

Agenda

Audit & Risk Committee Meeting 17 October 2022

Notice of Meeting

To Mayor & Councillors

A Meeting of the Audit & Risk Committee of the City of Nedlands is to be held on Monday, 17 October 2022 in the Council chambers at 71 Stirling Highway Nedlands commencing at 5.30pm.



Michael Cole
Director Corporate Services
12 October 2022

Information

Audit & Risk Committee Meetings are run in accordance with the City of Nedlands Standing Orders Local Law. If you have any questions in relation to items on the agenda, procedural matters, public question time, addressing the Committee or attending meetings please contact the Executive Officer on 9273 3500 or council@nedlands.wa.gov.au

Public Question Time

Public question time at an Audit & Risk Committee Meeting is available for members of the public to ask a question about items on the agenda. Questions asked by members of the public are not to be accompanied by any statement reflecting adversely upon any Council Member, Committee Member or Employee.

Questions should be submitted as early as possible via the online form available on the City's website: [Public question time | City of Nedlands](#)

Questions may be taken on notice to allow adequate time to prepare a response and all answers will be published in the minutes of the meeting.

Addresses by Members of the Public

Members of the public wishing to address the Audit & Risk Committee in relation to an item on the agenda must complete the online registration form available on the City's website: [Public Address Registration Form | City of Nedlands](#)

The Presiding Member will determine the order of speakers to address the Council and the number of speakers is to be limited to 2 in support and 2 against any particular item on a Special Council Meeting Agenda. The Public address session will be restricted to 15 minutes unless the Council, by resolution decides otherwise.

Disclaimer

Members of the public who attend Committee meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position. For example, by reference to the confirmed Minutes of Council meeting. Members of the public are also advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material.

Table of Contents

1	Declaration of Opening	4
2	Present and Apologies and Leave of Absence (Previously Approved)	4
3	Public Question Time	4
4	Addresses by Members of the Public.....	4
5	Disclosures of Financial Interest	4
6	Disclosures of Interests Affecting Impartiality.....	5
7	Declarations by Members That They Have Not Given Due Consideration to Papers	5
8	Confirmation of Minutes	5
8.1	Audit & Risk Committee Meeting Minutes – 28 August 2022	5
9	Items for Discussion.....	6
9.1	ARC17.10.22 Terms of Reference.....	6
9.2	ARC18.10.22 Internal Audit Report – Risk Management.....	9
9.3	ARC19.10.22 – Internal Audit – Effectiveness of the Audit and Risk Committee	14
10	Date of Next Meeting	16
11	Declaration of Closure	16

1 Declaration of Opening

The Presiding Member will declare the meeting open at 5.30pm and will draw attention to the disclaimer below.

2 Present and Apologies and Leave of Absence (Previously Approved)

Leave of Absence None
(Previously Approved)

Apologies Name OR None as at distribution of this agenda.

3 Public Question Time

Public questions submitted to be read at this point.

4 Addresses by Members of the Public

Addresses by members of the public who have completed Public Address Registration Forms to be made at this point.

5 Disclosures of Financial Interest

The Presiding Member to remind Council Members and Staff of the requirements of Section 5.65 of the *Local Government Act* to disclose any interest during the meeting when the matter is discussed.

A declaration under this section requires that the nature of the interest must be disclosed. Consequently, a member who has made a declaration must not preside, participate in, or be present during any discussion or decision-making procedure relating to the matter the subject of the declaration.

However, other members may allow participation of the declarant if the member further discloses the extent of the interest. Any such declarant who wishes to participate in the meeting on the matter, shall leave the meeting, after making their declaration and request to participate, while other members consider and decide upon whether the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

6 Disclosures of Interests Affecting Impartiality

The Presiding Member to remind Council Members and Staff of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

Council Members and staff are required, in addition to declaring any financial interests to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making procedure.

The following pro forma declaration is provided to assist in making the disclosure.

"With regard to the matter in item x I disclose that I have an association with the applicant (or person seeking a decision). This association is (nature of the interest).

As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly."

The member or employee is encouraged to disclose the nature of the association.

7 Declarations by Members That They Have Not Given Due Consideration to Papers

Members who have not read the business papers to make declarations at this point.

8 Confirmation of Minutes

8.1 Audit & Risk Committee Meeting Minutes – 28 August 2022

The Minutes of the Audit & Risk Committee Meeting **28 August 2022** are to be accepted as a true and correct record of that meeting.

9 Items for Discussion

9.1 ARC17.10.22 Terms of Reference

Meeting & Date	Audit and Risk Committee – 17 October 2022
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Report Author	Michael Cole – Director Corporate Services
Director	Michael Cole – Director Corporate Services
Attachments	1. Terms Reference of Audit and Risk Committee (with track changes)

Purpose

To consider proposed changes to the terms of reference of the Audit and Risk Committee.

Recommendation

That Council approve amendments to the Terms of Reference for the Audit and Risk Committee as per Attachment 1.

Voting Requirement

Simple Majority

Background

At its meeting of 29 August 2022, the Audit and Risk Committee considered the Internal Audit report on Risk Management. Among the findings were recommended changes to the Terms of reference for the Committee.

Discussion

In response to the Internal Audit Report on Risk Management, the Terms of Reference for the Audit and Risk Committee have been reviewed. The following changes are proposed:

1. Audit

- a. Remove reference to considering and approving the brief for the provision of audit services and the appointment of the auditor.

Reason

Following changes to the Local Government Act 1995, the Office of the Auditor General (OAG) now has oversight of local government financial audits. The OAG may appoint contract auditors to perform these financial audits.

- b. Add review at least annually the performance of the Audit and Risk Committee.

Reason

The internal recommendation to ensure the role and responsibilities of the Committee is reviewed at least annually is supported. Moore Australia are conducting this review currently.

2. Staff

- a. Updated to current title of Director Corporate Services. Also replaced Manager Financial Services with newly created role of Coordinator Governance and Risk.

Reason

To update staff attending committee meetings. Other staff members, such as the Manager Financial Services may attend when requested or required.

Consultation

This section should identify the consultation that has occurred.

Strategic Implications

This item relates to the following elements from the City's Strategic Community Plan.

Vision Our city will be an environmentally-sensitive, beautiful and inclusive place.

Values **Great Governance and Civic Leadership**
We value our Council's quality decision-making, effective and innovative leadership, transparency, accountability, equity, integrity and wise stewardship of the community's assets and resources. We have an involved community and collaborate with others, valuing respectful debate and deliberation.

Budget/Financial Implications

There are no budget or financial implications for this report.

Legislative and Policy Implications

This Committee is established by Council in accordance with the Local Government Act 1995, part 7, to assist the Council under Regulation 16 of the Local Government (Audit) Regulations 1995.

Decision Implications

Should the Committee and Council endorse the recommendations in this report, the Terms of Reference will be updated.

Conclusion

The changes proposed to the Terms of Reference resulted from the internal audit on Risk Management. It is recommended the Committee endorse the proposed changes.

Further Information

Nil.

Terms of Reference of Audit & Risk Management Committee

Purpose

This Committee is established by Council in accordance with the Local Government Act 1995, part 7, to assist the Council under Regulation 16 of the Local Government (Audit) Regulations 1995 to discharge its responsibilities with regard to the exercise of due care, diligence and skill in relation to:

- The reporting of financial information, the application of accounting policies, and the management of the financial affairs of the City,
- The assessment of the adequacy of the management of Risk.

Scope

Local Government (Audit) Regulations 1995

Regulation 16 - Functions of audit committee

An audit committee has the following functions —

(a) to guide and assist the local government in carrying out —

(i) its functions under Part 6 of the Act; and

(ii) its functions relating to other audits and other matters related to financial management;

(b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;

(c) to review a report given to it by the CEO under regulation 17(3) (the CEO's Report) and is to —

(i) report to the council the results of that review; and

(ii) give a copy of the CEO's report to the council;

(d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —

(i) regulation 17(1); and

(ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

(e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;

(f) to oversee the implementation of any action that the local government —

(i) is required to take by section 7.12A(3); and

(ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and

(iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and

(iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

(g) to perform any other function conferred on the audit committee by these regulations or another written law.

The committee shall have as its primary duties and responsibilities the following tasks:

Audit

1.

1. To meet with Council's external auditors and review the Audit Plan prior to the conduct of the interim audit each year;

2. To ensure that the audit is being conducted in accordance with the brief and the terms of appointment and that matters of concern to the Council and/or the Committee are being addressed;

3. Ensure that the Council's financial affairs and systems and processes are being managed and reported in accordance with statutory requirements and Australian Accounting Standards;

4. Ensure that relevant financial information is reported to Council in a form that meets the needs and expectations of Council, clearly setting out the key relevant financial data, such that the Council can confidently understand the financial performance of the Council's affairs;

5. Review the audit report and make appropriate recommendations to Council; and

6. Where appropriate and with the approval of Council seek advice and/or assistance in relation to matters pertaining to the audit or financial affairs of the City.

7. Monitor the implementation of the Audit Management Plan.

8. Review at least annually the performance of the Audit and Risk Committee

Risk Management

1. Twice yearly consider a report in relation to the management of risk within the City of Nedlands and satisfy itself that appropriate controls and processes are in operation and are adequate for dealing with the risks that impact on the City.
2. To address any specific requests referred to it from Council in relation to issues of risk and risk management.
3. Monitor the implementation of the Strategic Risk Management Plan.

Membership

1. The membership of the committee shall comprise the Mayor and one Councillor from each ward with the Councillors being determined by nomination and if necessary, a ballot conducted at a Council Meeting and up to two non-Councillor Members, being residents of The City of Nedlands.
2. Council will appoint one Councillor from each ward as deputy members of the committee.
3. If a vacancy on the committee occurs for whatever reason, then Council shall appoint a replacement in accordance with the same arrangements as for the original appointment.
4. The ward deputy will be invited to attend the Committee as a voting member if the primary ward member is absent, an apology, on leave or has resigned.
5. The term of the presiding member and committee members will expire immediately prior to the next ordinary Council election.
6. The presiding member shall be determined by election amongst the members of the committee. The election will take place at the first meeting following the reconstitution of the committee after each ordinary Council election. The Mayor is eligible to vote for a presiding member but is not eligible to sit as the presiding member.
7. Should the elected presiding member not be present during a meeting of the committee then a temporary presiding member shall be elected in accordance with 6 above.
8. Community members shall have appropriate qualifications in Audit and / or Risk Management.
9. If a Committee member is unable to attend a meeting, an apology or an approved leave of absence is required. The Committee may resolve to relinquish membership after three or more unexcused absences.

Staff

The following staff will attend committee meetings to provide technical support and advice:

- Chief Executive Officer
- Director of Corporate Services

. Coordinator Governance and Risk

Other staff may attend committee meetings when requested by the Committee through the Chief Executive Officer.

Invitees/Attendees

The Committee may invite relevant persons to attend and address or advise the committee, within the ambit of its scope and where necessary with the approval of Council (e.g., if authorisation of funding is required), as it sees fit including but not limited to:

- The external auditor or his/her representative
- Internal auditors
- Relevant consultants

Meetings

1. The Council Committee operates under the Council's Standing Orders Local Law.
2. The Committee shall formally meet at least quarterly. A schedule of meetings will be developed and agreed to by the members. Additional meetings may be called by the Presiding member. It is the responsibility of the presiding member to call the meetings of the committee.
3. The quorum for a meeting will be 50% of the offices of the Audit & Risk Committee as per section 5.19 of the Local Government Act 1995.

Reporting

The Committee shall report quarterly to the Council summarising its activities during the previous financial year.

Delegated Authority

The Audit and Risk Committee will have delegated authority to meet with the auditor in accordance with Section 7.12A(2) of the Local Government Act 1995.

9.2 ARC18.10.22 Internal Audit Report – Risk Management

Meeting & Date	Audit and Risk Committee – 17 October 2022
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	NIL.
Report Author	Michael Cole – Director Corporate Services
Director/CEO	Michael Cole – Director Corporate Services
Attachments	1. Internal Audit – Moore Australia - Risk Management (5 July 2022)

Purpose

This report is to present an update on the City's progress to date and plans to action the findings and recommendations arising from the internal audit report on Risk Management and to bring Risk Management up to an acceptable standard.

Recommendation

That the Audit and Risk Committee notes the update on Risk Management.

Voting Requirement

Simple Majority.

Background

At its meeting of 29 August 2022, the Audit and Risk Committee considered the internal audit report on Risk Management. The Committee directed the Chief Executive Officer to prepare a report for the next Audit and Risk Committee meeting (Special), outlining the City's progress to date, and plans to action the Audit recommendations and findings, to bring Risk Management up to an acceptable standard.

Discussion

Administration has undertaken a number of actions to address the findings and recommendations in the internal audit report on Risk Management. The following table provides an update on these actions. 15 (**bolded below**) of the 33 recommendations have been acted on and completed. The remaining recommendations will be referred to the new Coordinator Governance and Risk.

Recommendation	Agreed Action	Status
1	Consider the appointment of a dedicated Risk Manager	Recruitment for Coordinator Governance and Risk in progress
2	Review current and emerging strategic risks	Governance and Risk – by June 2023
3	Align strategic risks in CBP with Strategic Risks register	To be undertaken as part of review of CBP
4	Review role and responsibility of Audit and Risk Committee	Moore Aust have undertaken internal audit on Effectiveness of the Audit and Risk Committee
5	Terms of reference – include review of performance	Terms of reference reviewed and proposed changes recommended for Audit and Risk/Council approval
6	Terms of reference – include regular review of performance	Terms of reference reviewed and proposed changes recommended for Audit and Risk/Council approval
7	Risk Management calendar and annual work plan	Defer to new Coordinator Governance and Risk – December 2022
8	Develop Risk Management Training	Induction program developed for new employees and a refresher training for existing employees and approved by Management
9	Risk Management induction and refresher training	Induction program developed for new employees and a refresher training for existing employees and approved by Management
10	Register of training and attendees to be maintained	Program approved October 2022. Training program to be rolled out in conjunction with HR following the commencement of dedicated resource – Coordinator Governance and Risk
11	Update strategic risk register to include need for risk expertise	To be reviewed by Coordinator Governance and Risk by June 2023.
12	Update termination checklist to identify risk management positions	HR have updated termination checklist to include this.

13	Consider centralising budget for all risk initiatives.	For consideration in draft 2023/24 Annual Budget.
14	Update intranet to identify risk manager	Intranet site for risk needs further development. In the interim, Risk Management Framework has been endorsed by Management and clearly shows Coordinator of Government and Risk as risk manager for the City.
15	Annual review of Risk Management Policy.	Agreed to be reviewed by Coordinator Governance and Risk and approved by 30 June 2023 – see also recommendation 17
16	Strategic Risk Management Plan	Agreed to be developed by Coordinator Governance and Risk and approved by 31 March 2023
17	Risk Management Procedure to be developed	Risk Management Framework has been endorsed by Management. Coordinator Governance and Risk will review Risk Management Procedures in conjunction with review of Risk Management Policy – see also recommendation 15.
18	Strategic Risk Register	Agreed to be reviewed by Coordinator Governance and Risk and approved by 31 December 2022
19	Review risk appetite and risk tolerance	Risk appetite and risk tolerances have been reviewed in the Risk Management Framework and Induction Training program.
20	Risk Management Framework	Risk Management Framework has been reviewed and endorsed by Management.
21	Risk assessments for major projects to be developed	To be developed by Coordinator Governance and Risk by 30 June 2023
22	Develop and Risk Assurance Map	To be developed by Coordinator Governance and Risk by 30 June 2023

23	Review Business Continuity and then on an ongoing basis	Business Continuity has been reviewed and published.
24	Develop fraud and corruption framework	Included in the Risk Management Framework as an interim step. To be further developed by the Coordinator Governance and Risk by 30 June 2023
25	Develop and/or review risk related policies	To be undertaken by Coordinator Governance and Risk by 30 June 2023
26	Report risk management activities to Council.	Agreed to report to Council via Audit and Risk Committee. To be prepared by Coordinator Governance and Risk by 30 June 2023
27	Develop Risk Management Update	To be prepared by Coordinator Governance and Risk by 30 June 2023
28	Include Risk Management on EMT agenda	Now included as a monthly standing item on EMT agendas
29	Consider data analytics	Use of data analytics to be considered by Procurement Team.
30	Review compliance with ISO31000.2018 Risk Management	Included in Risk Management Framework. Compliance with ISO 31000.2018 to be prepared by Coordinator Governance and Risk by 30 June 2023
31	Risk KPIs to be developed	To be prepared by Coordinator Governance and Risk by 30 June 2023
32	Survey key stakeholders on risk management	To be prepared by Coordinator Governance and Risk by 30 June 2023
33	OAG Reports to be reviewed as part of risk management	This is an ongoing task. Oversight to be undertaken by Coordinator Governance and Risk

Consultation

Internal risk management stakeholders and Executive Management have been consulted.

Strategic Implications

This item relates to the following elements from the City's Strategic Community Plan.

Vision Our city will be an environmentally-sensitive, beautiful and inclusive place.

Values **Great Governance and Civic Leadership**
We value our Council's quality decision-making, effective and innovative leadership, transparency, accountability, equity, integrity and wise stewardship of the community's assets and resources. We have an involved community and collaborate with others, valuing respectful debate and deliberation.

Budget/Financial Implications

There are no budget or financial implications from this report.

Legislative and Policy Implications

This Committee is established by Council in accordance with the Local Government Act 1995, part 7, to assist the Council under Regulation 16 of the Local Government (Audit) Regulations 1995.

Decision Implications

The Committee is asked to note the update. The Administration will continue to progress the actions arising from the internal audit on Risk Management, predominantly after the commencement of the new Coordinator Governance and Risk.

Conclusion

The report provides an update on actions taken on the recommendations arising from the internal audit on Risk Management. 15 of the 33 recommendations have been acted on and completed. The remaining recommendations will be referred to the new Coordinator Governance and Risk.

Further Information

Nil.

INTERNAL AUDIT RISK MANAGEMENT

City of Nedlands

5 July 2022



TABLE OF CONTENTS

1. EXECUTIVE SUMMARY

2. INTRODUCTION

3. RISK

4. OBJECTIVE AND SCOPE.....

5. REVIEW APPROACH

6. ACKNOWLEDGEMENT

7. OBSERVATIONS AND RECOMMENDATIONS.....

8. OTHER

APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING

APPENDIX 2: CITY OF NEDLANDS RISK MANAGEMENT SURVEY.....

3

8

8

8

9

9

10

42

43

44

1. EXECUTIVE SUMMARY

1.1. Background

Risk management is an integral part of good management practice and an essential element of sound corporate governance. Risk management involves establishing an appropriate framework and culture, and applying a logical and systematic method to identify and manage risks by:

- implementing and communicating an organisational policy;
- balancing risk and opportunity within organisational policies;
- defining the organisation’s Risk Appetite and Tolerance to inform decision making;
- training Council Members, Audit and Risk Committee Members, Management, and Officers in their risk management, and oversight responsibilities
- identifying, analysing, evaluating, treating, monitoring, and communicating risks associated with any activity, function or process in a way that will maximise the potential to achieve strategic objectives and minimise risks within Risk Appetite and tolerance.

Risk Management is a critical part of the First Line of Defense. This is represented in Figure 1 below.

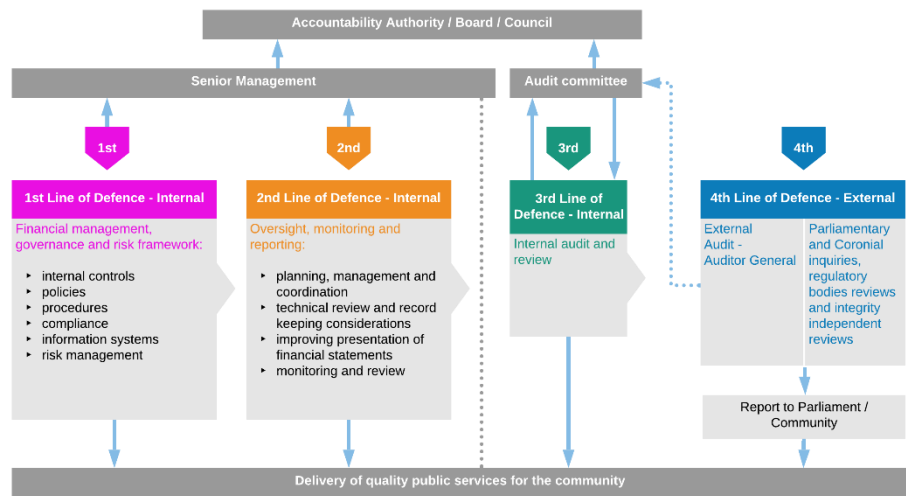


Figure 1: Four Lines of Defense Model. Source: office of the Auditor General

1.2 Objective and Scope

The objective of the review was to determine the compliance, efficiency, and effectiveness of the Risk Management Framework and its consideration of better practice principles.

The scope included consideration of:

- policy framework and practices
- implementation of the above policy framework
- awareness and training programs
- extent of consideration of better practice principles
- any opportunities for improvement and efficiency in processes, compliance, monitoring or otherwise

1.3. Summary of Work Performed

This review has been conducted in accordance with the ‘International Standards for the Professional Practice of Internal Auditing’ contained in the ‘International Professional Practices Framework’ issued by the Institute of Internal Auditors.

In our professional judgement, sufficient and appropriate audit procedures were completed, and appropriate evidence gathered to support the accuracy of the conclusions reached and contained in this report.

Risk Management Model

There are four elements which have been assessed within the internal audit engagement. This includes Culture and Capability, Risk Management Framework, Monitoring and Reporting, and Performance Measurement.

1. Capability and Culture	The risk culture as well as the capability of the people involved in risk management within the City..
2.Risk Management Framework	Comprehensive governance framework to manage risk within the City.
3.Monitoring and Reporting	Transparent monitoring and reporting the results of the risk management framework within the City.
4.Performance Measurement	Measurement of the performance of the Risk Management function within the City.

1. EXECUTIVE SUMMARY (CONTINUED)

1.3 Summary of Findings

Moore Australia as an outsourced internal audit provider has completed a review of the City's Risk Management function. This report presents our observations and recommendations arising from the review.

As stated above, there are four areas where we assessed the Risk Management function. These areas included: 1. Culture and Capability, 2. Risk Management Framework, 3. Monitoring and Reporting and 4. Performance Measurement. A summary of the observations against the risk ratings are identified in the Table 2 below.

Area	High	Medium	Low	Total	Recommendation
1. Capability and Culture		5	4	9	1-14
2. Risk Management Framework	6	5		11	15-25
3. Monitoring & Reporting	0	3	1	4	26-29
4. Performance Measurement		1	3	4	30-33
Total	6	14	8	28	33

Table 2: Summary of Findings

The Observations and Recommendations are presented, together with Management comments in Section 7: Observations and Recommendations.

1.4 Risk Management Maturity Model

We have assessed the Risk Management function of the City using a maturity model. All categories within the maturity model have been assessed as inadequate.



Figure 2: Risk Management Maturity Model

1. EXECUTIVE SUMMARY (CONTINUED)

1.5 Key Observations

1. Capability and Culture

The Risk Management Capability and Culture is assessed as being Inadequate. There are improvement opportunities identified within the Risk Capability and Culture. These include:

- 1.1 **Resources** - There is no dedicated resource which has overall responsibility for the City's Risk Management function. There are two positions which have risk management responsibilities. They have other primary responsibilities and overall risk management is ancillary to those functions. There is also no documented assessment of the adequacy of the resources for Risk Management. Specific Risk Management responsibilities within the two position descriptions are not being performed.
- 1.2. **Strategy** - The Strategic Community Plan 2015 to 2017 is out of date and does not appropriately reference how effective risk management is in place to achieve the strategic objectives. There is no consideration of the current, new, and emerging risks and the strategy in place to management those risks. The Corporate Business Plan is out of date. It has Strategic Risks identified however they do not align to the City's Risk Management records,
- 1.3. **Audit and Risk Committee** - The Audit and Risk Committee Terms of Reference is included within the Terms of Reference Committee and Working Groups as approved by Council on 22 March 2021. It does not appear to align with better practice principles.

The Audit and Risk Committee Terms of Reference outlines many risk management activities some of which which are not being performed, including twice yearly reporting, monitoring the implementation of the Strategic Risk Management Plan and Annual Assurance Plan .
- 1.4. **Annual Calendar and Work Plan** - There is no Annual Risk Management Calendar or Annual Work Plan which identifies the Risk Management activities to demonstrate that an effective Risk Management function is in place and to ensure that all deadlines are achieved on a timely basis.

- 1.5. **Awareness and Training** - There is no formal asawareness, induction and regular training of the Council, two Risk Officers, Audit and Risk Committee Members, Risk Owners, Staff, Contractors, Consultants or Volunteers. There is also no formal Risk Management Training Calendar. Training records are not being maintained by the City for sessions which were advised were held during the year. Risk Management training may include but not limited to include Public Interest Disclosure, Risk Management, Occupation Safety and Health, Business Continuity, Emergency Management, Incident Management and Disaster Recovery.
- 1.6 **Risk Experts** - There is limited evidence of the consideration of the need for Risk Experts within the Risk Management function. There was one example within the City when experts were used for risk management. This excludes legal counsel.
- 1.7 **Induction and Termination**– The City does not currently consider Risk Management upon induction and termination of employees. Provision of Awareness and Training on Risk management matters and identification of Risk Owners, Firewardens etc upon commencement and termination so new ones can be appointed is not performed.
- 1.8 **Budget** - There is currently no budget for Risk Management. A budget may include training and the use of experts when identified as a need by the City. There should be an annual budget for Risk Management to ensure the City has adequate resources and capability to effectively manage risk .
- 1.9 **Access to Risk Manager** - There is no direct access to the Risk Manager by Council, Management, Staff, Contractors and Volunteers. This is a key role for the City there should be direct access to raise safety hazards, additional risks, discuss risk mitigation strategies, seek risk experts, advice or training. This may be via a email address such as risk@nedlands.wa.gov.au.

1. EXECUTIVE SUMMARY (CONTINUED)

1.5 Key Observations (continued)

2. Risk Management Framework

The Risk Management Framework is assessed as being Inadequate. There are improvement opportunities identified within the Risk Management Framework. These include:

- 2.1 **Risk Management Policy** - There is a Risk Management Policy however it does not adequately set out the overall hierarchy and approach to Risk Management. There are responsibilities included within the Risk Management Policy which are not being performed such as Risk Assessments, Risk Profiles, the overall person responsible for Risk within the City is not identified.
- 2.2 **Strategic Risk Management Plan** - There is no Strategic Risk Management Plan as required by the Audit and Risk Committee Terms of Reference which sets out the proposed approach to Risk Management and how current, new, and emerging risks will be managed. There is a gap between the Risk Management Framework and the practical application of these to the City.
- 2.3 **Risk Procedures** – The Risk Procedures are not current and are not approved. There is no review period. The Risk Procedures does not effectively document what the procedures have to be performed to manage risk. The responsibilities outlined within the Risk Procedures are not being performed.
- 2.4 **Risk Register** - The Risk Register is out of date and does not adequately identify strategic risks but rather is a task list of matters which need to be actioned within the City. It does not include Risk Identification, Business Unit Risk Registers, Regular Risk Review, Evidence of controls effectiveness rating, Risk Assessment using an effective weighting of elements, Management of Shared Risks, Risk Categories, complete risks and controls rating of implemented controls. There is no comparison to Risk Appetite and Risk Tolerance. These observations limit the effectiveness of risk management.
- 2.5 **Risk Appetite Statement and Risk Tolerance Statement** - There is reference to a Risk Appetite and Risk Tolerance Statement within the Risk Management Framework however it is not stated, quantified or articulated to be an effective tool to compare the Residual Risk, Strategic Plan, or Risk Register. It needs to be quantified so it can be compared to Residual Risk and Treatment Actions identified to reduce Residual Risk to within Risk Appetite.
- 2.6 **Risk Management Framework** – The Risk Management Framework is out of date and has not been approved and has been in progress for many years. It has not been aligned to the relevant legislation and standards and does not fully outline the documentation which underpins the Risk Management Framework.

- 2.7 **Special Activities and Projects**- There are no formal processes for the identification and notification of special activities and project risks which may affect the City risk profile. There was one project which had a Risk Assessment performed by an outside consultant. This report was draft and unfinalized and appears to be once off.
- 2.8 **Assurance Mapping** - There is no Assurance Map within the City which identifies the assurance activities relevant to key risks within the City.
- 2.9 **Business Continuity** –The Business Continuity Plan is in draft. Business Continuity Plan references superceded standards and does not make reference as to the extent of compliance with the relevant standards which is AS/ ISO 22301:2020. There are no Emergency Management Plans, Disaster Recovery Plan and Incident Management Plans.
- 2.10 **Fraud and Corruption Policies** – The Fraud and Corruption Control Framework is not developed or in draft and does not align to current Better Practice Principles or Standards
- 2.11 **Risk Management Related Policies** There are numerous critical Risk Management related Plans, policies and procedires which are not in development or approved for impekenation. This reduces the effective of risk manmagement.

3. Monitoring and Reporting

Reporting Risk Management within the City is assessed as being Inadequate. There are improvement opportunities identified within the Risk Management Monitoring and Reporting. These include:

- 3.1 **Council** - No comprehensive reporting of the Audit and Risk Committee activities to the Council. Currently the Board only receives a copy of the Risk and minutes or papers.
- 3.2 **Audit and Risk Committee** No comprehensive reporting of the Risk Management activities to the Audit and Risk Committee as required by the Terms of Reference . Currently there is no standard agenda for Risk Management .
- 3.3 **Corporate Executive** No comprehensive reporting of the Risk Management activities to the Corporate Executive. Currently there is no standard agenda for Risk Management
- 3.4 **Data Analytics** Data analytics has not been considered for use in reporting risk management activities. Data analytics can be a very powerful tool to identify risk areas for Management to focus their limited resources for maximum benefit.

1. EXECUTIVE SUMMARY (CONTINUED)

1.5 Key Observations (continued)

4. Performance Measurement

Performance Measurement of Risk Management within the City is assessed as being Inadequate. There are improvement opportunities identified for Performance Measurement. These include:

- 4.1 **International Standard** The Risk Management Framework does not align to the Risk Management Standard ISO 31000: 2018 (Risk Standard). There is no assessment of extent of compliance with legislative provisions or the Risk Standard for Risk Management to identify non-compliance.
- 4.2 **Key Performance Indicators** - There are no Key Performance Indicators to measure performance of the Risk Management function. Surveys are not conducted of select Management, Staff, Contractors, Consultants and Volunteers to gauge feedback on the current Risk Management System.
- 4.3 **Surveys** There are no Surveys to measure performance of the Risk Management function. Surveys are not conducted of select Management, Staff, Contractors, Consultants and Volunteers to gauge feedback on the current Risk Management System.
- 4.4 **Better Practice Principles** There is no comparison of the Risk Management Framework to better practice principles to identify continuous improvement opportunities.

1.6 Overall Observation

Risk Management is a critical role in the governance of the City. The Council, Audit and Risk Committee, Management, Staff, Contractors, Consultants and Volunteers all have a role to play to ensure it is resourced, efficient and effective.

The quantity and nature of the findings and recommendations demonstrates there is limited Risk Management maturity within the City. There is significant investment of resources and time required to improve the risk management culture, capability and risk management framework, monitoring and reporting and performance remeasurement. The City may not be able to adequately demonstrate, based on available documentation and existing practice, an effective Risk Management function which requires:

- there is a strategic approach to Risk Management which aligns with the Strategic Plan, Corporate Business Plan
- there are relevant, appropriate approved plans, policies, procedures and registers in place for the periodic awareness, training, identification, assessment, treatment, monitoring and reporting of risks inherent in the operations of the agency
- experts to assist Management where additional technical knowledge is required.

Please refer to [Section 7. Observations and Recommendations for further details.](#)

2. INTRODUCTION

In accordance with the Annual Internal Audit Plan, a review of Risk Management was conducted,

Effective Risk Management would expect to deliver the following outcomes:

- **Allocation of resources** - Allocation and utilisation of limited resources.
- **Action planning and accountability** - Ensuring that issues and opportunities are addressed within a formalised process within acceptable risk level
- **Assurance** - Providing transparency and comfort to stakeholders that risks and opportunities are being managed.
- **Business Intelligence** - Sharing business knowledge and insights.
- **Change agent** - Driving organisational change to improve business efficiency, effectiveness and healthy risk culture.
- **Compliance** - Needs to meet the requirements of relevant regulatory standards and policy obligations.
- **Decision making** - Providing a framework for making improved and informed risk-based decisions within defined parameters.
- **Strategic achievement** - Achieving Strategic objectives.

3. RISK

The review considered the following risks:

- Risk management is not efficient or effective;
- Risk management is not aligned to the City's Risk Management Strategy, Risk Management Plan, policy, procedures, guidelines, standards, legislation, or better practice principles;
- Staff are not adequately trained and/ or aware of Risk Management Framework Strategy, Plan, policies, procedures, guidelines, and/ or practices;

- Inadequate identification, management, monitoring and reporting of risks; and
- Operations are being performed and/ or decisions are being made outside of Risk Appetite.

Risk management process does not have adequate oversight by Executive or Audit and Risk Committee and/ or Council;

4. OBJECTIVE AND SCOPE

To assess the adequacy and effectiveness of the City's internal controls for Risk Management. The scope of this internal audit includes the following:

- Risk Management Framework, Risk Management Strategy, Risk Management Plan, Strategic Risk Register, Business Unit Risk Registers, Risk Appetite Statement, policies, procedures, and guidelines;
- Extent of compliance within the City with relevant Strategy, Plan, policies, procedures, and guidelines;
- Processes at induction and termination for Risk Owners, and use of risk experts;
- Extent of alignment of City's Risk Management Framework with better practice principles and Office of the Auditor General Reports (OAG), where relevant;
- Awareness programs and previous and future planned training on Risk Management;
- Reporting to Executive, Audit and Risk Committee, and Council
- Measurement of the effectiveness of the Risk Management function.

The period of review will be 1 July 2021 to 30 June 2022.

5. REVIEW APPROACH

The review is to be conducted primarily by applying discussion, observation, and review techniques, concentrating on:

- Planning meeting with Risk Management Process Owner to understand the current environment, challenges, and opportunities;
- Holding meetings with other relevant stakeholders, where appropriate;
- Review of documentation provided during the internal audit engagement;
- Exit meeting with Risk Management Process Owner to discuss emerging findings;
- Issue of Draft Internal Audit Report;
- Receipt of Management Comments for consideration by Moore Australia;
- Issue of Final Internal Audit Report to Management; and
- Attendance and presentation of the final report to the Audit and Risk Committee

We also considered the Australian National Audit Office performance audit titled The Management of Risk by Public Sector Entities tabled in Parliament by the Auditor General, Mr Grant Hehir in August 2017.

This audit has been conducted in accordance with the 'International Standards for the Professional Practice of Internal Auditing' contained in the 'International Professional Practices Framework' issued by the Institute of Internal Auditors. In our professional judgement, sufficient and appropriate audit procedures were completed, and appropriate evidence gathered to support the accuracy of the conclusions reached and contained in this report.

We have used a risk rating to identify the impact and priority of the finding. Definitions of the risk ratings are outlined in [Appendix 1 - Key to Significance of Risk Ratings](#).

We have reviewed key documents of the City in the performance of this internal audit.

6. ACKNOWLEDGEMENT

We have met with key personnel within the City to perform the internal audit engagement. We would like to thank the following personnel for their assistance in the conduct of this audit.

- Mr Michael Cole - Director Corporate Services
- Ms Nikki McGill – Personal Assistant to Mr Michael Cole
- Mr Nalin Dias – IT Governance Manager

7. OBSERVATIONS AND RECOMMENDATIONS

The following section describes the key results of the internal audit of the City of Nedlands Risk Management function.

The reporting is by exception, unless otherwise noted and does not provide details of the good practice that was observed within the City

1. Capability and Culture		
Resources		Rating of Finding
Finding 1.1	Resources	Medium
<p>There is currently not a Risk Manager who is responsible for Risk Management within the City. The current resources for the City’s Risk Management function are the Manager ICT and IT Governance Coordinator. The following are extracts from their job descriptions:</p> <p>Extract from Position Description- Integrated Risk Management Section</p> <p>“Maintain and test annual information technology service continuity (ITSC) process and documentation as per scheduled and approved by the management team. (Traditionally BCP in which IT support that outcome)</p> <ul style="list-style-type: none"> Develop a risk assessment process to identify potential risks as part of Corporate and IT Risks. Perform risk assessments and investigate as per IRM policies and procedures. Responsible for the IT compliance with the City’s risk management policies and procedures. Assist Manager Business Systems with risk management work (disaster recovery planning and testing, corporate risk management inductions, business impact assessments (BIA), IT strategy and policy update work.” <p>Extract from Position Description Risk Management Section</p> <p>“Ensure ICT business unit is compliant with the City’s risk management policies and procedures.</p> <ul style="list-style-type: none"> Lead the identification of any ICT related risks to the City and develop and implement risk mitigation strategies. Maintain security protocols and disaster recovery systems to mitigate breaches to the integrity of the City’s data and information resources.” <p>Further to this, there has been no recent or regular assessment of the adequacy of the resourcing of the Risk Management function. This is required to ensure the level of resources is current and commensurate with the City Risk Management activities, Risk Appetite and Risk Tolerance.</p> <p>Implications</p> <p>Risk Management may be ineffective without a sufficiently resourced central coordination.</p>		
Management Comment		
<p>The findings are noted. The recently received Organisation Review has identified Governance and Risk as an area needing additional support and a new Governance and Risk role has been identified in the draft Workforce Plan.</p>		

7. OBSERVATIONS AND RECOMMENDATIONS

1. Capability and Culture			
Resources			Rating of Finding
Finding 1.1	Resources		Medium
Recommendations	Agreed Actions	Action Owner	Target Date
1. Consider the appointment of dedicated Risk Manager for the City who is responsible for the coordination of Risk Management activities. Regularly consider the resourcing of the Risk Management function, and if it currently meets expectations. This may include the convening of a Risk Management Group to support the Risk Manager.	Subject to Council endorsement of the draft Workforce Plan and Organisation Review, create a new role to oversee Governance and Risk.	CEO/Director Corporate Services	30 September 2022 Note – This is subject to the adoption of the Organisation Review, Workforce Plan and Annual Budget for 2022/23.

6. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

1. Capacity and Culture				
Strategy			Risk Rating	
Finding 1.2	Strategy		Medium	
<p>The achievement of Strategic Objectives is critically influenced by the effective management of Strategic Risks. There is a need to understand the relationship between the two and clearly articulate the emerging risks and how they are going to be managed so that they don't impact of the achievement of the Strategic Objectives.</p> <p>The Strategic Community Plan 2018-2028 prepared and adopted by Council on 22 May 2018 has very limited information about Strategic Risks. The City has not communicated the current and emerging risks potentially affecting the City in the development of these documents and the controls and initiatives to reduce these risks to within Risk Appetite. They could better demonstrate how they have effectively implemented Risk Management policies, procedures. The City should explain how their approach to managing current and emerging risks will support achievement of their strategic goals, vision, mission, and purpose.</p> <p>The Corporate Business Plan for 2013 to 2017 is out-dated. The Strategic Risks outlined in the document does not align to the Strategic Risk Register. It has responsibilities for Risk Management which are not being performed which are outlined below.</p> <p>Extract from Corporate Business Plan page 42.</p> <p>"The Executive Management Committee will monitor these risks on a quarterly basis and Council will review twice per year.</p> <p>Implication</p> <p>Risk Management may not be effective.</p>				
Management Comment				
<p>The Strategic Community Plan (SCP) is scheduled for major review in 2022/23, subject to resources being allocated in the Annual Budget. Strategic risks in the SCP will be reviewed. The Corporate Business Plan (CBP) is being updated for presentation to Council by 30 September 2022. It's agree that the strategic risk register should align to strategic risks in the SCP and CBP.</p>				
Recommendations		Agreed Actions	Action Owner	Target Date
2. Consider and document current and emerging risks in the Strategic Plan 2018 to 2028 and how effective Risk Management is in place to achieve the Strategic Objectives, Vision, Mission and Purpose.		Current and emerging Strategic Risks to be reviewed and incorporated into the revised SCP.	Governance and Risk Officer – subject to Annual Budget. In the interim Director Corporate Services.	30 June 2023
3. Review and approve the Corporate Business Plan and ensure it aligns with the Strategic Risk Register.		Strategic Risks in CBP to be reviewed to align with the Strategic Risk Register.	CEO pending Governance and Risk role.	30 September 2022

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

1. Capacity and Culture				
Audit and Risk Committee			Risk Rating	
Finding 1.3	Audit and Risk Committee		Medium	
<p>The Audit and Risk Committee has general oversight of risk management activities within the City.</p> <p>Extract from the Terms of Reference Manual for Committees and Working Groups</p> <p>Risk Management (page 5)</p> <ol style="list-style-type: none">1. “Twice yearly consider a report in relation to the management of risk within the City of Nedlands and satisfy itself that appropriate controls and processes are in operation and are adequate for dealing with the risks that impact on the City.2. To address any specific requests referred to it from Council in relation to issues of risk and risk management.3. Monitor the implementation of the Strategic Risk Management Plan. <p>Reporting (Page 6)</p> <p>the Committee shall report quarterly to the Council summarising its activities during the previous financial year.</p> <p>There is currently no evidence this is currently not being performed by the Audit and Risk Committee. It is important for the Committee to perform all aspects of the Charter to ensure effective oversight of risk management. There currently is no Strategic Risk Management Plan within the City.</p> <p>The Audit and Risk Committee Terms of Reference has no requirement to review the performance of the Audit and Risk Committee in a regular basis.</p> <p>Implications</p> <p>Sound governance reflecting better practice principles for Risk Management may not be implemented.</p>				
Management Comment				
<p>Agreed. Presently support for the risk and the Audit and Risk Committee is shared across various teams. The need for a dedicated role for risk oversight is noted and supported. This has been identified in the Organisation Review and proposed Workforce Plan. Such a role would better support the Audit and Risk Committee perform its role.</p>				
Recommendations		Agreed Actions	Action Owner	Target Date
4. Ensure the role and responsibility of the Audit and Risk Committee is being performed efficiently and effectively each year.		Roles and responsiites of the Audit and Risk Committee need better coordination and planning. A plan for the next 12 months to be developed	New Governance and Risk role, subject to Annual Budget.	31 December 2022

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

1. Capacity and Culture			
Audit and Risk Committee			Risk Rating
Finding 1.3	Audit and Risk Committee (cont.)		Medium
Recommendations (cont.)	Agreed Actions	Action Owner	Target Date
5. Review the current Audit and Risk Committee terms of Reference to include a review of its performance on an annual basis.	Terms of reference to be updated to include a review of its performance.	Director Corporate Services	31 August 2022
6. Review the Charter to align with better practice principles including reviewing the performance of the Audit and Risk Committee on a regular basis to ensure responsibilities are being performed.	Terms of reference to be reviewed to ensure review of performance on a regular basis.	Director Corporate Services	31 August 2022

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

1. Capacity and Culture				
Annual Work Plan and Calendar			Risk Rating	
Finding 1.4	Annual Work Plan and Calendar		Low	
There is currently no Risk Management Annual Work Plan or Calendar which has outcomes and activities identified, prioritised, performed with the status reported to Management. There is a risk the Risk Management activities are not performed as they are not balanced with other work priorities of the Risk Manager.				
Implication				
Key Risk Management activities may not be performed on a timely basis.				
Management Comment				
Agreed. This will be a task for the proposed Governance and Risk position.				
Recommendations		Agreed Actions	Action Owner	Target Date
7. Develop, approve, document, monitor and report on a Risk Management Calendar and Annual Work Plan, which identifies the Risk Management events that are scheduled to occur to ensure that all deadlines are met.		Risk Management Calendar and annual work plan to be developed.	New Governance and Risk role, subject to Annual Budget	31 December 2022

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

1. Capability and Culture			
Awareness and Training			Risk Rating
Finding 1.5	Awareness and Training		Low
<p>Formal Risk Management training is essential to ensure everyone within the City understands their role and responsibilities for risk management.</p> <p>We understand there is no Risk Management Training Program. We also understand there has been no induction or regular training of Audit and Risk Committee Members, Risk Managers, Risk Owners, Staff, Contractors, Consultants or Volunteers generally on Risk Management. We have been provided two Risk Management training sessions presentations, one prepared internally and one externally but were unable to confirm who attended this training and when they were held.</p> <p>Further to this there has been no training these key Risk Management areas which requires regular training:</p> <p>on the following:</p> <ul style="list-style-type: none">Public Interest DisclosuresOccupational Safety and HealthBusiness Continuity Management, Disaster Recovery, Incident Management <p>Implication</p> <p>Staff may not be aware and trained of their role and responsibilities or be capable to perform risk management</p> <p>Ineffective risk management within the City</p>			
Management Comment			
It's agreed there should be a program for regular training and awareness. This will be incorporated into the proposed Governance and Risk role.			
Recommendations	Agreed Actions	Action Owner	Target Date
8. Develop, approve, monitor and report on a Risk Management Training Program.	Training program to be developed.	New Governance and Risk role, subject to Annual Budget	30 June 2023
9. Perform induction and regular risk management training for Risk and Governance Committee Members, Risk Manager, Risk Owners, Management, Staff, Contractors, Consultants, and Volunteers. This can be performed via online training and be integrated with other training performed by the City.	Risk Management induction and refresher training to be developed.	New Governance and Risk role, subject to Annual Budget in conjunction with HR.	30 June 2023
10. Retain documented evidence of all training delivered including venue, presenter, attendees and hours. This can then be available for quality assurance and audit purposes.	Register of training, attendees to be maintained.	New Governance and Risk role, subject to Annual Budget	30 June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

1. Capability and Culture				
Risk Expert			Risk Rating	
Finding 1.6	Risk Expert		Low	
<p>Risk Management Experts can assist with effective risk management to complement the current resources within the City. They can be used on non-routine or complex risks, projects, or initiatives. It is good governance to consider whether Risk Experts are required for the City on a regular basis. This will ensure no gaps in risk management are identified.</p> <p>If no experts are required, then this can be documented. We are not including Legal Counsel in this situation.</p> <p>There is no documentation of consideration of the need for an expert with an appropriate knowledge of risks to assist with the identification or management of current or emerging risks within Risk Appetite of the City.</p> <p>Implication</p> <p>Risk Management may not be effective if the City does not have the expertise to manage a specific or collective risks.</p>				
Management Comment				
<p>The City has engaged outside experts in the past and has recently engaged LGIS to assist with updating risk management framework and risk registers. This work had stalled due to resourcing issues at the City and this internal audit has identified areas needing attention.</p>				
Recommendations		Agreed Actions	Action Owner	Target Date
11. Document consideration of the need for a Risk Expert in the identification and management of current key strategic risks. This can be included in the Strategic Risk Register to satisfy this recommendation.		Agreed. Strategic Risk register to be updated to include need for Risk expertise as required.	New Governance and Risk role, subject to Annual Budget	30 June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

1. Capability and Culture			
Induction and Termination			Risk Rating
Finding 1.7	Induction and Termination		Medium
<p>Induction and termination processes are critical times in the governance of the City. Induction processes are the time to perform awareness and training of new staff in Risk Management. Termination processes are the time to identify Risk Management responsibilities to ensure these are transferred to others within the City.</p> <p>Risk Owners are responsible for the effective management of the specific risk. A Risk Owner ensures there is accountability for the residual risk is within risk appetite. Other positions within the City also are important for Risk Management such as Fire Wardens, Business Continuity Plan Members, Incident Management Team Members and Crisis Management Team Members just to name a few.</p> <p>When new Management and staff join the City they are not made aware and trained on Risk Management roles and responsibilities. Induction Checklists do not include Risk Management. When Management and staff leave the employment of the City, their Risk Management responsibilities are not identified and transferred to others within eh City. A Termination Checklist is used however it does not currently consider Risk Management roles and responsibilities.</p> <p>Implication</p> <p>Risks may not be managed in the absence of a Risk Owner.</p> <p>Positions may be left vacant until an event occurs which may leave catastrophic consequences. .</p>			
Management Comment			
Agreed. This should be included in HR Termination processes and reviewed each time an officer leaves the City.			
Recommendations	Agreed Actions	Action Owner	Target Date
12. Review the Termination Checklist and ensure that any Risk Management positions held are identified and new people are allocated to these positions.	Update termination checklist	Manager HR and Director Corporate Services	31 August 2022

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

1. Capability and Culture				
Budget			Risk Rating	
Finding 1.8	Budget		Medium	
<p>An approved budget for key areas of the City is critical to ensure that the functions are performed efficiently and effectively.</p> <p>Experts may be required to assist Risk Owners and Management with identification, assessing, monitoring and reporting of risk. External training may be required for the Council, Management, Staff, Risk Manager, Compliance Officer, Risk Owners, Contractors, Consultants or Volunteers. A budget is therefore a critical component of Risk Management. Training is required to ensure that staff understand their roles and responsibilities. This may need to be sourced externally at a cost.</p> <p>There is currently no separate budget for Risk Management. There should be an annual budget for Risk Management to ensure that the City has adequate resources to effectively manage risk within Risk Appetite.</p> <p>Implication</p> <p>Risk management activities may not be performed if there is an inadequate budget</p> <p>Risk experts may not be ought if there is not an approved budget .</p> <p>Risk management awareness and training may not be performed if there is not an approved budget</p>				
Management Comment				
Funding is noted. The Budget for any risk management tasks and training is included across a number of service areas at the City. Consideration of centralizing the budget under the new role of Governance and Risk will be undertaken during 2022/23.				
Recommendations		Agreed Actions	Action Owner	Target Date
13. Consider a separate budget amount for Risk Management in the next budget setting process.		Consider centralizing budget for all risk initiatives following creation of new Governance and Risk role, subject to Annual Budget	New Governance and Risk role, subject to Annual Budget	30 June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

1. Capability and Culture			
Access to Risk Manager			Risk Rating
Finding 1.9	Access to Risk Manager		Low
<p>It is good governance for there to be access to a Risk Manager to identify risks, hazards, risk training needs, risk experts etc.</p> <p>There is no direct access to the Risk Manager by Council, Management, Staff, Contractors, and/ or Volunteers via a telephone number or general email address from the intranet site such as risk@nedlands.wa.gov.au. It is expected that staff would not know the individual names of the Risk Manager and therefore would not be able to liaise with them email address at the City.</p> <p>Implication</p> <p>Risks and hazards may not be identified to the City</p> <p>Risks experts and training may not be sought by staff</p> <p>Risk advice may not be sought regarding the risk identification and management.</p>			
Management Comment			
Agreed.			
Recommendations	Agreed Actions	Action Owner	Target Date
14. Provide the contact details and direct generic email address of the Risk Manager on the Risk Management intranet site for staff to have direct contact.	Update intranet to identify risk manager for internal stakeholders.	New Governance and Risk role, subject to Annual Budget	31 December 2022 – subject to Annual Budget

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework			
Risk Policy			Risk Rating
Finding 2.1	Risk Policy		High
<p>A Risk Management Policy is a key governance document within the Risk Management Framework to set out the approved approach and support for Risk Management within the City and the roles and responsibilities. A few observations relating to the Risk Management Policy include:</p> <ul style="list-style-type: none">The Risk Management Policy is dated 24 October 2019 and is out of date. It is supposed to be reviewed every 2 years in accordance with the policy.There is reference to Risk Management Procedure and Risk Profiles but no other risk documents.It requires the Risk Assessment to be performed when 6 criteria are met, however there is no evidence any Risk Assessments have been performed, with some criteria being present. There is reference to Risk Profiles required to be prepared however these have not been prepared in the context of the City.There is not a person identified having responsibility for Risk Management. This is important for authority and accountability.There is reference to Risk Appetite being set through the Assessment and Acceptance Criteria however Moore Australia view is that this should be a specific statement with risk ratings set for each Strategic Risk. This will be discussed further in Finding 2.5. <p>There is a Business Systems Risk Management Policy. This is a draft document developed in 2020 which has not been approved. It appears to be heavily based on State Government authority and principles and not contextualised to the City.</p> <p>Implication</p> <p>Ineffective Risk Management</p>			
Management Comment			
Agreed. These documents require regular review – at least every 2 years.			
Recommendations	Agreed Actions	Action Owner	Target Date
15. Develop, approve and review on a timely basis a Risk Management Policy which reflects better practice principles and ensure the policy is implemented.	Annual review of Risk Policy	New Governance and Risk role, subject to Annual Budget	30 June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework			
Strategic Risk Management Plan			Risk Rating
Finding 2.2	Strategic Risk Management Plan		Medium
<p>A Strategic Risk Management Plan is a critical document in a local government which identifies the current risk posture state and desired risk posture state and how you are going to achieve the desired risk posture state. A Strategic Risk Management Plan is a current requirement of the Audit and Risk Committee Terms of Reference.</p> <p>There is no Strategic Risk Management Plan which identifies:</p> <ul style="list-style-type: none">• summary of current material and emerging risks affecting or potentially affecting the City;• approach to managing these risks;• policies and procedures dealing with Risk Management matters;• the role and responsibilities of the Risk Management function;• description of the risk governance relationship between the Council, Committees and Management, with regard to the Risk Management Framework;• outline of the approach to ensure that all Management, Staff, Contractors and Volunteers have an awareness of the Risk Management Framework to promote a mature risk culture• extent of compliance with legislative requirements.• proposed training• proposed use of experts <p>Implication</p> <p>Risk management may not be effective and managed within risk appetite.</p>			
Management Comment			
Agreed.			
Recommendations	Agreed Actions	Action Owner	Target Date
16. Develop, a Strategic Risk Management Plan and review this at least every 2 years or when material risks are identified.	Strategic Risk Management Plan to be developed.	New Governance and Risk role, subject to Annual Budget	31 March 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework		
Risk Management Procedures		Risk Rating
Finding 2.3	Risk Management Procedures	Medium
<p>Risk Management Procedures are a key governance document which sets out the approved tasks which should be performed in the Risk Management function. It should be detailed in enough so that a new staff member can perform the tasks in an efficient and effective manner.</p> <p>A few observations relating to the Risk Management Procedures are:</p> <ul style="list-style-type: none"> The Risk Management Procedures are dated 2019 and are out of date. The review period for the procedures are not included in the document. The document is not in our view procedural in nature and would not be sufficient or appropriate for a staff member to perform the relevant tasks required. The Risk Management Procedures refers to responsibilities of the Audit and Risk Committee, CEO and ELT and Work Areas and these are not being currently performed. These are set out below. <p>Extract from Risk Management Procedures</p> <p>“Audit and Risk Committee</p> <ul style="list-style-type: none"> At least once every year consider a report in relation to the management of risk within the City of Nedlands and satisfy itself that appropriate controls and processes are in operation and are adequate for dealing with the risks that impact on the City. Address any specific requests referred to it from Council in relation to issues of risk and risk management. <p>CEO and ELT</p> <ul style="list-style-type: none"> Own and manage the Risk Profiles for the organisation. Incorporate ‘Risk Management’ into Executive Management Team and Management Meeting. <p>Governance Officer</p> <ul style="list-style-type: none"> Oversee and facilitate the Risk Management Model Drive risk management culture within work areas. <p>Work Areas</p> <ul style="list-style-type: none"> Own, manage and report on specific risk issues as required. Assist in the Risk & Control Management process as required. Highlight any emerging risks or issues accordingly. Ensure adherence to relevant statutory and regulatory requirement <p>Further to this, the Risk Management Procedure also requires an Annual Control Assurance Plan to be prepared by the Executive Management Team. This has not been prepared.</p> <p>Implication</p> <p>Procedures may not be performed in an efficient and effective manner</p>		

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework			
Risk Management Procedures (cont.)			Risk Rating
Finding 2.3	Risk Management Procedures (cont.)		Medium
Management Comment			
Agreed. Risk Management procedures are overdue for review and will be updated.			
Recommendations	Agreed Actions	Action Owner	Target Date
17. Develop and approve a Risk Management Procedure which are effective for staff to perform risk management responsibilities	Risk Management Procedure to be developed.	New Governance and Risk role, subject to Annual Budget	31 March 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework		
Strategic Risk Register		Risk Rating
Finding 2.4	Strategic Risk Register	High
<p>A Strategic Risk Register is a key governance document which sets out the key Strategic Risks in the City, and provides a risk rating of the inherent and controls risks. It documents the key controls relevant to each strategic risk and the treatment action plans to bring the Strategic Risk within Risk Appetite and Tolerable Risk. A few observations relating to the Strategic Risk Register include:</p> <p>Risk Identification</p> <p>The identification of Strategic Risks is those risks which are key inhibitors to not achieving the Strategic Objectives of the City.</p> <p>The Strategic Risk Register includes a mixture of tasks which have to be performed, and issues within the City and not Strategic Risks.</p> <p>As the Strategic Risk Register has been prepared on a different basis as identified above, there is a lot of Strategic Risks which have not been identified and therefore may not currently be managed.</p> <p>Business Unit Risk Registers</p> <p>Business Unit Risk Registers are used to underpin the Strategic Risk Register and provide further detail of risks at a Business Unit Level.</p> <p>Business Unit Risk Registers are not used within the City. The City will therefore be unable to manage those risks effectively.</p> <p>Strategic Risk Review</p> <p>The Strategic Risk Register is out of date and was last updated in 2020. It is the City policy within the Risk Management Framework for Risks to be reviewed on an annual basis. We believe there needs to be a more regular review of risks to ensure that risks are being actively managed and it is informing decision making. Regular review of risks (such as on a quarterly basis is an effective governance measure.</p> <p>Shared Risks</p> <p>Shared risks are those which are not owned by one Risk Owner or where more than one organisation is exposed to or can significantly influence the risk. Shared risks require shared oversight management, monitoring and reporting. Within the Strategic Risk Register the City has not identified shared risks with third parties and there is no evidence this information has been used to inform decision making.</p> <p>Controls</p> <p>Within the Risk Register it identified controls but there is no mention of the existence or evidence of these controls to substantiate the controls rating.</p> <p>Risk Appetite and Tolerable Risk</p> <p>The Strategic Risk Register should calculate a Residual Risk Rating for each Strategic Risk and then compare this to the Risk Appetite for each Strategic Risk.</p> <p>Within the Strategic Risk Register, the Coty does not document and compare the Residual Risk Rating and compare this to Risk Appetite and Tolerable Risk to see if the City is within Risk Appetite and what (if any) additional treatment action plans need to be considered to bring the City within Risk Appetite.</p> <p>Implications:</p> <p>Risk management may not be effective.</p> <p>Shared risks may not be identified and managed within risk appetite.</p> <p>Business Unit risks may not be identified and managed within risk appetite</p> <p>Decisions may be made outside risk appetite.</p>		

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework			
Risk Register (Cont.)			Risk Rating
Finding 2.4	Risk Register (cont.)		High
Management Comment			
Agreed. Strategic Risks to be reviewed as part of review of the Strategic Community Plan. Work has already commenced.			
Recommendations	Agreed Actions	Action Owner	Target Date
18. Review the current Strategic Risk Register and consider: <ul style="list-style-type: none">Regularly consider the identification of risks during the year.where Business Unit Risk Registers can be used as an effective risk management tool.more regular reviews of risks, more than annuallyregular assessment of the shared risks and the impact on the City.the controls which are implemented effectively to arrive at the controls rating.Consider Risk Appetite and Tolerable Risk	Strategic Risk Register to be reviewed as part of the major review of the Strategic Community Plan.	New Governance and Risk role, subject to Annual Budget	31 December 2022

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework				
Risk Appetite, Risk Tolerance Statements				
Finding 2.5	Risk Appetite, Risk Tolerance Statements		High	
<p>It is critical for effective Risk Management to articulate what is the City;s Risk Appetite for each Strategic Risk. This is so that it can compare the monitor the residual risk level for each Strategic Risk and compare this to the Risk Appetite to ensure it remains within Risk Appetite. It is also important to articulate a Risk Tolerance Statement to document the levels of risk taking acceptable to achieve a specific objective or manage a category of risk.</p> <p>There is a reference to a Risk Appetite and Risk Tolerance within the City Risk documents however they are not specifically determined by Strategic Risk. They therefore cannot be compared to determine if the City is operating within or outside Risk Appetite.</p> <p>Implication</p> <p>Risk may not be managed within acceptable levels to the Council.</p>				
Management Comment				
Agreed. Risk appetite and risk tolerances should be regularly reviewed by Executive and Management teams and presented to Audit and Risk Committee.				
Recommendations		Agreed Actions	Action Owner	Target Date
19. Develop, approve, monitor and report on a Risk Appetite, Risk Tolerance within the City and then consider these in relation to the Residual Risk rating and whether the City are within the Risk Appetite and Risk Tolerance.		Review risk appetite and risk tolerance as part of review of Strategic Risk Register.	New Governance and Risk role, subject to Annual Budget	31 December 2022

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework				
Risk Management Framework			Risk Rating	
Finding 2.6	Risk Management Framework		High	
<p>A Risk Management Framework is the governance document which outlines the risk documents and how they interrelate to management risks within Risk Appetite. A few observations about the Risk Management Framework is:</p> <ul style="list-style-type: none">The City has an Integrated Risk Management Framework. The Risk Management Framework is draft and not approved and dated 2020 and is out of date.The Risk Management Framework does not seem cohesive and appears to have bolted a few concepts together.There are incorrect references to Standards <p>Implication</p> <p>Ineffective Risk Management Framework</p> <p>Non-compliance with standards</p>				
Management Comment				
Agreed. This framework is in draft form but not formally endorsed.				
Recommendations		Agreed Actions	Action Owner	Target Date
20. Develop, maintain, review, monitor and report a Risk Management Framework in accordance with relevant legislation and standards		Finalise Risk Management Framework.	New Governance and Risk role, subject to Annual Budget and in the interim Director Corporate Services	31 August 2022

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework				
Special Activities and Project Risks			Risk Rating	
Finding 2.7	Special Activities and Project Risks		Medium	
<p>Special activities and projects within the City can create additional and temporary risks which need to be identified, assessed, monitored and reported within Risk Appetite.</p> <p>There is no formal policy for risks relating to a project or special activities to be identified, risk assessed, monitored and reported within the City.</p> <p>There is a risk that activities can be performed with no risk assessment and impact on the the City activities.</p> <p>Implication</p> <p>Risks may not be effective or managed within Risk Appetite.</p>				
Management Comment				
Agreed and done already for some projects as part of managing that project. ERP (OneCouncil) is a good example.				
Recommendations		Agreed Actions	Action Owner	Target Date
21. Develop an approved process for risk assessment to be performed for special projects and activities that want to be undertaken within the City		Risk assessment process for major projects activities to be developed.	New Governance and Risk role, subject to Annual Budget	30 June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework				
Assurance Map			Risk Rating	
Finding 2.8	Assurance Map		Medium	
<p>An Assurance Map identifies the assurance activities in relation to each of the Strategic Risks to identify any gaps in coverage/ over assurance against strategic risks/ risks to Strategic Plans. It can also provide a view on the cost of controls if assurance is mapped against key controls. It can also be used to map out detailed compliance requirements. Activities are then documented to cover/ mitigate all areas identified.</p> <p>There is no Assurance Map within the City. The City does not know which of the Strategic Risks are being not being mitigated by assurance activities, the cost of controls and compliance requirements which are being assured. The gaps in the Strategic Risk Assurance Map are then not informing the City's Strategic Internal Audit Plan.</p> <p>Implication</p> <p>Potentially Ineffective decision making</p> <p>Resources not being applied efficiently or effectively</p> <p>Ineffective Strategic Internal Audit Plan</p>				
Management Comment				
<p>Management agrees an Assurance Map could help to identify the assurance activities in relation to each strategic risk and identify any gaps and will consider the development in conjunction with the review of the strategic risk register. Resourcing may be dependent on the new Governance and Risk role being appointed.</p>				
Recommendations		Agreed Actions	Action Owner	Target Date
22. Consider the use of an Assurance Map to provide comfort to Management as to where the assurance is being provided against each Strategic Risk, cost of control, and compliance requirement. Identify which Strategic Risk have no assurance provided and use this to inform the Strategic Internal audit Plan. It is important that assurance is provided and documented in relation to the four lines of defence. These are: the assurances gained from Management (i.e. that designed controls are being implemented on a day-to-day basis); the assurances gained from the Risk Management and compliance functions; and the Internal Audit function or other External Audit/ Assurance provider or Specialist.		The development of an assurance map for Strategic Risks will be considered in conjunction with review of Strategic Risk register.	New Governance and Risk role, subject to Annual Budget	30 June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework				
Business Continuity			Risk Rating	
Finding 2.9	Business Continuity		High	
<p>A Business Continuity Policy is a key governance document within a local government which identifies the policy position, approach , support role and responsibility. The Business Continuity Management is the plan to be activated when there is a business disruption. A Business Impact Analysis is an assessment of the City as to the impact that certain disruption events may have on the City and what the activation plan will be in that circumstance.</p> <p>A few observations from the review of Business Continuity Response Plan is as follows:</p> <ul style="list-style-type: none">There is no Business Continuity PolicyThe City has a Business Continuity Response Plan which is draft and not approved and dated 23 March 2022 and its out of date.The dated does not make reference as to the extent of compliance with the relevant standards which is AS/ ISO 22301:2020 Security and Resilience- Business Continuity Management Systems- Requirements.The City does not have a Business Impact Analysis which underpins the Business Continuity Management Plan.There is no Emergency Management Plan or Incident Management Plan or Disaster Recovery PlanThere is no evidence of testing or training of the Business Continuity Response Plan. <p>Implication</p> <p>The City will not be able to manage the effects of a disaster, emergency, incident, business disruption event with Risk Appetite and Risk Tolerance.</p>				
Management Comment				
Business continuity has been operating during COVID. While a draft was developed, it hasn't been formally adopted. This is one of a number of actions that has been identified in the Organisation Review and the creation of a new role for Governance and Risk has been recommended and is subject to the adoption of the Organisation Review, Workforce Plan and annual budget..				
Recommendations		Agreed Actions	Action Owner	Target Date
23. Consider the Business Continuity Framework with supporting documents such as Business Impact Analysis, Emergency Management Plan, Incident Management Plan and Disaster recovery within the City and the extent of compliance with the Standard and whether there is improvement opportunities.		Business Continuity to be reviewed and updated on a regular basis. May require external assistance to develop.	New Governance and Risk role, subject to Annual Budget	30 June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework			
Fraud and Corruption Framework			Risk Rating
Finding 2.10	Fraud and Corruption Framework		High
<p>A Fraud and Corruption Framework consists of a Policy, Plan and Procedures to Plan, Prevent, Detect and Respond to fraud.</p> <p>Some observations from a review of the City Framework includes the following:</p> <ul style="list-style-type: none">• The Fraud and Corruption Control Policy is draft and not dated, has no evidence of review and not approved.• The Fraud and Corruption Policy refers to the old Fraud and Corruption Control Standard and does not align to the current standard• The Fraud and Corruption Control Framework is draft and not dated, has no evidence of review and not approved.• There is no Fraud and Corruption Risk Assessment• There is no Fraud and Corruption Control Procedures• There is no Fraud and Corruption Control Risk Register. There is no Fraud Incident Register <p>Implication</p> <p>There is a high risk the Fraud and Corruption Control Risk is outside Risk Appetite as there is limited governance in place.</p> <p>There is a high risk of fraud and corruption being undetected on a timely basis.</p>			
Management Comment			
Agreed. These have been developed but not formally adopted.			
Recommendations	Agreed Actions	Action Owner	Target Date
24. Development and approve a comprehensive Fraud and Corruption Control Framework, Fraud and Corruption Control Policy, Fraud and Corruption Control Procedure Fraud Risk Assessment, Fraud Risk Register , Fraud Incident Register which aligns to the Fraud and Corruption Control Standard.	Fraud and Corruption Framework and Policy to be reviewed and a updated	Director Corporate Services and Manager Financial Services pending appointment of new Governance and Risk role.	31 August 2022

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

2. Risk Management Framework				
Risk Management Framework			Risk Rating	
Finding 2.11	Risk Management Framework		Medium	
<p>There is a few other Risk Related Policies which are very important for an effective Risk Management function. These include PID Policy, PID Procedures, PID Director, OSH Policy, Information Management Policy, Cybersecurity Policy and Procedure, ESG, Compliant Handling Records Management Policy and Procedure.</p> <p>Some observations from review of the risk related documents included:</p> <ul style="list-style-type: none">• The PID Policy does not comprehensively align to the Public Sector Commission Guidelines• There were no PID Procedures documented at the City• The Public Sector Contact Directory has the previous Chief Executive Officer (Mr Mark Goodlet) as the current and only PID Officer. Moore Australia immediately advised the Manager Finance on 25 May to provide an immediate opportunity to update these records.• The OSH Policy was last reviewed in 2015. The New Work Health and Safety Act 2020 and Work Health and Safety Regulations came into effect in WA on 31 March 2022. There is reference to the old act and not the new Act.• The Information Management Policy is dated 2020 and is out of date and not approved.• There is a Cybersecurity Policy and Procedure which is dated 2020, is out of date and not approved.• There is no Environmental, Social and Governance (ESG) Policy to promote and support the activities within the City.• The Compliant Handling Policy is dated 27 April 2021 and is current.• The Records Management Policy is not dated and no evidence of review or approval• The Records Management Procedure was last reviewed in 2014, is out of date and not approved. <p>These policies have not been reviewed in detail as they are in draft and not finalised.</p> <p>Implication</p> <p>Information Management, Cybersecurity, ESG, Records Management, risks and opportunities may not be identified , assessed, monitored and reported on a timely basis.</p>				
Management Comment				
Agreed with above findings. Director Corporate Services has been added as PID Officer. The City will continue to use the State Government manual and resources from the PSC.				
Recommendations		Agreed Actions	Action Owner	Target Date
25. Develop and approve a comprehensive, OSH Policy, PID Policy, PID Procedure, OSH Policy, Information Management Policy, Cybersecurity Policy and Procedure, ESG Policy. Records Management Policy and Procedure which aligns to Better Practice Principles and Standards.		Develop and/or review risk related policies	New Governance and Risk role, subject to Annual Budget	30 June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

3. Reporting				
Council			Risk Rating	
Finding 3.1	Council		Medium	
<p>We believe it is good governance for the Council to receive a quarterly paper which summarises the Risk Management activities and to discuss current, new, emerging risks, status of the Risk Management Annual Work Plan and Calendar and approval of key policies etc.</p> <p>The Council does not have any formal reporting from the Audit and Risk Committee on a regular basis.</p> <p>Implication</p> <p>Risk management is not transparent and does not inform decision making by the Council.</p>				
Management Comment				
Agreed but reporting should be via Audit and Risk Committee and then reported by the Committee to Council.				
Recommendations		Agreed Actions	Action Owner	Target Date
26. Include a summary of the Risk Management activities as a standard Agenda Paper for the Council meetings on a quarterly basis to discuss current, new, emerging risks, status of the Risk Management Annual Work Plan, Risk Management Calendar and approval of key policies etc.		Report risk management activities to Audit and Risk Committee with recommendations to Council	New Governance and Risk role, subject to Annual Budget	30 June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

3. Reporting				
Audit and Risk Committee			Risk Rating	
Finding 3.2	Audit and Risk Committee		Medium	
<p>We believe it is good governance for the Audit and Risk Committee to receive a paper at each meeting to summarise the Risk Management activities and to discuss current, new, emerging risks, status of the Risk Management Annual Work Plan, Risk Management Calendar and approval of key policies etc.</p> <p>The Audit and Risk Committee does not have a regular agenda item Risk Management within their standard agenda.</p> <p>The Audit and Risk Committee have within their Terms of Reference reporting responsibilities and it is important to acquit these responsibilities.</p> <p>Implication</p> <p>Risk management is not transparent and does not inform decision making by the Audit and Risk Committee.</p>				
Management Comment				
Agreed and will include a Risk Management Update for future Audit and Risk Committee meetings.				
Recommendations		Agreed Actions	Action Owner	Target Date
27. Include a summary of the Risk Management activities as an Agenda Paper for Audit and Risk Committee meetings to discuss current, new, emerging risks, status of the Risk Management Annual Work Plan, Risk Management Calendar and approval of key policies etc.		Develop a Risk Management Update for inclusion in future Audit and Risk Committee meetings.	New Governance and Risk role, subject to Annual Budget	30 June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

3. Reporting				
Corporate Executive			Risk Rating	
Finding 3.3	Corporate Executive		Medium	
<p>The Corporate Executive does not have a standard or regular agenda item for Risk Management.</p> <p>We understand there is ad hoc reporting of projects which considers risk elements.</p> <p>We believe it is good governance for the Corporate Executive to receive a paper at each meeting to summarise the Risk Management activities and to discuss current, new, emerging risks, status of the Risk Management Annual Work Plan, Risk Management Calendar and approval of key policies etc.</p> <p>Implication</p> <p>Risk management is not transparent and does not inform decision making by the Corporate Executive.</p>				
Management Comment				
Agreed				
Recommendations		Agreed Actions	Action Owner	Target Date
28. Include a summary of the Risk Management activities as an Agenda Paper for Corporate Executive meetings to discuss current, new, emerging risks, status of the Risk Management Annual Work Plan, Risk Management Calendar and approval of key policies etc.		Risk Management will be included as a standing (monthly) item on EMT Agenda	Director Corporate Services pending appointment of Governance and Risk role	31 August 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

3. Reporting				
Data Analytics			Risk Rating	
Finding 3.4	Data Analytics		Low	
<p>Data analytics is the use of software to scan whole populations of data to identify themes, patterns, trends anomalies, fraud or error, opportunities, or predicting human behaviour. Data analytics is an effective technique to identify where there is high risk areas, non-compliance with delegations of authority and fraud risk areas.</p> <p>Data analytics has not been used within the City as a technique to assist with Risk Management. It is an effective tool for the First and Second lines of defence as mentioned in Section 1 of this report.</p> <p>Implication</p> <p>Fraud risk areas and non-compliance and weaknesses in controls are not being detected efficiently and effectively on a timely basis.</p>				
Management Comment				
Noted. Following appointment of Contracts and Procurement Officer, consideration can be given to use data analytics for procurement.				
Recommendations		Agreed Actions	Action Owner	Target Date
29. Consider the use of data analytics to analyse large volumes of data to identify current or emerging risks or opportunities within the City.		Use of data analytics is being considered for procurement.	Manager Financial Services	31 December 2022

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

4. Performance Measurement				
International Standard			Risk Rating	
Finding 4.1	International Standard		Medium	
<p>Comparing key functions within an organisation to International Standards can be a good method to identify where functions are performing in accordance with better practice principles</p> <p>There has been no documented assessment of the compliance with the Risk Management Standard (ISO 231000: 2018). We have not performed a formal assessment of the compliance requirements as key documents have referred to the superseded Risk Management Standard (ISO 30111: 2009) and not the new Risk Management Standard (31000: 2018)</p> <p>Implication</p> <p>Potential non-compliance with better practice principles</p>				
Management Comment				
Agreed.				
Recommendations		Agreed Actions	Action Owner	Target Date
30. Prepare an assessment of the extent of compliance with the Risk Management International Standard 31000:2018.		Compliance with ISO 31000:2018 to be considered as part of review of Risk Management Framework.	New Governance and Risk role, subject to Annual Budget	30 June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

4. Performance Measurement			
Key Performance Indicators			Risk Rating
Finding 4.2	Key Performance Indicators		Low
<p>Key performance Indicators are a good way to measure the performance of a function within an organisation. The setting of performance indicators allows expected performance to be set and agreed and actual performance to be compared to expectations. Performance targets are an element of effective risk management.</p> <p>There are currently no performance indicators or measures for the Risk Management function.</p> <p>Below are examples of KPI's relating to assessing the risk management function:</p> <ul style="list-style-type: none">• Are the resources committed to risk management sufficient and appropriate?• Has the approved Annual Risk Work Plan been performed during the year?• Has there been any departures from the Risk Management Policy?• Has there been any departure from the Risk Management Procedures during the year?• Have the risk owners been trained in their risk management roles and responsibilities?• Have the risk owners been involved in risk identification, risk rating and engaged in the risk management function?• Has there been appropriate reporting to the Executive Leadership Team, Audit and Risk Committee on risk management activities?• Has the effectiveness of the risk management function and Audit and Risk Committee been assessed?• Has a risk management survey been sent to seek feedback on the risk management function?• Have continual improvement opportunities been considered and implemented, where considered beneficial. <p>Implication</p> <p>Risk management may not meet expectations.</p>			
Management Comment			
Agreed, to be included in the overall risk management framework.			
Recommendations	Agreed Actions	Action Owner	Target Date
31. Develop, approve, document, monitor and report Risk Management Key Performance Indicators to allow expected performance and actual performance to be compared.	Risk KPIs to be developed.	New Governance and Risk role, subject to Annual Budget	30June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

4. Performance Measurement			
Surveys			Risk Rating
Finding 4.3	Surveys		Low
<p>A survey is a good way to seek the pulse of the City as to the confidence that people have and in their role and responsibilities, and their ability to manage their role and responsibility. A survey can be a critical element of effective risk management. It is also an emerging trend for organisation's to assess their risk culture as this is an emerging as a key element for effective risk management.</p> <p>A survey of a selection of Council Members, Audit and Risk Committee Members, Risk Owners, Management, Staff, Contractors and/ or Volunteers has not been considered or performed within the City .</p> <p>Implication</p> <p>Risk management may not be effective, efficient or supported by Council, Audit and Risk Committee Members, Management, Staff, Contractors and Volunteers.</p>			
Management Comment			
Agreed. Surveys also raise awareness.			
Recommendations	Agreed Actions	Action Owner	Target Date
32. Survey a selection of Council Members, Audit and Risk Committee Members, Risk Owners, Management, Staff, Contractors and/ or Volunteers to identify continuous improvement opportunities. Please review the Appendix 2 where were have provided an example.	Biennial (every 2 years) survey to be undertaken	New Governance and Risk role, subject to Annual Budget	30 June 2023

7. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

4. Performance Measurement			
Better Practice Principles			Risk Rating
Finding 4.4	Better Practice Principles		Low
<p>It is good governance to compare all key aspects of the City operations to better practice principles and OAG Tabled Reports to identify where improvements can be made, where fit for purpose, relevant and appropriate.</p> <p>The Risk Management function has not been compared to better practice principles. Gaps in the Risk Management functions can be considered and where appropriate be prioritised with in the Strategic Risk Management Plan referred to above.</p> <p>Implication</p> <p>Opportunities to improve current practices in line with Better Practice Principles will not be achieved.</p>			
Management Comment			
Agreed. OAG reports can be used to identify gaps in current processes.			
Recommendations	Agreed Actions	Action Owner	Target Date
<p>33. Consider the following sources of better practice and compare these to the City on a timely basis.</p> <ul style="list-style-type: none">Auditor General tabled reports in all jurisdictions of AustraliaRisk Management Institute of AustralasiaAustralian Institute of Company DirectorsGovernance Institute of Australia	<p>OAG reports to be reviewed as part of ongoing risk management planning</p>	<p>New Governance and Risk role, subject to Annual Budget</p>	<p>Ongoing</p>

8. OTHER

8.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Australia (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

8.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- Other than use by you for the purpose, our report cannot be issued, accessed, or relied upon by any third party without our prior written approval. Furthermore, neither the report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form, and context in which it is proposed to be released. We reserve the right to refuse to grant approval to issue the reporting to any other party.
- Our internal audit work was performed in accordance with the International Standards for the Professional Practice of Internal Auditing contained in the International Professional Practices Framework issued by the Institute of Internal Auditors. It did not constitute an audit or review in accordance with standards issued by the Auditing and Assurance Standards Board and accordingly no such assurance under those standards is provided in this report.
- The matters raised in this report are only those which came to our attention while performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the client. The Internal Audit findings expressed in this report have been formed on the above basis.
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

8.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

8.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.

APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING

Rating	Definition	Guidance	Action required
High	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.	<ul style="list-style-type: none"> Material errors and departures from the organisation’s policies and procedures. Financial management / accountability / probity concerns. Non-compliance with governing legislation and regulations may result in fines or other penalties. Collective impact of many moderate or low issues. 	<ul style="list-style-type: none"> Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance. A detailed plan of action to be approved by Management with resolution within 30 days.
Medium	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.	<ul style="list-style-type: none"> Events, operational, business, and financial risks could expose the organisation to losses could be marginally material to the organisation. Departures from best practice management procedures, processes. 	<ul style="list-style-type: none"> Requires substantial management intervention and may require possible external assistance. Timeframe for action is subject to competing priorities and cost benefit analysis but should not exceed 3 months.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> Events, operational and business risks could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation, and regulatory compliance. Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks. 	<ul style="list-style-type: none"> Requires management attention and possible use of external resources. Minor treatment is desirable. Action should be completed within 6 months.

APPENDIX 2: CITY OF NEDLANDS RISK MANAGEMENT SURVEY

Background

Risk is a part of our every-day personal and professional lives. Risks are identified, prioritized, considered, and managed by people in their personal lives, and organisations in a more formalised way.

As part of its governance framework, The City of Nedlands ("the City") has a risk management function. The role of risk management is to identify and manage risks within the City Risk Appetite and Tolerance Levels, to maintain systems to facilitate this, and to monitor and report the activities to the Executive Leadership Team, Audit, Finance and Risk Committee, and Board.

The objective of the Risk Management Survey is to understand the extent of understanding within the organisation on the roles and responsibilities and activities of risk management.

The results of the Risk Management Survey will be presented to the Board and Audit, Finance and Risk Committee, to improve the risk management function within the City.

Instructions

The survey has 10 questions which you are asked to complete.

We kindly request everyone to complete all of the questions in the survey by **TBA**.

The survey is expected to take 5 minutes to complete.

The respondents to the survey are anonymous. For respondents who would like to identify themselves so that follow up discussions can be held then there is an option to provide your details.

If you have any questions prior to or when completing the survey, you can contact the following:

Name: **TBA**

Position: **TBA**

Organisation: **TBA**

Work: **TBA**

Mobile: **TBA**

Work Email: **TBA**

Survey Questions

- 1) **Do you understand what constitutes risk management within the City?**
 - a) Yes
 - b) No
 - c) I'm not sure
- 2) **Does the City have an Officer responsible for risk management activities with the organisation?**
 - a) Yes, CEO
 - b) Yes, Principal Legal Counsel & Legal Manager
 - c) Yes, HR Manager
 - d) Yes, Director Corporate Services
 - e) No
 - f) I am not sure
- 3) **Do you know what is the City of Nedlands Risk Appetite and/ or Risk Tolerance for your decision making**
 - a) Yes
 - b) No
 - c) I am not sure
- 4) **Do you believe you make City decisions in accordance with this risk appetite and/or tolerance?**
 - a) Yes, I believe I understand what it is and operate within in it.
 - d) Yes, I believe I understand what it is, however I operate outside of this.
 - e) No, I don't know what it is.
 - f) I am not sure.

APPENDIX 2: CITY OF NEDLANDS RISK MANAGEMENT SURVEY (CONT.)

Survey Questions (continued)

- 5) Do you believe the City have Risk Management Policy and Procedures in place?

a) Yes

b) No

c) I'm not sure
- 6) Have you received any risk management awareness programs, training, newsletters, publications arranged by the City?

a) Yes, Less than three months ago

b) Yes, More than three months ago but less than six months ago

c) Yes, More than six months ago

d) Yes, More than 12 months ago

e) No never received risk management awareness programs or training at SP
- 7) Do you know who to report a risk to within the City?

a) Yes, Line Manager

b) Yes, Principal Legal Counsel and Legal Manager

c) Yes, CEO

d) Yes, Director Corporate Services

e) Yes, HR Manager

f) No
- 8) Do you know how to report suspected occupational health and safety risks?

a) Yes, Line Manager

b) Yes, Principal Legal Counsel and Legal Manager

c) Yes, CEO

d) Yes, Director Corporate Services

e) Yes, HR Manager

f) No

- 9) Do you believe risks are identified and managed appropriately within he City?

a) Yes

b) No

c) I'm not sure

10) Do you have any additional comments? If please provide them below.

We would appreciate any comments and/ or feedback on risk management at Southern Ports and invite you to provide these below.

(free text)

THANK YOU FOR TAKING THE TIME TO PARTICIPATE IN THIS SURVEY

Participant Details

Name (optional):

Branch (optional):

Location (optional):

Contact details (optional):

CONTACT US

Moore Australia (WA)

Level 15, 2 The Esplanade,
Perth WA 6000

T +61 8 9225 5355

F +61 8 9225 6181



HELPING YOU THRIVE IN A CHANGING WORLD

9.3 ARC19.10.22 – Internal Audit – Effectiveness of the Audit and Risk Committee

Meeting & Date	Audit and Risk Committee – 17 October 2022
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Report Author	Michael Cole – Director Corporate Services
Director/CEO	Michael Cole – Director Corporate Services
Attachments	2. Internal Report – Effectiveness of Audit and Risk Committee – Moore Australia

Purpose

This report provides the findings and recommendations from the internal audit on the effectiveness of the Audit and Risk Committee conducted by Moore Australia. Feedback on the findings and proposed actions is now sought from the Audit and Risk Committee.

Recommendation

The Audit and Risk Committee receives the report and notes the findings, recommendations of the Audit and the management comments.

Voting Requirement

Simple Majority

Background

Moore Australia as the City's appointed Internal Auditors conducted a review of the effectiveness of the Audit and Risk Committee. Moore's audit was conducted with input from City personnel.

This internal audit is part of the program of internal audits agreed by the Audit and Risk Committee. In a separate report to the Audit and Risk Committee it is proposed to amend the tasks of the Committee to include a review at least annually of the performance of the Audit and Risk Committee.

The attached report contains details of the findings, issues raised, recommendations, management comments and proposed actions.

Discussion

The review identified a number of opportunities for improvement and management responses on behalf of the Committee have been prepared. The findings, recommendations and proposed actions are presented to the Committee for their consideration and feedback.

Consultation

Over the period of the audit, City staff members were interviewed and consulted with by the Moore Australia audit team. The findings and recommendation have been discussed with the Presiding Member and is now before the Audit and Risk Committee for their feedback.

Strategic Implications

This item relates to the following elements from the City's Strategic Community Plan.

Vision Our city will be an environmentally-sensitive, beautiful and inclusive place.

Values **Great Governance and Civic Leadership**
We value our Council's quality decision-making, effective and innovative leadership, transparency, accountability, equity, integrity and wise stewardship of the community's assets and resources. We have an involved community and collaborate with others, valuing respectful debate and deliberation.

Budget/Financial Implications

The annual budget includes provision to address the recommendations arising in this report.

Legislative and Policy Implications

This Committee is established by Council in accordance with the Local Government Act 1995, part 7, to assist the Council under Regulation 16 of the Local Government (Audit) Regulations 1995.

Decision Implications

Should the recommendations be endorsed, administration will implement actions as outlined in report.

Conclusion

The audit findings, with management comments, is presented to the Audit and Risk Committee for their information and further discussion.

Further Information

N/A

INTERNAL AUDIT REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND RISK COMMITTEE

City of Nedlands

16 August 2022





TABLE OF CONTENTS

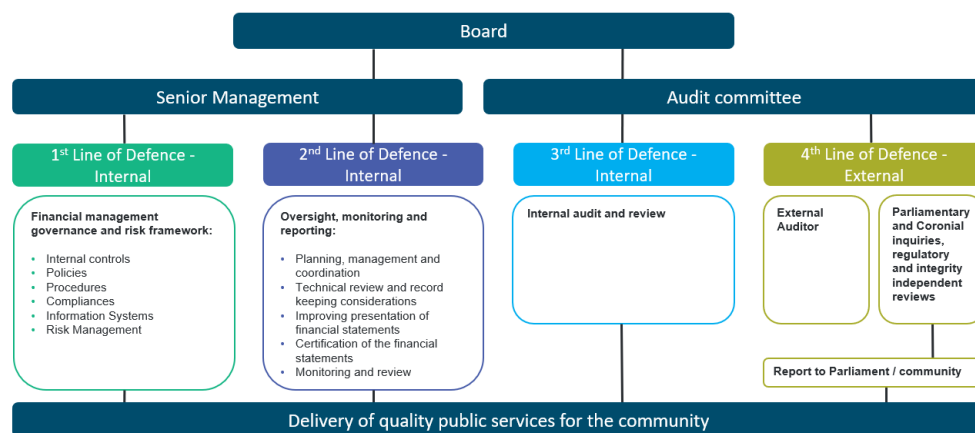
1. EXECUTIVE SUMMARY	3
2. SCOPE AND APPROACH	7
3. OBSERVATIONS AND RECOMMENDATIONS.....	8
4. OTHER.....	24
APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING	25
APPENDIX 2: KEY PERSONNEL CONTACTED	Error! Bookmark not defined.



1.EXECUTIVE SUMMARY

1.1. Context

The Audit, Risk and Compliance Committee is critical for the effective delivery of the third and fourth lines of defence in the Four Lines of Defence Model set out in the diagram below.



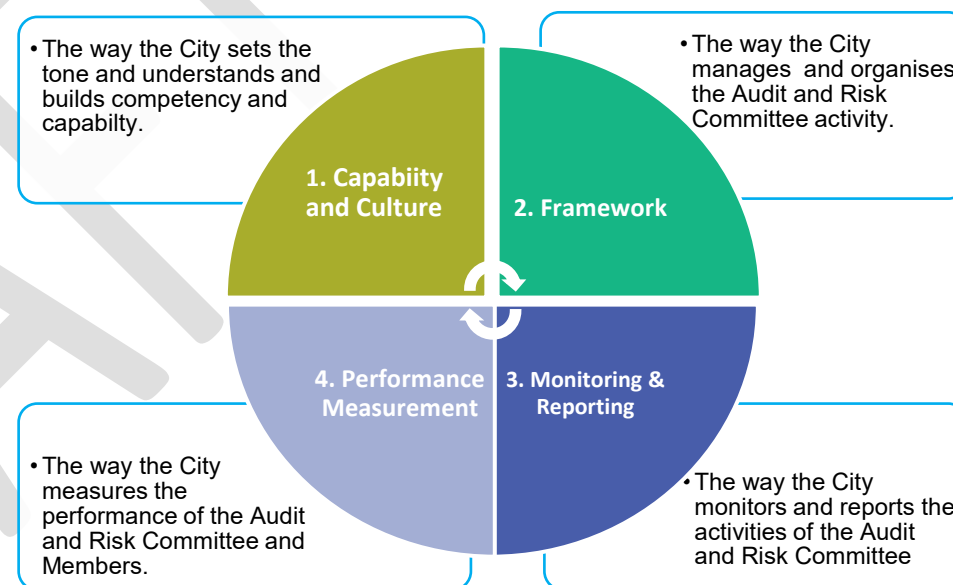
Moore Australia (WA) Pty Ltd ("Moore Australia") performed the internal audit in line with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia Internal Audit Methodology. This report presents our observations and recommendations arising from the internal audit performed. These observations and recommendations are presented, together with management's comments, in [Section 3 Observations and Recommendations](#), and summarised below.

1.2. Overall Findings

We found there is a lack of a formalised documented Audit and Risk Committee documentation to support their efficient and effective activities. There were opportunities to improve the Culture and Capability and Framework. There was a lack of monitoring the elements of the role and responsibilities within the Terms of Reference, and activities of the Audit and Risk Committee activities to Council. We found a lack of proactive assessment of the efficiency and effectiveness performance of the Audit and Risk Committee, outside of this internal audit engagement.

1.3. Approach

Moore Australia has used the following model to assess the effectiveness of the Audit and Risk Committee. The findings and recommendations are presented in this format.





1. EXECUTIVE SUMMARY (CONT.)

1.4. Summary of Results

There are four areas where we assessed the City Audit and Risk Committee function. These areas included: 1. Culture and Capability, 2. Framework, 3. Monitoring and Reporting and 4. Performance Measurement. A summary of the enhancement opportunities against our view of the priority they may be given are identified in the below table. The results of our fieldwork are summarised in the table below and detailed in Section 3 – Observations and Recommendations of this report.

Risk Rating	Summary of Findings				Recommendations
	Total	High	Medium	Low	Total
Culture and Capacity	6	0	3	3	1 to 8
Framework	4	0	2	2	9 to 12
Reporting	2	0	2	0	13 to 17
Performance Measurement	3	0	1	2	18 to 21
Total	15	0	8	7	21

We have assigned, and agreed with Management, priority ratings for each observation based on the *Key to Significance of Risk Rating* included in [Appendix 1](#).

1.5. Related Internal Audits

We are not aware of any previous internal or external reviews of the effectiveness of the Audit and Risk Committee. Some of the results were included in the Risk Management internal audit engagement and we have referenced these where relevant.

1.5 Acknowledgement

We would like to thank Management and Staff for the assistance that has been extended during the engagement. Key personnel contracted are outlined in [Appendix 2](#).

1.6 Limitation of Scope

Our work was limited by the following:

- The scope of work for this engagement as approved by the Acting Executive Director Corporate Services in our Statement of Scope signed on 29 July 2022.
- Due to the inherent limitations of any internal control structure, we do not warrant that all weaknesses, fraud, error, or non-compliance in your control structures were detected during the course of the engagement.
- Any testing under the engagement is performed on a sample basis and is not conducted continuously.
- Any projections as to the assessment of activities in future periods are subject to the risk that the structures may become inadequate as a result of changes in conditions, or that the degree of compliance with them may deteriorate.
- We conducted appropriate tests of a sample of activities within our scope. Our findings only relate to the period of testing undertaken during our review and cannot be relied upon to be representative of the operation of procedures prior to or after this period.



1. EXECUTIVE SUMMARY (CONT.)

1.6. Summary of Results (continued)

Category	Finding	Risk Rating
Culture and Capability	1. Resources - There is no evidence of regular review of the resourcing of the Audit and Risk Committee Secretariat function. A regular review may identify where additional resources may be required to ensure if they are meeting expectations of the Audit and Risk Committee, good governance, and better practice principles. If Management adopts any of the improvement opportunities within this report it may increase the workload and resourcing may need to be considered.	Low
	2. Membership – One (1) of the current Audit and Risk Committee members have been on the Council since 2011 and specifically on the Audit and Risk Committee since 2017, and as Chair of the Audit and Risk Committee since 2019. Two (2) of the Audit and Risk Committee members have also been on for two (2) terms. It is good governance to rotate the members to provide encourage fresh thinking and new perspectives and to challenge the status quo. There is currently no Non-Councillor member on the Audit and Risk Committee as referred to in the Terms of Reference. It is good governance to have a Non-Councillor Member who provides an independent view to Council Members.	Low
	3. Audit and Risk Committee Member Contracts - There is currently no contract or agreement with members for their membership on the Audit and Risk Committee. A basic contract or memorandum of understanding may help to identify the role and responsibilities expectations for each party for the position.	Low
	4.Skills and Competence - There has been no consideration of the collective skills and composition of the Audit and Risk Committee in recent times. The Audit and Risk Committee as a collective is required to have the necessary skills and experience to perform the role efficiently and effectively. Where gaps are identified additional resources or experts can be attained or training provided.	Medium
	5.Calendar, Work Plan and Budget - There is no Calendar, Annual Work Plan or Budget which identifies the planned activities to demonstrate that an effective function is in place and to ensure that all deadlines are achieved on a timely basis and within budget.	Medium
	6.Induction and Training - There is no formal induction and regular training of the Audit and Risk Committee Members in relation their role and responsibilities. The Councillors are invited to attend Council induction training, however there is no monitoring that any of this training has been performed. There has been no assessment or survey of the training needs to inform the Training Calendar.	Medium
Framework	7. Terms of Reference - The Audit and Risk Committee Terms of Reference does not include many good governance and better practice principles. It has also not been documented as approved by Council. There are errors within the Terms of Reference as it refers to the appointment of the external auditor when this is now a legislative mandate of the Auditor General and has been for many years.	Medium



	8. External Auditor and Internal Auditor -There is no “in camera” meeting with the external or internal auditors for them to raise matters with the Audit and Risk Committee without Management present. This can improve the efficiency and effectiveness of the external and internal audit functions.	Low
	9. Internal Audit Terms of Reference Charter –There is no Internal Audit Terms of Reference which may assist to improve the efficiency and effectiveness of the internal audit function. There could be greater clarity as to how the internal auditors report directly to the Audit and Risk Committee to preserve their independence.	Low
	10.Assurance Mapping - There is no Assurance Map within the City. An Assurance Map identifies the assurance activities and any gaps in coverage/ over assurance against strategic risks/ risks to Strategic Objectives. It can also provide a view on the cost of controls if assurance is mapped against key controls. These gaps in assurance activities can then be incorporated into the Strategic Internal Audit Plan.	Medium
Reporting	11.Council Reporting - No current reporting of the Audit and Risk Committee activities, emerging risk and opportunities to Council. The Terms of Reference is not explicit as to how the reporting mechanism is with the Council.	Medium
	12.Audit and Risk Committee Reporting – A comprehensive Regulation 17 Review has not been performed in recent times as required by the Local Government Audit Regulation 17. The last Regulation 17 Review was in Moore Australia opinion not considered comprehensive to meet the legislative requirements. The next Regulation 17 was due in 2021. The Financial Management Regulation 5 2c) was last performed in 2018. The current review was due in 2021. The two reviews were both due in 2021 however they were deferred by Management to 2022 due to resourcing. These reviews are required by legislation to be performed every 3 years and reported by the Chief Executive Officer to the Audit and Risk Committee, and then to Council. This is non-compliance with legislation. Further to this, the Financial Management Review and Regulation 17 Review recommendations are not included within the Audit Log which are monitored and reported by the Audit and Risk Committee.	Medium
Performance Measurement	13. Compliance with Terms of Reference - Lack of review of adherence to the Committee Terms of Reference or policies to understand the level of compliance or reviews and audits. There are elements of the Terms of Reference which may be considered as not comprehensively fulfilling the Terms of Reference. This relates to the financial reporting, risk management, legislative compliance, and internal controls.	Medium
	14.Performance Indicators - There are no performance indicators to measure the performance of the Audit and Risk Committee and individual Members. Key performance indicators can be used as a way to set expectations, measure and compare performance over time.	Low
	15.Surveys or Self Assessments - Surveys are not conducted of select Audit and Risk Committee Members, Management, Staff, to gauge feedback on the performance of the current Audit and Risk Committee. There also has not been any self- assessments performed on the effectiveness of the Audit and Risk Committee.	Low



2.SCOPE AND APPROACH

2.1. Objective and Scope

The objective is to assess the adequacy and effectiveness of the City ARC and their alignment with legislation and better practice principles and Office of the Auditor General (OAG).

The scope of this internal audit engagement includes the following:

- Extent of the City's compliance with Legislation
- Extent of the City's compliance with the ARC Terms of Reference
- Extent of the City's consideration of better practice principles;
- Any opportunities for improvement and efficiency in processes, compliance, monitoring or otherwise.

Moore Australia performed the review and has identified some areas which the Board and Committee may wish to consider.

Some of these may be more fit for size and purpose in a larger organisation with more resources and budget however Moore Australia has included these opportunities, as this report can be referred to in the future where there may be more opportunities for implementation.

2.2. Approach

The review is to be conducted primarily by applying discussion, observation, and review techniques, concentrating on:

- Hold entrance meeting with Management
- Review documentation and performance of process walkthroughs with staff;
- High-level review of practices within financial year 2022 to identify the extent to which Legislation, Terms of Reference, and better practice principles are applied in the City.
- Prepare a draft report for Management review and comment
- Prepare and issue a final report for the Audit and Risk Committee
- Attend the Audit and Risk Committee to present our report and to answer questions.



3.OBSERVATIONS AND RECOMMENDATIONS

Capability and Culture

The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour			Rating
Finding 1.	Resources		Low
<p>The current resource for Audit and Risk Committee Secretariat is the Executive Officer which is currently being transferred to the Personal Assistant for the Director of Corporate Services. They prepare the agenda papers, prepare minutes, and organise the Audit and Risk Committee calendar for the year.</p> <p>There is no evidence of regular review of the resourcing of the Audit and Committee Secretariat function. A regular review may identify where additional resources may be required to ensure if they are meeting expectations of the Audit and Risk Committee, good governance and better practice principles. If Management adopts any of the improvement opportunities within this report it may increase the workload and resourcing may need to be considered.</p> <p>We are not suggesting the current resourcing is not sufficient for the role, but suggesting continuous monitoring is important to assist with an efficient and effective Audit and Risk Committee. There is also no suggestion this has to be the only activity for the resource. They can be performed with other functions which are not in conflict with these activities.</p> <p>Implication</p> <p>Audit and Risk Committee Secretariat function may be ineffective without it being sufficiently resourced.</p>			
Management Comment			
Current resourcing is considered sufficient. The City is in the process to recruiting a new position of Coordinator Governance and Risk as identified in the Organisation Review and Workforce Plan. This role will report to the CEO and maintain independence from the Corporate Services directorate.			
Recommendations	Agreed Action	Action Owner	Target Date
1. Consider the resourcing of the Audit and Risk Committee Secretariat after considering the scope, findings, and recommendations from this internal audit engagement, and on a regular basis.	No action proposed as resourcing considered sufficient by Management. Management will continue to monitor in case additional resources are required.	Not applicable.	



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Capability and Culture

The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour

Rating

Finding 2. Membership

Medium

The composition of the Audit and Risk Committee members are set out in the Local Government Act and the City's approved Terms of Reference.

The current Audit and Risk Committee members were appointed in October 2021.

The membership of the ARC over the recent years is as follows per the City registers maintained by the City are set out below:

Years	Mayor	Chair	Coastal Councillor	Dalkeith Councillor	Hollywood Councillor	Melvista Councillor
2017-2019	Hipkins	Argyle	McManus	Argyle	Hodson	Hay
2019-2021	De Lacy	McManus	McManus	Mangano	Poliwka	Senitharajah
2021-2023	Argyle	McManus	McManus	Mangano	Combes	Senitharajah

One member (Councillor McManus) has been on Council since 2011 and on the Audit and Risk Committee for three terms being 2017, 2019 and 2021 and as Chair since 2019. Further to this there are two (2) members (Councillor Mangano and Councillor Senitharajah) who have been on the Committee for two terms, 2019 and 2021. It is good governance to have a rotation of the Members to encourage fresh thinking and new perspectives and to challenge the status quo, however this has to be managed in relation to the overall skills and competencies of the Council and who is best placed to be on the Audit and Risk Committee to perform the roles and responsibilities. If Councillors have been on for a longer term which may be considered to impair their independence, then other safeguards can be implemented.

Non-Councillor Members may be considered to assist with convening the Audit and Risk Committee. The Council has approved in October 2021 to advertise and fill a Non-Councillor Member position and has advertised in the newspaper, on the City's website and on the notice boards at Administration, Nedlands Library and Mt Claremont Library on the 13 November 2021, 11 December 2021, and 9 April 2022. They have been unsuccessful in filling this position and therefore there is currently no Non Councillor position on the Audit and Risk Committee.

Implication

Lack of fresh thinking and challenges to the current approach and status quo.

Lack of rotation may also impact on the independence of the Committee.

Management Comment

Elected members are appointed following each ordinary local government elections. Current terms end in October 2023.

Several attempts to appoint an independent member have been made as noted above. Suggestion to approach CPA Australia and Chartered Accountants Aust are taken on board.



Recommendations	Agreed Action	Action Owner	Target Date
2. Consider the appointment of other Council Members who have not been on the Audit and Risk Committee after consideration of skills and experience.	Include this recommendation in the Council agenda when next appointments to the Committee are considered. Note - current terms expire October 2023.	Coordinator and Risk Governance	October 2023
3. Continue efforts to fill the Non-Councillor Audit and Risk Committee Member by considering alternative methods of filling the vacancy such as contacting Chartered Accountants Australia and New Zealand, CPA Australia, Governance Institute of Australia, and / or WALGA.	Agreed, will reach out to CPA Australia and Chartered Accountants Australia	Director Services Corporate	September 2022

3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Capability and Culture

The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour				Rating
Finding 3.	Audit Committee Members Contracts or Memorandum of Understanding			Low
<p>There is currently no contract or memorandum of understanding with Audit and Risk Committee Members relating to their membership on the Audit and Risk Committee. A basic contract may help to identify the expectations for each party for the position.</p> <p>Implication</p> <p>There is a risk Audit and Risk Committee Members may not fully understand the expectations of the role prior to appointment.</p>				
Management Comment				
A contract is not considered necessary. A review of the terms of reference should address this finding.				
Recommendations	Agreed Action	Action Owner		Target Date
4. Consider documenting the appointment of the Council Members and Non-Council Members on the Audit and Risk Committee in a contract or memorandum of understanding so that role, responsibilities, reimbursement of expenses are clear and understood.	Review terms of reference to address this finding	Coordinator and Risk	Governance	January 2023



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Capability and Culture

The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour			Rating	
Finding 4.	Skills and Competence	Medium		
<p>The Audit and Risk Committee as a collective is required to have the necessary skills and experience to perform the role efficiently and effectively. Where gaps are identified additional resources or experts can be attained and training can be provided.</p> <p>There has not been a recent consideration of the skills and composition of the Audit and Risk Committee. We acknowledge the skills are identified when Councillors provide their profiles for advertising their position on Council, and when the Council Members were appointed but this is not for the purpose of assessing the skills and experience of the Audit and Risk Committee. Understanding skills and experience will assist to determine gaps and where the skills of the Non-Councillor Member may be required, when experts may be required or where training may be provided.</p> <p>Experts can be used to assist the Audit and Risk Committee with activities where they don't have the requisite skills and experience. Experts can assist particularly with information technology or security, financial reporting, and risk management. If no experts are required, then this can be documented.</p> <p>Implication</p> <p>The Audit and Risk Committee may not have the collective skills and experience to perform the role efficiently and effectively and not know where Non-Councillors may be required or training provided.</p>				
Management Comment				
Agreed. A skills and competence assessment will be undertaken to identify training requirements.				
Recommendations		Agreed Action	Action Owner	Target Date
5. Perform a skills and experience matrix for the Audit and Risk Committee, identify any gaps and use this to inform the Non Councillor member or the need for an expert to be used to assist the activities of the Audit and Risk Committee or training to be provided.		Undertake skills and experience assessment of committee members.	Coordinator Governance and Risk	January 2023



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Capability and Culture

The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour				Rating	
Finding 5.	Calendar, Work Plan and Budget			Low	
<p>The Audit and Risk Committee activities should be timetabled, planned, coordinated, and budgeted and actual activities compared to planned and/ or budgeted.</p> <p>An Annual Work Plan is a timetable of the activities of the Audit and Risk Committee, so no role or responsibility is overlooked.</p> <p>An Annual Calendar is a timetable when the Agenda Papers are expected to be discussed at an Audit and Risk Committee meeting so that expectations can be set and adequate time be allowed in the Agenda.</p> <p>A budget is suggested for an Audit and Risk Committee so that training can be provided, experts can be appointed, and allowances can be paid in accordance with Salaries and Allowances Tribunal and other legislative requirements. The budget may also include the internal audit services.</p> <p>There is currently no Audit and Risk Committee Calendar, Annual Work Plan or Budget which has outcomes and activities identified, prioritised, performed with the status reported to Management. There is a risk the Audit and Risk Committee activities are not performed as expected by the Audit and Risk Committee and they may not be balanced with other work priorities of the Committee Secretariat.</p> <p>Implication</p> <p>An effective Audit and Risk Committee performing their roles in accordance with the Legislation and Terms of Reference may not implemented, and deadlines may not be achieved on a timely basis.</p>					
Management Comment					
A calendar and work plan have not been considered to date. Meetings have been scheduled in advance to meet expected timing of statutory requirements, ie annual financials, meet auditors etc and to receive internal audit reports and quarterly ERP updates.					
Recommendations		Agreed Action		Action Owner	Target Date
6. Develop and maintain an Audit and Risk Committee Calendar, Annual Work Plan and Budget to improve the efficiency and effectiveness of the Audit and Risk Committee.		Calendar to be developed		Coordinator Governance and Risk	March 2023



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Capability and Culture

The ability and capacity of staff, tone, commitment education and awareness, established norms of behaviour				Rating	
Finding 6.	Induction and Training			Low	
Formal training is essential to ensure all Audit and Risk Committee Members understands their role and responsibilities in accordance with the Legislation and approved Terms of Reference.					
There is no formal induction and regular training of the Audit and Risk Committee Members. Council Members are invited to attend induction sessions when they are appointed but there is no formal mechanism to monitor if they have attended this training. Three has been no specific training offered to Audit and Risk Committee members to perform their role and responsibility.					
There is also no formal Training Calendar for Audit and Risk Committee Members. There has been no assessment or survey of the training needs to inform a Training Calendar. There is no retention of training material for quality review or audit purposes. There is no records maintained of training which has been attended by Audit and Risk Committee Members.					
Implication					
Audit and Risk Committee Members may not be aware of their role or responsibilities or be capable to perform their position as a Member of the Audit and Risk Committee.					
Management Comment					
Management agrees training is essential for Committee members.					
Recommendations		Agreed Action		Action Owner	Target Date
7. Develop, maintain, and implement a Training Program for Audit and Risk Committee Members at induction and at regular intervals.		Training program to be developed in time for election of new Committee members.		Coordinator and Risk Governance	October 2023
8. Retain training material for all training for quality review and audit purposes and attendance records at Audit and Risk Committee training sessions.		Record of training to be maintained.		Coordinator and Risk Governance	October 2023



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Framework

To assist an organisation in integrating audit, risk management and compliance into significant activities and functions. The key parts of a framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around leadership and commitment.

Finding 7.	Terms of Reference	High
<p>The current Audit and Risk Committee Terms of Reference does not reflect better practice principles and key good governance elements. A contemporary and effective Audit and Risk Committee should have a contemporary Terms of Reference. There is a lot of reference material for Audit and Risk Committees which can be used as a source.</p> <p>There is also inaccuracies within them. The Terms of Reference refers to the appointment of the local government auditor. The Auditor General is the legislative mandated auditor and therefore the City does not select the auditor. This is considered out of date as the Auditor General has been the local government auditor for a few years now.</p> <p>Further to this, the Audit and Risk Committee Terms of Reference has not been documented as approved by the Council.</p> <p>Implications</p> <p>Sound governance reflecting better practice principles for the Committee may not be implemented if it is not explicit within the Terms of Reference.</p>		

Management Comment

The terms of reference are due to be reviewed in time for the appointment of the next committee in October 2023.

Recommendations	Agreed Action	Action Owner	Target Date
9. Review the Terms of Reference to achieve a contemporary version which meets legislative compliance requirements and aligned to better practice principles.	Review terms of reference – input from Moore will be sought to ensure ToR meet better practice and good governance.	Coordinator Governance and Risk	May 2023



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Framework

To assist an organisation in integrating audit, risk management and compliance into significant activities and functions. The key parts of a framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around leadership and commitment.

Rating

Finding 8. External Auditor and Internal Auditor

Low

A key stakeholder for the Audit and Risk Committee is the external auditors and internal auditors. It is better practice for the Audit and Risk Committee to meet in camera with them individually on a regular basis to ensure they are receiving full and free access to Management and information and that they are able to performed their role efficiently and effectively.

The City's Audit and Risk Committee does not meet "in-camera" with the external auditors or internal auditors. There is no opportunity offered to them to raise any matters with the Audit and Risk Committee.

Implications

- Matters may not be raised by the external and internal auditors with the Audit and Risk Committee on a timely basis.

Management Comment

Agreed. It's important for committee to be allowed to meet in camera with external and internal auditors.

Recommendations

Agreed Action

Action Owner

Target Date

10. The Audit and Risk Committee regularly have an in-camera session with the external and internal auditors to receive confirmation they have had full and free access to Management and information and identify matters which need attention.

Include "in camera" opportunity in all future ARC agendas.

Coordinator and Risk Governance

September 2022



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Framework

To assist an organisation in integrating audit, risk management and compliance into significant activities and functions. The key parts of a framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around leadership and commitment.				Rating
Finding 9.	Internal Audit Terms of Reference			Low
<p>An internal audit function is effective when there is clarity around the resourcing, independence, role, responsibility, reporting lines, and performance measures.</p> <p>There is currently no Internal Audit Terms of Reference which guides the outsourced internal audit function. There is limited information within the Audit and Risk Committee Terms of Reference.</p> <p>Currently the internal audit function liaises with the Director of Corporate Services as the key contact. This arrangement is working very well and there is significant, and timely assistance provided to the internal auditors. There may be a perception however of impairing the independence of the internal auditors by liaising with this position. As this position has significant responsibility within the organisation, and responsible area of many of the internal audits, there could be a risk the findings and recommendations are diluted.</p> <p>An Internal Audit Terms of Reference may improve the clarity over the roles and responsibilities and maintenance of independence.</p> <p>Implications</p> <p>Lack of clarity on the role and responsibility may lead to inefficient, ineffective or inability to access value for money.</p>				
Management Comment				
An internal audit terms of reference has not been considered to date. The current internal audit program includes a scope of works and management will work with Moore to address how this can be improved.				
Recommendations	Agreed Action	Action Owner		Target Date
11. Develop, maintain, and implement an Internal Audit Service Charter for the City which includes but is not limited to the roles, responsibilities, budget, reporting lines, regularity of reporting, meetings, approach, methodology, performance measures etc.	Review current and future scope of work for internal audit to address this finding.	Coordinator and Risk	Governance	March 2023



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Framework

To assist an organisation in integrating audit, risk management and compliance into significant activities and functions. The key parts of a framework is Integration, Design, Implementation, Evaluation, Improvement which is centred around leadership and commitment.

Rating

Finding 10. Assurance Mapping

Low

An Assurance Map identifies the assurance activities and any gaps in coverage/ over assurance against strategic risks/ risks to Strategic Plans. It can also provide a view on the cost of controls if assurance is mapped against key controls. It is a technique which enables a visual representation of assurance activities as they apply to a specific set of risks or compliance requirements facing the City. It can be used to map out detailed compliance requirements or to map out the top risks of the City. Activities are then documented to cover/ mitigate all areas identified. It is valuable to have the assurance provided and documented in relation to the four lines of defence. These are:

- the assurances gained from Management (i.e. that designed controls are being implemented on a day-to-day basis) (first line)
- the assurances gained from the Risk Management and compliance function (second line)
- and the Internal Audit function (third line)
- and the External Audit function or independent reviewer function (fourth line)

There is no Assurance Map within the City which is overseen by the Audit and Risk Committee. The Assurance Plan should be used as a key document to inform the Strategic Internal Audit Plan, and what internal audit topics should be performed as part of that Strategic Internal Audit Plan.

Implications

There is a risk some areas are over-audited and some are under-audited.

Management Comment

An assurance map has not been envisaged to date. An assurance plan will be developed with input from Moore.

Recommendations

Agreed Action

Action Owner

Target Date

12. Develop, maintain and implement an Assurance Map to inform the Strategic Internal Audit Plan.

Develop an Assurance Map

Coordinator Governance
and Risk

March 2023



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Reporting

Enhances the quality of dialogue with stakeholders and support Management and oversight bodies in meeting their responsibilities.			Rating
Finding 11.	Council Reporting		Medium
<p>We believe it is good governance for the Council to receive a regular paper at their Council meetings which summarise the Audit and Risk Committee's activities and to discuss current, new, emerging risks, status of the Audit and Risk Committee's Annual Work Plan and Calendar and approval of key policies, status of audits and compliance activities etc.</p> <p>The Council does not receive a formal reporting of the activities of the Audit and Risk Committee on a quarterly basis as required by the Audit and Risk Committee Terms of Reference.</p> <p>The Audit and Risk Committee are required to table the Local Government Audit Regulations 17 Review Report and Local Government Financial Management 5 2c) Report to Council every three years in accordance with this legislation. See Finding 12 for further details.</p> <p>Implications</p> <p>The Committee is not transparent and does not inform decision making by the Council.</p>			
Management Comment			
To date minutes of meetings of the Audit and Risk Committee has been considered sufficient reporting from the Committee to Council. A regular report will be developed with administrative support to be provided to the Chair of the Audit and Risk Committee.			
Recommendations	Agreed Action	Action Owner	Target Date
13. The Chair of the Audit and Risk Committee to provide a regular Agenda Paper to the Council Meeting to provide an update on Audit and Risk Committee activities, compliance reporting, emerging issues or risks, improvement in better practice principles	Develop regular reporting of activities of the Audit and Risk Committee to Council.	Coordinator Governance and Risk	March 2023



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Reporting

Enhances the quality of dialogue with stakeholders and support Management and oversight bodies in meeting their responsibilities.				Rating		
Finding 12.	Audit and Risk Committee Reporting			Medium		
<p>We believe it is good governance for the Audit and Risk Committee to receive a regular reporting on the key elements of the Terms of Reference to understand current, new, emerging risks and matters, current status of the Annual Work Plan, Calendar and approval of key policies. We believe it is also good governance to do a “deep dive” into higher risk areas or other activities on a rotational basis so that the Audit and Risk Committee has an increased understanding of the City.</p> <p>There is no comprehensive coordinated reporting to the Audit and Risk Committee of key elements of the Terms of Reference, deep dives of high and/or emerging risk areas or other areas on a rotational basis.</p> <p>The Audit and Risk Committee has not received a comprehensive Local Government Audit Regulation 17 review in the last 6 years. A high-level paper was provided to the Audit and Risk Committee in 2018 however Moore Australia considered his was not limited in scope and not comprehensive to meet the legislative requirements. The Financial Management Review was last performed in 2018. It was due in 2021 but was deferred by Management to 2022 due to lack of resourcing. These are legislative requirements, and they are required to be provided to the Audit and Risk Committee every three years and then to the Council.</p> <p>Further to this, the Regulation 17 and Financial Management Review recommendations are also not included in the Audit Log which is monitored and reported by the Audit and Risk Committee. This is a requirement of the Terms of Reference.</p> <p>Implications</p> <p>Audit and Risk matters are not transparent and does not inform decision making by the Audit and Risk Committee.</p>						
Management Comment						
<p>The role of the Audit and Risk Committee is evolving. Apart from including the Terms of Reference in the agenda papers, no review on the status of the Terms of Reference has been considered.</p> <p>The Audit Reg 17 Review and Financial Management Review are overdue. Moore have been contracted to undertake both.</p>						
Recommendations		Agreed Action		Action Owner	Target Date	
14. Perform increased oversight of risk management, internal controls and legislative compliance functions.		Audit Reg 17 functions, ie Risk Management, Internal Controls and Legislative Compliance to be included in items brought to the committee		Coordinator and Risk	Governance	Ongoing
15. Perform “deep dives” in high-risk and emerging risk areas and other areas on a rotational basis to increase understanding in those areas.		Reporting of high risk and emerging risks to be brought to Committee on a rotating basis		Coordinator and Risk	Governance	Ongoing
16. Seek the Local Government Audit Regulation 17 and Financial Management Regulation 5 2c) Review to be performed and reported to the Audit and Risk Committee and Council as soon as		These reviews have been contracted to Moore and will be brought to the Committee on completion		Director Services	Corporate	December 2022



possible to meet legislative compliance requirements. Ensure they are performed on a timely basis in future years.

3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Performance Measurement

Assessing the extent to which the actual performance meets/ exceeds expectations including compliance requirements.

Rating

Finding 13. Compliance with Terms of Reference

Medium

It is good governance to assess on a regular basis the extent of compliance with the approved Terms of Reference.

There is no evidence of a documented assessment of the compliance with the Audit and Risk Committee Terms of Reference. There may be a view that the oversight of financial reporting, risk management and internal controls is not being performed comprehensively to meet the objective of the Audit and Risk Committee.

Implications

Potential non-compliance with policy.

Management Comment

Management agrees.

Recommendations

Agreed Action

Action Owner

Target Date

17. Perform an assessment of the extent of compliance with the Audit and Risk Committee Terms of Reference.

Prepare a report on compliance with Terms of Reference

Director Services Corporate

December 2022

18. Consider the improvement opportunities identified in this report for implementation within the City.

Terms of reference to be reviewed at least every 2 years on appointment of new committee

Coordinator and Risk Governance

October 2023



3. OBSERVATIONS AND RECOMMENDATIONS

Performance Measurement

Assessing the extent to which the actual performance meets/ exceeds expectations including compliance requirements.			Rating
Finding 14.	Performance Indicators		Low
<p>The setting of performance indicators allows expected performance to be set and agreed and actual performance to be compared to expectations. These are also not included in the Terms of Reference, which has been recommended above.</p> <p>There are currently no performance indicators or measures for the Audit and Risk Committee or individual Members.</p> <p>Implications</p> <p>The Audit and Risk Committee may not meet expectations, be inefficient or ineffective.</p>			
Management Comment			
Management agrees to develop KPIs for the committee.			
Recommendations	Agreed Action	Action Owner	Target Date
19. Develop, maintain and implement key performance indicators to set expectations and to monitor and report actual versus KPI for the Audit and Risk Committee and individual Members.	Develop KPIs for Committee	Coordinator Governance and Risk	October 2023



3. OBSERVATIONS AND RECOMMENDATIONS

Performance Measurement

Assessing the extent to which the actual performance meets/ exceeds expectations including compliance requirements.				Rating
Finding 15. Survey and Self Assessments				Low
<p>A survey is a good way to seek the pulse of the City as to the confidence that people have in their role and responsibilities and their ability to perform their role.</p> <p>A survey of a selection of Council Members and Audit and Risk Committee Members has not been performed to assess the effectiveness of the Audit and Risk Committee and individual Members. Self-Assessments have also not been performed by the City of the effectiveness of the Audit and Risk Committee.</p> <p>Implications</p> <p>The Audit and Risk Committee may not be effective, efficient or supported by Management, staff, contractors and volunteers.</p>				
Management Comment				
A survey as part of this internal audit may have been appropriate. Will develop for future.				
Recommendations	Agreed Action		Action Owner	Target Date
20. Consider performing a survey of the Council and Audit and Risk Committee of the efficiency and effectiveness of the Audit and Risk Committee.	Develop survey to assess effectiveness of audit and risk committee		Coordinator Governance and Risk	June 2023



4. OTHER

4.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Australia (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

4.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- Other than use by you for the purpose, our report cannot be issued, accessed, or relied upon by any third party without our prior written approval. Furthermore, neither the report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form, and context in which it is proposed to be released. We reserve the right to refuse to grant approval to issue the reporting to any other party.
- Our internal audit work was performed in accordance with the International Standards for the Professional Practice of Internal Auditing contained in the International Professional Practices Framework issued by the Institute of Internal Auditors. It did not constitute an audit or review in accordance with standards issued by the Auditing and Assurance Standards Board and accordingly no such assurance under those standards is provided in this report.
- The matters raised in this report are only those which came to our attention while performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the client. The Internal Audit findings expressed in this report have been formed on the above basis.
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

4.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

4.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.



APPENDIX 1 - KEY TO SIGNIFICANCE OF RISK RATING

Rating	Definition	Guidance	Action required
High	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.	<ul style="list-style-type: none"> Material errors and departures from the organisation's policies and procedures. Financial management / accountability / probity concerns. Non-compliance with governing legislation and regulations may result in fines or other penalties. Collective impact of many moderate or low issues. 	<ul style="list-style-type: none"> Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance. A detailed plan of action to be approved by Management with resolution within 30 days.
Medium	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.	<ul style="list-style-type: none"> Events, operational, business, and financial risks could expose the organisation to losses could be marginally material to the organisation. Departures from best practice management procedures, processes. 	<ul style="list-style-type: none"> Requires substantial management intervention and may require possible external assistance. Timeframe for action is subject to competing priorities and cost benefit analysis but should not exceed 3 months.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> Events, operational and business risks could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation, and regulatory compliance. Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks. 	<ul style="list-style-type: none"> Requires management attention and possible use of external resources. Minor treatment is desirable. Action should be completed within 6 months.

APPENDIX 2 - KEY PERSONNEL CONTACTED

We would like to thank the following personnel for their assistance in the conduct of this internal audit.

Name	Role

DRAFT

DRAFT

CONTACT US

Moore Australia (WA)

Level 15, 2 The Esplanade,
Perth WA 6000

T +61 8 9225 5355

F +61 8 9225 6181

E perth@moore-australia.com.au

www.moore-australia.com.au



HELPING YOU THRIVE IN A CHANGING WORLD

10 Date of Next Meeting

The date of the next meeting of the Audit & Risk Committee Meeting will be on Monday, 21 November 2022 at 5.30pm.

11 Declaration of Closure

There being no further business, the Presiding Member will declare the meeting closed.