janine May
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes		Janine May
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B, in the form prescribed in Admin Reg 28A?	Yes		Janine May

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
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No	Reference	Question	Response	Comments	Respondent
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes		Janine May
13	s5.89A(6)	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	Yes		Janine May
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A (6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes		Janine May
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?	Yes		Janine May
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11 (2) was the nature of the interest recorded in the minutes?	Yes		Janine May
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes		Janine May
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A		Janine May
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	N/A		Janine May
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?	Yes		Janine May
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?	Yes		Janine May

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
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East Fremantle - Compliance Audit Return 2020

Disposal of Property					
No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) (unless section 3.58(5) applies)?	Yes		Peter Kocian
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	Yes		Peter Kocian

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
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East Fremantle - Compliance Audit Return 2020

Elections					
No	Reference	Question	Response	Comments	Respondent
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	Yes		Janine May
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	N/A		Janine May
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	Yes		Janine May

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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East Fremantle - Compliance Audit Return 2020

Finance					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes		Peter Kocian
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	N/A	The Audit Committee has no delegated authority	Peter Kocian
3	s7.3(1) & s7.6(3)	Was the person or persons appointed by the local government to be its auditor appointed by an absolute majority decision of council?	N/A	The Town falls under the remit of the Office of Auditor General	Peter Kocian
4	s7.3(3)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor a registered company auditor or an approved auditor?	N/A	The Town falls under the remit of the Office of Auditor General	Peter Kocian
5	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2020 received by the local government by 31 December 2020?	Yes	received 22 December 2020	Peter Kocian
6	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	N/A		Peter Kocian
7	s7.12A(4)(a)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?	Yes	2 significant matters were reported. These were considered at a Special Council Meeting on the 27 January 2021, and a report provided to the Minister as required. One of the findings has been fully addressed whilst the other finding relates to an adverse trend in the Town's Operating Surplus Ratio.	Janine May
8	s7.12A(4)(b)	Where the local government was required to prepare a report under s.7.12A(4)(a), was a copy of the report given to the Minister within three months of the audit report being received by the local government?	Yes	emailed to the Department on the 4 February 2021	Peter Kocian
9	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	Yes	published on the website on the 5 February 2021	Peter Kocian

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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No	Reference	Question	Response	Comments	Respondent
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives and scope of the audit, a plan for the audit, details of the remuneration and expenses paid to the auditor, and the method to be used by the local government to communicate with the auditor?	N/A	The Town falls under the remit of the Office of Auditor General	Peter Kocian
11	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	Yes	received 22 December 2020	Peter Kocian

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
Local Government, Sport
and Cultural Industries

East Fremantle - Compliance Audit Return 2020

Integrated Planning and Reporting					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	8 December 2020	Peter Kocian
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	Annual review 30/06/2020	Peter Kocian
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		Peter Kocian

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
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and Cultural Industries

East Fremantle - Compliance Audit Return 2020

Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve a process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	N/A		Janine May
2	s5.36(4) & s5.37 (3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	N/A		Janine May
3	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	N/A		Janine May
4	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4)?	N/A		Janine May
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	N/A		Janine May
6	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A		Janine May

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
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East Fremantle - Compliance Audit Return 2020

Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Has the local government designated a senior employee as defined by section 5.37 to be its complaints officer?	Yes		Janine May
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a)?	Yes		Janine May
3	s5.121(2)	Does the complaints register include all information required by section 5.121 (2)?	Yes		Janine May
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes		Janine May

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Optional Questions					
No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2020? If yes, please provide the date of council's resolution to accept the report.	Yes	18 February 2020	Peter Kocian
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2020? If yes, please provide date of council's resolution to accept the report.	Yes	18 February 2020	Peter Kocian
3	s5.87C(2)	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift?	Yes		Janine May
4	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, did the disclosure include the information required by section 5.87C?	Yes		Janine May
5	s5.90A(2)	Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?	Yes		Janine May
6	s.5.90A(5)	Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?	Yes		Janine May
7	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes		Janine May
8	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes		Janine May
9	s5.127	Did the local government prepare a report on the training completed by council members in the 2019/2020 financial year and publish it on the local government's official website by 31 July 2020?	Yes		Janine May

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No	Reference	Question	Response	Comments	Respondent
10	s6.4(3)	By 30 September 2020, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2020?	Yes		Peter Kocian

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Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	F&G Reg 11A(1) & (3)	Does the local government have a current purchasing policy that complies with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Peter Kocian
2	F&G Reg 11A(1)	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	No	The Office of Auditor General identified instances where the requisite number of quotations were not obtained for purchases between the value of \$5k and \$20k	Peter Kocian
3	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	Yes		Peter Kocian
4	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	Yes		Peter Kocian
5	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	N/A		Peter Kocian
6	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	Yes		Peter Kocian
7	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	Yes		Peter Kocian
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	No	The Tender Register was not published on the website during 2020. It has since been published	Peter Kocian

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No	Reference	Question	Response	Comments	Respondent
9	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	No		Peter Kocian
10	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes		Peter Kocian
11	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes		Peter Kocian
12	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	N/A	No expressions of Interest invited	Peter Kocian
13	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A		Peter Kocian
14	F&G Reg 23(3)	Were all expressions of interest that were not rejected assessed by the local government?	N/A		Peter Kocian
15	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services as an acceptable tenderer?	N/A		Peter Kocian
16	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	N/A		Peter Kocian
17	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	N/A	The Town did not source procurement via a panel of pre qualified suppliers	Peter Kocian
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A		Peter Kocian
19	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A		Peter Kocian

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No	Reference	Question	Response	Comments	Respondent
20	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of F&G Reg 24AG?	N/A		Peter Kocian
21	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A		Peter Kocian
22	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A		Peter Kocian
23	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A		Peter Kocian
24	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of F&G Regs 24E and 24F?	N/A		Peter Kocian

10.3 Recurrent Status Report – Risk Management, Internal Controls and Legislative Compliance

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	8 March 2021
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Status Report

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 will become a living 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

The Department of Local Government has published an Operational Guideline on Audit in Local Government. Appendix 3 of this Guideline lists a number of 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;
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- 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

Chief Executive Officer

Manager Finance and Administration

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 item.

Financial Implications

There are no financial implications relevant to this item.

Risk Implications

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

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
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	9
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

Comment

The status sheet has been updated accordingly.

The following summary of completion is provided:

Risk Category	No. Issues	Completed	Underway	Not Commenced
High	21	16	4	1
Medium	38	29	6	3
Low	11	9	1	1
	70	54	11	5

10.3 OFFICER RECOMMENDATION

That the Audit Committee receives the status report on items relevant to its Terms of Reference.

Audit Finding	Risk Assessment Category	Risk Identified	Date of Initial risk identification	Source of Audit Finding (FMR/Audit Reg 17/GCC Audit/Audit Management Letter/Internal	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	Progress Update
	Risk Issue and Failure Modes											
1	A Business Continuity Plan was developed in 2017 and updated in May 2019, with an initial test of the plan scheduled to occur shortly after our review.	Failure to adequately manage a business disruption event.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Major	High	Prioritised action required	Ensure results from the testing of the Business Continuity Plan are documented and reported to consider key business continuity risks along with the treatments, to reduce the risk to an acceptable level.	Office of CEO	Business Continuity Plan has been tested in a workshop facilitated by LGIS. BCP has been updated with recommendations from this workshop. Completed.
2	Checklists of key functions are maintained for selected functions. Checklists were not maintained and evidenced for all standard routine functions such as end of month reconciliations and reporting across the organisation. It was noted some staff have commenced with the creation of checklists and procedures.	Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Moderate	High	Prioritised action required	Creation and maintenance of standard checklists may assist in evidencing key points of control and serve as a reminder. Checklists assist in ensuring compliance with repetitive legislative compliance tasks. Staff are encouraged to continue with the development of checklists and procedures for routine functions, including evidencing independent review.	Corporate Services	An end of month checklist for all financial processes has been implemented. The end of month audit file is prepared by the Manager Finance and Administration and signed off by the Executive Manager Corporate Services. A statutory corporate calendar has also been prepared indicating key compliance dates.
3	Deposits recorded through the Trust Fund are deposited through the municipal bank account and transferred electronically the day after the funds appear in the municipal bank account. Regulations 8 & 10 of the Local Government (Financial Management) Regulations 1996 requires money received to be deposited into the established account where it is required to be held.	Lack of probity. Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Minor	Minor	Medium	Planned action required	Deposit funds required to be held in the Trust Fund directly into the Trust bank account established to account those funds.	Corporate Services	Daily receipting and bank deposit procedure to be reviewed. It is not practical to receipt occasional bonds to the trust fund. Periodic transfers are completed to transfer receipts between the municipal fund and the trust fund.
4	Through limited testing of payments, an instance was noted where a purchase order did not pre-date the invoice.	Lack of probity. Fraud risk	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Likely	Moderate	Major	High	Prioritised action required	All procurement of goods or services should be undertaken in accordance with legislative requirements and the Purchasing Policy. Any instances where a purchase pre-dates a purchase order should be documented, reviewed and authorised to demonstrate controls have been developed to comply and ensure the purchasing policy has been adhered to.	Corporate Services	A payment requisition form has been implemented to authorise payments in instances where a purchase order has not been released. .
5	Documented procedures are not in place to require declarations of interest and confidentiality to be signed prior to assessments being undertaken for tenders.	Lack of probity. Fraud risk. Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Likely	Major	Major	High	Prioritised action required	To help ensure probity and fairness when assessing tenders, procedures for the process to be undertaken in assessing tenders should be followed and documented with at least three persons assessing the tender independently of each other. Persons assessing any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence.	Office of CEO	Completed. A Declaration of Interest form has been implemented by the Office of CEO. A tender evaluation report is completed for all tenders and provided to the CEO for approval.
6	Documented procedures are not in place to require declarations of interest and confidentiality to be signed prior to assessments being undertaken for high value purchases.	Lack of probity. Fraud risk	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Likely	Major	Major	High	Prioritised action required	Procedures for the declaration of interests prior to procurement assessments being undertaken should also be documented for high value purchases and tenders.	Office of CEO	Completed. A Declaration of Interest form has been implemented by the Office of CEO.
7	Petty cash is kept in a locked box, which is stored in an unlocked cupboard throughout the day when the administration office is open to the public.	Lack of probity. Fraud risk. Breakdown of internal control. Financial loss.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Minor	Minor	High	Prioritised action required	Ensure petty cash is stored in a secure location, such as the strong room or safe.	Corporate Services	Petty cash tin to be relocated to the safe. Completed.
8	We noted an explanation of material variances was not included in the documents supporting the statement of financial activity as required by regulation 34(2)(b) of the Local Government (Financial Management) Regulations 1996. This occurred for the monthly statement of financial activity for the periods ended 31 July 2018, 31 August 2018, 30 September 2018 and 30 June 2019. We observed the monthly statement of financial activity for the period ended 30 June 2019 presented to Council was not in the same format as other monthly statements and did not contain the following items required by regulation 34 (1) & (2) of the Local Government (Financial Management) Regulations 1996: <ul style="list-style-type: none">• YTD budget column;• Note explaining the composition of net current assets; and• explanation of material variances.	Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Moderate	High	Prioritised action required	Ensure the monthly statement of financial activity contains all items required by legislation.	Corporate Services	Completed. Material variances are being reported at Program Level. Variances will also be reported at nature and type level.
9	We did not observe any formal procedures relating to the routine monitoring of and clearance of outstanding purchase orders. Reports are produced during end of month processing, however the reports are for noting only. We observed at one month end, purchase orders to the value of approximately \$1.3m remained outstanding (some of which had been issued nearly twelve months earlier) with limited information available to document their status.	Lack of probity. Fraud risk	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Likely	Major	Major	High	Prioritised action required	Update procedures to include review of the status of outstanding purchase orders as part of end of month processes. Ensure any controls developed are routinely and consistently applied.	Corporate Services	An open purchase report is auto generated and emailed to Responsible Officer's (Ros) monthly. The Senior Finance Officer schedules monthly meetings with RO's to review these reports and close any completed purchase orders. The Open PO Report has been amended to include the amount invoiced. Completed.
10	Limited review of changes made to employee details and parameters is currently undertaken when each payroll is processed.	Lack of probity. Internal control or compliance breach. Financial loss.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Moderate	High	Prioritised action required	Procedures to minimise risk of unauthorised changes to employee details should be implemented. Regular reviews of software audit trails is one form of control and should be undertaken as a minimum. Where possible, segregation of duties should exist where employees responsible for processing payroll transactions are unable to make changes to employee banking details.	Corporate Services	The appointment of a new employee is created through the human resources process. Once appointed the relevant documentation for data entry into the Payroll System is provided by the Human Resources Coordinator to the Finance Officer. The Finance Officer then creates the new employee in the Payroll System. The documentation is then given to the Manager Finance and Administration for review. This is standard practice. To show evidence in support of our standard practice a "New / Update Employee Details" form has been created, which will be prepared by the Finance Officer and Reviewed by the Manager Finance and Administration. The implementation of this form will provide evidence that changes to the Employee Master File are properly authorised. The form will be filed in the employee's personnel file.
11				FMR/Audit Reg 17 Review - December 2019								A "Bank Audit Update Report" has also been created for Payroll. This report is automatically generated on a fortnightly basis on payroll week. The report is automatically emailed to the Finance Officer, the Manager Finance and Administration, and the Executive Manager Corporate Service. This report is reviewed by the Manager Finance and Administration when reviewing payroll. Going forward we will implement the process of keeping this report with the fortnightly payroll file.

Audit Finding	Risk Assessment Category	Risk Identified	Date of initial risk identification	Source of Audit Finding (FMR/Audit Reg 17/GCC Audit/Audit Management Letter/Internal	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	Progress Update
	Risk Issue and Failure Modes											
12	The officers responsible for processing and reviewing payroll are tasked with review and capture of employee entitlements, allowances, deductions, etc. This is performed through a variance report comparing the payroll being processed to the previous payroll reports with no verification to employee master records. Staff have advised more formal documentation / checklists are intended to be created to assist with payroll processing, review and authorisation.	Lack of probity. Internal control or compliance breach. Financial loss.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Moderate	High	Prioritised action required	A full review of procedures and controls is required to determine practical procedures, documentation and controls for the accurate processing of payroll each fortnight. Details for each employee should be reviewed against individual employment contracts to capture allowances, deductions, entitlements etc. into a master list, with appropriate review and authorisation for accuracy. Payroll exception reporting and review of audit trails should be undertaken to capture anomalies or unauthorised changes.	Corporate Services	The Senior Finance Officer verifies all time sheet details against an employee master list. A payroll exception report is completed as part of a payroll process and is reviewed by the Executive Manager Corporate Services. The employee master list is to be updated to ensure that it captures all allowances and deductions.
13	Review and Implement Disaster Recovery Plan		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Major	High	Prioritised action required	The 2016 Disaster Recovery Plan has been updated and was provided to the Audit Committee July 2019.	Corporate Services	Completed. OAG have completed a Capability Maturity Assessment and the Town's business continuity and disaster recovery plan achieved the benchmark rating of 3 (being defined).
14	Quotations - minimum number not obtained		1/12/2019	2019 Audit Management Letter	Possible	Major	Major	High	Prioritised action required	We acknowledged that in the procurement testing, evidence of quotations were not able to be located. In order to improve our compliance with our purchasing policy a new purchasing requisition system has been implemented which will allow staff members to attach evidence of quotes. The officer authorising a purchase requisition will need to ensure that evidence of quotations are attached.	Corporate Services	The approved Audit Work Plan includes an audit of all requisitions over \$5k to assess compliance with the minimum number of quotations. This project has been finalised and was presented to the June 20 Audit Committee meeting.
15	Changes to Supplier Master File		1/12/2019	2019 Audit Management Letter	Possible	Significant	Major	High	Prioritised action required	"New/update creditor details form" to be completed by the supplier and entered into the Supplier Master File by the Finance Officer, which is then reviewed by the Manager Finance & Administration, then approved by Exec Manager Corporate & Community Services. Finance Officer also checks the Supplier Details to the ABN lookup to ensure correct ABN provided. Creation of a "Bank Audit Update Report" for suppliers. Automatic report generated fortnightly to verify suppliers who have been paid and their details.	Corporate Services	Ongoing. New/update creditors form has been implemented for all changes to the supplier master file. An ABN and ASIC search is undertaken on all new suppliers.
16	No formal process exists to monitor fuel stock allocated to portable gardening equipment. Fuel is recorded as it is allocated and reviewed for reasonableness by management each month.	Internal control or compliance breach.	1/12/2019	2019 Audit Management Letter	Likely	Minor	Insignificant	Low	Planned action required	Develop and implement procedures for the monitoring of fuel stock on hand in an effort to improve opportunities to detect any issues or potential misuse with fuel allocations.	Corporate Services	This item is considered immaterial given the negligible expenditure on fuel for sundry plant. No further action deemed necessary.
17	One corporate credit card is held in the Petty Cash Box and utilised by multiple staff. Whilst authorisation is required from the card holder prior to use of credit cards, they should only be held by the person named on the card.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Minor	Minor	Low	Planned action required	Credit cards should physically be maintained by the person in whose name they are issued, and credit card details should not be shared with other staff.	Corporate Services	The Credit Card has been returned to the Executive Manager Corporate Services.
18	Through our limited testing of credit card transactions against documented procedures and controls, we noted an instance where the monthly credit card acquittal form had not been signed by the cardholder.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Minor	Minor	Low	Planned action required	Ensure processes exist to maintain adherence to and detect any deviation from established documented procedures and controls.	Corporate Services	All statements are signed by the cardholder and witnessed either by the EMCS or MFAS. Completed
19	Archives Records Management		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Rare	Minor	Moderate	Low	Planned action required	A proposal has been received for the archiving of basement records, and a tender prepared for the digitisation of planning/building records.	Corporate Services	All records located in the Town Hall Basement and Old Police Station have been relocated off-site to Grace. An on demand scanning service has been implemented for the digitisation of planning and building records.
20	That Council take necessary actions to improve its financial ratios, namely the Operating Surplus Ratio and Asset Sustainability Ratio		1/12/2019	2019 Audit Management Letter	Unlikely	Minor	Moderate	Low	Planned action required	The Long Term Financial Plan includes ratio projections over 15 years. Depreciation expense will reduce significantly in 19/20 leading to an improvement in ratios.	Corporate Services	Council adopted a 15-year Strategic Resource Plan (combined asset management and long term financial plan) at its ordinary meeting of May 2019. Section 5.11 of this document discusses the forecast operating ratios from 2019-2034. The Operating Surplus Ratio is not projected to meet the Department's standard of 1.00% until the 2028-29 financial year. Council is aware of this, with the following comment provided in the agenda report of May 2019:
21												Council has a legislative requirement to comply with the principles of sound financial management, of which a key component is the preparation of a Long Term Financial Plan. The Office of Auditor General is also required to undertake a performance audit of adverse financial trends in the financial position or the financial management practices of the local government. This will be limited a high level assessment of whether the 7 financial ratios reported in the notes to the financial report achieved the standards set by the Department of Local Government, Sport and Cultural Industries. Council therefore needs to be cognizant of the ratio analysis included in the Forecast Financial Statements as 3 of the ratios are below benchmark.
22												A number of assumptions underpin the Strategic Resource Plan, including a 3% annual rate increase. Every endeavour will be made to ensure operating revenue grows at a faster rate than operating expenditure in order to achieve an improved Operating Surplus Ratio. A review of depreciation expense (and underlying valuation methodology) in 2019/20 may also result in a favourable improvement to this ratio.
23	Cash count - lack of segregation of duties		1/12/2019	2019 Audit Management Letter	Possible	Insignificant	Minor	Low	Planned action required	One of the Customer Service Officers will do an initial cash count at end of day and then a member of the Finance team will re-count the cash takings for the day. Two officers to sign the "Daily Receipting Bank Deposit Listing" and the "Daily Settlement Checklist" reports, one of which will be a member of the Finance team.	Corporate Services	Completed

Audit Finding	Risk Assessment Category Risk Issue and Failure Modes	Risk Identified	Date of initial risk identification	Source of Audit Finding (FMR/Audit Reg 17/GCC Audit/Audit Management Letter/Internal	Likelihood	Strategic Consequences	Operational Consequences	Risk Category	Action Required	Mitigation and Management Strategy (Possible Future Controls)	Responsible Officer	Progress Update
24	Verification of manual signatures		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Minor	Minor	Low	Planned action required	Implement a register of signatures of all employees, showing their position, name and purchasing authority (if applicable.) - Y:\Corporate and Community\Employee Signature Register	Corporate Services	Completed
25	Absence of a risk-based internal audit plan		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Minor	Moderate	Low	Planned action required	We will raise the absence of a risk-based internal audit plan with the Audit Committee and plan to recommend the appointment of Risk Management/Internal Audit Consultant to ensure that there is a risk-based internal audit plan implemented.	Office of CEO	An internal audit charter has been adopted by the Audit Committee. An annual work plan is endorsed by the Audit Committee at the beginning of each calendar year. This register is in fact a risk based internal audit plan.
26	Section 2 Conflicts and Disclosure of Interest and 3.4 Gifts of the current Code of Conduct do not reflect all disclosure requirements under of the Local Government Act 1995 and the Local Government (Administration) Regulations 1996. In its current form, the Code of Conduct could confuse elected members and employees as to their disclosure obligations.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Review the section of the Code of Conduct relating to disclosure requirements for gifts to highlight these need to be made in accordance with legislation. Suggest the Code of Conduct does not restate legislative requirements. Where legislative requirements are unclear or there is a desire for greater requirements, suggest this be covered by relevant policies, given the complexities involved in re-working the Code of Conduct to maintain currency when changes are made to legislation.	Office of CEO	An attendance at events policy has been adopted by council which refers to gift disclosure requirements. The annual review of Council's Policy Register is scheduled for September 2020. The Code of Conduct will be reviewed prior to that time. Completed
27	Contractors and volunteers are not bound by the Code of Conduct when performing functions on behalf of the Town.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Expand the scope of the Code of Conduct to include actions by volunteers and contractors. Alternatively, a separate Code of Conduct be developed for volunteers and contractors.	Office of CEO	This finding has been noted and this requirement will be incorporated into the next review of the Code of Conduct (prior to September 2020). Completed.
28	Elected members, committees, contractors and volunteers are not required to sign the Code of Conduct acknowledging they have read and understand the requirements within.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Update the Code of Conduct as well as induction procedures to ensure elected members, committees, staff, contractors and volunteers sign their acknowledgement that they understand the content of the document.	Office of CEO	This finding has been noted and this requirement will be incorporated into the next review of the Code of Conduct (prior to September 2020). Completed.
29	The Policy provides limited direction in relation to contract variations and extensions of contracts awarded or against a written specification not awarded by tender. Extension of contracts and associated price changes are also not covered by the Policy. For contracts awarded by tender, legislation provides minimum requirements.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Amend the Policy to provide the following: - Prohibit price variations to existing contracts awarded by tender other than those provided within the original contract, as required by Local Government (Functions and General) Regulations 1996 Regulation 11(2) (j) (iv). - Purchasing requirements for the issuing of contract variations and extensions for contracts not awarded by public tender. Consideration should be given to circumstances where the contract value increase over a policy threshold level, due to the variation or extension.	Office of CEO	The purchasing policy was updated and approved by Council. A delegation was also provided to the CEO and Executive Managers to approve price variations provided that they are within delegation limits, and that the price variation is required to enable goods and services to be provided without changing the scope of the original project. A Contract Variation Policy has also been prepared and adopted. Completed.
30	Purchasing requirements for procurement of goods or services in accordance with the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2), above \$150,000 are not included within the Policy. The CEO is required to ensure controls exist for all purchases including those made using these exemptions. It is noted the practice of testing the market through sourcing multiple quotations when using the exemptions is sometimes occurring, and the policy should be updated to reflect the expectation and requirement.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Insert purchasing requirements for procurement of goods or services made under the exemptions under Local Government (Functions and General) Regulations 1996 Regulation 11(2).	Office of CEO	Completed. Purchasing Policy has been updated.
31	Risk management activities currently undertaken are not consistently documented, with existing procedures based on a superseded risk management standard.	Lack of strategic direction for risk management procedures.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Minor	Moderate	Medium	Planned action required	Risk management procedures be updated, and a process developed in accordance with any update to the risk management policy.	Corporate Services	Risks are categorised as either operational risk, project risk or strategic risks. The Town has implemented a project plan template which considers project risk. The Town has prepared a Strategic Risk Register which is presented to the Audit Committee on a periodic basis. The Town has adopted a risk assessment tool which is incorporated into all council and committee agenda items.
32	A risk register to reflect identified risks, and if they have been adequately treated exists, however the register is not widely available to staff and has not been regularly updated.	Breakdown of internal controls.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Minor	Moderate	Medium	Planned action required	Maintaining risk registers for all identified risks is important to help ensure appropriate recording and communication of high rated risks, along with providing a record to enable the verification of whether treatment plans have appropriately reduced the risk. Routine (at least quarterly) review of the risk register is required to assist in ensuring identified risks are adequately treated. Presented to July 2019 Audit Committee Meeting	Office of CEO	Completed. The Operational Risk Register is to be presented to the Executive Group on a quarterly basis for review.
33	Inspection of the register noted it was not compliant with some requirements of the Local Government (Functions and General) Regulations 1996. The value of the consideration being sought by tenderers is recorded within the register, contrary to Regulation 16(3)(c) of the Local Government (Functions and General) Regulations 1996.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Moderate	Medium	Planned action required	Ensure the tender register complies with Regulation 16 & 17 of the Local Government (Functions and General) Regulations 1996 for future tenders called.	Office of CEO	There is no requirement to record the tender prices in the Tender Register at the time of opening. The Tender register has been updated accordingly
34	Several delegations within the register include a delegation to the Principal/Building Surveyor. The individual currently performing these duties is a contractor, and not an employee of Council, therefore cannot be delegated authority under the Building Act 2011.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Major	Major	Medium	Planned action required	Review and amend delegations relating to the Building Act 2011 to remove sub delegation to contract Principal/Building Surveyor, ensuring delegation remains with appropriately authorised officer of Council.	Regulatory Services	Procedure altered to ensure that Executive Manager of Regulatory Services authorises all approvals under Building Act 2011.
35	We noted the register of gifts contains record of disclosures made under the former provision of the Local Government Act 1995 (sections 5.82 & 5.83) and are published on the Town's website as required. We did not observe a register of gifts in the prescribed form as required.	Lack of probity. Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Establish a register of gifts in the prescribed form and publish on the Town's official website as required.	Office of CEO	Register of Gifts in prescribed form as required now on website.

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	Risk Issue and Failure Modes											
36	A notifiable gifts register was not available for our inspection or published on the Town's website as required by regulation 34B(5) of the Local Government (Administration) Regulations 1996.	Breakdown of internal control. Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Moderate	Moderate	Medium	Planned action required	Maintain a register to record details of notifications given in relation to gifts as required by regulation 34B(5) of the Local Government (Administration) Regulations 1996, and publish on the Town's official website as required.	Office of CEO	Notifiable Gifts Register as required by regulation 34B(5) now on website
37	The current register of financial interests contains returns for an individual who has ceased to be a relevant person. These returns are required to be removed and retained in a register of non-current returns for a period of five years as required section 5.88(4) of the Local Government Act 1995.	Breakdown of internal control. Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Moderate	Moderate	Medium	Planned action required	Review filing of returns and disclosures from individuals who have ceased to be relevant persons of the organisation, to ensure records are maintained as required under the provisions of the Local Government Act 1995.	Office of CEO	A process has been put in place to ensure returns for relevant staff who have ceased employment with the Town are removed promptly and placed in a register of non-current returns for a period of five years.
38	Currently, no internal auditors have been appointed, and limited internal audit functions have been undertaken in accordance with policy 2.2.5 Internal Audit Charter.	Internal and compliance risks not identified.	1/12/2019	2019 Audit Management Letter	Possible	Moderate	Moderate	Medium	Planned action required	We suggest as the level of documented procedures increases, an expanded internal audit function to confirm adherence to documented policies and procedures may be required as recommended by the OAG in their report to parliament on the Audit of Local Government.	Corporate Services	The Town does not have available budget to appoint an internal auditor. An annual audit work plan is determined by the Audit Committee and implemented by staff. Council has approved an indicative budget of \$25,000 for internal audit work in the 2020/21 financial year.
39	Develop Annual Playground Inspection Program		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Moderate	Moderate	Medium	Planned action required	Playground Inspection Audit undertaken 8th May 2019, resulting in a 10 year replacement/maintenance program has been developed and incorporated in the long term financial plan	Operations	Completed. The 10 year replacement program has been incorporated into the long-term financial plan.
40	That staff leave accruals be managed to reduce liability		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Moderate	Moderate	Medium	Planned action required	Monthly leave accrual reports are being distributed to Managers. Leave management plans are being developed for staff with excessive leave balances.	Corporate Services	Managers are liaising with those staff that have excessive leave liabilities to schedule leave in the next 12 months. However, as the Town has a relatively small staff profile additional budget is required to fund relief cover.
41	Supplier Master File - redundant records		1/12/2019	2019 Audit Management Letter	Unlikely	Moderate	Moderate	Medium	Planned action required	Engage IT Vision to review the Supplier Master File and categorise all inactive creditors	Corporate Services	Completed. All suppliers with no trading history over the last two years have been flagged as inactive.
42	Policy and procedure manual not reviewed		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	We acknowledge that the review of the Policy and Procedures Manual was not completed by 30th June 2019.	Office of CEO	Completed - Business units are consolidating all procedures into a central location (EFFIE)
43	We noted limited controls in relation to the access to IT systems including physical access to hardware. Some levels of permissions have been established to network access to software and data, however the level of documentation to support these restrictions is varied across the organisation.	Loss of IT System. Internal control.	1/12/2019	2019 GCC Audit	Possible	Major	Major	High	Prioritised action required	Undertake a comprehensive IT security review, articulate current practices and implement findings of the review.	Corporate Services	1. A review of user access has been completed and new permissions implemented. Screen shots of all changes have been provided to the Office of Auditor General. 2. New user groups have been established to inform access levels. The 'New User' IT form includes a check box to assign permission levels within Synergy Soft.
44	End of month processes exist in the form of a month end audit file, and from staff representations are routinely performed, however we noted for the months July 2019 to October 2019, evidence of the review of supporting reconciliations by an authorised officer independent of their preparation was not available.	Compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Moderate	High	Prioritised action required	Review of reports prepared each month is a useful mechanism to detect and rectify errors or anomalies which may exist. It also provides an opportunity to ensure staff are performing and reporting duties as required. Management are strongly encouraged to adhere to documented checklists and procedures to demonstrate appropriate controls and reviews are in place with monthly reporting and procedures.	Corporate Services	Completed. Preparation and review completed of all end of month audit files. Rec's to be review for the new financial year.
45	HR Security	Risk that inappropriate individuals may be appointed to privileged and trusted positions	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	All Human Resource Policies and Procedures will be reviewed by early 2020, including pre employment checks as part of the Recruitment procedure. The Town will develop a formal employment exit procedure, which will include IT off boarding.	Office of CEO	Completed
46	Access Management	Increased risk of inappropriate or unauthorised access to the Town's IT systems and information	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	The scope of the existing New User Account form will be expanded to include several new areas: - Account expiry date to allow for automatic account disablement - Date of Birth for account verification during password resets etc - Remove the option to copy existing account details Password controls will be reviewed and audited to ensure the limited use of "Password Never Expires" is reduced to a minimum. The account creation procedure will be modified to ensure generic passwords are not provided during initial logon. In addition, new users will be required to call support in order to set their initial password and login details.	Corporate Services	Completed.
47	Management of Removable Media	Increased risk to the Town's information and IT systems. Information copied to removable media devices may be lost, stolen or inappropriately disclosed.	1/12/2019	2019 GCC Audit	Likely	Moderate	Moderate	Medium	Planned action required	The existing anti-virus platform will be configured to restrict USB mass storage devices to approved devices only. Existing drives currently in use will be removed from use and marked for destruction. New USB mass storage drives which support hardware based encryption will be implemented. Windows Group Policy will be configured to file and folder auditing on HR, Finance and Executive drives. The Town will implement a register of authorised USB devices which can be either permanently assigned to specific users or signed out on an ad-hoc basis	Corporate Services	The pilot program for USB mass storage device security was successful and the implementation of encrypted USB thumb drives was completed on Friday 18th September. Focus have reviewed DataLocker audit logs and USB enforcement logs to ensure that this is working as designed.
48	Maintenance of Smoke Alarms	Without adequate servicing and testing of the smoke alarms, there is an increased risk that they may not function appropriately. This may represent a health and safety risk	1/12/2019	2019 GCC Audit	Likely	Moderate	Moderate	Medium	Planned action required	An electrical contractor will be engaged to include this on an annual maintenance schedule along with Emergency Exit lighting and RCD testing	Operations	This has been incorporated into the Annual Town Hall Maintenance Building Program

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49	Logging and Monitoring	Increased risk that the Town will not be able to detect any unauthorised access or malicious activity	1/12/2019	2019 GCC Audit	Likely	Moderate	Moderate	Medium	Planned action required		Corporate Services	The off premise retention of Active Director Security Logs has initially been expanded to 30 days whilst a conversation is had with the vendor to determine the impact of long term retention. The option of creating dedicated log volumes on domain controllers to provided additional long term logging based on a specific size will also be reviewed. A task will be created to perform a regular review of relevant Task Categories and event ID's with AD Security Logs.
50	Management of Technical Vulnerabilities	Without an effective process for identifying, assessing and addressing relevant 'known' vulnerabilities within a timely manner, there is an increased risk that IT systems are not adequately protected against potential threats	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	Additional reporting from the current Remote Monitoring and Management (RMM) tool will be utilised to more effectively review missing and out of date patches / feature releases and vulnerabilities. Period scans using a third party dedicated auditing tool will be run on a six monthly basis.	Corporate Services	The IT Service Provider initially implemented an alternative vendor solution and has now transitioned to a more feature rich product (Nessus Professional). This is aiding the Service Provider in identifying and resolving existing vulnerabilities and removing End of Life products from the environment.
51	The Trust Fund currently includes several bonds and contributions.	Lack of probity. Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Major	High	Prioritised action required	Remove all funds which are not required by law to be held in the Trust Fund, and transfer to the Municipal Fund, in line with the Office of the Auditor General (OAG) position paper on Accounting for Work Bonds, Building Bonds and Hire Bonds released in July 2019.	Corporate Services	A review of all trust payees has occurred. Working bonds and deposits have been transferred to the balance sheet. Unclaimed monies have been remitted to State Treasury. Completed.
52	Network Device Management	Risk that: - Individuals will not be accountable for any unauthorised or unintentional modifications to the system - Unauthorised access to the system could occur - Malicious traffic may not be detectde and prevented - Suitable evidence to support any forensic or internal investigations may not be available User credentials may be intercepted and used to gain access to the Town's IT systems and information	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	The current remote management port will be locked down to only allow access to two specified static addresses for improved security. The current use of Telnet and HTTP to manage network switches will be removed and only HTTPS and SSH will be enabled by default. In addition, network switches will be configured with port security to identify and restrict the use of non-managed switches. Firewall reporting data retention (Syslog data) will be increased initially to 90 days to increase the ability to investigate and respond to security incidents. The manufacturer (SonicWALL) will be consulted for best practice on additional log retention.	Corporate Services	The IT Service Provider has now improved the scheduled firewall audit to include an additional scope specific to DMZ rules. The IT Service Provider will implement named administrator accounts for Systems Staff only, leaving general support staff with read only access for all network firewalls. The existing administration account will be left in place with a long complex password for emergency use only. Completed.
53	Update Lease Register		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Minor	Moderate	Low	Planned action required	A number of leases remain outstanding. Draft leases have been provided to the Soccer club, Sea Scouts & Rowing Club.	Corporate Services	The master Lease Register has been updated. Certificates of Title and Management Orders have been placed on file. Deeds of variation to leases have been prepared for Lease Fee waivers and are to be presented to the June Council Meeting.
54	The current Policy is based on a superseded Risk Management Standard.	Lack of strategic direction for risk management procedures.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Minor	Moderate	Medium	Planned action required	When next undertaking a review of the Policy, update the Policy to align to the current Risk Management Standard ISO 31000:2018.	Corporate Services	Updated Policy presented to December 2020 Council Meeting.
55	The current policy refers to a superseded Risk Management Standard.	Internal and compliance risks not identified.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	When next undertaking a review of the Policy, update the Policy to refer to and align to the updated Risk Management Policy.	Corporate Services	Updated Policy presented to December 2020 Council Meeting.
56	Identified risks are appropriately included within agenda items for elected member consideration but not recorded in an appropriate risk register.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	As well as communicating identified risks relating to a Council decision within the agenda item (to enable elected members to be fully informed of the identified risks when making decisions), risks should also be appropriately recorded in a risk register.	Office of CEO	An Operational Risk Register and Strategic Risk Register are presented to the Audit Committee as a standing item. The Risk Management procedures were also updated at the December 2020 OCM and the EACS has been designated as the custodian of these registers.
57	Change Management	Increased risk that IT system changes will not be appropriately controlled and managed. The availability and integrity of IT systems could be compromised if a change negatively affects the system.	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	The IT Service Provider will implement an ICT Changes Management system within the current service desk platform to ensure service tickets can be escalated or associated with Change Management Tickets. Changes will be reported within the Quarterly IT Management Meeting. The Town will also review the Change Management Resources available on the Public Sector Commissioner website, and determine whether any of these would be appropriate for customisation and adoption	Corporate Services	A Change Management service board, Process Map, Change Management form and Change Management training has been implemented by the IT Service Provider through Feb-May 2020. Approximately 10 Change Management forms have been completed between June and September 2020. Completed. Emailed confirmation to OAG 25 January 2021.
58	Workflow diagrams have not been compiled for undocumented procedures.	Breakdown of internal controls. Controls reliant on the capability and honesty of staff.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Major	Major	Medium	Planned action required	In conjunction with, or as an alternative to, the development of documented procedures and checklists, update and development of workflow process diagrams may assist in clearly identifying controls and processes to be followed where procedures or checklists do not exist.	Whole Entity	This project is underway. Staff have been provided with Visio Licences and process mapping has commenced.
59	Creditors invoices are processed and entered only at the time where a routine creditors payment run is scheduled resulting in month end creditor balances being nil in certain months.	Lack of probity. Fraud risk. Internal control or compliance breach. Financial loss.	1/12/2019	2019 Audit Management Letter	Possible	Major	Major	High	Prioritised action required	Supplier invoices should be processed in a timely fashion and entered through the Town's ERP system as soon as practicable after receipt to provide a more accurate representation of the Town's liabilities at any given time.	Corporate Services	Invoices are filed according to their payment date being 7 days, 14 days, 28 days or greater. This process is currently under review. The AP process has been mapped and will be converted into a Visio Flowchart.

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	Risk Issue and Failure Modes											
60	Changes to existing employee bank account details and entry of new employee bank details are not routinely verified against the ABA file to ensure bank account details have not been altered or manipulated without prior verification and authorisation.	Lack of probity. Fraud risk. Internal control or compliance breach. Financial loss.	1/12/2019	2019 Audit Management Letter	Possible	Major	Moderate	High	Prioritised action required	Formal procedures to minimise the risk of employee banking details being fraudulently manipulated should be documented and communicated to staff involved in payroll processes. Controls should exist to include the assessment of requests for changes to employee banking details for genuineness and legitimacy, restricting the ability to make changes to employee details to appropriate staff, and to detect and prevent any unauthorised changes being made.	Corporate Services	A Payroll Master File report is generated each fortnight which lists any changes made to an employee's bank account details. We also have implemented an Payroll Change of Details Form which is signed by both the Senior Finance Officer and the Manager Finance and Administration. Information has been sourced from the Commonwealth Bank to fully integrate the ERP with CommBiz for the creation of payment files. In progress.
61	Contractors' insurances are not always assessed prior to award of contracts in all cases. Reliance is placed on contract managers to ensure copies of insurances are provided.	Lack of probity. Financial loss. Breakdown in internal controls.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Likely	Major	Major	High	Prioritised action required	To help ensure all contractors have the relevant licences and have adequate insurance cover for the works they undertake for the Town, procedures should be developed, and records maintained to ensure copies of contractor's insurances are held on file.	Operations	A Register of Contractor Insurance is to be developed. In progress
62	Develop Contract Register and Contract Management System		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Major	Moderate	High	Prioritised action required	A review of vital records has commenced.	Corporate Services	A contract register has been developed in line with the Treasury's instructions. The Town is required to formalise a performance based ICT contract with Focus Networks and IT Vision.
63	We noted the practice of credit card transactions and acquittals being reviewed by an independent officer, however the policy does not require this practice to occur.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Minor	Minor	Low	Planned action required	Update the policy to require independent review and authorisation of credit card transactions and acquittals, as well as acknowledging transactions as having been made and authorised by the CEO. The practice of separately highlighting transactions made on the CEO's credit card for presentation to Council should continue.	Corporate Services	Credit Card Policy to be updated. The credit card conditions of use is also being reviewed to ensure that no direct debits are entered into for repeat subscriptions.
64	Privileged Access Rights	Increased risk of unauthorised access to, or modification of the Town's IT systems and information	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required		Corporate Services	The IT Service Provider will no longer utilise a single generic Domain Administrator account and implement individual named accounts. A scheduled call will be created to change the Domain Administrator accounts. Similar options will be explored with IT Vision and the maintenance and administration of SynergySoft.
65	Unauthorised Network Devices	Without appropriate controls in place to restrict the use of unauthorised devices on the network, there is an increased risk that they could be used to attack internal systems.	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	The recently implement 802.1X / RADIUS authentication for wireless networks at all sites, will be extended to wired / network switches at all sites. Non-Windows devices that do not support this function will be locked down to MAC addresses.	Corporate Services	Partially resolved. The following still require attention: 1. Shared generic account is used to manage the firewall. 2. The Town has commenced regular reviews of firewall rules however this can be further enhanced by including inbound and outbound rules.
66	Planned staff training needs for employees are currently identified and recorded in a training matrix. Further value from this initiative can be added through refining the current matrix toward a more formal required staff training structure, applied throughout the organisation.	Internal control or compliance breach.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Refine the current staff training matrix to identify staff training needs relevant to their role, ensuring it is co-ordinated across the organisation and monitors currency of required licences and qualifications.	Office of CEO	Each business unit is developing a training and development plan which is linked to the staff performance development framework. Corporate Services have finalised a template which will be shared with the Organisation.
67	Through our limited testing, we noted several instances where evidence of correspondence on employee files to support the current rate of pay applied through the payroll varied from the information recorded on employee files.	Failure to identify risks or adequately treat identified risks.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Undertake a review of all personnel to reconcile documentation relating to conditions of employment, remuneration, roles and responsibilities.	Office of CEO	The HR Coordinator is to undertake a review of all personnel records to ensure completeness. It appears to be a historical issue. New employee information will be verified by the HR Co-ordinator
68	Information Risk	Register to track and record information risk does not exist	1/12/2019	2019 GCC Audit	Possible	Moderate	Moderate	Medium	Planned action required	The Town will create an Information Risk Management Register, which will be presented to the Audit Committee as a standing item. The 12 key findings in the GCC Management Letter will form the basis of this Register, which will be continually updated based on management assessment as well as the key findings from future internal/external audit work.	Corporate Services	The Operational Risk Register now has a risk profile titled Information Risks. Findings from the GCC Audit have been incorporated into this Register.
69	Currently, no policy on internal legislative compliance has been adopted by Council.	Lack of strategic direction for strategic compliance.	1/12/2019	FMR/Audit Reg 17 Review - December 2019	Possible	Moderate	Moderate	Medium	Planned action required	Development and adoption of an internal legislative compliance policy may help formalise Council's commitment to legislative compliance.	Office of CEO	Not commenced.
70	Process for amending or changing procedures are not formalised. This creates opportunities for unilateral undocumented changes to procedures and a breakdown in key controls.	Failure to identify risks or adequately treat identified risks.	1/12/2019	2019 GCC Audit	Possible	Major	Major	High	Prioritised action required	Establish a process for the development, review, amendment and authorisation of procedures, checklists and other internal control documentation, throughout the organisation to assist with managing changes to procedures.	Corporate Services	Not commenced.

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	Risk Issue and Failure Modes											
71	Review the Municipal Heritage Inventory		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Rare	Moderate	Minor	Low	Planned action required	Scheduled in the Corporate Business Plan for 2021/22	Regulatory Services	Not Commenced. Project is scheduled in the Corporate Business Plan for 2021/22. Due to Budgetary constraints a full review cannot be undertaken in the 20/21 financial year, however the MHI will be updated as part of any ongoing development assessments. Note the Town in 19/20 also implemented the Heritage Area Precinct for George Sreet.
72	A register of health inspections undertaken is not routinely maintained.		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Moderate	Moderate	Medium	Planned action required	Maintain a register to record details a central record of health inspections undertaken, registered premises within the district, and to ensure inspections are undertaken within required timeframes.	Regulatory Services	Co-ordinator Reg Services discussed with PEHO and determined that a more accurate register for record keeping of health inspections, incorporating Synergy will be developed.
73	Develop Project Management Framework		1/12/2019	FMR/Audit Reg 17 Review - December 2019	Unlikely	Moderate	Moderate	Medium	Planned action required	A Project Plan template has been implemented.	Office of CEO	A project governance framework and project approval workflow is to be developed.

10.4 Operational and Strategic Risk Registers

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	8 March 2021
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	1. Operational Risk Register 2. Strategic Risk Register

Purpose

It is recommended that the Audit Committee receive the attached Operational and Strategic Risk Register.

Executive Summary

The Town's most recent Financial Management Review identified the requirement for a comprehensive Risk Register to be developed and presented to the Audit Committee as a standing item. This project has now been completed, with an Operational Risk Register and Strategic Risk Register appended to this report.

Background

Operational Risk Register

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. Any item with a risk rating over 16 is required to be included in the attached Operational Risk Register.

The 2019 General Computer Control (GCC) Audit also included a finding that *"a register to track and record the Town's information risks does not exist"*. An Information Systems risk profile has now been incorporated into the Operational Risk Register and includes all findings from the GCC Audit.

Strategic Risk Register

Local Government Insurance Services (Risk Management Team) was engaged to assist the Town to identify potential strategic risks, facilitate the assessment and development of mitigation activities for prioritised strategic risks, and to provide a documented format for the ongoing management and reporting of strategic risks.

The above project work has resulted in the development of a Strategic Risk Dashboard Report (see attached Strategic Risk Register). Five key strategic risks have been identified by the Executive Team:

- Waste Recycling
- Inadequate provision of facilities or services
- East Fremantle Oval Precinct Project
- Strategic Planning
- Stakeholder Engagement

The inherent risk (risk prior to implementation of any controls) is considered to be high or extreme for all of the aforementioned. A number of actions and timeframes have been attached to each of the Strategic Risks, the status of which will be reported to the Audit Committee on a reoccurring basis.

Consultation

Executive Team

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

Council has adopted Policy 2.2.4 Risk Management.

Financial Implications

There are no financial implications relevant to 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

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Theme Risk	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 actively by monitoring

Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
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	8
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Comment

The Dashboard reports from the Risk Registers identify a number of actions to be completed within the next 12-months. The Committees attention is drawn to these items and any queries/concerns/prioritised actions will be documented in the minutes from this meeting and reported against by staff at the next meeting.

10.4 OFFICER RECOMMENDATION

That the Audit Committee receives the Operational Risk Register and Strategic Risk Register 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.

Town of East Fremantle Risk Dashboard Report February 2021

Executive Summary**Recommendations**

<u>Providing inaccurate Advice / Information (All Ems)</u>	Risk Moderate	Control Adequate
<p>Incomplete, inadequate or inaccuracies in advisory activities to customers or internal staff.</p> <p>Examples include;</p> <ul style="list-style-type: none"> -Incorrect planning, development or building advice -Incorrect health or environmental advice -Inconsistent messages or responses from Customer Service Staff -Any advice that is not consistent with legislative requirements or local laws. 		
Current Issues / Actions / Treatments	Due Date	Responsibility
CSO procedures to be documented	Completed	TLCS/HRC
FAQ - for front line staff	Ongoing	EMCS/TLCS
Review Customer Service Charter	Completed	CEO
Develop & Document complaints process	Ongoing	TLCS
Team Leader Customer Service has initiated a review of the Complaints Handling Process including a Complaints Policy	Completed	HRC

<u>Asset Sustainability practices (EMTS/EMCS)</u>	Risk Moderate	Control Adequate
<p>Failure or reduction in service of infrastructure assets, plant, equipment or machinery. These include fleet, buildings, roads, playgrounds, boat ramps and all other assets during their lifecycle from procurement to disposal. Areas included in the scope are;</p> <ul style="list-style-type: none"> -Inadequate design (not fit for purpose) -Ineffective usage (down time) -Outputs not meeting expectations -Inadequate maintenance activities. -Inadequate financial management and planning (capital renewal plan). <p>It does not include issues with the inappropriate use of the Plant, Equipment or Machinery. Refer Misconduct.</p>		
Current Issues / Actions / Treatments	Due Date	Responsibility
Procurement process review	Complete	EMCS/OM
Develop full set of asset management plans/policies	Ongoing	OM/CEO
Consultant to undertake ROMANS desk top assessment (Oct) annually and every 3 years road inspection audit	Ongoing	OM
Consultant to complete drainage inventory and asset condition assessment	Feb-21	EMTS

<u>Business & Community disruption (BCP)</u>	Risk Low	Control Effective
<p>Failure to adequately prepare and respond to events that cause disruption to the local community and / or normal Town business activities. This could be a natural disaster, weather event, or an act carried out by an external party (e.g. sabotage / terrorism).</p> <p>This includes;</p> <ul style="list-style-type: none"> -Lack of (or inadequate) emergency response / business continuity plans. -Lack of training for specific individuals or availability of appropriate emergency response. -Failure in command and control functions as a result of incorrect initial assessment or untimely awareness of incident. 		
Current Issues / Actions / Treatments	Due Date	Responsibility
Business Continuity Plan - review annually	Annual	CEO
IT Disaster Recovery Plan - annual testing	Annual	EMCS
Internal Emergency Management Plan - review annually	Annual	EHO
Evacuation exercise to be undertaken - annual	Annual	OSH Committee
Fire alarm/extinguishers/electrical tagging - check status - annual test	Annual	EHO
Focus to develop a check list for remote working arrangements	Completed	EAEMCS

<u>Failure to fulfil Compliance requirements (statutory, regulatory) (EAs)</u>	Risk Low	Control Adequate
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<u>Errors, omissions & delays (All staff)</u>	Risk Moderate	Control Adequate
<p>Errors, omissions or delays in operational activities as a result of unintentional errors or failure to follow due process. This includes instances of;</p> <ul style="list-style-type: none"> -Human error -Inaccurate recording, maintenance, testing or reconciliation of data. -Inaccurate data being used for management decision-making and reporting. -Delays in service to customers -Inaccurate data provided to customers <p>This excludes process failures caused by inadequate / incomplete procedural documentation - refer "Inadequate Document Management Processes".</p>		
Current Issues / Actions / Treatments	Due Date	Responsibility
Heritage review and Municipal Heritage Inventory Review -	Dec-21	EMRS
Operational Information Sheets	Jun-21	OM
Delegation Review and Policies	Annually	CEO
Review of Complaints Handling process	Underway	TLCS
Monthly Customer Service Reporting	Ongoing	TLCS

<u>External theft & fraud (inc. Cyber Crime) (EMCS)</u>	Risk Moderate	Control Effective
<p>Loss of funds, assets, data or unauthorised access, (whether attempted or successful) by external parties, through any means (including electronic), for the purposes of;</p> <ul style="list-style-type: none"> -Fraud: benefit or gain by deceit -Malicious Damage: hacking, deleting, breaking or reducing the integrity or performance of systems -Theft: stealing of data, assets or information 		
Current Issues / Actions / Treatments	Due Date	Responsibility
Admin building security - upgrade	Completed	CEO
Photographic record - plant register	Completed	OM
Ensure doors are locked at all times for the Computer Server Room and Records Room	Ongoing	EAEMCS
Implement a Stock take system for mobile and attractive items at the Town Depot and Tricolore	Mar-21	CO
Online learning fraud and corruption	Ongoing	HR

<u>Management of Facilities / Venues / Events (All staff)</u>	Risk Moderate	Control Adequate
<p>Failure to effectively manage the day to day operations of facilities, venues and / or events. This includes;</p> <ul style="list-style-type: none"> -Inadequate procedures in place to manage quality or availability. -Poor crowd control -Ineffective signage -Booking issues -Stressful interactions with hirers / users (financial issues or not adhering to rules of use of facility) <p>Inadequate oversight or provision of peripheral services (eg. cleaning / maintenance)</p>		
Current Issues / Actions / Treatments	Due Date	Responsibility
Staff Training register	Ongoing	HR
Lease agreements with all tenants	Ongoing	EMCS
Develop major event evaluation process	Completed	CCE
Develop annual playground inspection program	Mar-21	OM
Investigate On-line booking system	Mar-21	TLCS
Investigate digital access to all community buildings to replace the current key system	Underway	EAEMCS
Playground Condition Assessment - Annual Inspection report	Ongoing	OM

<u>Information Systems (EMCS)</u>	Risk Moderate	Control Effective
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Town of East Fremantle Risk Dashboard Report February 2021

Failure to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This includes, new or proposed regulatory and legislative changes, in addition to the failure to maintain updated internal & public domain legal documentation. It includes (amongst others) the Local Government Act, Planning & Development Act, Health Act, Building Act, Privacy Act and all other legislative based obligations for Local Government.

Instability, degradation of performance, or other failure of IT or communication system or infrastructure causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked. Examples include failures or disruptions caused by:

- Hardware or software
- Networks

- Failures of IT Vendors

This also includes where poor governance results in the breakdown of IT maintenance such as;

- Configuration management
- Performance monitoring

The Office of the Auditor General recently performed a General Computer Control Audit of the Town of East Fremantle (July 2019). The following is a summary of the audit methodology:

Scope: the audit focused on:

- Policies and procedures – The entity should ensure that they have appropriate policies and procedures in place for key areas such as IT risk management, information security, business continuity and change control.
- Management of IT risks - The entity need to ensure that IT risks are identified, assessed and treated within appropriate timeframes and that these practices become a core part of business activities.
- Information security - The entity should ensure good security practices are implemented, up-to-date and regularly tested and enforced for key computer systems. Agencies must conduct ongoing reviews for user access to systems to ensure they are appropriate at all times.
- Business continuity - The entity should have a business continuity plan, a disaster recovery plan and an incident response plan. These plans should be tested on a periodic basis.
- Change control - change control processes should be well developed and consistently followed for changes to computer systems. All changes should be subject to thorough planning and impact assessment to minimise the likelihood of problems. Change control documentation should be current, and approved changes formally tracked.
- Physical security – The entity should develop and implement physical and environmental control mechanisms to prevent unauthorised access or accidental damage to computing infrastructure and systems.

Current Issues / Actions / Treatments	Due Date	Responsibility
Compliance calendar	Completed	PC
Develop standard operating procedures for each position	Ongoing	All staff
Review procedures manual every 12 months	Jun-21	HR/Exe Managers/CEO
Review purchasing history (tender compliance)	Completed	EMCS
Improvement Plan - Aud Reg 17 & FMR	Dec-22	CEO

Current Issues / Actions / Treatments	Due Date	Responsibility
The Town to review and update The Information Technology Policy to appropriately address all relevant areas of Information security	Jun-21	EMCS
The Town to establish an appropriate information security awareness program to make sure individuals are aware of the Town's Information Security Policy, risks and personal requirements for protecting information	Jun-21	EMCS
The Town to develop and implement an appropriate risk register to track and manage information risks.	Completed	EMCS
The Town to develop, document and implement appropriate ICT change management procedures. This should include the use of a suitable change management system to maintain records of change details and authorisations.	Completed	EMCS
The Town to document and implement an appropriate vulnerability management process. This process should ensure all relevant known software and security vulnerabilities are identified. These vulnerabilities along with remediation to address them should be appropriately assessed and tested. Following successful testing the relevant actions and updates should be applied to the IT Systems within a timely manner.	Jun-21	EMCS
The Town to implement an appropriate process to securely manage and configure network devices.	Completed	EMCS
Server replacement/cloud assessment	Jun-21	EMCS

Town of East Fremantle Risk Dashboard Report February 2021

Document Management processes (RO)			Risk	Control
			Low	Adequate
<p>Failure to adequately capture, store, archive, retrieve, provide or dispose of documentation. This includes:</p> <ul style="list-style-type: none"> -Contact lists. -Procedural documents, personnel files, complaints. -Applications, proposals or documents. -Contracts. -Forms or requests. 				
Current Issues / Actions / Treatments	Due Date	Responsibility		
Document Disaster Recovery Plan to be reviewed to ensure digitisation of historic files	Completed	EMCS		
Develop and implement Disaster Recovery Plan	Completed	RO/EMCS		
Document and relocate records stored under the Town Hall to appropriate facility	Completed	RO/EMCS		
Develop a record management Policy & procedure	Completed	RO		
Undertake additional record training for all staff	Ongoing	HRC		
Fully utilise Synergy	Ongoing	RO		
Introduce document control process for all internal documents	Completed	RO		
Establish file sentencing structure for Y Drive, migrate records into EDRMS and disable File Server	Jun-22	RO		
Assess full digitisation of Town Records and Update Record Keeping Plan accordingly	TBD	RO		
Prepare a project plan for SharePoint Online with a view of replacing the EDRMS in Synergy Soft	TBD	EMCS/EAEMCS		
Employment practices (CEO/HRC)			Risk	Control
			Low	Adequate
<p>Failure to effectively recruit, manage and lead human resources (full-time, part-time, casuals, temporary and volunteers).</p> <p>This includes:</p> <ul style="list-style-type: none"> -Not having appropriately qualified or experienced people in the right roles. -Insufficient staff numbers to achieve objectives. -Breaching employee regulations. -Discrimination, harassment & bullying in the workplace. -Poor employee wellbeing (causing stress). -Key person dependencies without effective succession planning in place. -Industrial activity. 				
Current Issues / Actions / Treatments	Due Date	Responsibility		
Appointment of HR officer	Completed	CEO		
Development of Human Resource Policies and Procedures	Completed	HRC		
Develop & introduce Performance Appraisals / Review Process / Training register	Completed	HRC		
Develop Performance Management Processes	Completed	HRC		
Develop Staff induction policy & procedure	Completed	HRC		
Embed Town Values	Ongoing	HRC		
Develop an Organisational Development and Training Plan	Ongoing	HRC		
Introduce new Online Learning & Induction Platform (LEARN RITE)	Ongoing	HRC		
Annual Review of Workforce Plan	Annual	HRC		
Engagement practices (CCE/CMO)			Risk	Control
			Moderate	Adequate
<p>Failure to maintain effective working relationships with the Community (including local Media), Stakeholders, Key Private Sector Companies, Government Agencies and / or Elected Members. This includes activities where communication, feedback or consultation is required and where it is in the best interests to do so. For example:</p> <ul style="list-style-type: none"> -Following up on any access & inclusion issues. -Infrastructure Projects. -Local planning initiatives. -Strategic planning initiatives <p>This does not include instances whereby Community expectations have not been met for standard service provisions such as Community Events</p>				
Current Issues / Actions / Treatments	Due Date	Responsibility		
Community Consultations Plan and Policies	Commenced	CEO		

Misconduct (CEO)			Risk	Control
			Low	Adequate
<p>Intentional activities in excess of authority granted to an employee, which circumvent endorsed policies, procedures or delegated authority. This would include instances of:</p> <ul style="list-style-type: none"> -Relevant authorisations not obtained. -Distributing confidential information. -Accessing systems and / or applications without correct authority to do so. -Misrepresenting data in reports. -Theft by an employee -Inappropriate use of plant, equipment or machinery -Inappropriate use of social media. -Inappropriate behaviour at work. -Purposeful sabotage <p>This does not include instances where it was not an intentional breach - refer Errors, Omissions or Delays, or Inaccurate Advice / Information.</p>				
Current Issues / Actions / Treatments	Due Date	Responsibility		
Internal Policy & Procedures	Ongoing	HR		
Annual Licence Checks (develop form)	Completed	HRC		
Develop records authority hierarchy	Completed	EMCS/RO		
Develop & Implement induction process	Completed	HRC		
Introduce police clearance checks for all new staff	Completed	HRC		
Develop internal social media policy	Completed	HRC		
Staff to complete Online Learning Module on Public Interest Disclosure and Whistle Blower Policy, Fraud and Corruption Awareness, Accountable and Ethical Decision Making and Discrimination and EEO.	Ongoing	HRC		

Project / Change management (All staff)			Risk	Control
			High	Adequate
<p>Inadequate analysis, design, delivery and / or status reporting of change initiatives, resulting in additional expenses, time delays or scope changes. This includes:</p> <ul style="list-style-type: none"> -Inadequate change management framework to manage and monitor change activities. -Inadequate understanding of the impact of project change on the business. -Failures in the transition of projects into standard operations. -Failure to implement new systems -Inadequate handover process <p>This does not include new plant & equipment purchases. Refer "Inadequate Asset Sustainability Practices"</p>				
Current Issues / Actions / Treatments	Due Date	Responsibility		
Project/Change Management Training	Commenced	HRC		
Development of PM Framework	Commenced	CEO		
Financial controls review (External Audit)	Completed	EMCS		
Adopt Community Engagement Plan	Completed	CCE/CMO		

Safety and Security practices (OSH Committee)			Risk	Control
			Moderate	Adequate
<p>Non-compliance with the Occupation Safety & Health Act, associated regulations and standards.</p> <p>It is also the inability to ensure the physical security requirements of staff, contractors and visitors. Other considerations are:</p> <p>negligence or carelessness.</p>				
Current Issues / Actions / Treatments	Due Date	Responsibility		
Updated OHS management framework	Ongoing	OSH Committee		

Town of East Fremantle Risk Dashboard Report February 2021

Community Engagement Framework	Completed	CCE/CEO	Staff training register	Ongoing	HRC
Customer Service Charter	Completed	CSO/CEO			
Implementation of Community Engagement Calendar	Ongoing	CCE/CMO	Develop Contractor / Site Inductions	Completed	OM
Support staff with the preparation of Community Engagement Plans	Completed	CCE/CMO	Develop Drug and Alcohol Policy	Completed	HRC
			Develop & communicate Emergency Procedures	Completed	OSH Committee
			Fitness for Work Policy	Completed	HRC
			Hazard Register	Completed	OM
			Review of safe work method statements and regular staff inductions	Ongoing	HRC

Environment management (SO/EHO)	Risk	Control
	Moderate	Adequate
Inadequate prevention, identification, enforcement and management of environmental issues. The scope includes;		
<ul style="list-style-type: none"> - Lack of adequate planning and management of foreshore erosion issues. - Failure to identify and effectively manage contaminated sites (including groundwater usage). - Waste facilities (landfill / transfer stations)- former sites - Weed & mosquito / Vector control. - Removal, damage to trees in the public domain - Illegal dumping. - Microbiological water quality 		
Current Issues / Actions / Treatments	Due Date	Responsibility
Implementation of Weed Management Plans (Foreshore Management/Neirgarup Track)	Dec-22	OM
Develop a foreshore/river erosion management plan	Dec-22	EHO
Annual River Wall inspection program	Dec-21	OM
Jerratt Drive foreshore - Develop Rehabilitation Plan in conjunction with key stakeholders - Subject to external funding	Dec-22	SO/EHO
Development of a Climate Action Plan	Ongoing	SO/EHO
Sustainability Projects	Ongoing	SO/EHO
Sustainability Policies ie Waterwise, Sustainability Policy, Waste and Verge Guidelines	Completed	SO/EHO

<u>Supplier / Contract management (All Managers)</u>	Risk	Control
	Moderate	Adequate
<p>Inadequate management of external Suppliers, Contractors, IT Vendors or Consultants engaged for core operations. This includes issues that arise from the ongoing supply of services or failures in contract management monitoring processes. This also includes:</p> <ul style="list-style-type: none"> * Concentration issues (contracts awarded to one supplier) * Vendor sustainability 		
Current Issues / Actions / Treatments	Due Date	Responsibility
<i>Prepare RFQ for Bulk Verge & Green Waste verge collection & other suppliers (electrician etc)</i>	<i>Mar-21</i>	<i>OM</i>
<i>Contract register and contract management system</i>	<i>Completed</i>	<i>OM/EMCS</i>
<i>Review purchasing/tendering requirements</i>	<i>Completed</i>	<i>EMCS</i>
<i>Develop procurement handbook including templates for all RFQs/RFTs</i>	<i>Ongoing</i>	<i>EMCS/EAMCS</i>
<i>Ensure that Contract and Tender Register is up to date and meets statutory requirement</i>	<i>Ongoing</i>	<i>MFA/RO</i>

Town of East Fremantle Strategic Risk Dashboard

East Fremantle Oval Precinct Project (CEO)	Risk Ratings		Risk Factors	
	Inherent	Extreme	Influence	High
	Residual	High	Controls	Adequate
Inability to deliver the redevelopment of East Fremantle Oval Precinct project within an acceptable timeframe, within budget and meeting community expectations.				
Current Actions		Due Date	Responsibility	
Finalise community consultation process & plan endorsement		Complete	CEO	
Develop an overarching business plan		Complete	Exec Managers	
Start lobbying for potential funding options - Check point		Underway	CEO	
Department Approval		Jun-21	CEO	

Inadequate provision of facilities or services (Ems)	Risk Ratings		Risk Factors	
	Inherent	Extreme	Influence	High
	Residual	Moderate	Controls	Adequate
Inability to continually provide and adapt services to meet community needs				
Current Actions		Due Date	Responsibility	
Completion of Local Planning Strategy review		Completed	EMRS	
Develop an overarching business plan (EFOP)		Underway	Exec Managers	
Adoption of new Strategic Community Plan		Completed	CCE	

Stakeholder Engagement (Reputation) (CCE/CMO/TLCS)	Risk Ratings		Risk Factors	
	Inherent	High	Influence	High
	Residual	High	Controls	Adequate
Loss of the Town's reputation due to the inability to manage stakeholders' perception. This focusses on residential and commercial stakeholders who either live in, operate a business or use the Town's facilities.				
Current Actions		Due Date	Responsibility	
Adopt a Communication Plan		Completed	CEO	
Refresh staff awareness of Community Engagement Plan & Corporate Branding Framework		Ongoing	PC	
Investigate the facilitation of community information sessions		Ongoing	Exec Managers	
Review and implement appropriate outcomes from the Technical Levels of Service Review		Jun-21	Operations Manager	
Configure service types within the Customer Service Module		Ongoing	TLCS	

Waste Recycling (Sustainability Officer)	Risk Ratings		Risk Factors	
	Inherent	High	Influence	High
	Residual	Moderate	Controls	Adequate
Inability to meet State Government recycling rates.				
Current Actions		Due Date	Responsibility	
Prepare FOGO Project Plan		Complete	Project Officer	
Ensure SMRC are meeting residual targets ie State Waste Strategy		Ongoing	Sustainability Officer	
Council to resolve on Waste Energy Contract ie SMRC Melville		Complete	CEO	

Strategic Planning (EMRS)	Risk Ratings		Risk Factors	
	Inherent	Extreme	Influence	High
	Residual	Moderate	Controls	Adequate
Inadequate or failed strategic development activity.				
Current Actions		Due Date	Responsibility	
Finalise Local Planning Strategy		Mar-21	EMRS	
Review Local Planning Scheme		Jul-21	EMRS	
Public Advertising of Local Planning Strategy		Jun-21	EMRS	

10.5 2021 Audit Work Plan and Meeting Schedule

File ref	F/AUD1
Prepared by	Peter Kocian, Executive Manager Corporate Services
Supervised by	Gary Tuffin, Chief Executive Officer
Meeting Date:	8 March 2021
Voting requirements	Simple Majority
Documents tabled	Nil
Attachments	Nil

Purpose

The Audit Committee is requested to endorse the proposed work plan and meeting schedule for the 2021 calendar year.

Executive Summary

This report provides an overview of the local government audit framework. It also recommends an internal audit work plan, which includes items that are traditionally considered “high-risk”, with items having been identified in external audit management letters and the previous financial management review, as well as subject matter of performance audits undertaken by the Office of Auditor General. The development of an internal audit work plan is also recommended in the internal audit framework detailed in section 7 of the WA Local Government Accounting Manual.

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:

Item	Requirements	Legislation
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>

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

On 24 August 2017, amendments to the *Local Government Act 1995* were passed by State Parliament that enables the Auditor General to audit council finances and performance. The Auditor General will take over responsibility for financial audits on a transitional basis as existing audit contracts expire.

The Town of East Fremantle has fallen under the audit remit of the Office of Auditor General from the 2018/19 financial year.

Following commencement of the new legislation, a local government cannot appoint a person to be its auditor. The Auditor General will be able to contract out some or all of the financial audits but all audits will be done under the supervision of the Auditor General.

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.

Consultation

Chief Executive Officer
Manager Administration and Finance

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.

Policy Implications

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

Financial Implications

Council has approved a budget of \$25,000 in 2020/21 for internal audit activities.

Risk Implications

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	Manage by ensuring adequate budget allocation

Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
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	9
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

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

10.5 OFFICER RECOMMENDATION

That the Audit Committee:

1. endorse the proposed meeting dates for 2021 as follows:

Date	Time	Place
8 March 2021	6.30 pm	Council Chambers
XXX July 2021	6.30 pm	Council Chambers
XXX November 2021	6.30 pm	Council Chambers

2. endorse the following work plan for 2021 with items to be presented to the Audit Committee:

Date	Items
March 2021	<ul style="list-style-type: none"> - Compliance Audit Return - Strategic and Operational Risk Register - Standing Status report - Meeting with Office of Auditor General
July 2021	<ul style="list-style-type: none"> - Interim Audit Management Letter - Close out report on implementation recommendations from the General Computer C Audit - Review of controls pertaining to Payroll and the Payroll Module - Review of onboarding/offboarding process employees - Standing Status report - Strategic and Operational Risk Register
November 2021	<ul style="list-style-type: none"> - Draft Annual Financial Statements - Self-Audit against Auditor General's Report 'Payment of Suppliers' and recommendations - Self-Audit against Auditor General's Report 'Control over Corporate Credit Cards' and recommendations - Standing status report - Risk Based Internal Audit Plan - Strategic and Operational Risk Register



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| <p>3. Recommend to Council that the Chief Executive Officer be requested to prepare a risk based internal audit plan for submission to the November 2021 Audit Committee Meeting.</p> <p>4. Note that a funding request will be made to resource the risk based internal audit plan, as internal audit activities are required to be independent as detailed in Council's Internal Audit Charter, and therefore appropriate resources need to be allocated.</p> |
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11. MATTERS BEHIND CLOSED DOORS

12. CLOSURE OF MEETING