



A G E N D A

AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 18th September 2024
Commencing at 2.00pm

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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NOTICE OF AN AUDIT & RISK COMMITTEE MEETING

Dear Committee Member

The Audit & Risk Committee Meeting of the Shire of Dardanup will be held on Wednesday 18th September 2024 to be held at the Eaton Administration Centre - commencing at 2.00pm.



MR ANDRÉ SCHÖNFELDT
Chief Executive Officer

Date: 11th September 2024

Note: If interested persons would like to make comment on any items in this agenda, please email records@dardanup.wa.gov.au or hand deliver written comment to the Shire of Dardanup – Administration Centre Eaton, 1 Council Drive, Eaton. To be included in the meeting comments are to be delivered no later than 48 hours prior to the meeting.

The Chief Executive Officer will use his discretion as to whether the written comments are relevant and applicable to the meeting before approving their inclusion in the meeting.

VISION STATEMENT

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

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COMMITTEE MEMBERSHIP:

- CR. E LILLY –CHAIRPERSON
- CR M HUTCHINSON - DEPUTY CHAIRPERSON
- CR T GARDINER
- CR. S GILLESPIE
- CR. J MANONI

AUDIT & RISK COMMITTEE CHARTER

The Terms of Reference for this Committee are located in the Tardis records system – refer to the following link:

[2023 - ToR - Audit and Risk Committee](#)

COUNCIL ROLE

Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government / body /agency.
Executive/Strategic	The substantial direction setting and oversight role of the Council eg. Adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
Legislative	Includes adopting local laws, town planning schemes and policies.
Review	When Council reviews decisions made by Officers.
Quasi-Judicial	<p>When Council determines an application/matter that directly affects a person’s rights and interests. The Judicial character arises from the obligations to abide by the principles of natural justice.</p> <p>Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg: under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</p>

DISCLAIMER

“Any statement, comment or decision made at a Council or Committee meeting regarding any application for an approval, consent or licence, including a resolution of approval, is not effective as an approval of any application and must not be relied upon as such.

Any person or entity that has an application before the Shire must obtain, and should only rely on, written notice of the Shire’s decision and any conditions attaching to the decision, and cannot treat as an approval anything said or done at a Council or Committee meeting.

Any advice provided by an employee of the Shire on the operation of a written law, or the performance of a function by the Shire, is provided in the capacity of an employee, and to the best of that person’s knowledge and ability. It does not constitute, and should not be relied upon, as a legal advice or representation by the Shire. Any advice on a matter of law, or anything sought to be relied upon as a representation by the Shire should be sought in writing and should make clear the purpose of the request.”

RISK ASSESSMENT

Inherent Risk	The level of risk in place in order to achieve the objectives of the Council and before actions are taken to alter the risk’s impact or likelihood.
Residual Risk	The remaining level of risk following the development and implementation of Council’s response.
Strategic Context	These risks are associated with achieving Council’s long term objectives.
Operational Context	These risks are associated with the day-to-day activities of the Council.
Project Context	<p>Project risk has two main components:</p> <ul style="list-style-type: none"> • Direct refers to the risks that may arise as a result of project, which may prevent the Council from meeting its objectives. • Indirect refers to the risks which threaten the delivery of project outcomes.

RISK CATEGORY CONSEQUENCE TABLE - GUIDELINE

Rating (Level)	Health	Financial Impact	Service Interruption	Legal and Compliance	Reputational	Environmental	Property
Insignificant (1)	Near miss Minor first aid injuries	Less than \$10,000	No material service interruption - backlog cleared < 6 hours	Compliance - No noticeable regulatory or statutory impact. Legal - Threat of litigation requiring small compensation. Contract - No effect on contract performance.	Unsubstantiated, low impact, low profile or 'no news' item. Example: Gossip, Facebook item seen by limited persons.	Contained, reversible impact managed by on site response.	Inconsequential or no damage.
Minor (2)	Medical type injuries	\$10,001 - \$50,000	Short term temporary interruption – backlog cleared < 1 day	Compliance - Some temporary non compliances. Legal - Single minor litigation. Contract - Results in meeting between two parties in which one party expresses concern.	Substantiated, low impact, low news item. Example: Local paper / Industry news article, Facebook item seen by multiple groups.	Contained, reversible impact managed by internal response.	Localised damage rectified by routine internal procedures.
Moderate (3)	Lost time injury <30 days	\$50,001 - \$300,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Compliance - Short term non-compliance but with significant regulatory requirements imposed. Legal - Single moderate litigation or numerous minor litigations. Contract - Receive verbal advice that, if breaches continue, a default notice may be issued.	Substantiated, public embarrassment, moderate impact, moderate news profile. Example: State-wide paper, TV News story.	Contained, reversible impact managed by external agencies.	Localised damage requiring external resources to rectify.
Major (4)	Long-term disability/ multiple injuries Lost time injury >30 days	\$300,001 - \$1.5 million	Prolonged interruption of services – additional resources; performance affected < 1 month	Compliance - Non-compliance results in termination of services or imposed penalties. Legal - Single major litigation or numerous moderate litigations. Contract - Receive/issue written notice threatening termination if not rectified.	Substantiated, public embarrassment, high impact, high news profile, third party actions. Example: Australia wide news stories. Regulatory / Political commentary involvement.	Uncontained, reversible impact managed by a coordinated response from external agencies.	Significant damage requiring internal & external resources to rectify.
Catastrophic (5)	Fatality, permanent disability	More than \$1.5 million	Indeterminate prolonged interruption of services – non-performance > 1 month	Compliance - Non-compliance results in litigation, criminal charges or significant damages or penalties. Legal - Numerous major litigations. Contract - Termination of contract for default.	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions. Example: Worldwide news, Focused articles (e.g. 60 minutes). Regulatory / Political oversight and involvement.	Uncontained, irreversible impact.	Extensive damage requiring prolonged period of restitution. Complete loss of plant, equipment & building.

RISK - LIKELIHOOD TABLE

LEVEL	RATING	DESCRIPTION	FREQUENCY
5	Almost Certain	The event is expected to occur in most circumstances	The event is expected to occur more than once per year
4	Likely	The event will probably occur in most circumstances	The event will probably occur at least once per year
3	Possible	The event should occur at some time	The event should occur at least once in 3 years
2	Unlikely	The event could occur at some time	The event could occur at least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	The event is not expected to occur more than once in 15 years

LEVEL OF RISK GUIDE

CONSEQUENCE		Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD		1	2	3	4	5
Almost Certain	5	Moderate (5)	Moderate (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	Moderate (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

SHIRE OF DARDANUP

AGENDA FOR THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE MEETING TO BE HELD ON WEDNESDAY, 18TH SEPTEMBER 2024, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 2.00PM.

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Chairperson to declare the meeting open, welcome those in attendance and refer to the Acknowledgement of Country; Emergency Procedures; and the Disclaimer and Affirmation of Civic Duty and Responsibility on behalf of Councillors and Officers:

Acknowledgement of Country

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

Emergency Procedure

In the event of an emergency, please follow the instructions of the Chairperson who will direct you to the safest exit route. Once outside, you will be directed to an appropriate Assembly Area where we will meet (and complete a roll call).

Affirmation of Civic Duty and Responsibility

Councillors and Officers of the Shire of Dardanup collectively declare that we will duly, faithfully, honestly and with integrity fulfil the duties of our respective office and positions for all the people in the district according to the best of our judgement and ability. We will observe the Shire's Code of Conduct and Standing Orders to ensure efficient, effective and orderly decision making within this forum.

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED[2.1 Attendance](#)[2.2 Apologies](#)**3 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE**

None.

4 PUBLIC QUESTION TIME**6 PETITIONS/DEPUTATIONS/PRESENTATIONS**

None.

7 CONFIRMATION OF MINUTES OF PREVIOUS MEETING**[7.1 Minutes - Audit and Risk – 12th June 2024](#)****OFFICER RECOMMENDED RESOLUTION**

THAT the Minutes of the Audit & Risk Committee Meeting held on 12th of June 2024, be confirmed as true and correct subject to no / the following corrections:

8. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

None.

9. QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

None.

10. DECLARATION OF INTEREST

“Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences.”

Key Management Personnel (which includes Elected Members, CEO and Directors) are reminded of their requirement to disclose biannually transactions between Council and related parties in accordance with Council Policy CP039.

11 REPORTS OF OFFICERS AND COMMITTEES

11.1 Title: Update Report – 2023/2024 Regulation 17 Review

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officer	<i>Mrs Cindy Barbetti – Corporate Excellence and Compliance Officer</i>
Legislation	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996</i>
Council Role	<i>Legislative.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>Confidential Attachment A - 2023/2024 Regulation 17 Review Report Appendix AAR 11.1 - Risk Assessment</i>

Overview

The purpose of this report is to provide the Audit and Risk Committee with an update on the findings from the audit undertaken in February 2024 pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996*.

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee recommend that Council receive the September 2024 update report on the implementation of actions required from the findings of the 2023/2024 Regulation 17 Review.

Change to Officer Recommendation

No Change. **OR:**

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

Background

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

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

In February 2024, AMD Chartered Accountants (AMD) conducted an external Regulation 17 Review (the 'review') with the scope of work based on the [Local Government Operational Guidelines - Number 09](#) (refer pages 17-19 of the guideline). In addition, management included in the review an audit of the preparedness of the local government in terms of mitigating cyber security risks, with particular focus on the recently adopted Cyber Security Framework.

The review was for the 3-year period ended 31st of December 2023.

A copy of the audit report from AMD (Confidential Attachment "A" under separate cover – Tardis Link - [AUD-R1520155](#)) was presented to the Audit and Risk Committee on the 13th of March 2024. The audit report contained four (4) minor findings and one (1) moderate finding for consideration, together with management's response on how these findings will be actioned.

The committee through Council endorsement, requested an update of the actions from the findings to be presented to each future committee meeting until resolved [OCM 94-24].

In addition, the endorsed 2024 Annual Audit Work Plan for the committee, provides the following schedule for the Regulation 17 Triennial Review:

AUDIT AND RISK COMMITTEE – 2024 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	13 Mar 24	* Apr/ May 24	12 Jun 24	11 Sep 24	11 Dec 24
7. Regulation 17 Triennial Review (report Due: March 2024)					
To consider the CEO's triennial review on risk management, internal control, and legislative compliance.	● <i>Completed</i>				
Set the action plan arising from auditor recommendations from the Regulation 17 review.	● <i>Completed</i>				
Receive an update on the action plan arising from auditor recommendations from the 2023-2024 Regulation 17 review (until all action items are completed).			● <i>Completed</i>	● <i>This meeting</i>	● <i>Not Yet Due</i>

This report has been compiled in direct response to Council resolution [OCM 94-24], together with the above schedule, to provide members of the committee with an update on the progression of the actions required from the findings of the AMD audit report.

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996 (as Amended):

Reg 17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.

- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.

Reg 16. Functions of audit committee

An audit committee has the following functions —

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

Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

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

Environment - None.

Precedents

This is the second 'update' report to be received by the Audit and Risk Committee on the progress of the findings resulting from the Regulation 17 Review undertaken in February 2024.

Budget Implications

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

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

Budget – Whole of Life Cost

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

Council Policy Compliance

- Shire of Dardanup Risk Management Governance Framework (which incorporates AP023 Risk Management Policy and PR036 Risk Management Procedure).
- CnG CP304 – Fraud, Corruption and Misconduct.
- Delegation 1.3.9 Audit – CEO Review of Systems and Procedures.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 11.1) for full assessment document.

Tier 2 – 'Low' or 'Moderate' Inherent Risk.	
Risk Event	Update Report – 2023/2024 Regulation 17 Review
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance Failure to fulfil obligations pursuant to the <i>Local Government (Audit) Regulations 1996</i>, Regulation 17.</p> <p>Reputational Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.</p>

Officer Comment

The findings and status from the 2023/2024 Regulation 17 Review report are summarised in the table below:

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
2 Risk Management					
2.2.1	Testing of Disaster Recovery Plan	Moderate	Manager Information Services	31 December 2024	In Progress
2.2.2	Bushfire Management Plan	Low	Director Sustainable Development	31 December 2024	In Progress
3 Internal Controls					
3.2.1	Daily Banking Procedure	Low	Manager Governance	30 April 2024	Completed
3.2.2	Purchase Orders	Low	Manager Financial Services	30 April 2024	Completed
3.2.3	Grant – Contract Liabilities Register	Low	Manager Financial Services	30 April 2024	Completed
4 Legislative Compliance					
No findings to report in respect to the Shire’s legislative compliance.					

Management will continue to progress towards completing the outstanding actions (refer items 2.2.1 and 2.2.2) by the proposed completion dates.

In accordance with Council resolution 94-24, “an update of the actions required from the findings of the Regulation 17 Audit will be presented to each future Audit and Risk Committee meeting until resolved”.

11.2 Title: Western Australian Auditor General – Schedule of Reports – September 2024

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officer	<i>Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer</i>
Legislation	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996</i>
Council Role	<i>Executive/Strategic.</i>
Voting Requirement	<i>Simple Majority. AAR: 11.2A – Risk Assessment AAR: 11.2B – Report 17 – IT Disaster Recovery Planning AAR: 11.2C – Report 18 – Local Government 2022-23 Financial Audit Results</i>
Attachments	<i>AAR: 11.2D – Report 19 – Local Government Management of Purchasing Cards AAR: 11.2E - Report 20 – Physical Security of Server Room Assets AAR: 11.2F – Report 25 – Staff Exit Controls AAR: 11.2G – Report 1 – Supplier Master Files – Better Practice Guide</i>

Overview

This report provides the Audit and Risk Committee with a schedule of Western Australian Auditor General Reports that have been released since the June 2024 committee meeting.

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee recommend that Council:

- 1. Receive the September 2024 report on the Western Australian Auditor General – Schedule of Reports.**
- 2. Acknowledge that the Shire of Dardanup has been positively recognised by the Office of the Auditor General as a top 20 achiever for 2022-23 as a ‘best practice entity’ for financial reporting practices.**

Change to Officer Recommendation

No Change. **OR:**

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

Background

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on the 28th of October 2017. The purpose of the Act was to make legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General.

The Act also provides for a category of audits known as ‘performance audit reports’ which examine the economy, efficiency, and effectiveness of any aspect of a local government’s operations. The findings of these audits are likely representative of issues in other local government entities that were not part of the sample. In addition, the Auditor General releases ‘guides’ to help support good governance within a local government’s operations.

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

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, r17

Reg 17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —
 - (a) risk management; and*
 - (b) internal control; and*
 - (c) legislative compliance.**
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) The CEO is to report to the audit committee the results of that review.*

Council Plan

13.1 - Adopt best practice governance.

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

Environment - None.

Precedents

The Audit and Risk Committee previously received a report at the June 2024 meeting that responded to the reports released by the OAG from March 2024 to May 2024.

Budget Implications

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

Budget – Whole of Life Cost

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

Council Policy Compliance None.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 11.2A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Western Australian Auditor General – Schedule of Reports
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance Not considering the risks, controls and recommendations arising from the Auditor General’s report could have an impact on Council not meeting its compliance requirements.
	Reputational Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.

Officer Comment

Council staff take an active approach by reviewing each ‘Issue’, ‘Finding’ and ‘Recommendation’ as contained in any report released by the OAG to benchmark against Council’s own internal controls and processes working towards an industry ‘best practice standard’. Identifying relevant messages and opportunities from these reports leads to continuous improvement and informed decision making.

Since the last committee meeting, there have been six (6) reports released by the OAG that are of interest to the local government sector. The reports are reflected in the table below together with officer comment:

DATE	REPORT NO	REPORT	APPENDIX
31 May 2024	17	Performance Audit <i>Local Government IT Disaster Recovery Planning</i>	AAR: 11.2B
6 June 2024	18	Financial Audit Results <i>Local Government 2022-23</i>	AAR: 11.2C
12 June 2024	19	Performance Audit <i>Local Government Management of Purchasing Cards</i>	AAR: 11.2D
24 June 2024	20	Performance Audit <i>Local Government Physical Security of Server Assets</i>	AAR: 11.2E

DATE	REPORT NO	REPORT	APPENDIX
28 June 2024	25	Performance Audit <i>Staff Exit Controls at Large Local Government Entities</i>	AAR: 11.2F
1 August 2024	1	Better Practice Guide <i>Supplier Master Files</i>	AAR: 11.2G

- *Report 17: Local Government IT Disaster Recovery Planning*

Local government entities, like other public sector organisations, rely heavily on information technology (IT) systems to operate and deliver a vast range of services to their communities. This makes it increasingly important for all entities, regardless of their size, to have planned their response to disruptions such as cyber-attacks and natural disasters.

Through prior information systems audits undertaken by the OAG, there have been consistent issues with local government disaster recovery planning. Report 17 was an opportunity for the OAG to delve deeper into the preparedness of the LG entities that were audited.

Encouragingly, all the entities the OAG audited were aware of the importance of disaster recovery planning to recover their IT systems and most had developed plans. However, none were fully prepared.

Further, as all the entities the OAG audited relied on third party vendors to manage and recover their IT systems, it is important that vendor service agreements clearly define what is to be delivered.

The OAG encourages entities to use the better practice principles included in Report 17 to improve disaster recovery planning across the local government sector. Timely recovery of IT systems after a disaster can reduce financial and reputational losses and minimise delays in delivering services to the public.

The Shire currently has a high-level Business Continuity Plan (BCP) that details the critical steps in the event of a loss of information technology or communications (ITC). An IT Disaster Recovery Plan (DRP) that covers the requirement to recover ICT systems, which is complementary to the BCP, is currently in draft form and being reviewed. Management will consider the better practice principles included in this OAG Report 17 and note any areas of improvement as part of the DRP review.

In relation to testing of the DRP, management has previously transparently recognised this deficiency, and this has been recorded in the Shire's Risk Register with a treatment plan of "IT Disaster Recovery Plan – review required of specific recovery items and scenarios to fully test the effectiveness of the Plan" to address this risk. In addition, the 2023 Regulation 17 audit undertaken by AMD recorded this as a finding. Management is working towards completing this finding by the end of 2024.

- *Report 18: Financial Audit Result 2022-23 – Local Government*

This report summarises the results of 137 of 147 local government entities' annual audits for the year ended 30th June 2023, as well as one audit remaining from 2021-22. There are 10 entities' audits which were outstanding at 31st March 2024 and not included in this report. These entities have encountered various challenges in providing the OAG with information to enable their audits to be finalised.

The OAG acknowledges they are starting to see the impact of the hard work put in by the sector and their stricter timing initiative. There has been an overall reduction in the number and significance of financial management control issues reported to entities. However, financial reporting, asset and

procurement issues remain at relatively high levels. In addition, completeness and accuracy of asset registers and valuations continue to cause significant difficulties for entities.

The Shire of Dardanup has been recognised as a top 20 'best practice entity' for financial reporting practices. The quality of financial reporting is measured against the following criteria:

- timeliness of CEO-certified financial report;
- quality of financial report (financial statements and notes);
- quality of working papers that support the financial report;
- management resolution of accounting matters;
- key staff availability during the audit;
- number and significance of management letter findings; and
- clear opinion.

At the end of July 2024, management and staff attended a webinar hosted by LG Professionals and the OAG, that provided an overview of the key findings from Report 18, while also highlighting good practices from the Top 20 local governments. It was also an opportunity for the OAG to provide advice regarding preparation for the next round of audit.

- *Report 19: Local Government Management of Purchasing Cards*

In this audit, the OAG looked at the management of purchasing cards at three regional entities.

For a more comprehensive review of purchasing cards, this audit looked beyond the use of credit cards and included other cards such as store cards. The OAG acknowledges that in reviewing each of the entity's controls, they did not apply a 'one size fits all' approach as the diversity of the sector means some very small entities with few cardholders, may not need the same controls as larger entities with more cardholders.

As some background, purchasing cards represent an approved line of credit and are a well-established part of modern purchasing systems. They include corporate credit cards, store cards, fuel cards and taxi cards. These cards provide entities with a cost effective, convenient, and timely way to pay for goods and services of low value.

Local government entities need to have effective controls, appropriate to their size and risk, to prevent and detect inadvertent or deliberate misuse of their purchasing cards and meet their legislated responsibilities around the allocation of finances. This includes being able to demonstrate that purchases meet a business need and meet the expectations of ratepayers in the responsible use of public money. Improper, wasteful, or unauthorised purchases that are not identified and resolved can result in financial loss to the entity.

The *Local Government Act 1995* (LG Act) and associated regulations require:

- Entities to develop procedures for the payment of accounts to ensure there is effective security for, and properly authorised use of purchasing cards.
- The CEO to keep proper accounts and records in accordance with regulations.
- The council to oversee allocation of the local government's finances and resources and determine policies.
- Entities to provide information about each purchasing card transaction in a payment listing to council and in council minutes to increase transparency, accountability, and council oversight of incidental spending.

An effective control environment for purchasing cards should include:

- Controls to prevent misuse and errors. These controls establish requirements up-front, and before a purchase is made. Examples include clear policies and procedures, delegations to purchase, preset card limits and appropriate card authorisation and destruction processes.; and
- Controls to detect errors and misuse after a purchase is made. These include processes to review and approve purchases, and the monitoring, reporting and oversight of card use.

Management have considered the findings and recommendations contained in this report. In addition, a full review of Council Policies has recently taken place, with the full report to be provided to the October 2024 Ordinary Council Meeting. As part of this review process, the corporate credit card policy and debit card policy have been assessed against the regulation requirements and effective control environment requirements noted above. A further outcome of this review was to combine both card types in a new 'Purchasing Card Policy' for Council consideration, which will also capture 'other' purchasing cards such as fuel.

- *Report 20: Local Government Physical Security of Server Assets*

Many local government entities rely on server assets to run their information technology (IT) systems and applications that are integral to their operations. These server assets need to be protected against physical and environmental hazards that can disrupt continuous IT service and the delivery of services to the community.

All 16 local government entities in this audit had physical server assets located onsite, but each had their own unique IT needs, risks, and resources. The OAG found that all the audited local government entities had some protections in place to restrict physical access to their server assets and reduce the risk of accidental or malicious damage. They had also taken steps to reduce the impact of environmental hazards such as high temperatures and humidity on these assets. However, the OAG found many audited local government entities could better use and maintain the protections they have and improve their monitoring of hazards.

This report includes recommendations and better practice principles that local government entities of all sizes can use to protect their server assets against damage.

In response to this report, the Shire's Cyber Security Administrator is currently undertaking an internal audit of the Shire's server assets at all relevant Shire locations, taking into consideration the OAG's better practice principles. In addition, an Administration Policy is currently being prepared on 'Physical Security of IT Assets'. Both the internal audit and Policy will assist in strengthening the Shire's physical security posture.

- *Report 25: Staff Exit Controls at Large Local Government Entities*

This audit assessed the effectiveness of staff exit controls at eight large metropolitan local government entities. It follows similar audits in both State government entities and government trading enterprises (GTE). The eight entities employ a large number of staff, often across multiple locations, many of whom are casual and temporary employees. In the OAGs audit period they also incurred significant staff turnover.

Overall, the OAG found that payroll and finance controls were largely effective, but physical security and information technology risks were not always minimised and there were gaps in the documentation of the return of assets. Although this exposes the entities to increased risk, the OAG reported that they did not find any instances where information systems had been accessed inappropriately or where assets had been lost or stolen.

All the entities had processes in place for staff exits but their maturity and design varied. Similar to State government entities and GTEs the OAG found that they did not effectively document the assessment of risk and adjust controls to take account of staff leaving high integrity positions.

The risks and challenges identified in the OAG report are not confined to the eight entities audited. The OAG encourages all public sector entities to look at the findings and recommendations in the report and draw on the better practice guidance provided.

Management and staff have reviewed the findings from this report and have undertaken an assessment of current practices against the OAG operational requirements, to ensure that the Shire has effective staff exit controls in place.

- *Report 1: Better Practice Guide – Supplier Master File*

Vulnerabilities in poorly controlled and managed procurement systems and processes are prime targets for exploitation given the significant volume and value of financial transactions involved. It is therefore essential that these processes are designed and operated in ways that minimise the risks of fraud and corruption involving public money, as well as error.

The OAG's financial and forensic audits across State and local government entities continue to identify shortfalls in the management of information about suppliers, including inadequate record keeping practices, and ineffective controls and weaknesses in data security. These shortfalls not only increase the risk of fraud and corruption occurring they also limit the ability to detect it.

Information about suppliers is a key part of the procurement process where problems can occur and should be proactively managed rather than considered a static 'set and forget'. The OAG encourages entities to examine systems, processes and controls relating to information about their suppliers to ensure accuracy and completeness as well as to prevent and even identify potential fraud. The OAG has released a guide that aims to provide public sector entities with areas of focus to better create, manage and interrogate information about their suppliers to enhance their procurement process.

Management and staff have considered Part 2 of the guide and are currently working their way through each of the target areas to enhance the management of supplier information.

- *Conclusion*

The OAG report review process will continue to be applied to future reports and guides released by the Auditor General. The analysis of these reports provides Council with a greater level of confidence in internal control practices and processes throughout Council operations.

END REPORT

11.3 2023-2024 JLT Public Sector Risk Report

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officer	<i>Mrs Cindy Barbetti – Corporate Excellence and Compliance Officer</i>
Legislation	<i>Local Government Act 1995</i>
Council Role	<i>Legislative.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>AAR:11.3A – JLT Public Sector Risk Report 2023-2024 AAR:11.3B – Risk Assessment Tool</i>

Overview

The purpose of this report is to present to the Audit and Risk Committee the 2023-2024 JLT Public Sector Risk Report (refer Appendix AAR: 11.3A).

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee receive the 2023-2024 JLT Public Sector Risk Report (Appendix AAR: 11.3A) and note the key risks identified.

Change to Officer Recommendation

No Change. **OR:**

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

Background

This is the sixth edition of the JLT Public Sector Risk Report (Appendix AAR: 11.3A) which delivers a summary of the risk information that have been provided by various local governments across Australia.

The report details the key local government risks and prioritises them based upon specialised local government experience and knowledge. This report has captured strategic input from executive's right across the sector during 2023/2024 as well as providing insight into what has changed compared to the historic information provided in earlier editions. The aim of the report is to build awareness of risks that support local governments' long-term planning and consideration of future events.

As directed by Regulation 17 of the *Local Government (Audit) Regulations 1996*, Council is required to have an appropriate and effective system and procedures in place to manage risk. This report will assist with providing committee members and stakeholders with an overview of real scenarios facing the industry and contribute to the overall management of risk at the Shire of Dardanup.

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, Regulation 17:

17. *CEO to review certain systems and procedures*
- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
- (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

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

Council Plan

13.1 - Adopt best practice governance.

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

Environment - None.

Precedents

The 2022/2023 JLT Public Sector Risk Report was presented to the Audit and Risk Committee in June 2023.

Budget Implications

To remain up to date with emerging risk in the industry, it is good practice for staff to spend time reviewing relevant risk reports. Therefore, the cost to Council is through staff time and the usage of IT Software systems where applicable.

Budget – Whole of Life Cost - None.

Council Policy Compliance

Risk Management Governance Framework:

- Administration Policy AP023 – Risk Management
- Procedure PR036 – Risk Management
- Australian Standard AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 11.3B) for full assessment document.

TIER 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	2023-2024 JLT Public Sector Risk Report
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance Not considering the local government industry risks noted in the JLT report could have implications towards managing risk in accordance with Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i>
	Reputational Council’s reputation could be seen in a negative light for not considering industry reported risk and the potential impact this could have to long-term planning.

Officer Comment

The 2023/2024 JLT Public Sector Risk Report highlights the key risks that concern local governments. A total of 219 Council’s across Australia responded to the survey, from rural/remote, regional, metropolitan and city Council’s.

In its sixth year, the research showed increasing risk maturity across the local government sector with a deeper understanding of systemic risk, risk profiles and the interconnected nature of risks.

The top 12 risk rankings from the 2023 Survey:

1. Financial Sustainability
2. Cyber Security
3. Assets & Infrastructure
4. Climate Change
5. Disaster & Catastrophe
6. People & Culture
7. Business Continuity
8. Ineffective Governance
9. Statutory / Regulation
10. Waste Management

11. Reputation Risks
12. Liability Claims

For comparison, for Western Australia, the top 5 were ranked as follows:

1. Assets & Infrastructure
2. Cyber Security
3. Financial Sustainability
4. Climate Change
5. Disaster & Catastrophe

The local government risk environment is continually evolving, and the report acknowledges that this provides challenges to local governments in developing operational and financial plans that can deliver on the Council's Strategic Plan.

The Corporate Excellence and Compliance Officer will continue to support the reporting requirements for risk matters across the organisation and review relevant industry publications to ensure that new or emerging risks are identified and captured as part of the Shire of Dardanup's Risk Management Governance Framework.

END REPORT

11.4 2024-2025 Internal Audit Annual Program

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officer	<i>Mrs Cindy Barbetti – Corporate Excellence and Compliance Officer</i>
Legislation	<i>Local Government Act 1995</i>
Council Role	<i>Executive/Strategic.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>AAR 11.4A – Internal Audit Strategic Plan AAR 11.4B – Risk Assessment</i>

Overview

This report presents to the Audit and Risk Committee the Internal Audit Strategic Plan and the proposed 2024-2025 Internal Audit Annual Work Plan.

OFFICER RECOMMENDED RESOLUTION

That the Audit and Risk Committee:

1. **Receive the September 2024 report relating to the Internal Audit Program of the Shire of Dardanup.**
2. **Recommends that Council endorse the Shire of Dardanup Internal Audit Strategic Plan, inclusive of the 2024-2025 Internal Audit Annual Work Plan. (Appendix AAR: 11.4A).**

Change to Officer Recommendation

No Change. **OR:**

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

Background

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

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

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

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

A copy of the Internal Audit Strategic Plan is provided for in (Appendix AAR: 11.4A)

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, Regulation 17:

17. *CEO to review certain systems and procedures*
- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
 - (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
 - (3) *The CEO is to report to the audit committee the results of that review.*
- [Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]*

Local Government (Financial Management) Regulations 1996, Regulation 5:

5. *CEO's duties as to financial management*
- (1) *Efficient systems and procedures are to be established by the CEO of a local government —*
 - (a) *for the proper collection of all money owing to the local government; and*
 - (b) *for the safe custody and security of all money collected or held by the local government; and*
 - (c) *for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and*
 - (d) *to ensure proper accounting for municipal or trust —*
 - (i) *revenue received or receivable; and*
 - (ii) *expenses paid or payable; and*

- (iii) *assets and liabilities;*
 - and*
 - (e) *to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
 - (f) *for the maintenance of payroll, stock control and costing records; and*
 - (g) *to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*
- (2) *The CEO is to —*
- (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
 - (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
 - (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

Council Plan

13.1 - Adopt best practice governance.

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

Environment - None.

Precedents

An Internal Audit Strategic Plan and Internal Audit Annual Work Plan for 2023-2024 were presented at the September 2023 Audit and Risk Committee meeting.

Budget Implications

As part of the Corporate Excellence and Compliance Officer role, internal control is integral to meeting the obligations under Regulation 17. Therefore, the cost to Council is through staff time and the usage of IT/Software systems where applicable.

Budget – Whole of Life Cost - None.

Council Policy Compliance

Internal Audit Strategic Plan

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 11.4B) for full assessment document.

TIER 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	2024-2025 Internal Audit Program
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.

TIER 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Category Assessed Against	Legal and Compliance	Not considering internal control within the organisation would result in non-compliance with Regulation 17
	Reputational	Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.

Officer Comment

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

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

The Internal Audit Strategic Plan (Plan) has been developed to assist the organisation in achieving its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control. Within the Plan, is the 2024-2025 Internal Audit Annual Work Plan that has been considered based on Council’s current risk profile and assurance needs.

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

END REPORT

11.5 Biannual Compliance Task Report

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officers	<i>Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer</i>
Legislation	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17</i>
Council Role	<i>Legislative.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>AAR 11.5 – Risk Assessment Confidential Attachment “B” – Biannual Compliance Task Report</i>

Overview

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

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee receive the report on the Biannual Compliance Task Report, as provided for in the Confidential Attachment provided Under Separate Cover and note the compliance tasks identified for the for the period 1st January 2024 to 30th June 2024.

Change to Officer Recommendation

No Change. **OR:**

As per *Local Government (Administration) Regulations 1996 11(da)* Council records the following reasons for amending the Officer Recommended Resolution:

Background

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

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

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, Regulation 17:

17. *CEO to review certain systems and procedures*
- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
 - (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
 - (3) *The CEO is to report to the audit committee the results of that review.*

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

Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

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

Environment - None.

Precedents

The Audit and Risk Committee received the previous biannual compliance report (incorporating the period from 1 July 2023 to 31 December 2023) at the March 2024 meeting.

Budget Implications

Effective legislative compliance management ensures compliance responsibilities are carried out and legislative requirements are met, which ultimately reduces risk. Compliance management forms part of the Corporate Excellence & Compliance Officer role. Therefore, the cost to Council is through staff time and the usage of IT/Software systems where applicable.

Budget – Whole of Life Cost

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

Council Policy Compliance

There is no current Council Policy relevant to this item.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR 11.5) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Biannual Compliance Task Report
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance</p> <p>Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.</p> <p>Reputational</p> <p>Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.</p>

Officer Comment

This biannual report captures the first six (6) months of the 2024 calendar year (1st January 2024 to 30th June 2024). Please refer to Confidential Attachment “B” Tardis Link - [R0001646993](#) provided Under Separate Cover for the compliance tasks identified. Responsible officers have provided an audit score of the progression of each task together with any necessary commentary to support the achievement of legislative compliance.

The next biannual compliance task report will be presented to the March 2025 committee meeting.

END REPORT

11.6 Title: Annual Financial Report – Interim Audit Results for the Year Ending 30th June 2024

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officer	<i>Mrs Natalie Hopkins - Manager Financial Services</i>
Legislation	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17</i>
Council Role	<i>Executive/Strategic.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>Appendix AAR: 11.6A – Interim Audit Results Letter (ie Interim Management Letter) Appendix AAR: 11.6B – Risk Assessment</i>

Overview

The purpose of this report is to present to the Audit and Risk Committee the Interim Audit Results for the year ending 30th of June 2024.

OFFICER RECOMMENDED RESOLUTION

THAT the Audit & Risk Committee recommend that Council receive the Office of the Auditor General – Interim Audit Results for the Year Ending 30th June 2024. (refer Appendix AAR 11.6A).

Change to Officer Recommendation

No Change. **OR:**

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

Background

An annual audit of the Shire of Dardanup's financial systems, process and reports, is undertaken in accordance with the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996*.

Since the proclamation of the *Local Government Amendment (Auditing) Act 2017*, legislative changes were made to the *Local Government Act 1995*. These changes mandated responsibility for overseeing local government audits to the Office of the Auditor General (OAG).

Local government audits are now performed in two parts:

1. Interim Audit

The purpose of this audit is to evaluate the Council's overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal controls, and to obtain an understanding of the key business processes, risks and internal controls relevant to the OAG audit of the annual financial report. Outcomes of this audit are provided in a management letter to the Chief Executive Officer and Shire President outlining any findings with recommendations; and

2. Final Year-End Audit

The outcomes of this audit are provided in a management letter addressed to the Chief Executive Officer and Shire President, and the annual audit report. The annual audit report, together with the annual financial statements form part of the annual report.

The interim audit for the year ending 30th June 2024 was performed onsite at the Shire's Eaton Administration Centre by OAG sub-contacted auditors, Moore Australia, from 22nd to 24th April 2024 inclusive. The Interim Audit focused on audit samples from 1st July 2023 to 29th February 2024, with the OAG issuing the Interim Audit Results Report (i.e. Interim Management Letter) on 6th June 2024 (Appendix AAR 11.6A).

Interim audit information requirements included, but not limited to, the following audit requirements:

- Accounts by Nature;
- Rates Billing;
- Payroll & Employee Provisions;
- General Ledger Reconciliation / Trial Balance;
- Bank Reconciliations, Credit Card Statement Reconciliations;
- Inventory, Fixed Asset Reconciliations;
- Borrowings;
- Lease Liabilities;
- Contract Liabilities;
- Trade Creditors including Masterfile Changes;
- Accounts Receivables;
- Procurement Policy Compliance;
- Monthly Financial Reporting;
- IT, Covid-19, Fraud and Error Assessment Questionnaires; and
- Various Council Policies, Administration Policies and Procedures.

As per the OAG Interim Audit Results Letter (Appendix AAR 11.6A), the result of the interim audit was declared satisfactory with **no findings issued**, that is '**No Management Control Issues**' for the Interim Audit 30th June 2024; an excellent result.

Legal Implications

Local Government Act 1995, s7.9

7.9. *Audit to be conducted*

- (1) *An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —*
- (a) *the mayor or president; and*
 - (b) *the CEO of the local government; and*
 - (c) *the Minister.*

Local Government (Audit) Regulations 1996, r9

9. *Performance of audit*

- (3) *An auditor must carry out the work necessary to form an opinion whether the annual financial report —*
- (a) *is based on proper accounts and records; and*
 - (b) *fairly represents the results of the operations of the local government for the financial year and the financial position of the local government at 30 June in accordance with —*
 - (i) *the Act; and*
 - (ii) *the Australian Accounting Standards (to the extent that they are not inconsistent with the Act).*

Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

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

Environment - None.

Precedents

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

Budget Implications

The 2023/2024 budget includes an allocation for the conduct of the full annual audit, including the interim audit.

Budget – Whole of Life Cost

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

Council Policy Compliance - None.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 11.6B) for full assessment document.

TIER 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Annual Financial Report – Interim Audit Results for the Year Ending 30 th June 2024
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Residual Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance Not presenting the Interim Audit Results for the year ending 30th June 2024 to the Audit and Risk Committee (and subsequently Council).</p> <p>Reputational Council’s reputation could be seen in a negative light for not being open and transparent with disclosing findings from the Auditor General.</p>

Officer Comment

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

At the Audit & Risk Committee meeting dated 12th June 2024, an ‘*Interim Audit Update*’ report was presented to the Committee which provided a brief update on the Interim Audit 30th June 2024 whereby early feedback from Council’s auditors, Moore Australia, was positive with no issues raised or matters of concern.

Council received the Interim Audits Result Letter on 6th June 2024 that confirmed that the Interim Audit was **satisfactory and there were no findings issued**. Whilst it is not uncommon for auditors to issue findings to local governments in both interim and final audits, **this year marks the third successive year that Council has received ‘no findings’ or ‘management control issues’ for an Interim Audit**.

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

END REPORT

12. ELECTED MEMBER MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

None.

13. NEW BUSINESS OF AN URGENT NATURE

[Please Note: This is Not General Business – This is for Urgent Business Approved By the Person Presiding or by Decision. In cases of extreme urgency or other special circumstance, matters may, with the consent of the person presiding, or by decision of the members present, be raised without notice and decided by the meeting.]

14. MATTERS BEHIND CLOSED DOORS

15. CLOSURE OF MEETING

The date of the next Audit & Risk Committee Meeting will be Wednesday, 11th December 2024.

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