



Shire of Dardanup

# AGENDA

## AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 16 June 2021  
Commencing at 2.00pm

At

Shire of Dardanup  
ADMINISTRATION CENTRE EATON  
1 Council Drive - EATON

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Upon request.



## 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 16 June 2021 in the Council Chambers, Shire of Dardanup - Administration Centre Eaton, 1 Council Drive, Eaton - commencing at 2.00pm.



**MR ANDRÉ SCHÖNFELDT**  
Chief Executive Officer

Date: 10 June 2021

**Note:** If interested persons would like to make comment on any items in this agenda, please email [records@dardanup.wa.gov.au](mailto: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.

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## VISION STATEMENT

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

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## COMMITTEE MEMBERSHIP:

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

## AUDIT & RISK COMMITTEE CHARTER

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

[2020 - ToR - Audit and Risk Committee Charter](#)

### COUNCIL ROLE

Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government / body /agency.
Executive/Strategic	The substantial direction setting and oversight role of the Council eg. Adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
Legislative	Includes adopting local laws, town planning schemes and policies.
Review	When Council reviews decisions made by Officers.
Quasi-Judicial	<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

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

**RISK CATEGORY CONSEQUENCE TABLE - GUIDELINE**

Rating (Level)	Health	Financial Impact	Service Interruption	Legal and Compliance	Reputational	Environment
<b>Insignificant (1)</b>	Near miss Minor first aid injuries	Less than \$10,000	No material service interruption - backlog cleared < 6 hours	<b>Compliance</b> - No noticeable regulatory or statutory impact. <b>Legal</b> - Threat of litigation requiring small compensation. <b>Contract</b> - No effect on contract performance.	Unsubstantiated, low impact, low profile or 'no news' item	Contained, reversible impact managed by on site response
<b>Minor (2)</b>	Medical type injuries	\$10,001 - \$50,000	Short term temporary interruption – backlog cleared < 1 day	<b>Compliance</b> - Some temporary non compliances. <b>Legal</b> - Single minor litigation. <b>Contract</b> - Results in meeting between two parties in which one party expresses concern.	Substantiated, low impact, low news item	Contained, reversible impact managed by internal response
<b>Moderate (3)</b>	Lost time injury <30 days	\$50,001 - \$300,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	<b>Compliance</b> - Short term non-compliance but with significant regulatory requirements imposed. <b>Legal</b> - Single moderate litigation or numerous minor litigations. <b>Contract</b> - Receive verbal advice that, if breaches continue, a default notice may be issued.	Substantiated, public embarrassment, moderate impact, moderate news profile	Contained, reversible impact managed by external agencies
<b>Major (4)</b>	Lost time injury >30 days	\$300,001 - \$1.5 million	Prolonged interruption of services – additional resources; performance affected < 1 month	<b>Compliance</b> - Non-compliance results in termination of services or imposed penalties. <b>Legal</b> - Single major litigation or numerous moderate litigations. <b>Contract</b> - Receive/issue written notice threatening termination if not rectified.	Substantiated, public embarrassment, high impact, high news profile, third party actions	Uncontained, reversible impact managed by a coordinated response from external agencies
<b>Catastrophic (5)</b>	Fatality, permanent disability	More than \$1.5 million	Indeterminate prolonged interruption of services – non-performance > 1 month	<b>Compliance</b> - Non-compliance results in litigation, criminal charges or significant damages or penalties. <b>Legal</b> - Numerous major litigations. <b>Contract</b> - Termination of contract for default.	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Uncontained, irreversible impact

**RISK - LIKELIHOOD TABLE**

LEVEL	RATING	DESCRIPTION	FREQUENCY
5	<b>Almost Certain</b>	The event is expected to occur in most circumstances	The event is expected to occur more than once per year
4	<b>Likely</b>	The event will probably occur in most circumstances	The event will probably occur at least once per year
3	<b>Possible</b>	The event should occur at some time	The event should occur at least once in 3 years
2	<b>Unlikely</b>	The event could occur at some time	The event could occur at least once in 10 years
1	<b>Rare</b>	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, 16 JUNE 2021, 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 by recognising the strength, resilience and capacity of Wardandi people in this land.*

*Affirmation of Civic Duty and Responsibility*

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

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

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

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

*Emergency Procedure*

*In the event of an emergency, please follow the instructions of the Chairperson who will direct you to the safest exit route. Once outside, please proceed to the Assembly Area points located to the western side of the front office car park near the skate park and gazebo where we will meet (and complete a roll call).*

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

2.1 Attendance

2.2 Apologies

**3. PRESENTATIONS**

None.

**4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

4.1 Audit & Risk Committee Meeting Held 3 March 2021

**OFFICER RECOMMENDED RESOLUTION**

**THAT the Minutes of the Audit & Risk Committee Meeting held on 3 March 2021, be confirmed as true and correct subject to no / the following corrections:**

**5. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED**

None.

**6. QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN**

None.

**7. DECLARATION OF INTEREST**

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

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





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

### **Strategic Community Plan**

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

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

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

**Environment** - None.

### **Precedents**

This is the first 'update' report to be received by the Audit and Risk Committee on the progress of the findings resulting from the Regulation 17 review undertaken in February 2021.

### **Budget Implications**

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

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

### **Budget – Whole of Life Cost**

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

### **Council Policy Compliance**

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

### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.1) for full assessment document.

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

### Officer Comment

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

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

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	The CEO is responsible for ensuring the Employee Code of Conduct is adopted, therefore this will not be presented to Council for adoption. This is expected to occur in July 2021.				
2.2.3	<p><b>Framework, Plan and Procedures in Review</b></p> <p>The following Shire policies, procedures and/or plans are currently under internal review and yet to be adopted and implemented accordingly:</p> <ul style="list-style-type: none"> <li>Local Emergency Management &amp; Recovery Arrangement Plan;</li> <li>Work Health &amp; Safety Framework;</li> <li>Contractor Management – High Risk Cover Procedure; and</li> <li>Administration Policy Register and Procedure Register.</li> </ul> <p><b>Auditor Recommendation</b></p> <p>We recommend finalisation of the above Shire policies, procedures and plans including adoption by Council. Once the documents have been adopted, we recommend they are endorsed and communicated to all staff, implemented and monitored on a regular basis including testing the appropriate sections of the plan to ensure that in the event of a disaster, appropriate actions can be taken.</p> <p><b>Management Comment</b></p> <p>A number of Plans and Framework documents are scheduled for finalisation during 2021, which will be communicated to staff and monitored into the future. A comprehensive review of Administrative Policies and Procedures is currently underway and scheduled for completion around the middle of 2021.</p> <p><b>Officer Comment</b></p> <ul style="list-style-type: none"> <li>Local Emergency Management &amp; Recovery Arrangement Plan – subject of a 5-yearly review, due 2021. This is scheduled for completion in November 2021. Note: contacts within the plan are reviewed annually and this function is up-to-date.</li> <li>Work Health &amp; Safety Framework – completed; adopted in May 2021.</li> <li>Contractor Management – High Risk Cover Procedure – near completion, expected to be finalised in July 2021.</li> <li>Administration Policy Register and Procedure Register – waiting on purchase of Promap software in 2021-2022 to commence review.</li> </ul>	Low	Manager Governance & HR	31 December 2021	In Progress
<b>3</b>	<b>Internal Controls</b>				
3.2.1	<p><b>Contract Management Framework</b></p> <p><b>Auditor Recommendation</b></p> <p>We recommend a contract management framework is designed and documented to ensure that contracts are managed appropriately and in accordance with the stated framework. This approach will include the mandatory requirement of all contractors completing some level of induction (the level of induction completed should be determined based on the risks associated with the service or goods provided), ensuring that up to date insurances are on file and the contractor invoices the Shire in accordance with the contract/agreement.</p> <p><b>Management Comment</b></p> <p>A contract management framework will be considered as part of the new Procurement Framework, together with the Risk Management Governance Framework.</p> <p><b>Officer Comment</b></p> <p>The Procurement Framework (which incorporates the contract management framework) was presented and endorsed by the Executive Management Team on 9 March 2021.</p> <p>The next stage is for management and officer level training before being rolled out across the organisation from 1 July 2021.</p>	Moderate	Deputy CEO	31 December 2021	In Progress
3.2.2	<p><b>Post Tender Review</b></p> <p><b>Auditor Recommendation</b></p> <p>WALGA best practice guidelines recommend formal performance management assessments be completed at the end of the tender period once goods or services have been tendered. We recommend a post tender / contract performance evaluation procedure be documented, implemented through the communication to all staff and monitored on an ongoing basis to ensure compliance with stated procedures.</p> <p><b>Management Comment</b></p>	Low	Deputy CEO	31 December 2021	In Progress

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	Noted. This will be considered as part of the new Procurement Framework.				
	<p><b>Officer Comment</b> The Procurement Framework (which considers post-tender review and post-contract review) was presented and endorsed by the Executive Management Team on 9 March 2021.</p> <p>The next stage is for management and officer level training before being rolled out across the organisation from 1 July 2021.</p>				
<b>4</b>	<b>Legislative Compliance</b>				
4.2.1	Complaints Register	Low	Manager Governance & HR	31 December 2021	Completed
	<p><b>Auditor Recommendation</b> We recommend the Complaint Register include all necessary details as required by the Act.</p> <p><b>Management Comment</b> A detailed review of the Customer Service processes and procedures is occurring during the first half of 2021.</p> <p><b>Officer Comment</b> The Complaints Register is up to date and mechanisms are now on place to audit quarterly. In addition, the Customer Service Charter and Fusion training being provided by Business Solutions will further assist in raising an awareness of the Complaints Register process. This action is now completed.</p>				

Management will continue to progress towards completing the outstanding actions by 31 December 2021. The Audit and Risk Committee will receive a further 'update' report at the September 2021 meeting.

**Council Role** - Legislative.

**Voting Requirements** - Simple Majority.

**Change to Officer Recommendation**

No Change. **OR:**

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

**OFFICER RECOMMENDED RESOLUTION**

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

## 8.2 Title: Bi-Annual Risk Management Dashboard Report

<i>Reporting Department:</i>	Corporate & Governance
<i>Reporting Officer:</i>	Mrs Cindy Barbetti - Compliance Officer
<i>Legislation:</i>	Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17
<i>Attachments</i>	AAR 8.2A – Risk Dashboard Report AAR 8.2B – Risk Assessment

### **Overview**

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

### **Background**

In August 2019 Council, through the Audit and Risk Committee, adopted the revised Risk Management Governance Framework (the Framework) for the Council. The Framework has been developed to connect all of the risk management processes and methodologies and to clearly articulate the appetite for risk. This ensures Council's commitment to meeting its compliance obligations pursuant to the *Local Government (Audit) Regulations 1996*, Regulation 17.

In accordance with the reporting requirements of the Framework, the Compliance Officer is required to present the Audit and Risk Committee with a Risk Dashboard Report (Appendix AAR 8.2A) every six months. In addition, the Terms of Reference within the Audit and Risk Committee Charter state the following as a committee objective:

- 5.8 *To consider the Shire of Dardanup Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness and progress on the relevant action plans biannually.*

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

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

### **Legal Implications**

*Local Government Act 1995*

*Local Government (Audit) Regulations 1996, Regulation 17:*

17. *CEO to review certain systems and procedures*

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

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

### **Strategic Community Plan**

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

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

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

**Environment** - None.

### **Precedents**

The Audit and Risk Committee has been presented with Risk Management Dashboard Report's at the following meetings:

<b>Committee Meeting Date</b>	<b>AAR Resolution Number</b>
4 December 2019	AAR 05-19
3 June 2020	AAR 14-20
7 December 2020	AAR 26-20

### **Budget Implications**

As part of the Compliance Officer role, regular reporting of the Risk Management Governance Framework is essential. Therefore the cost to Council is through staff time and the usage of IT/Software systems where applicable.

### **Budget – Whole of Life Cost**

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

### **Council Policy Compliance**

Risk Management Governance Framework

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

### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR 8.2B) for full assessment document.

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

### **Officer Comment**

It is essential to monitor and review the management of risks, as changing circumstances may result in some risks increasing or decreasing in significance.

The Risk Dashboard Report for June 2021 (Appendix AAR 8.2A) summarises the risks of Council and provides the current treatment plans (actions) that have been identified by management to improve certain key control ratings. Typically these control ratings have been identified as inadequate and a treatment plan (action) has been determined to improve the control effectiveness to at least adequate.

To provide a comparison between reporting periods, table 1 below indicates that there are currently 27 treatments in place, compared with 26 treatments in December 2020. Ten new treatments have been added, with 9 being completed in the last 6 months. As treatments are cleared or completed they are removed from the Dashboard.

*Table 1 – Treatment Plan Summary*

<b>December 2020 (last reporting period)</b>			<b>June 2021 (this reporting period)</b>			
					<b>In Progress</b>	
<b>Total</b>	<b>Completed</b>	<b>In Progress</b>	<b>Total</b>	<b>New</b>	<b>Overdue</b>	<b>On Schedule</b>
26	9	17	27	10	3	14

The Risk Dashboard Report also provides an indication of the value of the combined controls in mitigating levels of risk. This is summarised by the overall control rating (how effective the controls in place are operating) and the overall risk rating (the determined level of risk). From the last reporting period, the following themes have had their overall control ratings increased from ‘Adequate’ to ‘Effective’ which is a good indication of how well the controls in place are operating:



- Theme 5 Employment Practices;
- Theme 9 External Theft & Fraud;
- Theme 10 Management of Facilities, Venues and Events; and
- Theme 14 Safety & Security

In summary, the Dashboard Report shows that of the 15 Risk Profile Themes, 9 combined controls are rated as 'Adequate' and 6 are rated as 'Effective'. There remains no change to the overall risk ratings (the determined level of risk).

The Audit and Risk Committee can expect the next Risk Dashboard Biannual Report at the committee meeting scheduled for 1 December 2021.

**Council Role** - Legislative.

**Voting Requirements** - Simple Majority.

***Change to Officer Recommendation***

No Change. **OR:**

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

**OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit and Risk Committee receive the June 2021 Risk Dashboard Report provided in (Appendix AAR 8.2A).**

### 8.3 Title: Western Australian Auditor General – Schedule of Reports

<i>Reporting Department:</i>	Corporate & Governance Services
<i>Reporting Officer:</i>	Mrs Cindy Barbetti - Compliance Officer
<i>Legislation:</i>	Local Government Act 1995 Local Government (Audit) Regulations 1996
<i>Attachments:</i>	AAR 8.3A – Risk Assessment AAR 8.3B – OAG Report Regulation of Consumer Food Safety by the Department of Health AAR 8.3C – OAG Report Regulation and Support of the Local Government Sector AAR 8.3D – OAG Report Local Government General Computer Controls AAR 8.3E – LG Professionals WA comment on regulation and support of the local government sector

#### **Overview**

This report provides the Audit and Risk Committee with a schedule of Western Australian Auditor General Reports that were released in the first half of 2021. These reports hold some significance to the local government sector and staff have provided their observations in response to the Auditor General's findings.

#### **Background**

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

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

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

#### **Legal Implications**

*Local Government Act 1995*

*Local Government (Audit) Regulations 1996 (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 at least once every 2 calendar years.*

(3) The CEO is to report to the audit committee the results of that review.

### **Strategic Community Plan**

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

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

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

**Environment** - None.

### **Precedents**

The Audit and Risk Committee previously received a report at the March 2021 meeting that responded to the reports released by the Auditor General during the second half of 2020.

### **Budget Implications**

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

### **Budget – Whole of Life Cost**

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

### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:8.3A) for full assessment document.

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

### Officer Comment

The Auditor General Performance Audit Reports and Guides enable staff to identify relevant messages and opportunities from these reports, which leads to continuous improvement and informed decision making.

The reports released by the OAG are provided in the table below, together with staff responses to the findings and the impact (if any) that this will have on Council operations (*to note: the Shire of Dardanup was not involved in any of these audits*).

DATE	REPORT NO	REPORT	APPENDIX
1 April 2021	18	Regulation of Consumer Food Safety by the Department of Health	AAR:8.3B
30 April 2021	21	Regulation and Support of the Local Government Sector	AAR:8.3C
12 May 2021	23	Local Government General Computer Controls	AAR: 8.3D

- *Regulation of Consumer Food Safety by the Department of Health*

This audit was conducted under the *Auditor General Act 2006* and assessed whether the Department of Health effectively regulates consumer food safety in food businesses. It focused on the Department's inspection and enforcement processes, support to local government entities, and monitoring and reporting of regulation activities.

The report concluded that the Department has weaknesses in its inspection and enforcement processes, and can provide more support to LG entities. Addressing these shortcomings will help improve efficiency and effectiveness of consumer food safety regulation across WA.

The Department's key guidance on risk classification, compliance and enforcement is out-of-date. This means authorised officers may assess similar risks differently and food businesses may not be subject to appropriate or consistent enforcement action after non-compliance is identified. In addition, the Department does not collect sufficient data to effectively monitor and report on food safety, and the Act has not been reviewed as required. These weaknesses can lead to inconsistent or inefficient regulation of food businesses by LG entities and the Department.

While the Department conducts inspections for the food businesses it is responsible for, some inspections were overdue, enforcement of compliance with the Standards was not always consistent or timely, and practices for recording compliance history need improvement. As was found in the LG entities reviewed as part of OAG Report 28/2020 Regulation of Consumer Food Safety, these shortcomings may lead to unsafe food practices going undetected or left unaddressed.

*Principal Environmental Health Officer comment* – while this report is predominately targeted at the Department of Health, it does recognize the shared responsibility between the Department and local government entities to ensure food consumption is safe.

It is encouraging that the Auditor General notes that by improving the regulatory framework and the associated processes will result in all food businesses being subject to the same rules, regardless of where they are operating. In their response, the Department acknowledges that the current 'manual' reporting approach would benefit from being updated to a more automated, self-populated system of data collection and management. This could potentially be challenging for a local government to develop a system to capture this level of reporting. Hopefully the Department will address this shortcoming, however in the meantime we are supportive of an enhanced system to promote efficiencies in our reporting processes.

- *Regulation and Support of the Local Government Sector*

This audit assessed whether the Department of Local Government, Sport and Cultural Industries (DLGSCI) effectively regulates and supports the local government sector.

It focused on how the DLGSCI fulfils its regulatory functions under the Local Government Act 1995 (Act) and the support activities it provides to Western Australian local governments and regional councils.

The audit recognised that there has been a significant local government reform agenda in recent years. However, DLGSCI is not providing efficient and effective regulation and support to the local government sector and lacks fundamental aspects of a good regulatory framework.

It is not effectively using the information it has available to assess the risk of non-compliance in the sector or to identify the areas where support is most required. Internally DLGSCI is not addressing risks to its own delivery of regulatory and support services, some of which were identified as having significant gaps in a 2018 internal audit report and remain unresolved. It does not have a plan that links its regulatory and support activities for local government entities into achieving its overall objectives for the sector and does not have targets and measures in place to track its delivery and performance.

This means that DLGSCI's regulatory intervention is largely reactive to emerging issues, rather than preventing breakdowns in governance. Not providing timely advice or effective capability-building increases the risk that LG entities will not provide good government and services to their communities.

*Compliance Officer comment* – LG Professionals WA have pledged their support to work with DLGSCI in addressing the concerns raised in the report (Appendix AAR: 8.3E). Staff are hopeful that through this commitment a better support system for the local government sector can be realised.

- *Local Government General Computer Controls*

Information systems underpin most aspects of a local governments operations and services. It is important to maintain appropriate controls to ensure information systems are reliable, secure and resilient. This is the second local government annual Information Systems Audit Report by the OAG which summarises the findings reported to 50 local government entities in 2019-20.

The findings from the report concluded that local government entities need to improve their general computer controls. Weaknesses were found in controls for information security, business continuity, change management, physical security and IT operations. These weaknesses could significantly compromise the confidentiality, integrity and availability of information systems, and prompt action should be taken to resolve them.

*Compliance Officer comment* – As this was the second report of the same nature, the findings were comparable between both reports, and therefore no surprise to staff. As a matter of good practice, Business Solutions and IT staff undertook an informal assessment against the same controls noted in the second report. Any shortcomings have previously been identified, through either the biannual Risk Management review or the Cyber Security External audit that occurred in 2019, and are being managed accordingly. Committee members can be reassured that staff are proactive in their approach towards the management of IT risks and regularly monitor any threats to the local government sector.

- *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.

**Voting Requirements** - Simple Majority.

***Change to Officer Recommendation***

No Change. **OR:**

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

**OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit and Risk Committee receive the June 2021 report on the Western Australian Auditor General – Schedule of Reports as provided for in (Appendix AAR: 8.3B to 8.3D).**

#### 8.4 Title: Credit Card Fraudulent Activity

<i>Reporting Department:</i>	<i>Corporate &amp; Governance</i>
<i>Reporting Officer:</i>	<i>Mrs Natalie Hopkins - Manager Financial Services</i>
<i>Legislation:</i>	<i>Local Government Act 1995</i>
<i>Attachments:</i>	<i>Appendix AAR: 8.4</i>

#### **Overview**

This report provides an overview of two fraudulent transaction breaches that occurred on 23 April 2021 totalling \$71.74 on a Council issued credit card in the name of Shire of Dardanup. The transactions were refunded back to Council on the 30 April 2021 through Council's banking contract supplier Commonwealth Bank of Australia (CBA).

#### **Background**

Credit card fraud is the unauthorised use of a credit or debit card to fraudulently obtain money. On the 28 April 2021 Council staff were notified via text message from the CBA that a Council issued credit card had been 'compromised' and the CBA had 'blocked' any further online transactions on the card. CBA requested the cardholder (Manager Financial Services) to review the cardholder statement for any unauthorised transactions.

Council staff immediately reviewed the transactions via the banking supplier's online banking portal whereby two (2) fraudulent transactions of \$35.87 per transaction were identified which had occurred on the 23 April 2021; the cardholder then proceeded to cancel the card and requested a replacement card. Whilst this particular credit card scam involved many Commonwealth Bank credit card customers, it is noted the CBA have advanced security systems in place to examine transactional detail and report any suspicious activity to the cardholder, which it did so.

The recent scam is the first occurrence of fraudulent activity on a Council issued credit card. Globally credit card fraud and scams have escalated in recent years primarily due to credit card scamming on the internet. For Commonwealth Bank customers, accounts are monitored 24 hours a day, with advanced security and fraud detection systems in place to detect abnormal transactions or spending patterns. Additionally, in order to mitigate the risk associated with credit card fraud Council has only two (2) issued Corporate Credit Cards to staff of which minimal transactions occur:

- Manager Financial Services (limit \$5,000); and
- Deputy CEO (limit \$15,000).

The preferred method of payment by Council is by Electronic Funds Transfer in accordance with Council Policy – *CnG CP035 Payment of Accounts Policy*. However, some accounts can only be paid via subscription (e.g. Subscriptions, Facebook advertising, Survey Monkey).

Similar to the card washing activity that was detected on Council's third party payment gateway in October 2020 and reported to the A&RC in December 2020, it is imperative that Council has robust systems, policies and internal control procedures (e.g. segregation of duties) in place to mitigate, prevent and detect any fraudulent activity on Council's accounts. It is also critical that any such activity is given the highest priority and dealt with in a timely manner.

#### **Legal Implications**

*Local Government (Financial Management) Regulations 1996*  
Part 2 s. 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.*

**Local Government (Audit) Regulations 1996**

s. 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.*

**Strategic Community Plan**

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

**Environment** - None.

**Precedents** - None.

**Budget Implications**

While transaction costs were initially incurred – two transactions at \$35.87 totalling \$71.74, the transactions were refunded back to Council within 5 working days.

**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**

Council Policy - CnG CP023 – Use of Corporate Credit Card.

Council Policy - CnG CP CP035 – Payment of Accounts Policy.



### **Risk Assessment**

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

<b>Tier 3 – ‘High’ or ‘Extreme’ Inherent Risk.</b>	
Risk Event	Credit Card Fraudulent Activity
Inherent Risk Rating (prior to treatment or control)	High (12 - 19)
Risk Action Plan (treatment or controls proposed)	CBA have systems and processes in place to monitor, review and notify cardholders of abnormal spending patterns.
Residual Risk Rating (after treatment or controls)	Low (1 - 4)
Further Risk Categories Assessed Against (with a low to moderate inherent risk rating)	<p><b>Financial Impact</b> Potential for Council to incur additional fraudulent transactions on Council issued credit card/s</p> <p><b>Legal and Compliance</b> If undetected or not actioned, Council could be liable for incurring expenditure for fraudulent transactions and/or unbudgeted expenditure. Failure to act may also result in delay of refund by banking supplier.</p> <p><b>Reputational</b> Risk of Council’s reputation being viewed negatively for being exposed to credit card fraudulent scams.</p>

### **Officer Comment**

The risk to Council with attempts of this nature is concerning and highlights the vulnerability of credit card payment for Council expenditure. However, this risk is reduced due to the low credit card total facility limit of \$15,000; the issuance of two (2) Corporate Credit Cards to the Deputy CEO and Manager Financial Services; and the preferred payment of accounts by Electronic Funds Transfer (Accounts Payable process).

Throughout the investigation and dispute process, Commonwealth Bank fraud analysts provided Council staff with clear communication and status updates on the progress of the claim, refunding the transactions within five (5) business working days in accordance with the CBA Group Fraud Policy.

**Council Role** - Legislative.

**Voting Requirements** - Simple Majority.

### **Change to Officer Recommendation**

No Change. **OR:**

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

### **OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit and Risk Committee receive the Credit Card Fraudulent Transaction report – June 2021.**

## 8.5 Title: Appointment of Auditors

<i>Reporting Department:</i>	<i>Corporate &amp; Governance Services</i>
<i>Reporting Officer:</i>	<i>Mrs Natalie Hopkins - Manager Financial Services</i>
<i>Legislation:</i>	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996</i>
<i>Attachments:</i>	<i>Appendix AAR:8.5A Appendix AAR: 8.5B</i>

### **Overview**

As per Section 7.2 of the *Local Government Act 1995* Council is required to have the accounts and annual financial report of a Local Government audited by an auditor, appointed by the Local Government.

On the 19 April 2021, Council received advice from the Office of the Auditor General (OAG) stating that Moore Australia (WA) had been appointed to conduct the Shire's annual financial audit, on behalf of the OAG, for the 3 year period, commencing audit year ended 30 June 2021 (2020/21 financial year) (Appendix AAR:8.5A).

This report is provided to the Audit and Risk Committee, and subsequently to Council, to acknowledge that Moore Australia (WA), on behalf of the OAG, will undertake the annual financial audit for the Shire of Dardanup for the year ending 30 June 2021, and subsequent two financial years ending 30 June 2022 and 30 June 2023 in accordance with the audit contract.

### **Background**

In September 2017, the Local Government Amendment (Auditing) Act 2017 was assented giving the Auditor General a mandate to audit Local Governments, in line with the State Government audits conducted by the Office of the Auditor General (OAG). The Local Government Amendment (Auditing) Act 2017 was proclaimed on the 28 October 2017 thereby giving the OAG the powers to conduct all Local Government audits on or after 1 July 2017.

In April 2021 Council was advised that the OAG had appointed audit firm Moore Australia (WA) to perform the audit of the Shire of Dardanup's annual financial report for the year ending 30 June 2021. The OAG currently outsources 85% of local government sector financial audits to accredited audit firms in WA and utilises its discretion and control as to which Local Governments it will audit within its own internal audit function, and those that will be outsourced to other audit entities.

The 2019/20 financial year audit was the first year in which Council was engaged under the OAG audit contract which was sub-contracted to Butler Settineri Pty Ltd for the year ending 30 June 2020. The 2020/21 financial year signals the first audit contract between the OAG, Moore Australia (WA) and the Shire of Dardanup for the purpose of auditing the annual financial statements.

The objective and scope of the audit is set out by the OAG and Moore Australia (WA) and details Council's responsibilities for the audit of the annual financial statements ensuring compliance to the requirements under the *Local Government Act 1995*.

The objective of the financial statements and accounts audit is to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, and to issue an auditor's report that will include the Auditor General's opinion. The audit will be conducted in the manner as determined by the OAG and in accordance with the relevant Australian Accounting Standards.

## **Legal Implications**

Under the provisions of the *Local Government Act 1995*, each Local Government is required to have its accounts and annual financial report audited annually. The appointment of Council's auditors is subject to section 7.3 of the Local Government Act – Appointment of Auditors

### **Local Government Act 1995**

#### **7.2. Audit**

*The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.*

#### **7.3. Appointment of auditors**

- (1) *Subject to subsection (1A), a local government is to, from time to time whenever such an appointment is necessary or expedient, appoint\* a person, on the recommendation of the audit committee, to be its auditor.*

*\* Absolute majority required.*

- (1A) *A local government cannot appoint a person to be its auditor after commencement day.*
- (2) *The local government may appoint one or more persons as its auditor.*
- (3) *The local government's auditor is to be a person who is —*
- (a) *A registered company auditor; or*
- (b) *An approved auditor.*

### **Local Government (Financial Management) Regulations 1996**

#### **6. Audits and performance review of accounting staff etc., who may conduct**

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

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

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

### **Local Government Amendment (Auditing) Act 2017**

#### **No. 5 of 2017**

*An Act to amend the Local Government Act 1995 to provide for the auditing of local governments by the Auditor General and for related purposes.*

## **Strategic Community Plan**

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

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

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

**Environment** - None.

**Precedents** - None.

### **Budget Implications**

The budget provision for the 2020/21 audit contract expenditure is \$22,130. Audit expenditure for the annual financial statements is likely to extend into the 2021/22 financial year. Although the 2021/22 budget has not yet been adopted, management forecast a budget provision of \$22,427 for the next financial year.

### **Budget – Whole of Life Cost**

Audit Contract expenditure is budgeted in Council's Long Term Financial Plan and the adopted Annual Budget each year.

### **Council Policy Compliance**

*CnG CP034 – Procurement Policy*

*CnG CP128 – Significant Accounting Policies*

### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.5B) for full assessment document.

<b>Tier 2 – 'Low' or 'Moderate' Inherent Risk.</b>	
Risk Event	Appointment of Auditors
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>Financial</p> <p>Risk that the Appointment of Auditors is not endorsed by Council may result in the audit contract budget provision being under or over budget.</p> <p>Legal and Compliance</p> <p>Risk of Council breaching the Local Government Act 1995 if no annual audit is undertaken. However the appointment of audit contract is under the Office of the Auditor General's control. Council no longer awards a tender contract for Audit Services as changes in legislation mandates that audit services are no longer under Councils control; the Office of the Auditor General is to provide for the auditing of local governments in Western Australia.</p>

### **Officer Comment**

The appointment of the auditor contract is no longer a decision of Council. Prior to a change in the *Local Government Act 1995* all audit contracts were awarded through Council's tender process. As

detailed in the report the Office of the Auditor General is now responsible for all annual audits of Local Governments in Western Australia including the Shire of Dardanup.

The OAG has awarded the audit contract for a 3 year period to Moore Australia (WA). Moore Australia (WA) are the current providers of the WALGA Tax Services contract and regularly conduct Financial Reporting, Management Reporting and Budgeting workshops which are attended by Council's Financial Services team. As an industry leader they maintain a high level of expertise in local government accounting and have provided specialist accounting advice and services to Council in the past. Council staff look forward to developing strong working relationships with the audit firm throughout the audit contract.

As part of the audit contract, Council may not seek or undertake other work with Moore Australia (WA) without prior written consent from the OAG. Approval for other services is generally limited to grant acquittal certifications. The primary scope and objective of the audit is to express an opinion as to whether the Shire's general purpose financial report, as a whole, is free from material misstatements and is prepared in accordance with the applicable *Australian Accounting Standards*, the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*.

Council is thereby requested to acknowledge that the Office of the Auditor General (OAG) has appointed audit firm Moore Australia (WA) to perform the audit of Council's annual financial statements for a three (3) year period commencing audit year ending:

- 30 June 2021 (2020/21 financial year);
- 30 June 2022 (2021/22 financial year); and
- 30 June 2023 (2022/23 financial year).

**Council Role** - Executive/Strategic.

**Voting Requirements** - Simple Majority.

#### **Change to Officer Recommendation**

No Change. **OR:**

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

#### **OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit & Risk Committee recommends that Council:**

- 1. Receives the letter from the Office of the Auditor General (OAG) - (Appendix AAR: 8.5A); and**
- 2. Acknowledges that the Office of the Auditor General (OAG) has appointed audit firm Moore Australia (WA) to perform the audit of Council's annual financial statements for a three (3) year period commencing audit year ending:**
  - **30 June 2021 (2020/21 financial year);**
  - **30 June 2022 (2021/22 financial year); and**
  - **30 June 2023 (2022/23 financial year).**

## 8.6 Title: Audit Entrance Meeting

<i>Reporting Department:</i>	Corporate & Governance Directorate
<i>Reporting Officer:</i>	<i>Mrs Natalie Hopkins - Manager Financial Services</i>
<i>Legislation:</i>	<i>Local Government Act 1995 and Local Government (Financial Management) Regulations 1996</i>
<i>Attachments:</i>	<i>Appendix AAR:8.6 Confidential Document – Under Separate Cover</i>

### **Overview**

This report is to inform Council of its obligation in relation to the audit requirements under the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.

### **Background**

Section 7.12A (2) requires a local government to meet with the auditor of the local government at least once in every year. The format for this year's audit, which is supported by the Office of the Auditor General (OAG), requires Council to hold both an Audit Entrance Meeting, prior to the commencement of the audit, and an Audit Exit Meeting, which typically occurs at the completion of the audit. Moore Australia (WA) have been engaged by the Office of the Auditor General to perform the audit of Council's accounts and Annual Financial Report for the 2020/21 financial year.

The Audit & Risk Committee Charter and Annual Audit Work Plan does not require the Audit Entrance Meeting to be held with the entire committee, but alternatively it is held with management and the Chair /Deputy of the Committee due to its operational focus. The Audit Entrance Meeting was held on Monday 10 May 2021 via the Microsoft Teams application. In attendance were Council's Chief Executive Officer, Deputy Chief Executive Officer, Manager Financial Services, Accountant, Audit & Risk Committee (A&RC) Chairperson, Cr Tyrrell Gardiner, Deputy Chairperson A&RC, Cr Mick Bennett, with OAG Assistant Director Suraj Karki, and Moore Australia (WA) Audit Partner Wen-Shien Chair in attendance via the Microsoft Teams 'app'.

The Audit Entrance Meeting provided an overview on how this year's audit will be undertaken including key audit risks and focus areas as outlined in the Audit Strategy Memorandum (Confidential Document – Under Separate Cover) Key audit risk and focus areas include, but are not limited to:

- Property, Plant and Equipment, and Infrastructure – Depreciation and Amortisation;
- Revenue – in accordance with *AASB 15 Revenue from Contracts with Customers*, and *AASB 1058 Income of Not-for-Profit Entities*;
- Employee Benefit Provisions;
- Leases – in accordance with *AASB 16 Leases* (e.g. Right of Use Assets, Lease Liability);
- Expenditure – sampling from operational and capital expenditure;
- Management Override of Controls – for example General Journal entries and adjustments, accounting policies and practices, evaluation of business rationale;
- Related Party Disclosures; and
- Accounting for Rehabilitation Costs – Waste Transfer Station on Leased Land.

Effective Audit Entrance and Exit Meetings are essential for good outcomes. As per previous audits, the Audit & Risk Committee has typically met with Council's auditors on an annual basis on the presentation of the Annual Financial Report and Audit Report in December.

In line with Moore Australia and the OAG audit strategy, the audit exit meeting is scheduled to occur in late November or early December on completion of the financial statements and audit report. This meeting will provide the auditor the opportunity to highlight the key audit issues in a structured manner and provide the Council's Chief Executive Officer adequate opportunity to comment.

The following timetable is a broad outline of the key deliverables and timing aspects of the audit:

<b>Audit Engagement Activity</b>	<b>Timing</b>
Audit Planning	April 2021
Audit Entrance Meeting	10 May 2021
Interim Audit Visit	12 May to 14 May 2021
Interim Management Report (if any matters to be reported)	28 May 2021
Receipt of Complete and Balanced Draft Financial Report	30 September 2021
Final Audit Visit	11 October to 15 October 2021
Issuance of Audit Concluding Memorandum	Late November 2021
Concluding – Audit Exit Meeting	Late November 2021
Date CEO Sign-off on Financial Statements	Late November 2021
Final Sign-off of Auditor's Report & Management Report	Late November 2021

Following the Audit Exit Meeting with the Audit and Risk Committee, the Chief Executive Officer signs the declaration on the financial report and thereafter, the OAG issues the auditor's report.

The Audit Entrance Meeting should facilitate informed, respectful and robust exchanges between the auditors, management and the Audit and Risk Committee. The OAG states in their Audit Results Report that:

*'it is best practice for the auditors to highlight and explain the key elements of their entrance or closing report to the audit committee and Management'.*

## **Legal Implications**

### Local Government Act 1995

#### **5.53. Annual reports**

- (1) *The local government is to prepare an annual report for each financial year.*
  - (2) *The annual report is to contain —*
    - (a) *a report from the mayor or president; and*
    - (b) *a report from the CEO; and*
    - [(c), (d) deleted]*
    - (e) *an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and*
    - (f) *the financial report for the financial year; and*
    - (g) *such information as may be prescribed in relation to the payments made to employees; and*
    - (h) *the auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year; and*
    - (ha) *a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and*
    - (hb) *details of entries made under section 5.121 during the financial year in the register of complaints, including —*
      - (i) *the number of complaints recorded in the register of complaints; and*
      - (ii) *how the recorded complaints were dealt with; and*
      - (iii) *any other details that the regulations may require;*
- and*

- (i) such other information as may be prescribed.

**7.12A. Duties of local government with respect to audits**

- (1) A local government is to do everything in its power to —
- (a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and
- (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government must —
- (aa) examine an audit report received by the local government; and
- (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
- (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must —
- (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
- (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

**7.12AD. Reporting on a financial audit**

- (1) The auditor must prepare and sign a report on a financial audit.
- (2) The auditor must give the report to —
- (a) the mayor, president or chairperson of the local government; and
- (b) the CEO of the local government; and
- (c) the Minister.

**Australian Auditing Standard ASA 260 – Communication With Those Charged With Governance**

*ASA 260 requires the auditor to discuss certain key aspects of the audit planning and the audit results with those charged with governance.*

As a committee of Council, the Audit and Risk Committee is Council's preferred forum to enable effective audit communication.

**Strategic Community Plan**

- Strategy 1.1.1 Ensure equitable, inclusive and transparent in decision-making. (Service Priority: High)
- Strategy 1.1.3 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)
- Strategy 1.1.4 Maintain best practice governance systems and practices. (Service Priority: Moderate)

**Environment** - None.



**Precedents**

This is the first year that an Audit Entrance Meeting has occurred, which will become a normal process in the future.

**Budget Implications** - None.

**Budget – Whole of Life Cost** - None.

**Council Policy Compliance**

Council have adopted the Audit & Risk Committee Charter (Terms of Reference) on 30 September 2020 which outlines the audit process and the Committee's function. The Audit & Risk Committee and Council also adopted the Annual Work Plan in December 2020, which is reviewed and updated each year.

**Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.6) for full assessment document.

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

**Officer Comment**

The Audit Entrance Meeting is an important phase of the audit planning process. It details the audit scope and approach in summary format and aims to promote effective communication between the auditor and those charged with governance at a local government.

**Council Role** - Executive/Strategic.

**Voting Requirements** - Simple Majority.

**Change to Officer Recommendation**

No Change. **OR:**

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

**OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit & Risk Committee recommend that Council support and acknowledge the Audit Strategy Memorandum produced by the Office of the Auditor General, and OAG's sub-contractors Moore Australia (WA), for the 2020/21 annual financial report and accounts (Confidential Document – Under Separate Cover), which outlines the audit scope and approach, and key audit risk areas that will be a focus of audit procedures.**

## 8.7 Title: Update on Cyber Check Me

<b>Reporting Department:</b>	Corporate & Governance Directorate Mr Sudi Mishra – Manager Information Services
<b>Legislation:</b>	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996</i>
<b>Attachments:</b>	<i>AAR 8.7 – Risk Assessment</i>

### **Overview**

On the 9 September 2020, Professor Craig Valli – Director Security Research Institute presented a workshop to Councillors on the Cybercheck.me project. This report provides the Audit & Risk Committee with an update on this topic.

### **Background**

Professor Craig Valli – Director Security Research Institute, Edith Cowan University and Dr. Ian Martinus – Director WA AustCyber Innovation Hub WA, convened a meeting with Shire of Dardanup officers on 17 August 2020 to discuss the work they have been doing with local governments and other small business to raise the awareness of Cyber Security risk and challenges experienced by the industry and how to mitigate them.

The Cybercheck.me is an initiative that was founded in 2012 by Professor Valli and Dr. Martinus. This project is funded by Academic Centres of Cyber Security Excellence (ACCSE) and the WA Cyber Hub. The objective of this initiative is to assist small business and local governments to build their cyber resilience by conducting a cyber-hygiene check that includes but are not limited to passwords, data and device protection.

**Legal Implications** - None.

### **Strategic Community Plan**

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

**Environment** - None.

**Precedents** - None

### **Budget Implications**

There are no direct budget implications associated with this report, other than the overall protections that Council has installed against cyber threats.

### **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**

Council Policy CnP CP126 – *Cyber Security*.

**Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.7) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.					
Risk Event	Update on Cyber Check.me				
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	<table border="0"> <tr> <td>Financial</td> <td>CyberCheck.me may require Shire to fund the initiative</td> </tr> <tr> <td>Reputational</td> <td>Cybersecurity is a growing risk and not embracing new initiatives may impact the reputation of the Shire</td> </tr> </table>	Financial	CyberCheck.me may require Shire to fund the initiative	Reputational	Cybersecurity is a growing risk and not embracing new initiatives may impact the reputation of the Shire
Financial	CyberCheck.me may require Shire to fund the initiative				
Reputational	Cybersecurity is a growing risk and not embracing new initiatives may impact the reputation of the Shire				

**Officer Comment**

The Shire of Dardanup invited Professor Valli and Dr. Martinus to present their proposition to the Audit & Risk Committee following the initial presentation on the 9 September 2020. However, this didn't not proceed due to the changes in their employment circumstances.

The Councils' IT department has continued to invest funds and resources into cybersecurity initiatives through software, hardware infrastructure and staff awareness training. Council has also continued to support the professional development of IT staff in this field, which has resulted in the successful completion of a Master in Cybersecurity Degree by the IT Manager.

The Manager Information Services and IT Manager continue to monitor the risk associated with cyber security. Council's compliance and risk framework assists the IT team to implement various strategies to mitigate risks in this area. Overall, the Councils investment in staff and IT resources has enabled a secure environment for staff and Council to operate in. At this stage Council doesn't require checkme to be adopted within the Shire.

**Council Role** - Review.

**Voting Requirements** - Simple Majority.

**Change to Officer Recommendation**

No Change. **OR:**

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

**OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit and Risk Committee receive the report on the Cyber Check.me initiative and continue to mitigate cybersecurity risks through investment in Information Technology Asset Management Plan and the Workforce Plan.**

## 8.8 Title: Interim Audit Update

<i>Reporting Department:</i>	Corporate & Governance Directorate
<i>Reporting Officer:</i>	Mrs Natalie Hopkins - Manager Financial Services
<i>Legislation:</i>	Local Government Act 1995 and Local Government (Financial Management) Regulations 1996
<i>Attachments:</i>	Appendix AAR:8.8

### **Overview**

This report is to inform Council of the recent Interim Audit which was undertaken by Council auditors Moore Australia (WA) onsite from 12 May to 14 May 2021 inclusive.

Whilst the interim audit results have not yet been released by Moore Australia (WA) and the Office of the Auditor General (OAG), this report provides an update to Council on the status and projected outcomes from the Interim Audit.

### **Background**

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

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

Local government audits are now performed in two parts:

#### **1. Interim Audit**

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

#### **2. Final Year-End Audit**

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

The Interim Audit focuses on audit samples from 1 July 2020 to 31 March 2021. Interim audit information requirements included, but not limited to, the following audit requirements:

- Accounts by Nature & Type;
- Rates Billing;
- Payroll & Employee Provisions;
- General Ledger Reconciliation / Trial Balance;
- Bank Reconciliations, Credit Card Statement Reconciliations;
- Inventory, Fixed Asset Reconciliations;
- Borrowings;

- Lease Liabilities;
- Contract Liabilities;
- Trade Creditors including Masterfile Changes;
- Accounts Receivables;
- Procurement Policy Compliance;
- Monthly Financial Reporting;
- IT, Covid-19, Fraud and Error Assessment Questionnaires; and
- Various Council Policies, Administration Policies and Procedures.

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

It is expected that the audit results from the Interim Audit will be released by the OAG, and Moore Australia (WA) in the coming weeks and presented to the Audit & Risk Committee at the next meeting in September 2021.

### **Legal Implications**

Local Government Act 1995, s7.9

#### *7.9. Audit to be conducted*

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

Local Government (Audit) Regulations 1996, r9

#### *9. Performance of audit*

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

### **Strategic Community Plan**

- Strategy 1.1.4 Maintain best practice governance systems and practices. (Service Priority: Moderate)
- Strategy 1.3.4 Monitor current and develop new revenue streams. (Service Priority: High)
- Strategy 1.3.1 Implement the Integrated Planning and Reporting Framework including the Long Term Financial Plan, Workforce Plan, Asset Management Plans and Corporate Business Plan. (Service Priority: High)
- Strategy 1.3.2 To monitor and produce statutory budgetary and financial reporting requirements applicable to local government operations. (Service Priority: High)

**Environment** - None.

**Precedents**

This report is an informal update to the Audit and Risk Committee on the Interim Audit. A separate report will be presented to the Audit and Risk Committee when the Interim Audit results are released on receipt of the Interim Management Report, as issued by the OAG and Moore Australia (WA).

**Budget Implications**

The 2020/2021 budget includes an allocation for the conduct of the full annual audit, including the interim audit.

**Budget – Whole of Life Cost**

The 2020/2021 budget includes an allocation for the conduct of the annual audit.

**Council Policy Compliance** - None.

**Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.8) for full assessment document.

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

**Officer Comment**

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

Although the Interim Audit Results has not yet been released by the OAG and Council auditors Moore Australia (WA), which was due 28 May 2021, management thought it timely to present an ‘informal’ update to the Audit & Risk Committee on the projected outcomes of the Interim Audit.

**Council Role** - Executive/Strategic.

**Voting Requirements** - Simple Majority.

***Change to Officer Recommendation***

No Change. **OR:**

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

**OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit & Risk Committee recommend that Council:**

- 1. Receive the 2021 Interim Audit Update report;**
- 2. Acknowledges that the 'Interim Management Report', which details the final audit results of the Interim Audit, has not yet been issued by the Office of the Auditors General and Moore Australia (WA).**



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

None.

**10. NEW BUSINESS OF AN URGENT NATURE**

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

**11. MATTERS BEHIND CLOSED DOORS**

None.

**12. CLOSURE OF MEETING**

The date of the next Audit & Risk Committee Meeting will be Wednesday, 8 September 2021.

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

