Audit and Risk Committee Agenda

7 June 2023

CITY OF BUSSELTON

MEETING NOTICE AND AGENDA – 7 JUNE 2023

TO: **THE MAYOR AND COUNCILLORS**

NOTICE is given that a meeting of the Audit and Risk Committee will be held in the Council Chambers, Level 2 Administration Building, Southern Drive, Busselton on Wednesday, 7 June 2023, commencing at 9.00am.

The attendance of Committee Members is respectfully requested.

DISCLAIMER

Statements or decisions made at Council meetings or briefings should not be relied on (or acted upon) by an applicant or any other person or entity until subsequent written notification has been given by or received from the City of Busselton. Without derogating from the generality of the above, approval of planning applications and building permits and acceptance of tenders and quotations will only become effective once written notice to that effect has been given to relevant parties. The City of Busselton expressly disclaims any liability for any loss arising from any person or body relying on any statement or decision made during a Council meeting or briefing.

TONY NOTTLE

CHIEF EXECUTIVE OFFICER

2 June 2023

CITY OF BUSSELTON

AGENDA FOR THE AUDIT AND RISK COMMITTEE MEETING TO BE HELD ON 7 JUNE 2023

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5. **CONFIRMATION OF MINUTES**

5.1 Minutes of the Audit and Risk Committee Meeting held 8 March 2023

RECOMMENDATION

That the Minutes of the Audit and Risk Committee Meeting held 8 March 2023 be confirmed as a true and correct record.

6. REPORTS

6.1 REVIEW OF THE AUDIT AND RISK COMMITTEE

STRATEGIC THEME	LEADERSHIP - A Council that connects with the community and is accountable in its decision making.
STRATEGIC PRIORITY	4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.
SUBJECT INDEX	Review of Committees
BUSINESS UNIT	Corporate Services
REPORTING OFFICER	Acting Director, Finance and Corporate Services - Sarah Pierson
AUTHORISING OFFICER	Chief Executive Officer - Tony Nottle
NATURE OF DECISION	Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations
VOTING REQUIREMENT	Simple Majority
ATTACHMENTS	Attachment A Audit and Risk Committee Terms of Reference Proposed Edits⇩ 🔲

OFFICER RECOMMENDATION

That the Council:

1. **notes the outcome of the evaluation of the Audit and Risk Committee's (the Committee) effectiveness, in accordance with clause 8 of the Committee's Terms of Reference;**

2. **acknowledge that improvements in relation to increased information and training for members, and establishment of an internal audit function would improve its effectiveness;**

3. **requests that the CEO research the options and costs to establish an internal audit function, and present a report to the next Audit and Risk Committee meeting; and**

4. **endorses the amendments proposed to the Committee's Terms of Reference as per Attachment A.**

EXECUTIVE SUMMARY

Under its Terms of Reference, the Audit and Risk Committee (the Committee), at a meeting prior to the ordinary Local Government Elections, is to undertake a review to evaluate its effectiveness. Committee Members and City officers have reviewed the effectiveness of the Committee and this report presents the outcomes of that review for the Committee's consideration.

BACKGROUND

Following the 2021 Council elections, and in accordance with clause 2.2 of the City of Busselton *Standing Orders Local Law 2018*, Council resolved to (re-)establish the Committee and adopted it's Terms of Reference (ToR), which states:

8. *EVALUATION OF COMMITTEE'S EFFECTIVENESS*

8.1. *At the meeting of the Committee prior to the ordinary Council elections, the Committee shall undertake review to evaluate its effectiveness, and as a guide the following should be determined:*

a. *are the Committee's purpose and objectives being met?*

b. *should the purpose and objectives be amended?*

c. is the Committee functioning effectively and as per the requirements of the Act?

d. are the Committee members regularly attending meetings?

e. review the Terms of Reference, including membership.

With Council elections to be held in October this year, officers initiated the review process.

OFFICER COMMENT

In order to facilitate the review a survey link was opened to the Committee and Deputy Committee Members of the Committee from Friday 28th April until Monday 1st May 2023. Each Member was asked to respond to the following questions and provide comments where appropriate or required:

a. Do you feel the Committee's purpose and objectives are being met? – Yes / No / Partly.

b. In your opinion, is the Committee functioning effectively? If no, how could this be improved?

In addition to the questions asked of Committee Members, City officers assessed the following questions through a review of attendance and minutes:

a. Is the Committee functioning as per the functions of the Act?

b. Are committee members' regularly attending meetings?

The table below sets out the collated responses:

Question	Collated Response
Do you feel the Committee's purpose and objectives are being met?	2 responses Partly • 1 response concerned about whether the Committee is fully meeting objective c (iv). 2 responses Yes
In your opinion, is the Committee functioning effectively?	2 responses Partly 2 Responses Yes
If no, how could this be improved?	Audit Plan and resources to implement internal auditing of identified risk areas. Training for new members and overview of ToR and responsibilities. All members to meet with the financial auditors (as opposed to just the Chair or Chair and Mayor) The ToR be amended to insert the following *"Following Council elections, the CEO is to ensure those councillors elected to this Committee are provided with the current Terms of Reference, Local Government Act, Regulations, or Guidelines along with copies of any policy, local law, or document related to this Committee which will enable the member to fully understand the his/her role and function on this Committee".* Further, the Committee members be provided the Auditor General's WA Public Sector Audit Committees Better Practice Guide and the recommendations provided for in the Guidelines be adopted at the very first meeting of the Committee.

Is the Committee functioning as per the functions of the Act?	Yes, the Committee has been established in accordance with the Act and meets all requirements of the Act.
Are committee members' regularly attending meetings?	Yes

Based on the responses provided, it is recommended that the Committee is largely operating effectively, albeit improvements are sought to improve its effectiveness; namely that the CEO research the options and costs to establish an internal audit function, and present a report to the next Audit and Risk Committee meeting. It is noted that this also aligns with a recommendation of the Regulation 17 Review also presented on this same agenda.

The suggestion with respect to additional training is noted and able to be provided. With respect to amending the ToR to require relevant reference documentation to be provided to Committee members, the reference documents noted are available on the hub for Councillors. Ensuring they are more readily available to Committee members through training and having them more directly linked to the Audit and Risk Committee folder is something that can be incorporated. It is not however recommended that a specific reference is added to the ToR as the ToR set out more the purpose and objectives along with the membership and meeting frequencies of the Committee.

Additionally the Auditor General's WA Public Sector Audit Committees Better Practice Guide (Better Practice Guide) can be provided. It is noted however that this document is a guidance document only and that, while it can be applied to local government entities, the Auditor General notes in the overview:

> "the specific legislative and regulatory requirements for State and local government entities are different and it is therefore difficult to have a one size fits all approach for better practice guidance". Entities need to consider their relevant legal and regulatory requirements as well as operating environment when using this guide".

The Local Government Operational Guideline (No. 9) – Audit in Local Government provides more directly relevant guidance as it takes into account the legislative and governance frameworks specific to local government and ensures compliance with the specific requirements governing local government audit committees. It also provides guidance on establishing appropriate control mechanisms, ensuring transparency in financial management, and effectively managing risks specific to the local government sector. Importantly it too recognises the need for flexibility and adaptability in implementing audit committee practices within local governments, acknowledging the diversity of local government entities.

For these reasons it is not recommended that the recommendations contained within the Better Practice Guide be adopted by the Committee. With respect to the ToR the following amendments are proposed (Attachment A):

- Removing reference to medium rates risks at point 2.2(f) such that reporting is in relation to strategic risks regardless of risk level;

- Amendment to point 3.4 to provide for appointment of new members at either the next ordinary or a special council meeting post the election. With changes to the election process (preferential voting) flexibility is required;

- Increase the Committee's meeting frequency from two meetings per year to four. This aligns with improving the role of the Audit and Risk Committee and reflects the fact we have met more than twice this past year;

- Removal of the delegation to schedule and endorse dates, times and locations of meetings held by the Committee. Officers do not believe this requires a delegation.

- Amendment of point 8 evaluation of the committee's effectiveness to provide for one single Committee review report to be presented to Council as opposed to each Committee evaluating their own effectiveness. For many years officers have undertaken a review of the committees and their terms of reference (ToR) (along with working groups) and provided a report to Council with Council then determining which Committees are to continue and any changes to ToR's. This has worked efficiently and has provided Council with the opportunity to review their Committee structure. It is therefore recommended that this process be used;

- Replacement of 'shall' with 'will'.

Statutory Environment

The officer recommendation supports the general function of a local government under the *Local Government Act 1995* to provide for the good government of persons in its district.

Relevant Plans and Policies

There are no relevant plans or policies to consider in relation to this matter.

Financial Implications

There are no financial implications associated with the officer recommendation.

Stakeholder Consultation

No external stakeholder consultation was required or undertaken in relation to this matter.

Risk Assessment

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place. No risks of a medium or greater level have been identified.

Options

As an alternative to the proposed recommendation the Council could choose to evaluate the effectiveness of the Committee differently and / or make different of further amendments to the ToR.

CONCLUSION

An evaluation of the Committee's effectiveness is required under the Committee's ToR. This report presents an evaluation for the Committee's endorsement and recommendation to Council.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The recommendation will be implemented in time for the local government elections.

Terms of Reference

Committee:	**Audit and Risk**		
Responsible Directorate:	**Finance and Corporate Services**	**Version:**	~~Adopted~~Proposed
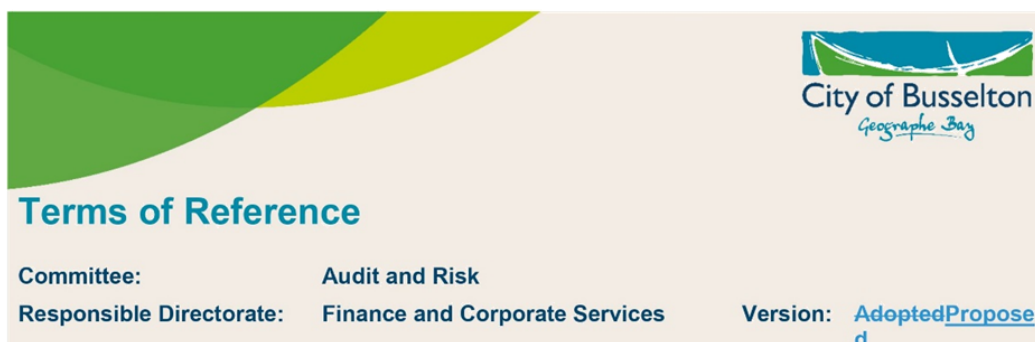
1. INTRODUCTION

1.1. The Council of the City of Busselton has established an Audit and Risk Committee (the Committee) pursuant to Part 7 of the *Local Government Act 1995* (the Act).

1.2. The Committee is established to fulfil the requirements of Part 6, Financial Management and Part 7, Audit of the Act.

1.3. The Committee operates to assist Council to fulfil its corporate governance, stewardship, leadership and control responsibilities in relation to financial reporting and audit, internal audit and risk management.

1.4. The Committee shall act in accordance with the provisions of the Act, the local laws and policies of the City of Busselton and these Terms of Reference.

2. OBJECTIVE

2.1 The objectives of the Committee are:
   a. to monitor the annual external audit and to liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs;
   b. to ensure openness in the local government's financial reporting and to liaise with the Chief Executive Officer (or their representative) to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation;
   c. to facilitate:
      i. the enhancement of the credibility and objectivity of external financial reporting;
      ii. compliance with laws and regulations as well as use of best practice guidelines relative to auditing;
      iii. the provision of an effective means of communication between the external auditor, the Chief Executive Officer (or their representative) and the Council; and
      iv. the effective conduct of internal audit and risk management activities.
   d. to monitor the implementation of an effective and appropriate risk management system and framework.

2.2 The following specific duties and responsibilities have been given to the Committee in order to facilitate the achievement of its objectives:
   a. to provide guidance and assistance to Council as to the carrying out of the functions of the local government in relation to audits;
   b. to review the report prepared by the Chief Executive Officer on any actions taken in respect of any matters raised in the report of the auditor and to present the report to Council for adoption prior to the end of the next financial year or six months after the last report prepared by the auditor is received, whichever is the latter;
   c. to formally meet with the auditor in accordance with the requirements of Section 7.12(A)(2) of the Act on behalf of the local government;

d. to review the compliance audit return and report to the Council the results of that review in accordance with Audit Regulation 14(3A);

e. to receive reports from the CEO relating to the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance and to report to Council the results of the review in accordance with Audit Regulation 16(c); and

f. to periodically receive reports from officers relating to significant strategic and/or medium rated risks.

3. MEMBERSHIP

3.1. The Council willshall appoint four elected members to the Committee.

3.2. Council willshall appoint two elected members as deputy members of the Committee.

3.3. Membership of the Committee willshall, unless determined otherwise, cease on the day of the next ordinary Council election.

3.4. Council will appoint new members to the Committee at the next meeting of Council following the Council election.

3.4. Council shall appoint new members to the Committee, in accordance with paragraphs 3.1 and 3.2, at the next ordinary Council meeting following the Council election.

3.5. The membership of a member may be ceased in accordance with the Act.

4. PRESIDING MEMBER

4.1. The Committee willshall appoint a Presiding Member and Deputy Presiding Member to conduct its business.

5. MEETINGS

5.1. The Committee will shall meet at least two four times per year.

5.2. The Committee will shall report to Council in accordance with clause 2.10 of the *City of Busselton Standing Orders Local Law 2018*.

5.3. Notice of meetings shall will be given to members at least five days prior to each meeting, with the agenda papers to be provided to members not less than 72 hours prior to the meeting.

5.4. The Presiding Member will shall ensure that detailed minutes of all meetings are kept in accordance with the Part 14 of the *City of Busselton Standing Orders Local Law 2018*.

5.5. All members of the Committee shall will have one vote. If the vote of the members present is equally divided, the Presiding Member shall will cast a second vote.

5.6. Where the Committee makes a recommendation to the Council, the Chief Executive Officer shall will ensure that the recommendation is on the agenda of the next practicable ordinary Council meeting.

6. QUORUM

6.1. The quorum for a meeting will shall be at least 50% of the number of offices of membership, whether vacant or not.

7. DELEGATED POWERS

7.1. Pursuant to section 5.17 of the Act, the Committee is delegated the powers to:

7.2.7.1. conduct the formal meeting with the City's external Auditor required by section 7.12(A)(2) on behalf of the local government; and

a. schedule and endorse the dates, times and locations of the meetings held by the Committee.

7.3.7.2. In all other matters, Committee recommendations are not binding on Council and must be endorsed by Council to take effect.

8. EVALUATION OF COMMITTEE'S EFFECTIVENESS

8.1. At the meeting of the Council prior to the ordinary Council elections, officers will present for Council's consideration a review as to the effectiveness and ongoing relevance of the Committee. , a detail review the Committee shall undertake a review to evaluate as to the Committees its effectiveness. , and aAs a guide the following will be considered in the officers evaluation: should be determined:

8.2. are the Committee's purpose and objectives of the Committee, as outlined in these terms of reference, being met?

8.3. should the purpose and objectives be amended?

8.4. is the Committee functioning effectively and as per the requirements of the Act?

8.5. are the Committee members regularly attending meetings?

8.6.8.1. do the review the Terms of Reference require review, including membership.

9. APPROVAL

Council Adoption	DATE	8 September 2021	Resolution #	C2109/201
Previous Adoption	DATE	8 September 202125 September 2019	Resolution #	C2109/201C1909/191

6.2   CEO REVIEW OF SYSTEMS AND PROCEDURES (REG 17)

STRATEGIC THEME   LEADERSHIP - A Council that connects with the community and is accountable in its decision making.

STRATEGIC PRIORITY   4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.

SUBJECT INDEX   Risk Management

BUSINESS UNIT   Corporate Services

REPORTING OFFICER   Acting Director, Finance and Corporate Services - Sarah Pierson

AUTHORISING OFFICER   Chief Executive Officer - Tony Nottle

NATURE OF DECISION   Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations

VOTING REQUIREMENT   Simple Majority

ATTACHMENTS   Attachment A   Regulation 17 Review Report⇩ 📄
Attachment B   Risk Management Framework⇩ 📄

OFFICER RECOMMENDATION

That the Council

1. **Accept the CEO's Regulation 17 review of the appropriateness and effectiveness of the City of Busselton systems and procedures in relation to risk management, internal control and legislative compliance; and**

2. **request that the Chief Executive Officer provide quarterly updates to the Audit and Risk Committee on the progress of the recommendations for improvement identified as part of the review.**

EXECUTIVE SUMMARY

Regulation 17 of the *Local Government (Audit) Regulations* 1996 (the Audit Regulations) requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance, and report the results of the review to the Audit (and Risk) Committee. The City engaged AMD Chartered Accountants (AMD) to undertake this review on behalf of the CEO and provide a report to the CEO with findings and recommendations. This report presents the findings of that review to the Audit and Risk Committee and subsequently to Council.

BACKGROUND

Regulation 17 of the Audit Regulations was introduced in early 2013, with the City presenting its initial review to the Audit Committee on 11 December 2014 (endorsed by Council on 28 January 2015). In accordance with Regulation 17 requirements (at the time) a second review was presented to the Audit Committee on 26 October 2016 (endorsed by Council on 9 November 2016).

In June 2018, Regulation 17 was amended with the period of review changed from once every 2 financial years to at least once every 3 financial years. The City therefore provided its next review to the Audit Committee in May 2020 (endorsed by Council on 20 June 2020).

All previous Regulation 17 reviews have been undertaken internally, with officers utilising tools such as the Department of Local Government's Operational Guideline – Audit in Local Government – and the Local Government Accounting Manual (in relation to internal control) and the previous extended version of the Compliance Audit Return (in relation to legislative compliance).

OFFICER COMMENT

As part of maturing our systems and processes with respect to Audit and Risk, the CEO determined it would be appropriate to have an independent Regulation 17 review conducted. AMD, a leading local government audit, accounting and advisory firm in Western Australia, was therefore engaged to complete the review. AMD attended the City during the week ending 12 May 2023, with their findings presented in the attached report (the Report) (Attachment A).

As per the summary of findings (section 1.2 of the Report), AMD found that, subject to 12 further recommendations, "in context of the City's overall risk, internal control and legislative compliance environments, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review".

The table below summarises the 12 findings, with the Report providing more detail and recommendations in relation to each. As noted in the Report, the findings are on an exception basis and do not take into account the focus areas tested where policies, procedures and processes were appropriate and in accordance with best practice.

Ref	Issue	Risk Rating
Risk management		
2.2.1	**Risk Management Framework and Risk Reporting** Further enhancements recommended with respect to risk management and reporting including management through a centralised online system managed by a dedicated team.	High
2.2.2	**Emergency Risks and Response Management** Further enhancements recommended with respect to emergency risk documentation and management of brigades, emergency facilities and service level emergency equipment.	Medium
2.2.3	**Misconduct, Fraud and Corruption Policy** Suggest a formal Fraud and Corruption Control Plan be developed and implemented throughout the City. Also recommend the development of a communications strategy for ethics, fraud and corruption awareness and integrate this into the fraud and corruption control plan.	Medium
2.2.4	**Contract Management** The City does not have a Contractor Management Framework or dedicated contract manager to oversee contracts.	Medium
2.2.5	**Tender Management** Various documents in respect to two tenders selected by us for testing were unavailable. Recommend Council consider developing a policy for post tender reviews.	Medium
2.2.6	**Risk Management Policies and Procedures** A number of policies and procedures are outdated, requiring review and some City practices do not have documented policies and/or procedures.	Medium
2.2.7	**IT Strategic Plan and Business Continuity Plan Testing** IT Strategic Plan in progress and not yet approved. Business Continuity Plan (Disaster Recovery Plan) not formally tested or reviewed since 2019.	Medium
2.2.8	**Lease Management** Recommend ensuring the required insurance coverage is in place by the lessee and current.	Low
Internal controls		
3.2.1	**BAS Lodgement Relief** Our inquiries indicated the Finance Coordinator is the only employee with access to the ATO portal to lodge BAS.	Low
Legislative compliance		
4.2.1	**Compliance Calendar** The City does not have a centralised Compliance Calendar.	Medium
4.2.2	**Audit and Risk Committee** Various enhancements and improvements suggested in relation to the operation of the City's Audit and Risk Committee.	Low
4.2.3	**Internal Audit** There is currently no formal internal audit function in place.	Low

Some discussion in relation to each aspect of the findings is provided below.
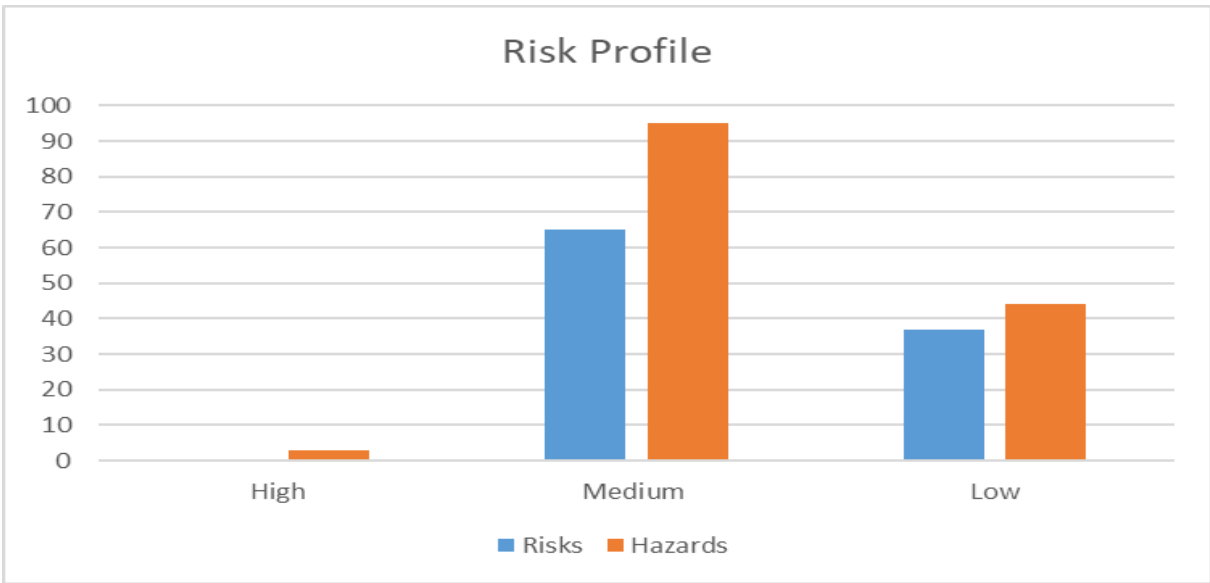
Risk Management

By way of background, the City's formal risk management system is outlined in the City's Risk Management Framework (Attachment B). This framework contains the City's risk reference tables, the City's risk tolerance levels, and the City's risk management processes and procedures.

Risks are most commonly identified formally at an operational level, either through business planning processes or as they arise during the year. Risks may also be identified through organisational processes such as safety inspections or investigations or in the process of planning for significant projects.

Risks are formally 'accepted' by the relevant level of management, as appropriate to the level of risk. By 'accepting' a risk an officer is indicating that the risk is within acceptable tolerance levels once all reasonable and practical treatment options are considered. Where a risk is not considered acceptable a treatment plan is generally approved and adopted to reduce the risk rating to within acceptable tolerance levels over a period of time. Acceptance of the risk will also be dependent on the effectiveness of the controls in place.

As at end of May 2023, the City has 102 risks formally captured within its 'corporate' risk management system and 142 evaluated hazards in its hazard register. The City's overall risk profile is shown below.

The City has in previous reviews found that its risk management processes were at a basic level of maturity and that there remained scope for the City to further integrate and mature its risk management system, subject to its resourcing levels. The City has historically employed a risk and OHS officer to coordinate delivery of both corporate and safety risk systems. Since the last Regulation 17 review in 2020, given changes in WHS legislation and noting the City has only 2 WHS positions, the focus of this position has shifted almost entirely to WHS. This has impacted in the coordination of corporate risk and certainly reduced the effectiveness of the City's risk management systems.

In light of this, the City agrees with finding 2.2.1 in relation to the risk management framework and risk reporting. Additional resourcing will be required to implement the recommendations. While proposals contained within the recent organisational review will help to realign risk responsibilities, a risk officer will likely be required to embed risk management beyond its current maturity level.

Similarly the City accepts the other findings under risk management (2.2.2 – 2.2.8). Work is already underway in relation to 2.2.2 - emergency risks and response management, 2.2.6 – policies and procedures and 2.2.7 – IT strategic plan and business continuity testing. In relation to 2.2.4 – contract management and 2.2.5 – tender management, documentation does exist to support some of the noted processes; and centralisation of procurement and contract management functions would facilitate reductions in risk through improved coordination and usage of such documents. It is however subject currently to resourcing limitations.

Internal Control

Previous reviews have identified that the City's internal control systems and processes are sound. This review makes only one low level finding in relation to a lack of back up and relief for the lodging of Business Activity Statements. This will be corrected as soon as we can establish access for another appropriate employee.

Legislative Compliance

The review undertaken in 2020 noted that the City relies on a combination of IT business systems, documented processes and procedures and appropriately qualified, and knowledgeable staff to ensure it complies with the varied laws impacting on its operations. While comfortable that legislative compliance was being achieved, it highlighted the benefits that a central governance / compliance system could bring.

AMD have echoed this sentiment recommending (4.2.1) that the City develop a centralised compliance calendar. In mid-2022 the City implemented the Attain governance system for management of gifts, primary and annual returns and delegations. It also has a compliance module which the City will look to implement.

In relation to findings 4.2.2 and 4.2.3, it is recognised that the City does not have an internal audit function and that reporting to the Audit and Risk Committee has been largely limited to statutory requirements (annual financial audit completed by the OAG (including general computer controls) and the annual Compliance Audit Return). Discussions have commenced internally (and also informally with Councillors) around implementing a more robust audit program. It is proposed that a further report be provided to the Audit and Risk Committee outlining the options and costs of doing so.

Statutory Environment

Regulation 17 of the *Local Government (Audit) Regulations 1996* states:

> *"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."*

Relevant Plans and Policies

The City of Busselton Risk Management Policy was adopted by Council on 10 May 2006. It has been reviewed on numerous occasions since then, the last time being 8 September 2021.

Financial Implications

There are no financial implications associated with the officer recommendation. Progression of the Report's recommendations in full however will have financial implications, with additional resourcing required in order to improve overall coordination of risk management, and to implement an internal audit function. Additionally, if the City was to further centralise coordination of its procurement and contract management functions, additional resourcing may be required. Further information and proposals will presented to the Audit and Risk Committee / Council as part of the proposed regular updates.

Stakeholder Consultation

No external stakeholder consultation was required or undertaken in relation to this matter.

Risk Assessment

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place. This review of the City's systems and procedures in relation to risk management, internal control and legislative compliance found no material risks of a medium or greater level.

Options

As an alternative to the proposed recommendation the Council could request the CEO to undertake alternative or additional actions in relation to risk management, internal control or legislative compliance.

CONCLUSION

Overall, the review undertaken by AMD concludes that the City has appropriate and effective systems and procedures in place to manage and mitigate risk; but identifies a number of areas for further improvement.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Progression of the Report's recommendations, subject to the management comments, will, bar review of the Bushfire Risk Management Plan, be complete by 30 June 2024. The Bushfire Risk Management Plan review will be complete by 30 June 2025.

Regulation 17 Review
May 2023

City of Busselton
Geographe Bay

AMD
CHARTERED ACCOUNTANTS

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31 May 2023

Mr T Nottle
Chief Executive Officer
City of Busselton
Locked Bag 1
BUSSELTON WA 6280

Dear Tony

2023 REGULATION 17 REVIEW

We are pleased to present the findings and recommendations resulting from our 2023 City of Busselton Local Government (Audit) Regulations 1996, Regulation 17 Review.

This report relates only to procedures and items specified within the 2023 Regulation 17 Review Proposal and does not extend to any financial report of the City.

We would like to thank Sarah, Christine and the City of Busselton team for their co-operation and assistance whilst conducting our review.

Should there be matters outlined in our report requiring clarification or any other matters relating to our review, please do not hesitate to contact me.

Yours sincerely
AMD Chartered Accountants

TIM PARTRIDGE FCA
Director

Independent Member of

BKR
INTERNATIONAL

CA
CHARTERED ACCOUNTANTS
AUSTRALIA · NEW ZEALAND

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Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to review, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the City of Busselton management and personnel. The review findings expressed in this report have been formed on the above basis.

Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use of the management of the City of Busselton. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for City of Busselton's information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review report has been prepared at the request of the City of Busselton Chief Executive Officer. Other than our responsibility to the Council and management of the City of Busselton, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party.

1. Executive Summary

1.1. Background and Objectives

To undertake a review of the appropriateness and effectiveness of risk management, internal controls and legislative compliance of the City of Busselton ("the City") in accordance with the Local Government (Audit) Regulations 1996, Regulation 17 for the period ended 30 June 2023 ("Review").

Our findings included within this report are based on the site work completed by us during the week ending 12 May 2023, and subsequent communication via email and phone calls to 19 May 2023. Findings are based on information provided and available to us during and subsequent to this site visit.

1.2. Summary of Findings

The procedures performed and our findings on each of the focus areas are detailed in the following sections of the report:

- Section 2 – Risk management;
- Section 3 – Internal controls; and
- Section 4 – Legislative compliance.

Following the completion of our review and subject to the recommendations outlined within sections 2 to 4, we are pleased to report that in context of the City's overall risk, internal control and legislative compliance environments, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

At the time of the onsite review in May 2023, we noted the City of Busselton is in the process of an organisation review. Many comments and recommendations raised within this report are based on observations and discussions held with senior management relating to the key review areas. We raise these comments and recommendations in accordance with best practice guidelines.

Furthermore, during our limited review of the City of Busselton IT environment which forms part of the risk management section of our review, we identified the Office of the Auditor General had completed an Information Systems Performance Audit with the final report dated 8 December 2022. Our review has indicated action taken to date with respect to the Information Systems Performance Audit findings is being regularly monitored and reported by the IT department. As a result, findings reported within the Information Systems Performance Audit report have not been reported within this report unless they specifically relate to an area we are required to report on within our risk management review scope. We recommend the City continue to progress with the actions required resulting from this Information Systems Performance Audit accordingly.

Findings reported by us are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with best practice.

The following tables provide a summary of the findings raised in this report:

	Extreme Risk	High Risk	Medium Risk	Low Risk
Number of new issues reported	0	1	7	4

For details on the review rating criteria, please refer to Section 5.

Ref	Issue	Risk Rating
Risk management		
2.2.1	**Risk Management Framework and Risk Reporting** Further enhancements recommended with respect to risk management and reporting including management through a centralised online system managed by a dedicated team.	High
2.2.2	**Emergency Risks and Response Management** Further enhancements recommended with respect to emergency risk documentation and management of brigades, emergency facilities and service level emergency equipment.	Medium
2.2.3	**Misconduct, Fraud and Corruption Policy** Suggest a formal Fraud and Corruption Control Plan be developed and implemented throughout the City. Also recommend the development of a communications strategy for ethics, fraud and corruption awareness and integrate this into the fraud and corruption control plan.	Medium
2.2.4	**Contract Management** The City does not have a Contractor Management Framework or dedicated contract manager to oversee contracts.	Medium
2.2.5	**Tender Management** Various documents in respect to two tenders selected by us for testing were unavailable. Recommend Council consider developing a policy for post tender reviews.	Medium
2.2.6	**Risk Management Policies and Procedures** A number of policies and procedures are outdated, requiring review and some City practices do not have documented policies and/or procedures.	Medium
2.2.7	**IT Strategic Plan and Business Continuity Plan Testing** IT Strategic Plan in progress and not yet approved. Business Continuity Plan (Disaster Recovery Plan) not formally tested or reviewed since 2019.	Medium
2.2.8	**Lease Management** Recommend ensuring the required insurance coverage is in place by the lessee and current.	Low
Internal controls		
3.2.1	**BAS Lodgement Relief** Our inquiries indicated the Finance Coordinator is the only employee with access to the ATO portal to lodge BAS.	Low
Legislative compliance		
4.2.1	**Compliance Calendar** The City does not have a centralised Compliance Calendar.	Medium
4.2.2	**Audit and Risk Committee** Various enhancements and improvements suggested in relation to the operation of the City's Audit and Risk Committee.	Low
4.2.3	**Internal Audit** There is currently no formal internal audit function in place.	Low

2. Risk management

2.1. Scope and approach

Our review examined the following areas:

- Whether the Local Government has an effective risk management system and that material operating risks to the Local Government are appropriately considered;
- Whether the Local Government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- The internal processes for determining and managing material operating risks in accordance with the Local Government's identified tolerance for risk, particularly in the following areas:
  - Potential non-compliance with legislation, regulations and standards and local government's policies;
  - Important accounting judgements or estimates that prove to be wrong;
  - Litigation and claims;
  - Misconduct, fraud and theft; and
  - Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Regular risk reports presented to the Audit Committee/Council, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Adequacy of the Local Government processes to manage insurable risks and ensured the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Effectiveness of the Local Government's internal control system with management and the internal and external auditors;
- Whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- The Local Government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Audit Committee meeting practices ensuring periodically meeting with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment;
- Ascertained whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

2.2. Detailed findings and recommendations

2.2.1. Risk Management Framework and Risk Reporting
Finding Rating: High

Our review of Council's Risk Management Framework ('Framework') and discussions with key City Executive identified the following:

- Risk reports are not presented to the Audit and Risk Committee;
- There is no online centralised system to monitor work, health and safety ("WHS") risks, rather these are manually monitored;
- Corporate risk is managed through a central online system however individual officers are responsible for updating their area risks as they become due; which may result in inconsistencies across departments;
- Previously the City employed a 0.5FTE who was focused on management of corporate risks, however due to recent changes to WHS risks, this position has changed whereby there is now 1FTE focusing on WHS risks only resulting in an identified gap with the management of corporate risks to the desired level; and
- Risk Management Committee Terms of Reference states an annual evaluation of the group's effectiveness is required to be undertaken however this has not occurred due to recent turnover within the team.

Implications / Risks
Without updated policies and procedures and a centralised system to monitor organisation risks, staff may be unaware of Council and management's expectations regarding how to manage City risks.

Recommendation
We recommend the Risk Management Framework:

- Be reviewed and updated on a periodic basis. A comprehensive risk identification process may be required to be completed across all departments;
- Clear reporting requirements be documented within the Risk Framework and these reporting requirements be complied with. Ideally this would involve risk reports being presented to the Audit and Risk Committee on a quarterly basis to report emerging risks and ensure management / Council are notified of how risks are being managed;
- WHS risk management be matured through the implementation of an online centralised system;
- Corporate risk be managed by a dedicated risk officer; and
- The re-established Risk Management Committee undertake the annual evaluation as required by the Terms of Reference.

Management Comment
The City accepts the findings and recommendations and also acknowledges that its risk management systems are at a basic level of maturity. Additional resourcing is required to increase this maturity level and implementation of all of the recommendations will be reliant on additional risk resourcing. Subject to that, the recommendations could be implemented by 31 December 2023.

Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: **31 December 2023**

2.2.2. Emergency Risks and Response Management
Finding Rating: Medium

Our discussions with key City Executive relating to emergency risks management identified the following:

- There is no current risk register maintained for brigades resulting in gaps in the risk documentation identification and treatment strategies for emergency risks. An identification process for linking risk assessment with DFES requirements, training, reporting and sharing of information may be required;
- Bushfire management plan requires updating to comply with DFES required format;
- The City does not manage brigade structures and the management of emergency facilities is reactive rather than pro-active, i.e. there is no preventative maintenance plan for facilities such as painting schedule etc. Furthermore a regular walk through of brigade facilities is not currently being undertaken; and
- Service level emergency assets are not recorded on a register and there is no replacement program in place including how funding will be sourced (example: water tanks located on subdivisions gifted to the City many years ago).

Implications / Risks

Without effective risk management of brigades, emergency facilities and emergency assets, the City may be exposed to uncontrolled risks which could have catastrophic consequences and reputational impacts.

Recommendation

We recommend:

- Risk register be introduced for specific emergency services and brigades to identify, treat and monitor risks;
- The bushfire management plan be updated as required by DFES with appropriate approval and communication of the revised plan;
- A preventative maintenance and management plan be documented and implemented for brigade structures and emergency facilities including regular walkthrough of facilities; and
- Service level emergency assets be recorded on a centralised register with an initial complete identification process undertaken as the initial step and development of a replacement program considered.

Management Comment

The City accepts the findings and recommendations and have begun taking tangible steps towards addressing this risk including:

- Completing a WHS audit of emergency services and brigade management processes which will include establishment of a risk register, treatments, monitoring, and reporting. It is envisaged this mitigation work will be completed within the 2023/24 financial year.
- A holistic review of its existing Bushfire Risk Management Plan, due for review in the 2024/25 financial year. DFES are currently reviewing the State bush fire risk management planning format and required inclusions, which will inform the review.
- Development of an inventory and condition assessment of brigade structures and facilities and development of a brigade facility asset management plan; expected to be completed in the 2023/24 financial year.
- Development of an emergency management asset plan through an analysis of service level emergency assets and funding gaps / priorities.

Responsible Officer: Rachel Runco, Manager Regulatory Services

Completion Date: 30 June 2024 – emergency services audit and risk register, and asset management planning.

30 June 2025 – review of Bushfire Risk Management Plan.

2.2.3. Misconduct, Fraud and Corruption Policy
Finding Rating: Medium

Our review of the current Misconduct, Fraud and Corruption Policy indicated the Policy is very limited in guidance and related processes.

Furthermore, our inquiries indicate that the Shire has not developed an ethics, fraud and corruption communications and training strategy nor are employees required to complete ethics and/or fraud and corruption awareness training.

Implications / Risks
- Risk governance and oversight responsibilities not being met.
- City employees may not understand their responsibilities with respect to misconduct, fraud and corruption.

Recommendation
We recommend that a formal Fraud and Corruption Control Plan be developed and implemented throughout the City.

The Fraud and Corruption Control Plan should incorporate:
- The City's approach to controlling fraud and corruption at a strategic, tactical and operational levels;
- The Shire's intended action in implementing and monitoring the City's fraud and corruption prevention, detection and response initiatives;
- Any existing policies dealing with fraud and corruption risk; and
- The roles and responsibilities, reporting lines of all personnel involved.

The Fraud and Corruption Control Plan should be reviewed every two years.

Furthermore, we recommend the development of a communications strategy for ethics, fraud and corruption awareness and integrate this into the fraud and corruption control plan. The strategy could include processes for:
- Ensuring all appropriate employees receive training on ethics related documents and other elements of the City's Integrity Framework at induction and throughout the period of their employment;
- Ensuring all employees receive regular fraud awareness training appropriate to their level of responsibility;
- Ensuring updates and changes to fraud-related policies, procedures, the ethical documents and other ethical pronouncements are effectively communicated to all employees; and
- Encouraging employees to report any suspected incidence of fraud or corruption.

Management Comment

Previous governance reviews have identified a similar finding in regards to having a formal Fraud and Corruption Control Plan, however work to develop this has been considered a lower or future priority noting Code of Conduct training is provided to all staff every 2 years and through new staff inductions. Having said that, we will progress work towards the development of a formal plan. The City's Induction program is currently under review and we will also look to increase fraud awareness and ethics training as part of that and as part of our next Code of Conduct training.

Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: 30 June 2024

2.2.4.   Contract Management
Finding Rating: Medium

We noted the following in respect to our review of contract management:
- The City does not have a contract management framework outlining the consistent approach to be undertaken for all City contracts;
- There is no dedicated contract manager to oversee contracts;
- There is no centralised register of City contracts, including variations maintained;
- Testing of 4 service contracts identified the following:
  - 2 instances where the OSH Obligations form had been signed by the contractor, however the City representative had not counter-signed the form;
  - An instance where the OSH Obligations form could not be provided;
  - 3 service contracts where there was no documentation maintained to evidence contractor induction;
  - An instance where a contract variation memo had not been signed by the CEO as approval;
  - 3 instances where current insurances could not be provided (i.e. insurances maintained on file were out of date);
  - The contract with the contractor providing access control system servicing and upgrading services expired in 2022; and
  - No evidence provided relating to contractor performance review.

Implications / Risks
- The City is potentially exposed to risks due to contractor non-compliance with contract terms and conditions.
- Risk contract risks are not identified, assessed and consistently managed throughout the contract.
- Risk that findings and results from a contract are not used to improve future contract processes conducted by the City.

Recommendation

We recommend Council consider:
- A contract management framework be developed incorporating policies and procedures relating to contract management;

- Consideration be given to a dedicated department which is designated responsibility to oversee contract management;
- A detailed and centralised contracts register be maintained and updated as required;
- OSH obligations forms are obtained for all contracts and signed by both the contractor and the City representative;
- Documentation to evidence contractor induction be retained;
- Contract variations be approved;
- Current insurances for City contractors be obtained and a system be implemented whereby a notification is issued when contractor insurances are due to expire;
- Contracts due to expire are re-negotiated / compliance with City procurement processes complied with; and
- A contractor performance review be designed and implemented.

Management Comment

We accept the recommendation to consider improved and more centralised management of contracts, noting the following:

- a contract management framework is likely to be required however there are concerns about how effective such a framework will be without centralised oversight or management of contracts;
- a dedicated department with responsibility for contract management is supported if achievable with existing resources (consider whether procurement and contract management functions could be centralised);
- a contracts register is a high priority with Local Government reform likely to require public registers of certain contracts in the short to medium term;
- contractor work health safety oversight and inductions as well as insurances are areas for improvement;
- an IT solution (TechnologyOne or otherwise) should be considered as a contract register and for managing contracts (manage contract expiry, insurances, required documentation call ups etc.); and
- the City has contractor performance review documentation which is available on the intranet procurement page. The use of the documentation is not mandated and it is acknowledged that it is not well utilised.

Further consideration and determination of these matters will be undertaken by the end of 2023.

Responsible Officer: Ben Whitehill, Manager Legal and Property Services

Completion Date: 31 December 2023

2.2.5. Tender Management
Finding Rating: Medium

We noted the following for the one of the two tenders selected for testing:

Tender 04/22

The following documents were not provided to us at the time or subsequent to our onsite review:

- Post tender review. Our inquiries indicated there is no policy in place which requires officers to undertake a post project / tender review process.

Implications / Risks
- Risk of non-compliance with internal documentation requires.
- Lack of documentation to support project evaluation outcomes.

Recommendation
We recommend:
- All tender documentation be completed in full and retained; and
- A formal post tender/ project review process be developed for projects exceeding a predetermined dollar value or considered to be high risk.

Management Comment
The City has post tender / project review documentation which is available on the City's intranet procurement page. The use of the documentation is not mandated and it is acknowledged that it is generally not well utilised. Similar to the comments for contract management centralisation of procurement and contract management functions would facilitate reductions in risk, but is subject to resourcing limitations.

Responsible Officer: **Ben Whitehill, Manager Legal and Property Services**

Completion Date: **31 December 2023**

2.2.6. Risk Management Policies and Procedures
Finding Rating: Medium

While competing a review of the City's internal risk management policies and procedures, we noted:

(A)   **No Policy or Procedure**

No policies or procedures in place in respect to:
- Specimen signature for officers with delegated authority.

(B) Potential Out of Date Documents

Document	Last Revision Date / Comments
Code of Conduct – Employees	Approved 24 May 2021. Does not specify next scheduled review date
Code of Conduct for Council Members, Committee Members and Candidates	Approved 28 April 2021. Does not specify next scheduled review date
Contractor OHS Management Operational Practice	21 October 2019 Stated next review due 3 yearly - 21 October 2022
Drug and Alcohol Staff Management Practice	18 May 2018 Stated next review due 6 monthly - 18 November 2018
OSH Objectives and Targets Operational Practice	3 September 2019 Stated next review due 3 yearly – 3 September 2022
Personal Protective Equipment Operational Practice	5 May 2020 Stated next review due 3 yearly – 5 May 2023

Misconduct, Fraud and Corruption Council Policy	27 August 2019 Stated next review due 3 yearly – 27 August 2022
Media and Public Statements Council Policy	12 February 2020 Stated next review due 3 yearly – 12 February 2023
Environment Council Policy	10 October 2018 Stated next review due 3 yearly – 10 October 2021
Bushfire Risk Management Plan 2019-2024	Plan refers to AS/NZS ISO 31000:2009 which has been replaced with 2018 version.
Asset Management Council Policy	2 November 2019 Stated next review due 3 yearly – 2 November 2022
Events Council Policy	12 August 2020 Stated next review due 3 yearly – 12 August 2023
Waste Collection Services Council Policy	31 October 2019 Stated next review due 3 yearly – 31 October 2022
Waste Management Facility and Plant reserve Council Policy	12 September 2018 Stated next review due 3 yearly – 12 September 2021
Social Media Personal Use Operational Practice	19 June 2018 Stated next review due 3 yearly – 19 June 2021
Performance Improvement and Discipline Operational Practice	June 2017 Stated next review every 2 years – June 2019
Numerous Policies and Operational Practices	Approved by former CEO, Mike Archer

Our review of policies and procedures was limited to those which were provided during our onsite visit.

Implications / Risks
Lack of policies and/or procedure evidencing specific risks to the City. In addition, outdated policies and procedures may not reflect the actual practices followed by City representatives.

Recommendation
We recommend the following:
- Policies and procedures be developed and implemented for those identified areas of risk highlighted at (A) above; and
- Those potentially out of date policies and procedures identified (B) above, be reviewed and updated accordingly.

Management Comment
The City acknowledges there are a number of policies and procedures that are due for review. As noted during the Audit a review schedule has been put in place with completion of the reviews by the end of the 2023/2024 financial year.

Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: **30 June 2024**

2.2.7. IT Strategic Plan and Business Continuity Plan Testing
Finding Rating: Medium

We noted the following with respect to IT Strategies (and risk management) and the Business Continuity Plan (Disaster Recovery Plan):

- The City of Busselton Strategic IT Plan is currently in draft and not yet formally adopted; and
- Testing of the Business Continuity Plan / Disaster recovery Plan was last completed in 2019 with no formal testing or review since this date.

Implication / Risk
- Lack of approved documentation outlining the City's IT strategies.
- Risk of significant delays and business interruption in the event of unforeseen events.
- Risk of inappropriate preparation for business interruption events identified in the Business Continuity Plan.

Recommendation
We recommend:
- The IT Strategic Plan be finalised and approved for implementation; and
- The Business Continuity Plan be tested on pre-determined basis to ensure that in the event of a disaster, appropriate actions can be taken.

Management Comment
Development of the ICT Strategic Plan is ongoing and will be a focus between now and it's delivery. We are aiming to have this completed and published by 30 September 2023.

The Business Continuity Plan (BCP) will be tested by the end of the 2023 calendar year, with a regular testing schedule determined.

The updated ICT Disaster Recovery Plan (DRP) has been drafted and is being reviewed by relevant members of the ICT team. We are aiming to have this completed and published by 30 June 2023. A tabletop exercise to test the ICT DRP will be scheduled once it has been published to raise awareness within the team and test the processes to make sure they are accurate.

Responsible Officer: Tim Allignham, Manager Information Services

Completion Date: **31 December 2023**

2.2.8. Lease Management
Finding Rating: Low

Overall our review and testing of processes in place relating to lease management indicated internal controls are adequate and have been effectively implemented for the review period.

However we noted one instance whereby current insurance had not been obtained for the Busselton Bowling Club (insurance certificate of currency maintained on file expired 21 September 2021).

Implications / Risks

The City is potentially exposed to risks due to lessee's non-compliance with lease terms and conditions.

Recommendation

We recommend current insurances be obtained as required by City leases and a system be implemented whereby a notification is issued when lease insurances are due to expire.

Management Comment

The City has a call up system for expired certificates of currency for leases. In the particular example cited the insurance was followed up in September 2022 but the officers were not provided with updated certificates of currency by the Busselton Bowling Club. Unfortunately this was not further followed up. Controls will be put in place to ensure that in further follow ups occur.

Responsible Officer: Ben Whitehill, Manager Legal and Property Services

Completion Date: 30 June 2023

3. Internal controls

3.1. Scope and approach

Our review examined the following areas:

- Segregation of roles and functions, processing and authorisation controls;
- Delegations of authority (completeness and adherence);
- Documented policies and procedures;
- The effectiveness of policy and process reviews;
- Approval of documents, letters and financial records;
- Management internal reviews undertaken in respect to comparison of internal data with external sources of information;
- The adequacy of internal controls;
- Security controls in respect to physical access to assets and records;
- Security controls in respect to computer applications and information systems (general and application IT controls);
- Access limits placed on data files and systems;
- Whether the maintenance and review of financial control accounts and trial balances is regular and appropriate;
- Key management internal reviews undertaken in respect to comparison and analysis of financial results with budgeted amounts;
- Key management internal reviews undertaken in respect to the arithmetical accuracy and content of records;
- Controls in respect to purchasing and payment of accounts;
- Effectiveness of the training and development plan for staff and elected members;
- Reporting, review and approval of financial payment and reconciliations; and
- Physical cash and inventory count records when compared to accounting records.

3.2. Detailed findings and recommendations

3.2.1.   Business Activity Statement ("BAS") Lodgement Relief
Finding Rating: Low

Our inquiries indicated the Finance Coordinator is the only employee with access to the portal to lodge BAS.

Implications/Risks
Lack of backup and relief for a key legislative compliance function.

Recommendation
We recommend an additional delegated employee be provided access to the portal to lodge BAS in case the Finance Coordinator was not available.

Management Comment
We will provide additional employees with access to the portal as recommended.

Responsible Officer: Paul Sheridan, Manager Financial Services

Completion Date: 31 December 2023

4. Legislative compliance

4.1. Scope and approach

Our review examined the following areas:

- Internal monitoring of compliance with legislation and regulations;
- The Local Government's ability to stay informed regarding legislative changes;
- The Local Government's completion of the annual Compliance Audit Return and reporting the results of that review to the Audit Committee and Council;
- The monitoring of the Local Government's structured guidelines that detail the Local Government's processes for meeting statutory obligations (compliance frameworks);
- Communications between key management and the Audit Committee to ensure the Audit Committee is informed in respect to the effectiveness of the Local Government's compliance and recommendations for changes as required;
- The Local Government's procedures in respect to receiving, retaining and handling complaints, including confidential and anonymous employee complaints;
- Key managements internal review processes in respect to the identification of adverse trends and management plans to address these;
- Management disclosures in financial reports of the effect of significant compliance issues (if any);
- The internal and / or external audit contracts include an assessment of compliance and ethics risks in the development of the audit plan and in the conduct of audit projects, and report compliance and ethical issues to the Audit Committee; and
- The Audit Committee's processes and procedures in respect to compliance with legislative and regulatory compliance ensuring no misuse of position through adequate disclosure of conflicts of interest.

4.2. Detailed findings and recommendations

4.2.1.   Compliance Calendar
Finding Rating: Medium

We noted the City does not have a centralised Compliance Calendar.

Implications / Risks
Risk of non-compliance with legislative requirements.

Recommendation
We recommend the City develop a centralised Compliance Calendar to be accessed and utilised by individual City staff as required.

Management Comment
The City has recently purchased the Attain compliance system for management of its returns, delegations, and gift processes. There is also a compliance calendar module which allows for scheduling of key compliance tasks, and which will be implemented by the end of the 2023/2024 financial year. Officers understand through discussions during the audit that this recommendation is broader in nature and is more focused on development of a register of legislative requirements by position. Clarification as to the focus of this recommendation is sought, although the City will consider development of such a register. In terms of priorities and resourcing however it is considered to be a lower priority than other recommendations.

Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services.

Completion Date: 30 June 2024

4.2.2.   Audit and Risk Committee
Finding Rating: Medium

We noted the following:
- There are no risk reports presented to the Audit and Risk Committee;
- Audit and Risk Committee meeting agendas do not include a standing agenda item to update the status of actions previously tabled and agreed; and
- Audit and Risk Committee agendas do not include a standing item regarding effectiveness of compliance at the City.

Implications/Risks
- Risk of governance and oversight responsibilities not being met.
- Risk the Local Government Act and Regulations are not being regularly assessed.

Recommendation
We recommend:
- Risk reports be presented at each Audit and Risk Committee meeting;
- Audit and Risk Committee meeting agendas include a standing item relating to updating on the status of actions previously tabled, and the discussion of risk; and

- Audit and Risk Committee meeting agendas include a standing item relating to compliance and the effectiveness of compliance at the City.

Management Comment

The City acknowledges and accepts the recommendations in relation to risk reports being presented to the Audit and Risk Committee meeting and a standing item being presented in relation to previously tabled actions. As per earlier comments, the City's risk management function is operating at a basic level of maturity and requires additional resourcing.

In relation to the recommendation for a standing agenda item relating to the effectiveness of compliance at the City, the City notes it annually provides a Compliance Audit Return to the Committee along with findings from the annual OAG Financial and IT Audits. The City is not clear on what additional reporting in relation to legislative compliance would achieve, noting we do support the recommendation below in relation to internal audit.

Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: 30 June 2024

4.2.3. Internal Audit
Finding Rating: Low

We noted that the City does not currently have a formal documented internal audit program in place.

Implications/Risks

Risk of non-compliance with Department of Local Government, Sport and Cultural Industries Guidelines recommended practices.

Recommendation

The Department of Local Government, Sport and Cultural Industries guidelines recommend an internal audit function be established incorporating an internal audit program which is re-assessed annually.

We recommend the City consider an internal audit function overseen by the Audit and Risk Committee.

Management Comment

The City is audited on a regular basis by the OAG in relation to its financial systems and processes and also information management systems. The City has, in addition, been considering the development of a broader internal audit function and has commenced discussions with other local governments as well as AMD in relation to the structure and options for such a function. The City will prepare a report for the Audit and Risk Committee in relation to this, noting it will have resourcing implications.

Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: 30 September 2023

Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation's ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation's objectives by maximising opportunities and minimising adverse effects.

The risk guidelines stated below are based on the City of Busselton's 2021 Risk Management Framework.

Our guidance to risk classification in completing our review is as follows:
Measure of Likelihood of Risk
Likelihood is the chance that the event may occur given knowledge of the organisation and its environment.

The following tables provide broad descriptions to support the likelihood rating:

		Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood	Almost Certain	M11	H16	H20	E23	E25
	Likely	L7	M12	H17	H21	E24
	Possible	L4	M8	M13	H18	E22
	Unlikely	L2	L5	M9	M14	H19
	Rare	L1	L3	L6	M10	M15

Where:

L   = Low Risk
M   = Medium Risk
H   = High Risk
E   = Extreme Risk

Above Extracted from the City's Risk Management Framework.

Rating	Description	Frequency
Rare	May occur but only in exceptional circumstances	1 in 10,000 - 100,000 Less than once in fifteen years
Unlikely	Could occur at some time	1 in 1,000 to 10,000 At least once in fifteen years
Possible	Should occur at some time in the future	1 in 100 - 1,000 At least once in five years
Likely	Will probably occur in most circumstances	1 in 10 - 100 At least once a year
Almost Certain	Is expected to occur in most circumstances	> 1 in 10 More than once a year

Above Extracted from the City's Risk Management Framework.

Measure of Consequence of Risk

Consequence is the severity of the impact that would result if the event were to occur. The following table provides broad descriptions to support the consequence rating:

Rating	Insignificant	Minor	Moderate	Major	Catastrophic
Public Health / Safety	First aid injury	Medical treatment injury	Hospitalisation injury	Multiple serious injuries causing hospitalisation	Death or permanent disability
OSH	First aid injury	Medical treatment injury	Lost Time Injury (< 30 days)	Lost Time Injury (> 30 days)	Death or permanent disability
Financial	< $ 25k	$ 25k to $250k	$ 250k to $ 1m	$ 1m to $ 10m	> $ 10m
Operational	Inconvenient delays with recovery within acceptable timeframe	Moderate delays to service delivery with unacceptable recovery time or inconvenient delays to major deliverables	Significant delays to service delivery with unacceptable recovery time or significant delays to major deliverables	Interruption of service delivery > 1 month or non-achievement of key objectives	Indeterminate prolonged interruption of services – non-performance > 3 months
Reputational	Minor adverse local community comment or complaint	Minor media interest with low news profile, e.g. local paper	Public embarrassment, moderate news profile (including TV)	High news profile, third party action(e.g. legal)	Widespread national news profile, formal government inquiry
Environmental	Brief pollution but no environmental harm	Minor environmental harm	Moderate environmental harm with mid term recovery	Significant long term environmental harm	Catastrophic, long term environmental harm

Above Extracted from the City's Risk Management Framework.

City of Busselton
Geographe Bay

RISK MANAGEMENT FRAMEWORK

October 2021

1. Introduction

The management of risk is an integral part of good management practice. The City of Busselton has therefore adopted a Risk Management Policy, which includes a requirement to establish the City's Risk Management Framework.

The Risk Management Framework incorporates all aspects of risk management and sets out the broad approach for the ongoing management of risks. The Framework consists of four (4) major components, with various lower level components within each. The four major components are:
- Risk Management Committee
- Risk Reference Tables
- Risk Management Operational Practice
- Risk Register

The Risk Management Framework is designed to provide managers with a degree of confidence to be able to manage risk to an acceptable level. It defines the steps to be followed to measure the risk rating and determine if the risk should be accepted or treated.

The high level view of the Risk Management Framework is as follows:
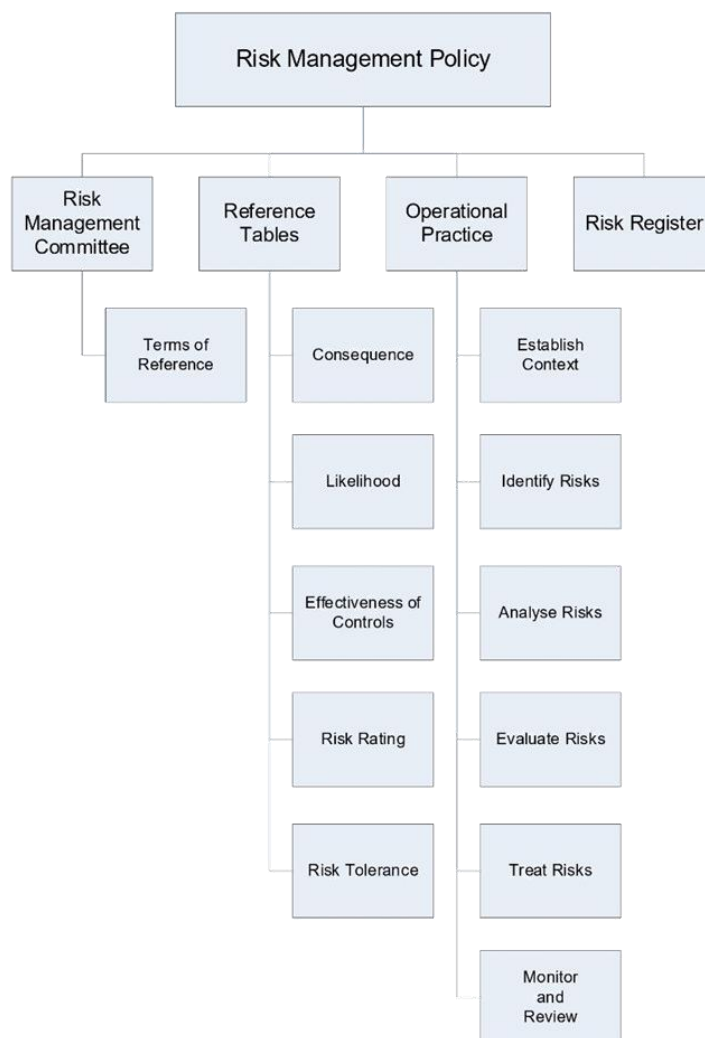
2. Definitions

Risk is the effect of uncertainty on objectives … expressed in terms of a combination of the consequences of an event and the associated likelihood (AS/NZS ISO 31000: 2018).

Alternatively:

- The chance of something happening that will have an impact on the objectives

- The risk of loss resulting from inadequate or failed internal processes, people and systems or from external event. (Basel 2)

Risk Management is the coordinated activities to direct and control an organisation with regard to risk (AS/NZS ISO 31000:2018).

The *risk management process* is the systematic application of policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring, reviewing, recording and reporting risk (AS/NZS ISO 31000:2018).

Strategic risks are risks identified, assessed and managed in association with the achievement of the Council's strategic vision or Objectives.

3. Risk Policy

The Risk Management Policy has been endorsed by Council confirming the City's commitment to manage risks in accordance with AS/NZS ISO 31000:2018.

4. Risk Management Committee

The Risk Management Committee was established, by the endorsement of the Risk Management Policy, to be the driving force of implementing a risk management culture within the City of Busselton.

The Risk Management Committee will assist in the implementation of an effective and efficient risk management system through raising awareness about managing risks and coordinating relevant training.

The Risk Management Committee Terms of Reference details the responsibility of the Committee and its relationships with other committees and groups.

5. Risk Reference Tables

The Risk Reference tables have been established for the purpose of providing guidance as to how risks are to be evaluated, assessed and accepted.

Use of Risk Reference Tables is critical to provide a uniform approach for assessing risk and the means to aggregate and prioritise risks across the City.

5.1. Consequence
A risk that eventuates may impact the City across a number of different categories. When analysing the consequence of a risk event, the risk owner needs to consider

the level of impact in relation to one or more of these consequence categories defined in the consequence table below.

Rating	Insignificant	Minor	Moderate	Major	Catastrophic
Public Health / Safety	First aid injury	Medical treatment injury	Hospitalisation injury	Multiple serious injuries causing hospitalisation	Death or permanent disability
OSH	First aid injury	Medical treatment injury	Lost Time Injury (< 30 days)	Lost Time Injury (> 30 days)	Death or permanent disability
Financial	< $ 25k	$ 25k to $250k	$ 250k to $ 1m	$ 1m to $ 10m	> $ 10m
Operational	Inconvenient delays with recovery within acceptable timeframe	Moderate delays to service delivery with unacceptable recovery time or inconvenient delays to major deliverables	Significant delays to service delivery with unacceptable recovery time or significant delays to major deliverables	Interruption of service delivery > 1 month or non-achievement of key objectives	Indeterminate prolonged interruption of services – non-performance > 3 months
Reputational	Minor adverse local community comment or complaint	Minor media interest with low news profile, e.g. local paper	Public embarrassment, moderate news profile (including TV)	High news profile, third party action(e.g. legal)	Widespread national news profile, formal government inquiry
Environmental	Brief pollution but no environmental harm	Minor environmental harm	Moderate environmental harm with mid term recovery	Significant long term environmental harm	Catastrophic, long term environmental harm

5.2. Likelihood

The likelihood rating describes how likely it is that a risk will eventuate with the defined consequences. Likelihood can be defined in terms of probability or frequency, depending on the risk being considered.

Rating	Description	Frequency
Rare	May occur but only in exceptional circumstances	1 in 10,000 - 100,000 Less than once in fifteen years
Unlikely	Could occur at some time	1 in 1,000 to 10,000 At least once in fifteen years
Possible	Should occur at some time in the future	1 in 100 - 1,000 At least once in five years
Likely	Will probably occur in most circumstances	1 in 10 - 100 At least once a year
Almost Certain	Is expected to occur in most circumstances	> 1 in 10 More than once a year

5.3. Effectiveness of Controls

Controls are the measures that are currently in place that reduce the likelihood and/or the consequence of the risk. The effectiveness of the controls is an assessment of their adequacy.

Rating	Description
Adequate	Doing what is reasonable under the circumstances, i.e. what other similar organisations are doing.
Weak	Not doing some or all of the things that would be reasonable under the circumstances.

5.4. Risk Rating

The level of risk or the risk rating is determined by the consequence and likelihood. That is the risk rating is a function of consequence and likelihood.

		Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood	Almost Certain	M11	H16	H20	E23	E25
	Likely	L7	M12	H17	H21	E24
	Possible	L4	M8	M13	H18	E22
	Unlikely	L2	L5	M9	M14	H19
	Rare	L1	L3	L6	M10	M15

Where:

L	= Low Risk
M	= Medium Risk
H	= High Risk
E	= Extreme Risk

5.5. Risk Tolerance

Once the Risk Rating has been determined, the risk needs to be evaluated using the organisation's agreed risk tolerance.

Residual Risk Rating	Responsibility for Acceptance with Specific Controls	
	Weak	Adequate
Low	Manager	Coordinator
Medium	Director	Manager
High	Senior Management Group	Director
Extreme	Unacceptable	Senior Management Group

6. Risk Management Operational Practice

6.1. Introduction

A simple risk management process has been established to encourage staff to make use of risk management as a tool to improve their work performance. Each risk will be allocated a Responsible Officer to ensure it is managed, including implementing mitigating treatment. This is usually the person who is directly responsible for the strategy, activity or function that relates to the risk. The Risk Team is available to assist risk owners, wherever possible, in the management of their risks by assisting them in the risk assessment process.

The City of Busselton will adopt the following risk management process, which was developed using the AS/NZS ISO 31000.
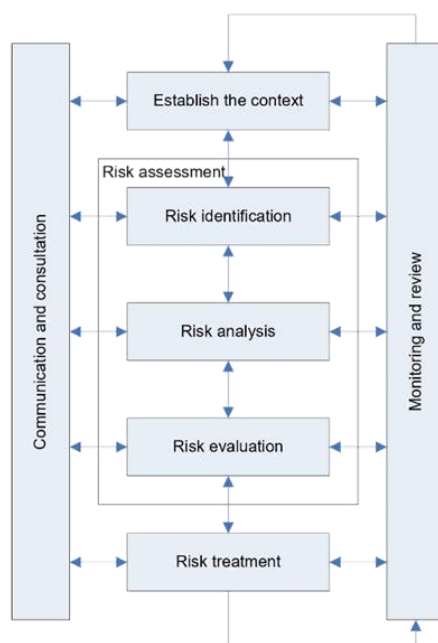
Risk Management Process (From AS/NZS ISO 31000)

6.2. Establish the Context

Establish the strategic, organisational and risk management context in which the rest of the process will take place. Criteria against which risks will be evaluated are established and the structure of the analysis identified. Examples of contexts include, a business unit or specific project.

6.3. Identify the Risk

The purpose of risk identification is to identify what situations, events or circumstances might affect the achievement of the objectives of the City of Busselton.

Risks can be identified through various processes, with no single process being preferred for all contexts. Therefore an identification process will be selected depending on the situation. Some of the processes to be used include:

- Development or reviewing of strategic and operational business plans
- Project team risk brainstorming workshops and completion of project planning
- SWOT analysis at business unit meetings
- Safety inspections and incident investigations

Any staff member may identify and initiate the registration of a risk. To assign a Responsible Officer for each risk the following process will be used.

Risk Management Identification Process
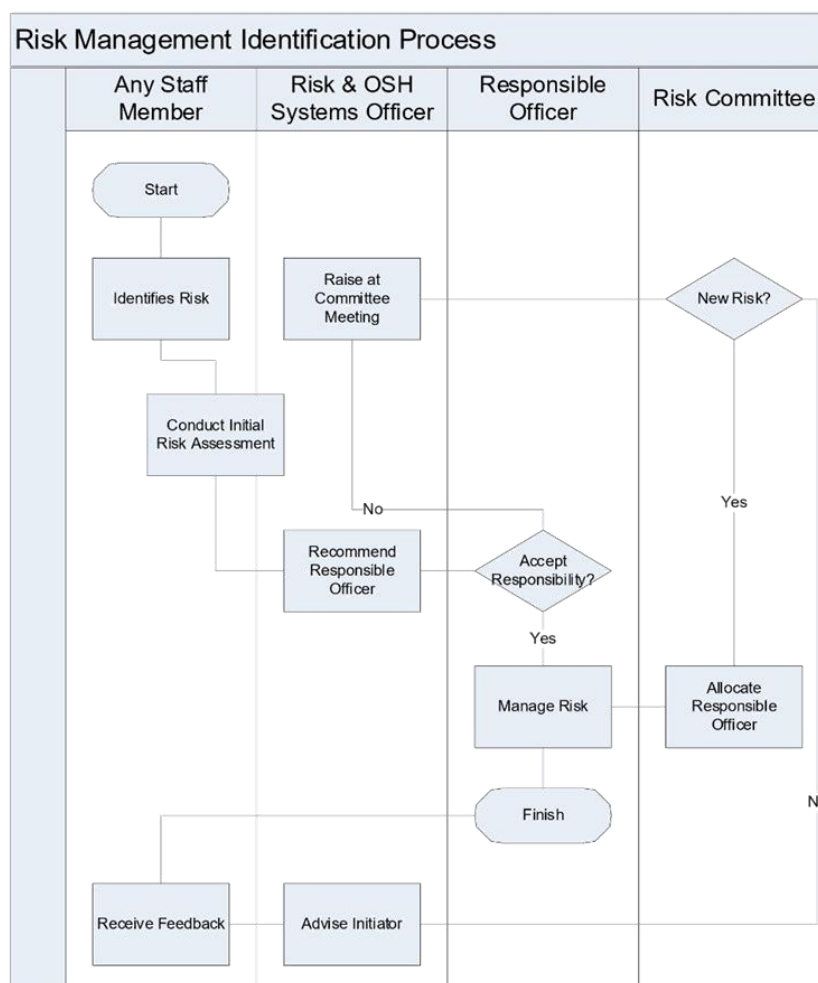
Management for a risk will be assigned to the staff member who is impacted by the risk or who has the greatest impact on the risk. The following will be used as a guide:

Risk Type	Minimum level of Responsibility
Strategic	Director
Operational	Manager
Project	Project/Contract Manager

6.4. Analyse the Risk

Risk analysis involves developing an understanding of the risk to provide an input to risk evaluation. Determine the existing controls and analyse risks in terms of consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences

are to occur. Consequences and likelihood are combined to establish a risk rating. The risk rating may be determined under various situations, including:

- Initial/Inherent risk – the risk rating before controls are established or should all controls fail
- Revised/Residual/Current risk – the risk rating with all of the existing controls effective
- Future/Predicted risk – the risk rating once all future controls are implemented

6.5. Evaluate the Risk

Compare the risk rating against the risk acceptance criteria. This enables risk to be ranked so as to identify management priorities. If the risk rating is as low as reasonably practicable, then the risk may fall into an acceptable category and treatment may not be required.

6.6. Treat the Risk

Accept and monitor low priority risks. All risks will be reviewed, however, usually only extreme or high rated risks will be treated. The treatment process involves identifying treatment options, evaluating options, selecting an option and implementing it. A treatment implementation date is determined to identify when the risk will be reviewed again. If a treatment cannot be implemented within the next six months the risk must be accepted with a notation that it is only being accepted in the short term. Once a treatment option is fully implemented it becomes a control and the risk should be able to be accepted.

When a treatment implementation date is reached a review of the risk assessment is required to determine if the risk is now acceptable. If the risk is still not acceptable the responsibility for the risk is to be escalated to the Director.

6.7. Monitor and Review

Monitor and review the performance of the risk and the management of it. Monitoring a risk is an informal ongoing process used to immediately identify any changes. A review is a point in time, formal process. Risks with a high risk rating should be reviewed more frequently and risks with a low risk rating may be reviewed less frequently. The standard review frequencies are:

Risk Rating	Frequency
Extreme	Annual
High	Annual
Medium	2 Yearly
Low	3 Yearly

The Risk Team may also monitor and review risk assessments and controls to ensure risks are consistently assessed and controls are effective. They may also challenge the assessment of a risk, raising their concerns with the risk's owner. Where an

agreement cannot be achieved the risk will be considered at a Risk Management Committee meeting to finalise the assessment.

6.8. Communicate and Consult

Communicating and consulting should occur at each step of the risk management process to ensure all stakeholders understand, are involved in and contribute to the process. Consultation gives stakeholders the opportunity to influence decisions and ensures that all relevant viewpoints are taken into account in identifying and evaluating risks.

7. Risk Register

The following risks are required to be registered in the relevant City of Busselton risk register.

- Any high or extreme risk.
- Risks to achievement of an activity team's objectives and priorities.
- Risks inherent in the delivery of services and priorities.
- Risks to the organisation either operationally or strategically.

Further information on the risk registers is available in the online help screen or by contacting the Risk Team.

8. Approval

Approved by:	Mike Archer		
Approval Date:	/10/2021	**Previously Approved:**	05/12/2017
Signature (for hard copy record):			

7.   NEXT MEETING DATE

8.   CLOSURE