



Audit and Risk Committee

Agenda

Wednesday 13 March 2024



Our Vision

Where environment, lifestyle and opportunity meet

Community Aspirations



KEY THEME 1

Environment

An environment that is valued, conserved and enjoyed by current and future generations.



KEY THEME 2

Lifestyle

A place that is relaxed, safe and friendly, with services and facilities that support positive lifestyles and wellbeing.



KEY THEME 3

Opportunity

A vibrant City with diverse opportunities and a prosperous economy.



KEY THEME 4

Leadership

A Council that connects with the community and is accountable in its decision making.

NOTICE OF MEETING

TO: THE MAYOR AND COUNCILLORS

NOTICE is given that a meeting of the Audit and Risk Committee will be held in the Council Chambers, Administration Building, Southern Drive, Busselton on Wednesday 13 March 2024, commencing at 10:00am.

Your attendance 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

6 March 2024

BEHAVIOUR PROTOCOLS

The City of Busselton values are:

- Listening
- Considered Decision Making
- Appreciation
- Respect
- Teamwork

In accordance with these values, the following outlines the behaviour expectations while attending a Council meeting, Committee meeting, Community Access Session, or Public Agenda Presentation:

- Listen respectfully through the meeting or presentation
- Respect the Council process and comply with directions from the Presiding Member
- Use respectful language when addressing Council, staff, and other members of the public
- Behave in a manner that is respectful and non-confrontational
- Do not use offensive language or derogatory language towards others

The City values the diverse input of the community and seeks to ensure that all members of the community can attend a meeting and have their say.

Elected Members, Committee members and Candidates are bound by the City's Code of Conduct and agree to uphold the values of the City of Busselton and principles of good behaviour, maintaining and contributing to a harmonious, safe, and productive environment.

Anyone who does not behave in accordance with the above values and behaviours may be asked by the Presiding Member to leave the gallery.

CITY OF BUSSELTON

Agenda for the Audit and Risk Committee to be held on Wednesday 13 March 2024

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1 OFFICIAL OPENING

The City of Busselton welcomes Elected Members, staff, guests and members of the public to the Audit and Risk Committee meeting of 13 March 2024.

The City of Busselton acknowledges the Wadandi and Bibbulmun people as the traditional custodians of this region and pay respects to Elders past and present.

Please note this meeting will be audio recorded for minute taking purposes.

2 ATTENDANCE

PRESIDING MEMBER	MEMBERS
Cr Andrew Macnish	Mayor Phill Cronin
	Cr Anne Ryan
	Cr Jodie Richards
	Cr Val Kaigg
	Cr Mikayla Love
	Cr Kate Cox
	Cr Jarrod Kennedy
	Cr Richard Beecroft

OFFICERS
Chief Executive Officer
Director Corporate Strategy and Performance
Manager Legal and Governance
Manager Systems and Information
Governance and Risk Coordinator
Governance Officer

APOLOGIES
Nil at time of publishing

3 ELECTION OF DEPUTY PRESIDING MEMBER

The Presiding Member will conduct the nomination and voting to elect a Deputy Presiding Member of the Audit and Risk Committee in accordance with section 5.12 of the *Local Government Act 1995*.

4 DISCLOSURES OF INTEREST

DISCLOSURES OF FINANCIAL INTEREST

A declaration under section 5.65 of the *Local Government Act 1995* requires that the nature of the interest must be disclosed. An elected member or employee who has made a declaration must not preside, participate in, or be present during any discussion or decision-making procedure relating to the matter on which the subject of the declaration without the approval of the Council in accordance with the Act.

DISCLOSURES OF IMPARTIALITY INTEREST

Elected members and employees are required, in addition to declaring any financial interest, to declare an interest that might cause or perceive to cause a conflict. If the elected member or employee declares that their impartiality will not be affected then they may participate in the decision-making process.

5 CONFIRMATION AND RECEIPT OF MINUTES

5.1 Audit and Risk Committee meeting held 8 November 2023

RECOMMENDATION

That the Minutes of the Audit and Risk Committee meeting adjourned 8 November 2023 and resumed 29 November 2023 be confirmed as a true and correct record.

6 PUBLIC QUESTION TIME

6.1 RESPONSES TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

6.2 QUESTION TIME FOR PUBLIC

Public question time procedures and guidance

Public question time allows members of the public to participate in local government by asking questions of the Council in relation to issues affecting the City. It also assists the City in identifying issues of importance to the community and assists the public to be better informed about how the City is governed.

- The City will allocate a minimum of 15 minutes and a maximum of 30 minutes per Council meeting for public question time.
- Members of the public should register their intent to ask a question at a Council meeting by completing and submitting the [Public Question Time form](#) before 4pm the day prior to the relevant meeting.
- Members of the public will be invited to ask their question in order of registration.
- Questions will be limited to three per person. Additional questions may be permitted by the Presiding Member where time permits.
- Where a person is not present to ask their submitted question it will be responded to administratively as general correspondence.
- Questions may be taken on notice, to be responded to at a later time by the CEO in accordance with clause 6.7 of the Standing Orders.
- Public question time is for the tabling of questions, not for members of the community to make statements. For context, the Presiding Member may allow a short preamble.
- Questions containing defamatory remarks or offensive language, or that question the competency or personal affairs of Elected Members or employees may be ruled inappropriate by the Presiding Member subject to the Presiding Member taking reasonable steps to assist the member of the public to rephrase the question.
- There will be no debate or discussion on the response provided.

For further information, please see the [Meetings, Information Sessions and Decision Making Processes Policy](#).

7 REPORTS

7.1 Capability development: risk management and internal audit

Strategic Theme:	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making. 4.3 Make decisions that respect our strategic vision for the District.
Directorate:	Corporate Strategy and Performance
Reporting Officers:	Manager Legal and Governance – Ben Whitehill Governance and Risk Coordinator – Tegan Robertson
Authorised By:	Director of Corporate Strategy and Performance – Sarah Pierson
Nature of Decision:	Noting: The item is simply for information purposes and noting.
Voting Requirements:	Simple Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	Nil

OFFICER RECOMMENDATION

That the Council:

1. Note the proposed implementation program for the improvement of the City's risk management capabilities and the introduction of an internal audit function.
2. Approve the allocation of \$110,000 in the draft 2024/2025 budget for a new risk officer plus \$35,000 consultancy to fund the engagement of a consultant to undertake the internal audit function.

EXECUTIVE SUMMARY

This report informs the Council on an implementation program for the improvement of the City's risk management capability, and the introduction of an internal audit function. The report also seeks Council's approval of additional resourcing to support the program.

STRATEGIC CONTEXT

Implementing and maintaining an appropriate risk management model, including internal audit assurance, enables the City to achieve its long-term strategic objectives by effectively managing risk and reward.

BACKGROUND

The City has a Risk Management Policy (the Policy) which outlines the City's commitment to ensuring that effective risk management, aligned to the Australian Standard for Risk Management (AS ISO 31000:2018), remains central to its operations. As required by the Policy, the City also has an established Risk Management Framework which reflects good practice and sound corporate governance principles.

The City currently has 100 risks captured in its corporate risk register as either approved or under review, with risks generally identified as part of annual business planning activities. In accordance

with the City's current Risk Management Framework, risks are reviewed periodically based on their risk rating. The risk rating and the adequacy of controls determine risk tolerance and acceptance criteria. Risk identification is currently a component of the City's annual business planning, and this annual process will be further facilitated as part of embedding risk management into business process.

The City has found in successive Regulation 17 reviews that its risk management processes are at a basic level of maturity and has identified that there remains scope for the City to further integrate and mature its risk management model, subject to resourcing.

The City has historically employed a risk and workplace health and safety officer to coordinate delivery of both corporate and workplace safety risk management processes. Since 2020, in the context of changes to legislation and noting that the City has only two workplace health and safety positions, the focus of this position has shifted to workplace health and safety. This has impacted the ongoing management of corporate risk. A desktop review has identified inconsistencies across activity areas in how risks have been captured and assessed (consistent with AMD's observations in the Regulation 17 Review detailed below). Additionally, the timely review of risks has been impacted.

The City has not historically had an internal audit capability.

2023 Regulation 17 Review

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 in May 2023 (the Regulation 17 Review). AMD's findings and recommendations were accepted by the Council in June 2023 (C2306/111).

The Regulation 17 Review made several findings regarding the operationalisation of the Risk Management Framework and the City's internal audit capability.

Finding 2.2.1 Risk Management Framework and Risk Reporting

Through the Regulation 17 Review, AMD considered the Risk Management Policy and Framework, and the effectiveness of the City's risk management systems and internal processes for determining and managing material operating risks. Following this review, AMD made the following recommendations:

"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."*

In this context, AMD made one high finding with respect to the City's existing Risk Management capability noting that:

"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."

The City accepted these findings, and acknowledged its risk management capability is at a basic level of maturity. Management comments noted that additional resourcing is required to implement the recommendations.

The first step towards addressing the Regulation 17 Review findings was the alignment of the risk function with governance and legal, and the appointment of a Governance and Risk Coordinator in late 2023 (with the risk function being included into the existing Governance Coordinator role, with no additional resource allocation). This has enabled the City to define a recommended program of works and resource requirements to deliver a more robust corporate risk management culture and capability at the City.

Finding 4.2.3 Internal Audit

The Regulation 17 Review also noted that:

"The City does not currently have a formal documented internal audit program in place."

AMD recommended that the City consider establishing an internal audit function, consistent with the Department of Local Government, Sport and Cultural Industries (the Department) guidelines, which suggest an internal audit function be established with a program that is reassessed annually.

OFFICER COMMENT

In response to the Regulation 17 review findings, officers have reviewed the City's existing Risk Management Policy, Framework, systems and processes in the context of a number of resources to identify best practice and develop a program of works to improve the City's risk management capability.

The City's best practice review considered the Australian Standard for Risk Management (AS ISO 31000:2018); the Department's *Audit in Local Government – Local Government Operational Guidelines, Risk Management Resources, Model Risk Management Policy, and Integrated Planning and Reporting Framework and Guidelines*; the *Western Australian Public Sector Audit Committees – Better Practice Guide* published by the Office of the Auditor General, and various other risk management resources produced for state, federal and interstate local governments.

Information sharing has also been undertaken with peer Western Australian local governments identified as having a greater maturity in risk management and internal audit.

Best Practice Risk Management

Integration of risk management into an organisation's culture is a dynamic and iterative process, which is supported by the development of policy, framework, procedures and practices specific to an organisation's context and appetite for risk. The objective of risk management is not to eliminate risk, but to ensure the City is able to direct resources toward the greatest threats to its ability to function effectively in the interests of its community.

The Australian Standard for Risk Management (AS ISO 31000:2018) broadly defines risk as the effect of uncertainty on objectives. Organisational risk can be further categorised as strategic, operational or project risk.

Strategic Risks

Strategic risks are macro-level risks that threaten the City's ability to meet its long-term strategic objectives. If strategic risks were to eventuate, the City may be required to change strategic direction. While strategic risks can be internal or external, they usually arise in the context of the external regulatory, political, technological, natural, economic or social environment.

In the Local Government context, the Council is accountable for the management of strategic risks, in conjunction with the CEO and Executive Leadership Team. Following review in January 2024, the Audit and Risk Committee Terms of Reference has been updated to reflect the important role the Audit and Risk Committee has in assisting the Council to manage the City's strategic risk.

Operational Risks

Operational risks are associated with developing or delivering operational plans, functions or the day-to-day activities of the City. If operational risks were to eventuate, they may impact the City's ability to deliver to its current informing strategies and operational plans (for example, the Corporate Business Plan, Asset Management Plan or Workforce Plan), potentially resulting in a failure to deliver services to community expectations, or cause a financial loss. In the Local Government context the CEO is accountable for the management of operational risks.

Project Risks

Project risks are associated with delivering projects or discrete activities. If project risks were to eventuate, that project may be unable to deliver to agreed quality, cost or schedule parameters. The CEO is accountable for the management of project risks.

Maturing Risk Management in the City of Busselton Context

For risk management to be successfully embedded into the City's organisational culture, it is critical that the risk management context is clearly understood and the risk management model is well defined. This enables officers, management and Elected Members alike to understand their role and accountability for the management and / or oversight of risk as a part of (rather than apart from) strategic planning activities, operational functions and services.

Officers have identified a program of works to deliver improvements to the City's risk management capability, with following objectives:

1. Formalise the City's risk management model with clear lines of defence;
2. Roles, accountabilities and responsibilities within each line of defence are clearly defined and well understood;
3. The Risk Management Policy, Framework and governance structures are up to date and fit for purpose to effectively manage risk within the City's risk appetite;
4. Risk management activities are embedded across the organisation, using clearly defined processes and systems;
5. Strategic, operational and project risks are appropriately identified, assessed, monitored and reported to inform decision making by the Council and the administration; and
6. Risk culture and the maturity of the City's risk management capability is regularly evaluated and subject to continuous improvement.

While embedding a risk-focussed culture at the City will be a long-term and ongoing activity, Officers have identified a series of critical deliverables, to be implemented in phases over the next 18 months – 2 years, subject to the recommended resourcing being supported.

Phase 1: Design

Estimated time to complete: 3 – 6 months

The risk management model comprises of the Policy, Framework, governance structures, processes and systems the City uses to manage risk. It is critical that the organisational risk management model is well defined, with consideration to integration across activity areas. The completion of the Design phase will see the following delivered:

1. Formalise the lines of defence model

Good corporate governance typically adopts a three lines of defence model to ensure effective management of risk:

1. The first line of defence is formed by managers and staff who are responsible for identifying assessing, evaluating and treating risk as part of their accountability for achieving objectives;
2. The second line of defence is formed by functions that oversee or who specialise in compliance or the management of risk. The second line owns the risk management framework and practices, and provide tools, support, oversight and monitoring; and
3. The third line of defence provides independent assurance, through functions such as internal and external audit, to ensure that risk management governance and internal control processes are adequate and effective.

The purpose of this model is to distribute responsibilities across different lines of defence, establish effective risk management and governance practices, and enhance the organisation's ability to identify, assess and mitigate risks.

Risk management has historically aligned to the three lines of defence model at the City. Officers, coordinators and managers are responsible for the management of risk within their activity area (line 1). Centralised work health and safety, and corporate risk officers provide frameworks, tools and support, and an internal Risk Management Committee provides monitoring and oversight (line 2). External audits are conducted annually by the Office of the Auditor General in line with section 7.9 of the *Local Government Act 1995* (the Act), and the Audit and Risk Committee has oversight of audit outcomes (line 3).

It is proposed that this model is formalised, with the roles, accountabilities and responsibilities of each line of defence clearly documented to ensure all officers have a consistent understanding of their specific role in managing risk.

2. Refresh the Risk Management Policy, Framework and Governance Structures

The City's existing Risk Management Policy and Framework were both last reviewed in 2021. They are due for review in 2024 as per the City's ongoing policy review cycle. Both the Risk Management Policy and Framework are aligned to the Australian Standard for Risk Management (AS ISO 31000:2018), however a review is required to ensure these are fit for purpose in the context of a formalised lines of defence model and the City's appetite for risk.

It is important that the Risk Management Policy and Framework are reviewed and adopted prior to the delivery of any subsequent implementation activities (including officer training, risk identification and reporting) as the Policy and Framework will define:

- The oversight role of the Council and the Audit and Risk Committee;
- The role of the CEO and officers to identify, assess, monitor and report on risk;
- The Line 1, 2 and 3 governance structure supporting effective risk management;
- Risk assessment metrics including risk cause and impact, likelihood and consequence;
- Risk tolerance and acceptance criteria; and
- Risk monitoring and reporting requirements.

Expected timelines for completion of the Design phase include time for review of the updated Risk Management Policy and Framework by the Audit and Risk Committee, and adoption of the Risk Management Policy by the Council.

3. Develop risk reporting

To achieve risk informed decision-making and appropriate oversight of risk management, fit for purpose risk reporting is essential. Requirements for risk reporting will be defined in the Design phase and will consider the different information needs of line management, the Executive Leadership Team, the Audit and Risk Committee and the Council. When requirements have been defined, the development of risk reporting will commence.

4. Risk systems and processes reviewed and documented

The City currently uses the risk management module in the TechnologyOne Enterprise Resource Planning (ERP) system (Tech1) which is generally aligned to the City's current Risk Management Framework.

Following completion of the review of the City's Risk Management Policy and Framework, and the definition of risk reporting requirements, officers will assess whether the Tech1 risk management module meets future requirements and determine what further configuration is required.

Concurrently, officers will ensure processes for risk management are developed and documented in the centralised Process Manager system, in accordance with the City's Process Management Framework (adopted in 2023).

5. Define implementation approach and supporting change management requirements

A thoughtful and targeted approach to implementation is required to achieve cross-organisational support and uptake of the refreshed risk management model. In the Design phase, implementation and change management requirements will be assessed.

This will likely include basic communications and training around risk management expectations for all officers, and opportunities for additional targeted education for line management, the Executive Leadership Team and Elected Members to ensure they are equipped to undertake their specific roles supporting the implementation and oversight of risk management practices.

Communications and the training plan and materials, including supporting induction and intranet content, will be developed in this phase, ahead of Implementation.

Phase 2: Implementation

Estimated time to complete: 3 months

In Implementation phase, the deliverables defined in the Design phase will be rolled out to officers across the City. The Implementation phase will see the following delivered:

1. Refreshed Risk Management model implemented; Change management activities delivered

The refreshed Risk Management model (comprising the Policy and Framework, governance structures, systems and processes) will be implemented together. Taking an 'all at once' approach to the roll out of the risk management model has been assessed as most likely to deliver the best outcome in terms of officer understanding of the overarching model and the City's expectation that all officers are responsible for the management of risk. The 'all at once' approach is expected to deliver higher engagement and better utilisation of the Risk Management Framework and supporting systems, processes and reporting in day-to-day activities than a piecemeal approach to implementation.

2. Risk identification completed

Following the implementation of the risk management model, a comprehensive risk identification and assessment exercise will be undertaken with all directorates, to ensure that all strategic and operational risks have been adequately captured. This comprehensive process will include a review of existing risks documented in the City's risk register, and will ensure all risks have been assessed, treated, monitored and reported in accordance with the refreshed Risk Management Framework. The identification and assessment of strategic risks with the Council will be considered through the development of the City's Council Plan.

3. Risk reporting to the Audit and Risk Committee commences

Following the completion of risk identification, strategic risk reporting will be provided to the Audit and Risk Committee on an ongoing basis.

Acknowledging that the Council has requested regular risk reporting be provided to the Audit and Risk Committee (now reflected in the Audit and Risk Committee Terms of Reference), officers recommend the implementation of strategic risk profile reporting to the Audit and Risk Committee commences after the completion of the review of the Risk Framework and risk identification.

Although risk data is currently captured in the City's risk register, this will require a review against the updated Risk Management Framework. It is unlikely that reporting on the data available today will provide meaningful insight to inform decision-making, as data has been observed to be inconsistent as a result of the current decentralised approach to risk management.

As discussed above, officers recommend against a piecemeal approach to implementation. The roll out of a holistic risk management model prior to risk identification and reporting deliverables is expected to deliver the greatest success in terms of achieving the overall objective: improving the maturity of the risk management capability of the City over the long-term.

Phase 3: Embed

Estimated time to complete: 6 – 12 months

Following Implementation, the program enters an Embed phase where the changes introduced become current state. In this phase the refreshed Risk Management Policy and Framework are in force, and the risk management governance structures, systems, processes and reporting delivered in Implementation phase become day-to-day 'business as usual'.

To embed a risk-focussed culture across the organisation, a period of sustained leadership will be required to consistently communicate expectations and ensure risk management behaviours and processes are integrated into the day-to-day operations of the City.

In this phase, the City's line 2 risk functions will provide ongoing training and support for officers, and may adjust some processes and tools as 'pain points' are identified. Additionally, the requested risk resource will play a key role in championing and facilitating risk management.

Phase 4: Evaluate and Improve

Estimated time to complete: 3 months

To support the continuous improvement of the City's risk management model, consistent, timely, and holistic reviews are required to provide insights into where things are working well and where things could be improved.

Following the Embed phase, a review of the success of the operationalisation of the City's refreshed risk management model will be undertaken. The efficacy of the three lines of defence, application of the Risk Management Policy and Framework, and associated systems and processes will be evaluated. The outcomes of this review will identify ongoing opportunities for improvement.

Internal Audit function

Internal audit is a key component of the third line of defence in the lines of defence model. It is defined as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In the local government context, the role of the Audit and Risk Committee is to oversee and advise the Council on matters of internal audit, internal controls, risk management and legislative compliance.

To date, the City has not had a formal internal audit function. This report recommends that an internal audit function be introduced. The internal audit function should generally be independent of management and can be undertaken by an employee or externally by a consultant. To maintain this independence the internal auditor reports administratively to the CEO and functionally to the Audit and Risk Committee. The Audit and Risk Committee does not itself undertake audits.

Due to the City's lower level of maturity in risk management and internal audit, officers are recommending that the internal audit function be provided by a consultant. This will ensure that the development and commencement of an appropriate internal audit plan can be expedited. This approach is widely used by other Western Australian local governments and will ensure independence. Once the organisation has matured it may be appropriate to consider employing an internal auditor.

It is recommended that the 2024/25 financial year budget include a consultancy allocation for the engagement of an internal auditor.

Officers have identified the critical deliverables outlined below, which are to be implemented in phases over the next 15 – 18 months.

Phase 1 – Identify and Engage Consultant for Internal Audit Function

Estimated time to complete: 3 months

Officers will prepare a request for quotation for the provision of an internal audit function. Officers have undertaken research into other local government internal audit arrangements (using consultancy). In the first year this will include the development of an internal audit charter and internal audit plan (three-year plan) in addition to the requirement to undertake the internal audits. The internal audit function is not funded in the current budget. Officers therefore intend to engage the internal auditor early in the 2024/25 financial year.

Phase 2 – Develop Internal Audit Charter and Internal Audit Plan

Estimated time to complete: 1 month

The appointed internal auditor will, in conjunction with the Audit and Risk Committee, develop the internal audit charter and internal audit plan. The internal audit plan will be for a three-year period, with the internal audit priorities determined by the Council on recommendation by the Audit and Risk Committee.

Phase 3 – Embed*Estimated time to complete: 12 months*

It is anticipated that early in the 2024/2025 financial year the City's internal auditor will be able to commence the internal audit function, undertaking internal audits in accordance with the internal audit plan. Once the individual audits are completed the internal auditor will report the outcomes to the Audit and Risk Committee, with any recommendations. Where there are recommendations, the CEO will provide a management comment and regular reporting to the Audit and Risk Committee on the implementation status.

Phase 4 – Evaluate and Improve*Estimated time to complete: 1 month*

Following the embed phase, a review of the internal audit function will be undertaken. The outcomes of this review will identify any opportunities for improvement, which will be undertaken in line with the City's ongoing commitment to continuous improvement.

Statutory Environment

The Act requires that all local governments establish an audit committee. Audit committees play a key role in assisting the local government to fulfil its governance and oversight responsibilities in relation to financial reporting, risk management systems, legislative compliance and the internal and external audit functions. An external audit of the City's financial reporting is carried out annually by the OAG. The OAG also currently completes an annual information systems audit.

While an internal audit function is not a requirement under the Act, the Department of Local Government, Sport and Cultural Industries note that many local governments have recognised the value in implementing an internal audit function – either internally or by contracting out – to improve the effectiveness of risk management, control and governance processes.

The Audit Regulations require that the CEO review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance not less than once in every 3 financial years.

The *Local Government (Financial Management) Regulations 1996* also require that the CEO undertake a review of the appropriateness and effectiveness of the financial management systems and procedures not less than once in every 3 financial years.

Relevant Plans and Policies

The officer recommendation aligns to the following adopted plan or policy:

Plan:

[Corporate Business Plan 2022-2026](#)

Policy:

[Risk Management](#)

Financial Implications

There are expected resource, consultant and technology costs associated with delivering improvements to the City's risk management maturity and establishing an internal audit function.

An additional full-time resource, a dedicated and experienced risk officer, is required to deliver the risk management program of works, with support from existing Governance resources. The City is currently dependent on the recruitment of this resource to commence and continue the work outlined.

Additionally, there are expected external consultant costs to support internal audit delivery. The risk officer may assist in coordinating delivery of the audit plan with the consultant and regular reporting on recommendations.

It is recommended that funding is allocated in the 2024/2025 budget for risk management and internal audit as follows:

- Risk Officer – 1 FTE - \$110,000
- Consultancy - \$35,000

External Stakeholder Consultation

Not Applicable

Risk Assessment

If the allocation of funding outlined above is not supported in the 2024/2025 budget, the City will be unable to mitigate the risks identified in the Regulation 17 Review pertaining to risk management and internal audit.

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, no risks of a medium or greater level have been identified.

Options

As an alternative to the proposed recommendation the Council could:

1. Resolve not to support the proposed resourcing. This will impact on the ability of officers to mature the City's risk management approach.
2. Request the CEO include additional risk management or internal audit deliverables in the above program of works.

CONCLUSION

Further integration and embedding of risk management systems and processes, including an internal audit function, is required across the City's activity areas. Additional resourcing is required to achieve this.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Further updates on the status of risk management and internal audit deliverables will be provided to the Audit and Risk Committee in regular reporting.

7.2 2023 Compliance Audit Return

Strategic Theme:	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.
Directorate:	Corporate Strategy and Performance
Reporting Officer:	Manager Legal and Governance - Ben Whitehill
Authorised By:	Director of Corporate Strategy and Performance - Sarah Pierson
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 Requirements:	Simple Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	1. ATTACHMENT 1 City of Busselton Compliance Audit Return (1) [7.2.1 - 13 pages]

OFFICER RECOMMENDATION

That the Council adopts the Compliance Audit Return for the period 1 January 2023 to 31 December 2023, as per Attachment 1.

EXECUTIVE SUMMARY

The Compliance Audit Return is a statutory reporting tool that evaluates the City's compliance with specific sections of the *Local Government Act 1995* (the Act) during the period 1 January 2023 to 31 December 2023. The City has completed the 2023 Compliance Audit Return and the outcomes are attached to this report for the Council's consideration.

The Council is required to adopt the Compliance Audit Return, after which it is lodged with the Department of Local Government, Sport and Cultural Industries (the Department). Lodgement with the Department is required by 31 March 2024.

STRATEGIC CONTEXT

The 2023 Compliance Audit Return helps deliver governance systems that facilitate open, ethical and transparent decision making.

BACKGROUND

In accordance with Regulation 14 of the *Local Government (Audit) Regulations 1996* (Audit Regulations), the City is required to carry out an annual audit of statutory compliance in the form determined by the Department.

The 2023 Compliance Audit Return deals with the period 1 January 2023 to 31 December 2023 and evaluates the City's compliance with specific sections of the Act and associated regulations.

Regulation 14 of the Audit Regulations, and the Audit and Risk Committee's Terms of Reference specifies the Committee's role to review the annual Compliance Audit Return, consider the report from the CEO and recommend to the Council the results of that review.

OFFICER COMMENT

The 2023 Compliance Audit Return contains 94 questions (including nine optional questions) relating to the prescribed statutory requirements in Regulation 13 of the Audit Regulations.

There were 6 areas of non-compliance identified in the 2023 Compliance Audit Return. Each non-compliance is set out below, with a management comment outlining remediation actions and additional controls identified to mitigate the risk of any future non-compliance.

Details of non-compliance	Management comment and action
<p>Delegations to some committees were not recorded in the register of delegations.</p> <p>Specifically, delegations for the Airport Advisory Committee, Finance Committee and Policy and Legislation Committee to either note or refer items back to the CEO for amendment, as stated in their terms of reference, were not recorded in the register of delegations.</p>	<p>The current Airport Advisory Committee and Finance Committee Terms of Reference refer to a 'delegation' to note items that do not require a recommendation to the Council or further action of the Council. The Policy and Legislation Committee Terms of Reference refers to a 'delegation' to refer items back to the CEO for further information or amendments.</p> <p>While the City's delegation register does include other committee delegations, these specific delegations were not captured in the register, as they were not considered substantive delegations of authority or specific powers or functions of the local government. However, for completeness, this question is answered as no, with officers intending to both add all 'delegations' documented in Committee Terms of Reference documentation to the delegations register. Officers will also complete a further review of Committee Terms of Reference to consider removing reference to these functions as delegations.</p>
<p>Annual and primary returns were not removed from the register of financial interests when that person ceased to be a person required to lodge a return.</p> <p>The primary and annual returns records for some people who had ceased to be a person required to lodge a return under section 5.75 and 5.76 of the Act were retained in the redacted register published on the City's website.</p>	<p>Users who ceased to be a person required to lodge a return under sections 5.75 and 5.76 were marked as 'inactive' in the City's Attain system, however in some instances they were not excluded from the redacted list of primary and annual returns which is published on the City's website. This was a process failure, due to staff turnover and resourcing shortfalls in Governance over the course of the year. The register will be corrected, and a process for removing returns from the register will be developed and documented.</p>

Details of non-compliance	Management comment and action
<p>Records were not removed from the register of financial interests when that person ceased to be a person required to make a gift disclosure.</p> <p>There were 6 historical entries maintained on the City's gift register which should have been removed when that person ceased to be a person required to make a gift disclosure.</p>	<p>Users who ceased to be a person required to lodge a disclosure under sections 5.87A and 5.87B of the Act were marked as 'inactive' in the City's Attain system, however in some instances they were not excluded from gifts register published on the City's website. This was a process failure, due to staff turnover and resourcing shortfalls in Governance over the course of the year. The register will be corrected, and a process for removing relevant disclosures from the register will be developed and documented.</p>
<p>Records were not removed from the electoral gift register of a disclosure of gifts by an unsuccessful candidate, or a successful candidate that completed their term of office.</p> <p>One electoral gift from the 2019 ordinary election was not removed from the electoral gift register following the completion of that Elected Member's term.</p>	<p>The electoral gift register will be corrected to remove the record from the 2019 ordinary election. A task will be added to the compliance calendar following the next ordinary election to review the electoral gift register, to identify those records required to be removed.</p>
<p>Disclosures made under sections 5.87A or 5.87B of the Act were not made within 10 days after the receipt of the gift.</p> <p>Three gift disclosures made by Elected Members in 2023 were not made within 10 days after the receipt of the gift.</p>	<p>Officers acknowledge that a lack of familiarity with the online portal system for gift disclosures may have caused some delays to disclosures.</p> <p>Going forward, the Friday Fact Sheet will include a standing reminder to Elected Members to disclose gifts and provide a link to the online portal.</p>
<p>The local government did prepare a report on the training completed by council members in the 2022/2023 financial year but did not publish it on the local government's official website by 31 July 2023.</p> <p>The training report was published on the City's website in November 2023.</p>	<p>The Elected Member training report was published in November 2023, with the delay due to staff turnover and resourcing shortfalls in Governance around the end of financial year period. The City is implementing the compliance calendar function in Attain. The compliance calendar sends officers annual reminders prior to the due date for compliance tasks.</p>

Statutory Environment

In accordance with Regulation 14 of the Audit Regulations, the Audit Committee must review the completed 2023 Compliance Audit Return and report the results to Council. Following Council's adoption, the 2023 Compliance Audit Return must be submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2024.

Relevant Plans and Policies

The officer recommendation aligns to the following adopted plan or policy:

Plan:

Not applicable.

Policy:

Not applicable.

Financial Implications

Not Applicable

External Stakeholder Consultation

Not Applicable

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, with the reported non-compliances assessed as representing a low-level risk overall.

Options

As an alternative to the proposed recommendation the Council may choose not to adopt the 2023 Compliance Audit Return. It is however a statutory requirement that the 2023 Compliance Audit Return is adopted by Council and submitted to the Department prior to 31 March 2024.

CONCLUSION

The 2023 Compliance Audit Return is complete and is now required to be adopted by Council prior to being submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2024.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The officer recommendation will be implemented in full, or in stages as per the following table:

Milestone	Completion Date
Compliance Audit Return submitted to the Department of Local Government, Sport and Cultural Industries	31 March 2024

ATTACHMENT 1: CITY OF BUSSELTON 2023 COMPLIANCE AUDIT RETURN

Commercial Enterprises by Local Governments:				
Qu	Reference	Question	Response	Comment
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2023?	N/A	
2	s3.59(2)(b) F&G Regs 7,8A, 8, 10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2023?	N/A	
3	s3.59(2)(c) F&G Regs 7,8A, 8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2023?	N/A	
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2023?	N/A	
5	s3.59(5)	During 2023, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A	

Delegation of Power/Duty				
Qu	Reference	Question	Response	Comment
1	s5.16 (1)	Were all delegations to committees resolved by absolute majority?	Yes	
2	s5.16 (2)	Were all delegations to committees in writing?	Yes	
3	s5.17	Were all delegations to committees within the limits specified in section 5.17 of the <i>Local Government Act 1995</i> ?	Yes	
4	s5.18	Were all delegations to committees recorded in a register of delegations?	No	The current Airport Advisory Committee, Finance Committee and Policy and Legislation Committee Terms of Reference refers to delegations which were not captured in the City's delegations register.
5	s5.18	Has council reviewed delegations to its committees in the 2022/2023 financial year?	Yes	

Delegation of Power/Duty				
Qu	Reference	Question	Response	Comment
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the <i>Local Government Act 1995</i> ?	Yes	
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes	
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes	
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes	
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	Yes	
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes	
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2022/2023 financial year?	Yes	
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Local Government (Administration) Regulations 1996, regulation 19?	Yes	

Disclosure of Interest:				
Qu	Reference	Question	Response	Comment
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69 of the <i>Local Government Act 1995</i> , did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes	
2	s5.68(2) & s5.69(5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by the Local Government (Administration) Regulations 1996 regulation 21A, recorded in the minutes of the relevant council or committee meeting?	N/A	
3	s5.73	Were disclosures under sections 5.65, 5.70 or 5.71A(3) of the <i>Local Government Act 1995</i> recorded in the minutes of the meeting at which the disclosures were made?	Yes	

Disclosure of Interest:				
Qu	Reference	Question	Response	Comment
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes	
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2023?	Yes	
6	s5.77	On receipt of a primary or annual return, did the CEO, or the Mayor/President, give written acknowledgment of having received the return?	Yes	
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76 of the <i>Local Government Act 1995</i> ?	Yes	
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A of the <i>Local Government Act 1995</i> , in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28?	Yes	
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76 of the <i>Local Government Act 1995</i> , did the CEO remove from the register all returns relating to that person?	No	The primary and annual returns records for some people who had ceased to be a person required to lodge a return under section 5.75 and 5.76 were incorrectly retained in the redacted register published on the City's website.
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) of the <i>Local Government Act 1995</i> been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes	
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B of the <i>Local Government Act 1995</i> , in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28A?	Yes	
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes	

Disclosure of Interest:				
Qu	Reference	Question	Response	Comment
13	s5.89A(6)	When people cease to be a person who is required to make a disclosure under section 5.87A or 5.87B of the <i>Local Government Act 1995</i> , did the CEO remove from the register all records relating to those people?	No	There were 6 historical entries maintained on the City's gift register which should have been removed when that person ceased to be a person required to make a gift disclosure.
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A(6) of the <i>Local Government Act 1995</i> been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes	
15	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes	
16	s5.71A & s5.71B(5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) of the <i>Local Government Act 1995</i> relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A	
17	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) of the <i>Local Government Act 1995</i> recorded in the minutes of the council meeting at which the decision was considered?	N/A	
18	s5.104(1)	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates that incorporates the model code of conduct?	Yes	
19	s5.104(3) & (4)	Did the local government adopt additional requirements in addition to the model code of conduct? If yes, does it comply with section 5.104(3) and (4) of the <i>Local Government Act 1995</i> ?	N/A	
20	s5.104(7)	Has the CEO published an up-to-date version of the code of conduct for council members, committee members and candidates on the local government's website?	Yes	

Disposal of Property				
Qu	Reference	Question	Response	Comment
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) of the <i>Local Government Act 1995</i> (unless section 3.58(5) applies)?	Yes	
2	s3.58(4)	Where the local government disposed of property under section 3.58(3) of the <i>Local Government Act 1995</i> , did it provide details, as prescribed by section 3.58(4) in the required local public notice for each disposal of property?	Yes	

Elections				
Qu	Reference	Question	Response	Comment
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate in accordance with regulations 30G(1) and 30G(2) of the Local Government (Elections) Regulations 1997?	Yes	
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years in accordance with regulation 30G(4) of the Local Government (Elections) Regulations 1997?	No	An electoral gift from the 2019 ordinary elections was not removed from the electoral gift register following the completion of that Elected Member's term.
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with regulation 30G(5) of the Local Government (Elections) Regulations 1997?	Yes	

Finance				
Qu	Reference	Question	Response	Comment
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Local Government Act 1995?	Yes	
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the <i>Local Government Act 1995</i> , did it do so by absolute majority?	Yes	
3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2023 received by the local government by 31 December 2023?	Yes	
4	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under section 7.9(1) of the <i>Local Government Act 1995</i> required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	N/A	
5	s7.12A(4)(a) & (4)(b)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A	
6	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under section 7.12A(4)(b) of the <i>Local Government Act 1995</i> , did the CEO publish a copy of the report on the local government's official website?	Yes	
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June 2023 received by the local government within 30 days of completion of the audit?	Yes	

Integrated Planning and Reporting				
Qu	Reference	Question	Response	Comment
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	June 2021: C2106/118
2	Admin Reg 19DA(1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	September 2023: C2309/116
3	Admin Reg 19DA(2) & (3)	Does the corporate business plan comply with the requirements of Local Government (Administration) Regulations 1996 19DA(2) & (3)?	Yes	

Local Government Employees				
Qu	Reference	Question	Response	Comment
1	s5.36(4) & s5.37(3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Local Government (Administration) Regulations 1996, regulation 18A?	Yes	Director Corporate Strategy and Performance and Director Economic and Business Development positions
2	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	N/A	
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4) of the <i>Local Government Act 1995</i> ?	N/A	
4	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	N/A	Council resolved to rescind relevant policy C2308/83 16 August 2023 and removed designation of Senior Employee from Director positions. It is noted that the CEO, in relation to positions noted in Q 1, did (regardless) provide a report on the outcomes of the process to the Council.
5	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A	

Official conduct				
Qu	Reference	Question	Response	Comment
1	s5.120	Has the local government designated an employee to be its complaints officer?	Yes	
2	s5.121(1) & (2)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a) of the <i>Local Government Act 1995</i> ?	Yes	
3	S5.121(2)	Does the complaints register include all information required by section 5.121(2) of the <i>Local Government Act 1995</i> ?	Yes	
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes	

Optional questions				
Qu	Reference	Question	Response	Comment
1	Financial Management Reg 5(2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the Local Government (Financial Management) Regulations 1996 regulations 5(2)(c) within the three financial years prior to 31 December 2023? If yes, please provide the date of council's resolution to accept the report.	Yes	May 2021: C2105/093
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulations 1996 regulation 17 within the three financial years prior to 31 December 2023? If yes, please provide date of council's resolution to accept the report.	Yes	June 2023: C2306/111
3	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B of the <i>Local Government Act 1995</i> , were the disclosures made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C of the Act?	No	Three gift disclosures by elected members were not made within 10 days after the receipt of the gift.

Optional questions				
Qu	Reference	Question	Response	Comment
4	s5.90A(2) & (5)	Did the local government prepare, adopt by absolute majority and publish an up-to- date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events?	Yes	
5	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4) of the <i>Local Government Act 1995</i> ?	Yes	
6	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes	
7	s5.127	Did the local government prepare a report on the training completed by council members in the 2022/2023 financial year and publish it on the local government's official website by 31 July 2023?	No	Elected Member training report was published in Nov 23.
8	s6.4(3)	By 30 September 2023, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2023?	Yes	
9	s.6.2(3)	When adopting the annual budget, did the local government take into account all its expenditure, revenue and income?	Yes	

Tenders for providing goods and services				
Qu	Reference	Question	Response	Comment
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy, adopted under the Local Government (Functions and General) Regulations 1996, regulations 11A(1) and (3) in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes	
2	s3.57 F&G Reg 11	Subject to Local Government (Functions and General) Regulations 1996, regulation 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in regulation 11(1) of the Regulations?	Yes	

Tenders for providing goods and services				
Qu	Reference	Question	Response	Comment
3	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 of the Local Government Functions and General) Regulations 1996, required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with Regulation 14(3) and (4)?	Yes	
4	F&G Reg 12	Did the local government comply with Local Government (Functions and General) Regulations 1996, Regulation 12 when deciding to enter into multiple contracts rather than a single contract?	Yes	
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	Yes	
6	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 15 and 16?	Yes	
7	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulation 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes	
8	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	Yes	
9	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes	
10	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes	

Tenders for providing goods and services				
Qu	Reference	Question	Response	Comment
11	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulations 21 and 22?	N/A	
12	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A	
13	F&G Reg 23(3) & (4)	Were all expressions of interest that were not rejected under the Local Government (Functions and General) Regulations 1996, Regulation 23(1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer?	N/A	
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with Local Government (Functions and General) Regulations 1996, Regulation 24?	N/A	
15	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with Local Government (Functions and General) Regulations 1996, Regulations 24AD(4) and 24AE?	Yes	
16	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	Yes	
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	Yes	

Tenders for providing goods and services				
Qu	Reference	Question	Response	Comment
18	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24AG?	Yes	
19	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	Yes	
20	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	Yes	
21	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	Yes	
22	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24E and 24F?	Yes	

7.3 CEO Review of Systems and Procedures Recommendations - Implementation status

Strategic Theme:	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.
Directorate:	Corporate Strategy and Performance
Reporting Officer:	Manager Legal and Governance - Ben Whitehill
Authorised By:	Director of Corporate Strategy and Performance - Sarah Pierson
Nature of Decision:	Noting: The item is simply for information purposes and noting.
Voting Requirements:	Simple Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	1. 2023 Reg 17 Review AMD report [7.3.1 - 23 pages] 2. Reg 17 Audit Recommendations Status March 23 [7.3.2 - 2 pages]

OFFICER RECOMMENDATION

That the Council acknowledge the status update in relation to the recommendations of the Regulation 17 Review (as at the end of February 2024) and note that the next update will be provided to the Audit and Risk Committee at the meeting on 24 July 2024.

EXECUTIVE SUMMARY

Regulation 17 of the *Local Government (Audit) Regulations* (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.

The City engaged AMD Chartered Accountants (AMD) to undertake this review on behalf of the CEO, with findings and recommendations presented to the Audit and Risk Committee and then to Council on 21 June 2023. This report presents a status update in relation to the recommendations.

STRATEGIC CONTEXT

Appropriate and effective systems and procedures for risk management, internal control and legislative compliance provides for the good governance of the City and appropriate levels of risk and risk management activity.

BACKGROUND

In May 2023, the City engaged AMD, a local government audit, accounting and advisory firm in Western Australia, to undertake the Regulation 17 review on behalf of the CEO. The CEO presented a report on the findings of that review to the Audit and Risk Committee on 7 June 2023 (endorsed by Council on 21 June 2023), which included management comments in relation to the findings (Attachment 1).

Council resolved (C2306/111):

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.*

An update on the status of the recommendations was last presented to the Audit and Risk Committee in September 2023.

OFFICER COMMENT

Of the twelve recommendations, two have been completed and the remainder are in progress. The completed items are items 2.2.5 (Tender Management) and 2.2.8 (Lease Management).

The three items concerning risk management and internal audit being Items 2.2.1 (Risk Management Framework and Risk Reporting), 4.2.2 (Audit and Risk Committee) and 4.2.3 (Internal Audit), are substantively dealt with in Item 7.1 of this Audit and Risk Committee agenda. As noted in that report, implementation of the recommendations is subject to additional resourcing.

Items 2.2.2 (Emergency Risks and Response Management), 2.2.7 (IT Strategic Plan and Business Continuity Plan Testing) and 4.2.1 (Compliance Calendar) have been partially implemented and are on track for implementation by the relevant target dates.

Item 2.2.4 (Contract Management) is partially implemented with further implementation contingent on resourcing to centralise the contract management function and systems. Officers are looking to quantify resourcing impacts and determine what can be implemented using existing resources. The target date for this item has therefore been revised.

Items 2.2.3 (Misconduct, Fraud and Corruption Policy) and 3.2.1 (BAS Activity Statement Lodgement Relief) are yet to be commenced but are expected to be implemented by the relevant target dates.

Further information on the implementation status for each of the recommendations is provided in Attachment 2.

Statutory Environment

Regulation 17 of 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 once every 3 financial years and report the results of that review to the Audit and Risk Committee.

Relevant Plans and Policies

The officer recommendation aligns to the following adopted plan or policy:

Plan:

Not applicable.

Policy:

Not applicable.

Financial Implications

There are no financial implications associated with the officer recommendation. Progression of the recommendations in full, however, is likely to have financial implications, with additional resourcing required 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 is likely to be required. Further information and proposals will be presented as part of the regular updates on the recommendations.

External Stakeholder Consultation

Not Applicable

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

The Council could choose not to accept the officer recommendation.

CONCLUSION

This report provides a status update in relation to the recommendations of the City's most recent Regulation 17 Review.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The officer recommendation will be implemented in full or in stages as per the following table:

Milestone	Completion Date
Status report to Audit and Risk Committee	24 July 2024



Regulation 17 Review

May 2023





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AMD Audit & Assurance Pty Ltd
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PO Box 1306, Bunbury, WA 6231

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

A handwritten signature in black ink, appearing to read 'Tim Partridge', with a long horizontal line extending to the right.

TIM PARTRIDGE FCA
Director



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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		
	Risk Management Framework and Risk Reporting	
2.2.1	Further enhancements recommended with respect to risk management and reporting including management through a centralised online system managed by a dedicated team.	High
	Emergency Risks and Response Management	
2.2.2	Further enhancements recommended with respect to emergency risk documentation and management of brigades, emergency facilities and service level emergency equipment.	Medium
	Misconduct, Fraud and Corruption Policy	
2.2.3	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
	Contract Management	
2.2.4	The City does not have a Contractor Management Framework or dedicated contract manager to oversee contracts.	Medium
	Tender Management	
2.2.5	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
	Risk Management Policies and Procedures	
2.2.6	A number of policies and procedures are outdated, requiring review and some City practices do not have documented policies and/or procedures.	Medium
	IT Strategic Plan and Business Continuity Plan Testing	
2.2.7	IT Strategic Plan in progress and not yet approved. Business Continuity Plan (Disaster Recovery Plan) not formally tested or reviewed since 2019.	Medium
	Lease Management	
2.2.8	Recommend ensuring the required insurance coverage is in place by the lessee and current.	Low
Internal controls		
	BAS Lodgement Relief	
3.2.1	Our inquiries indicated the Finance Coordinator is the only employee with access to the ATO portal to lodge BAS.	Low
Legislative compliance		
	Compliance Calendar	
4.2.1	The City does not have a centralised Compliance Calendar.	Medium
	Audit and Risk Committee	
4.2.2	Various enhancements and improvements suggested in relation to the operation of the City's Audit and Risk Committee.	Low
	Internal Audit	
4.2.3	There is currently no formal internal audit function in place.	Low



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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.



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. Detailed findings and recommendations

2.2.1. Risk Management Framework and Risk Reporting

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Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: 31 December 2023



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.



- 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;
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- Documentation to evidence contractor induction be retained;
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- 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;
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2.2. Detailed findings and recommendations

2.2.1. Risk Management Framework and Risk Reporting

Finding Rating: High

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Implications / Risks

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Recommendation

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Completion Date: 31 December 2023



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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.



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



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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



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Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: 31 December 2023



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		
	Risk Management Framework and Risk Reporting	
2.2.1	Further enhancements recommended with respect to risk management and reporting including management through a centralised online system managed by a dedicated team.	High
	Emergency Risks and Response Management	
2.2.2	Further enhancements recommended with respect to emergency risk documentation and management of brigades, emergency facilities and service level emergency equipment.	Medium
	Misconduct, Fraud and Corruption Policy	
2.2.3	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
	Contract Management	
2.2.4	The City does not have a Contractor Management Framework or dedicated contract manager to oversee contracts.	Medium
	Tender Management	
2.2.5	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
	Risk Management Policies and Procedures	
2.2.6	A number of policies and procedures are outdated, requiring review and some City practices do not have documented policies and/or procedures.	Medium
	IT Strategic Plan and Business Continuity Plan Testing	
2.2.7	IT Strategic Plan in progress and not yet approved. Business Continuity Plan (Disaster Recovery Plan) not formally tested or reviewed since 2019.	Medium
	Lease Management	
2.2.8	Recommend ensuring the required insurance coverage is in place by the lessee and current.	Low
Internal controls		
	BAS Lodgement Relief	
3.2.1	Our inquiries indicated the Finance Coordinator is the only employee with access to the ATO portal to lodge BAS.	Low
Legislative compliance		
	Compliance Calendar	
4.2.1	The City does not have a centralised Compliance Calendar.	Medium
	Audit and Risk Committee	
4.2.2	Various enhancements and improvements suggested in relation to the operation of the City's Audit and Risk Committee.	Low
	Internal Audit	
4.2.3	There is currently no formal internal audit function in place.	Low



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.*



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**Above Extracted from the City's Risk Management Framework.*

Reference	Theme	Recommendation	Risk Rating	Target Date	Status Update - 6 March 2024
RISK MANAGEMENT					
2.2.1	Risk Management Framework and Risk Reporting	<p>We recommend the Risk Management Report:</p> <ul style="list-style-type: none"> • Be reviewed and updated on a period 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. 	High	31-Dec-24	The recommendations regarding the City's corporate Risk Management Framework and risk reporting are addressed in item 7.1 of the March 2024 Audit and Risk Committee agenda. While some preliminary investigation of WHS centralisation has been undertaken, this cannot progress further pending the onboarding of the City's new WHS advisor. Any future procurement of a centralised online WHS system also remains subject to budget allocation.
2.2.2	Emergency Risks and Response Management	<p>We recommend:</p> <ul style="list-style-type: none"> • 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. 	Medium	30-Jun-25	Operational risks have been mapped through DFES systems and the City has identified, treated and monitored risks relating to facilities. The review of the bushfire management plan will occur toward the end of 2024. The City has completed an audit of all facilities and will now progress the development of a preventative maintenance and management plan. Service level emergency assets are now recorded on a centralised register.
2.2.3	Misconduct, Fraud and Corruption Policy	<p>We recommend that a formal Fraud and corruption Control Plan be developed and implemented throughout the City.</p> <p>The Fraud and Corruption Control Plan should incorporate:</p> <ul style="list-style-type: none"> • 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. <p>The Fraud and Corruption Control Plan should be reviewed every two years.</p> <p>Furthermore, we recommend the development of a communication strategy for ethics, fraud and corruption awareness and integrate this into the fraud and corruption control plan. The strategy could include processes for:</p> <ul style="list-style-type: none"> • 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. 	Medium	30-Jun-24	Yet to be commenced. The work to progress the recommendation is expected to be completed by 30 June 2024. The City has an existing Misconduct, Fraud and Corruption Policy.
2.2.4	Contract Management	<p>We recommend Council consider:</p> <ul style="list-style-type: none"> • 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. 	Medium	31-Dec-24	Further resourcing is required to fully implement this recommendation. Officers recognise the benefits of a centralised procurement and contract management function with an appropriate system to ensure that contracts are recorded, contractors inducted and to ensure that contracts are monitored for contract and insurance expiry. A contractor performance review has been designed and implemented.
2.2.5	Tender Management	<p>We recommend:</p> <ul style="list-style-type: none"> • 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. 	Medium	Completed 31 December 2023	All tender documentation is retained. Formal post project review of contractor performance is provided for staff to complete and is recommended for projects over \$1,000,000. More detailed project reviews are being considered as part of the development of the City's project management framework. Officers consider that this recommendation has now been implemented.
2.2.6	Risk Management Policies and Procedures	<p>We recommend the following:</p> <ul style="list-style-type: none"> • Policies and procedures be developed and implemented for specimen signature for officers with delegated authority. • Potentially out of date policies and procedures identified be reviewed and updated accordingly: 	Medium	30-Jun-24	The City's Employee Code of Conduct was reviewed and approved by the CEO on 16 May 2023. Work is progressing in relation to the review of various policies and operational practices. Workload constraints in the People and Safety and Governance teams are impacting on the pace of review.
2.2.7	IT Strategic Plan and Business Continuity Plan Testing	<p>We recommend:</p> <ul style="list-style-type: none"> • 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. 	Medium	30-Jun-24	The ICT Strategy has been endorsed by the CEO and will be presented to the Council. Quotes for testing of the BCP have been obtained and activities are expected to commence prior to the end of financial year.
2.2.8	Lease Management	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.	Low	Completed 30 June 2023	Additional controls have been implemented. Completed
INTERNAL CONTROLS					
3.2.1	Business Activity Statement ("BAS") Lodgement Relief	We recommend an additional delegated employee be provided access to the portal to lodge BAS in case the Finance Coordinator was not available.	Low	30-Jun-24	The City acknowledges that there is a low level risk with respect to the BAS lodgement portal. There are various integration requirements to provide access to the portal to another officer, and the recommendation will be implemented in due course.

LEGISLATIVE COMPLIANCE					
4.2.1	Compliance Calendar	We recommend the City develop a centralised Compliance Calendar to be accessed and utilised by individual City staff as required.	Medium	30-Jun-24	Work has commenced compiling the centralised compliance calendar using Attain, the City's cloud based compliance management system designed specifically for Western Australian local governments. The City expects to have implemented a functional compliance calendar by the target date.
4.2.2	Audit and Risk Committee	<p>We recommend:</p> <ul style="list-style-type: none"> • 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. 	Medium	30-Jun-24	The recommendations regarding the City's corporate Risk Management Framework and risk reporting are addressed in item 7.1 of the March 2024 Audit and Risk Committee agenda.
4.2.3	Internal Audit	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.	Low	30-Sep-24	The recommendations regarding the establishment of an internal audit function are addressed in item 7.1 of the March 2024 Audit and Risk Committee agenda.

8 CONFIDENTIAL MATTERS

OFFICER RECOMMENDATION

That the meeting is closed to members of the public to discuss the following item which is confidential.

8.1 OAG Information Security Audit 2023

This report contains information of a confidential nature in accordance with Section 5.23(2)(f)(ii) of the *Local Government Act 1995*, as it contains information relating to a matter that if disclosed, could be reasonably expected to endanger the security of the local government's property.

9 NEXT MEETING DATE

The next meeting of the Audit and Risk Committee will be held on Wednesday 8 May 2024.

10 CLOSURE