

Agenda

Audit & Risk Committee Meeting 21 November 2022

Notice of Meeting

To Mayor & Councillors

A Meeting of the Audit & Risk Committee of the City of Nedlands is to be held on 21 November 2022 in the Council chambers at 71 Stirling Highway Nedlands commencing at 5:30pm.

This meeting will be livestreamed - [Livestreaming Council & Committee Meetings » City of Nedlands](#)



Director Corporate Services
17 November 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.

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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 Cr Leo McManus
(Previously Approved)

Apologies None

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 – 17 October 2022

The Minutes of the Audit & Risk Committee Meeting 17 October 2022 are to be accepted as a true and correct record of that meeting.

9. Items for Discussion

9.1 ARC20.11.22 Review Findings – Code of Conduct and Complaints Handling Policy

Meeting & Date	Audit & Risk Committee – 21 November 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	<ol style="list-style-type: none"> 1. Confidential – Letter of advice on complaints policy 2. Confidential – Review table for Complaints Handling Policy and Code of Conduct

Purpose

Council has requested the Audit and Risk Committee consider if the City's complaints policy creates a risk by contributing to an unsafe workplace for Councillors and a defamation risk to the Council and the City. Independent professional advice was subsequently sought by the Committee.

Recommendation

That the Audit and Risk Committee:

1. notes the independent professional advice received; and
2. provides direction on action required to be taken.

Voting Requirement

Simple Majority

Background

Council has requested the Audit and Risk Committee consider if the City's complaints policy creates a risk by contributing to an unsafe workplace for Councillors and a defamation risk to the Council and the City.

At their meeting of 26 August 2022, the Audit and Risk Committee requested the Chief Executive Officer seek independent professional advice in relation to the City of Nedlands Complaint Handling policy for areas of discretion to aid the development of a revised policy which minimises risk to the City and Council.

Discussion

Civic Legal were engaged by the CEO to provide independent professional advice. The advice is contained in the confidential attachments to this report.

Mr A Quahe from Civic Legal will be attending the meeting and will be able to address any matters raised by the Committee.

Direction from the Committee is requested on any future action that is to be taken. Such action could include referring this item to a Concept Forum to consider any proposed amendments to the current policy.

Consultation

Not applicable.

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 in this report. Depending on the Committee's direction, legal advice may be required that can be funded from within existing resources.

Legislative and Policy Implications

Clause 15(2) of the [Local Government \(Model Code of Conduct\) Regulations 2021](#) and to determine the procedure for dealing with complaints.

Decision Implications

Subject to Committee's recommendation, further legal advice may be sought to clarify any concerns the Committee may raise.

Conclusion

Direction is requested from the Committee on further action required to be taken.

Further Information

Nil.

9.2 ARC21.11.22 Internal Audit Report – Effectiveness of the Audit and Risk Committee

Meeting & Date	Audit & Risk Committee – 21 November 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. Internal Audit – Effectiveness of the Audit Risk Committee

Purpose

This report provides the findings and recommendations from the audit of the Effectiveness of the Audit Risk Committee conducted by Moore Australia

Recommendation

The Audit and Risk Committee:

1. receives the report and notes the findings, recommendations of the Audit; and
2. notes and the management comments and agreed actions.

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. The draft findings and recommendations were raised with members of the Audit and Risk Committee before the report was finalised. The attached report contains details of the findings, issues raised, management comments and agreed actions.

Discussion

The final report contains the findings from Moore Australia together with management comments for each finding.

The audit findings are noted and were accepted agreed actions have been provided.

The report and its findings are presented to the Committee.

Consultation

Over the period of the audit, City staff members were interviewed and consulted with by the Moore Australia audit team. The draft report was presented to the Audit and Risk Committee meeting of 17 October with feedback from Committee members incorporated into the Management's responses.

Strategic Implications

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

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Budget/Financial Implications

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

Legislative and Policy Implications

Nil.

Decision Implications

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

Conclusion

The report, findings, recommendations and agreed actions are presented to the Audit and Risk Committee for noting. The Administration will implement all agreed actions as outlined in the report.

Further Information

Nil.



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

City of Nedlands

2 November 2022





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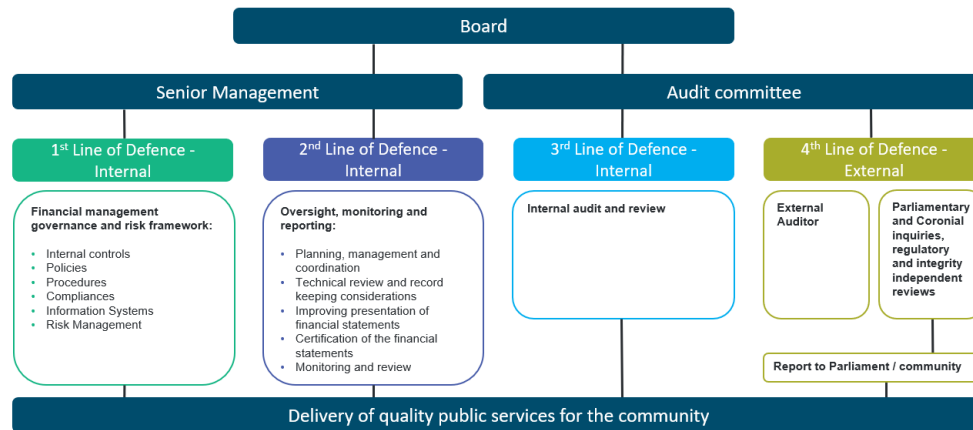
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1. EXECUTIVE SUMMARY

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.



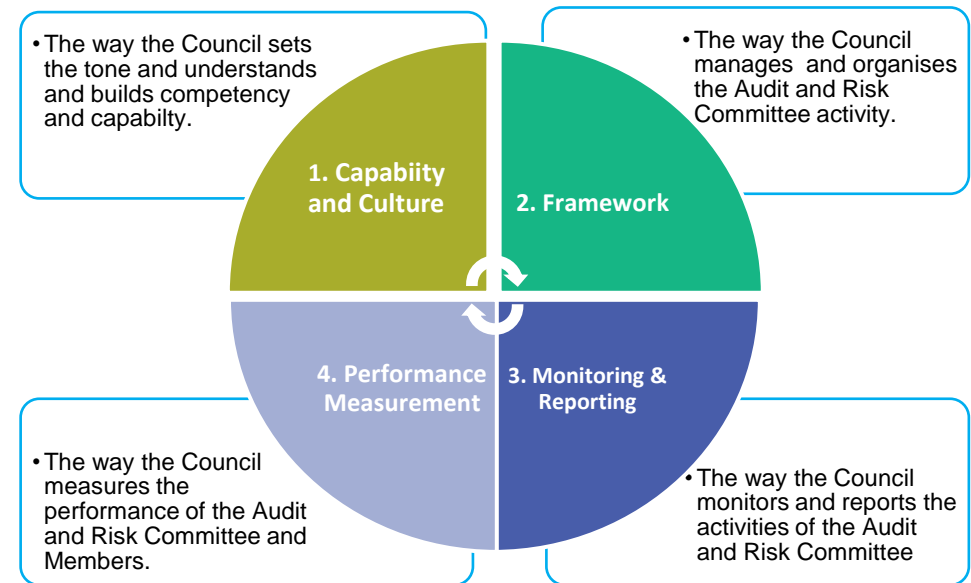
Moore Australia (WA) Pty Ltd (“Moore Australia”) performed the internal audit in line with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia Internal Audit Methodology. This report presents our observations and recommendations arising from the internal 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	5	0	3	2	1 to 7
Framework	4	0	2	2	8 to 11
Monitoring and Reporting	2	0	2	0	12 to 15
Performance Measurement	3	0	1	2	16 to 19
Total	14	0	8	6	19

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; and
- 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. 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
	4. 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
	5. 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	6. 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
	7. 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



1. EXECUTIVE SUMMARY (CONT.)

1.6. Summary of Results (continued)

Category	Finding	Risk Rating
Framework	8. 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
	9. 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
Monitoring and Reporting	10. 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
	11. 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	12. 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
	13. 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
	14. 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; and
- 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.

- Attend the Audit and Risk Committee to present our report and to answer questions.

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; and
- Prepare and issue a final report for the Audit and Risk Committee.



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			
<p>Current resourcing is considered sufficient. The City has completed the process for recruiting the 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. The Coordinator commences in January 2023.</p>			
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. Following the appointment of the Coordinator Governance and Risk resourcing is considered sufficient by Management.	Not applicable.	N/A



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.



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 (cont.)			Medium
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.	Not supported. The current Audit and Risk Committee members value experience of Councillors on the committee. The term of appointment of the Committee will lapse at the October 2023 Ordinary Council elections. Nominations will then be called for committee members post-election.	Coordinator Governance and Risk	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	November 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.	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			
The finding is noted. However, Elected Members are elected to Council and there is no skills or qualifications required.			
Recommendations	Agreed Action	Action Owner	Target Date
4. Perform a skills and experience matrix for the Audit and Risk Committee, identify any gaps and use this to inform the Non-Councillor member of the need for an expert to be used to assist the activities of the Audit and Risk Committee or training to be provided.	Committee members to be given opportunity to attend training suitable to the role on the Audit and Risk Committee. Given less than 12 months remains for the current of term of the Committee, this will be deferred until the next Committee is appointed following the October 2023 Ordinary Local Government Elections.	Coordinator and Risk Governance	November 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.	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			
<p>A Work Plan has not been considered to date. However, a calendar of meetings has been scheduled in advance to meet expected timing of statutory requirements, i.e. annual financials, meet auditors etc and to receive internal audit reports and quarterly ERP updates. These meetings are held quarterly.</p>			
Recommendations	Agreed Action	Action Owner	Target Date
5. 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.	Annual calendar and a schedule to be developed and shared with Audit and Risk Committee members.	Coordinator and Risk Governance	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 5. 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. There 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 relevant to the role of the Audit and Risk Committee should be offered to Committee members.

Recommendations	Agreed Action	Action Owner	Target Date
6. 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	November 2023
7. 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	November 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 6. Terms of Reference

High

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.

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.

Further to this, the Audit and Risk Committee Terms of Reference has not been documented as approved by the Council.

Implications

Sound governance reflecting better practice principles for the Committee may not be implemented if it is not explicit within the Terms of Reference.

Management Comment

The terms of reference have been updated and endorsed by Council – (Oct 2022 OCM). These are being provided to ARC members.

Recommendations	Agreed Action	Action Owner	Target Date
8. 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 principles.	Coordinator Governance and Risk	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 7. External Auditor and Internal Auditor		Low	
<p>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.</p> <p>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.</p> <p>Implications</p> <p>Matters may not be raised by the external and internal auditors with the Audit and Risk Committee on a timely basis.</p>			
Management Comment			
Management agrees that the Committee be allowed the opportunity to meet in camera with external and internal auditors.			
Recommendations	Agreed Action	Action Owner	Target Date
9. 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 as required in all future Audit and Risk Committee agendas.	Director Services Coordinator and Risk	Corporate for the Governance November 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 8. 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. 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. 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. 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			
Internal audit has only recently been liaising with the Director Corporate Services. The internal auditor can always access the CEO directly should there be any perceived conflicts of interest. Additional resourcing for Governance and Risk was identified as part of the Organisation Review with the Coordinator position identified in the Workforce plan. The current internal audit program includes a scope of works.			
Recommendations	Agreed Action	Action Owner	Target Date
10. 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.	An internal audit service charter not supported. The new role of Coordinator Governance and Risk will be the City's liaison with internal audit. Consideration of an internal audit charter will be considered by the Coordinator.	Coordinator Governance and Risk	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 9. Assurance Mapping			Low
<p>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:</p> <ul style="list-style-type: none"> 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 and the External Audit function or independent reviewer function (fourth line). <p>There is no Assurance Map within the City which his 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.</p> <p>Implications</p> <p>There is a risk some areas are over-audited and some are under-audited.</p>			
Management Comment			
An assurance map has not been envisaged to date. An assurance plan will be developed with input from the Internal Auditor.			
Recommendations	Agreed Action	Action Owner	Target Date
11. 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.)

Monitoring and Reporting

Enhances the quality of dialogue with stakeholders and support Management and oversight bodies in meeting their responsibilities.		Rating
Finding 10.	Council Reporting	Medium

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.

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.

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.

Implications

The Committee is not transparent and does not inform decision making by the Council.

Management Comment

The minutes of meetings of the Audit and Risk Committee provide and update to Council on a regular basis.

Recommendations	Agreed Action	Action Owner	Target Date
12. 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	No further action proposed as it is considered the minutes of the ARC meetings give sufficient information to Council of the activities of the Committee.	Not applicable	N/A



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Monitoring and Reporting

Enhances the quality of dialogue with stakeholders and support Management and oversight bodies in meeting their responsibilities.	Rating
Finding 11. Audit and Risk Committee Reporting	Medium

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.

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.

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.

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.

Implications

Audit and Risk matters are not transparent and does not inform decision making by the Audit and Risk Committee.

Management Comment

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. The Audit Reg 17 Review and Financial Management Review are overdue. The Internal Auditor has been contracted to undertake both.

Recommendations	Agreed Action	Action Owner	Target Date
13. 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
14. 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
15. 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 possible to meet legislative compliance requirements. Ensure they are performed on a timely basis in future years.	These reviews have been contracted to the Internal Auditor and will be brought to the Committee on completion	Manager Services Financial	December 2022



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Performance Measurement

Assessing the extent to which the actual performance meets / exceeds expectations including compliance requirements.		Rating	
Finding 12. Compliance with Terms of Reference		Medium	
<p>It is good governance to assess on a regular basis the extent of compliance with the approved Terms of Reference.</p> <p>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.</p> <p>Implications Potential non-compliance with policy.</p>			
Management Comment			
Management agrees.			
Recommendations	Agreed Action	Action Owner	Target Date
16. 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	Coordinator Governance and Risk	February 2023
17. 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 Governance and Risk	November 2023



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Performance Measurement

Assessing the extent to which the actual performance meets / exceeds expectations including compliance requirements.			Rating
Finding 13.	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 notes the low rating of this finding. KPIs are not considered necessary if the Terms of Reference is being adhered to and Assurance Plan is adopted.			
Recommendations	Agreed Action	Action Owner	Target Date
18. 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.	Council has no authority to set KPIs for Elected Members. No further action proposed.	Not applicable	N/A



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Performance Measurement

Assessing the extent to which the actual performance meets / exceeds expectations including compliance requirements.		Rating	
Finding 14.	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 consider developing for the future.			
Recommendations	Agreed Action	Action Owner	Target Date
19. 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 of Audit and Risk Committee members 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; and
- 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; and 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; and 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; and Departures from best practice management procedures, processes. 	<ul style="list-style-type: none"> Requires substantial management intervention and may require possible external assistance; and 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; and 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; and 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
Leo McManus	Councillor
Mike Cole	Director Corporate Services
Nikki McGill	Personal Assistant

CONTACT US

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HELPING YOU THRIVE IN A CHANGING WORLD

9.3 ARC22.11.22 OneCouncil Project Status Report #5

Meeting & Date	Audit & Risk Committee – 21 November 2022
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Report Author	Tony Benson – Manager ICT
Director	Michael Cole – Director Corporate Services
Attachments	Nil.

Purpose

The purpose of this report is to present a Project Status Report on the continuing implementation of the City's Enterprise Resource Planning System - OneCouncil.

Recommendation

That the Audit & Risk Committee receives the Report.

Voting Requirement

Simple Majority.

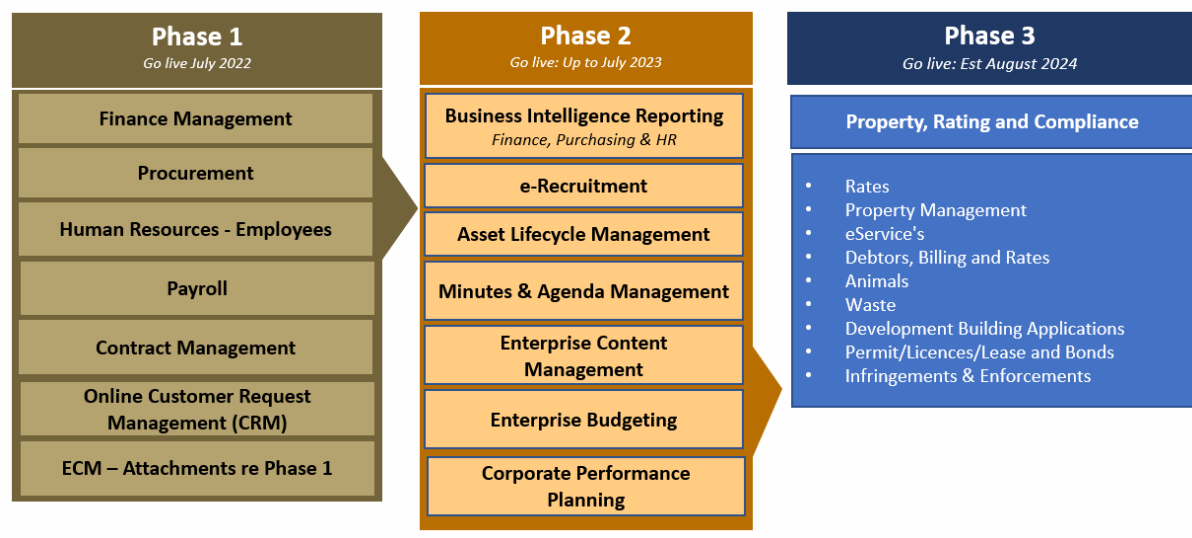
Background

At the Ordinary Council Meeting held on the 22nd of June 2021 Council resolved the following:

1. approves the supplier, TechnologyOne, to be awarded the contract for RFT 2020-21.03 – Provision City Finance System (Enterprise Resource Planning System) for the initial term of 5 years, comprising the initial 3 years with two one-year extensions, to be awarded under Local Government (Functions & General) Regulations 1996 11(2).
2. agrees to enter a contract with TechnologyOne to purchase their Enterprise Resource Planning System, called OneCouncil, with final contract subject to independent review to the satisfaction of the Chief Executive Officer; and notes:
 - a. The adoption of the Integrated Enterprise Resource Planning approach for implementing Information Systems; and
 - b. The implementation of the TechnologyOne One Council solution using the Cloud model called "Software as a Service".

Following the Council resolutions made at the Ordinary Council Meeting dated 22nd June 2021, the City entered into a contract with TechnologyOne to purchase their Enterprise Resource Planning System, called OneCouncil.

As previously detailed, the OneCouncil implementation project has been split into three (3) phases over three (3) years using a standard project management methodology as per the following.



Discussion

This is the fifth such report but the first regarding Phase 2. An end of Phase 1 report was presented and received during at the previous Committee meeting (16/08/2022).

As previously detailed, Phase 2 is more a rolling schedule of enablement of additional functions and features within the OneCouncil suite rather than a defined line in the sand delivery.

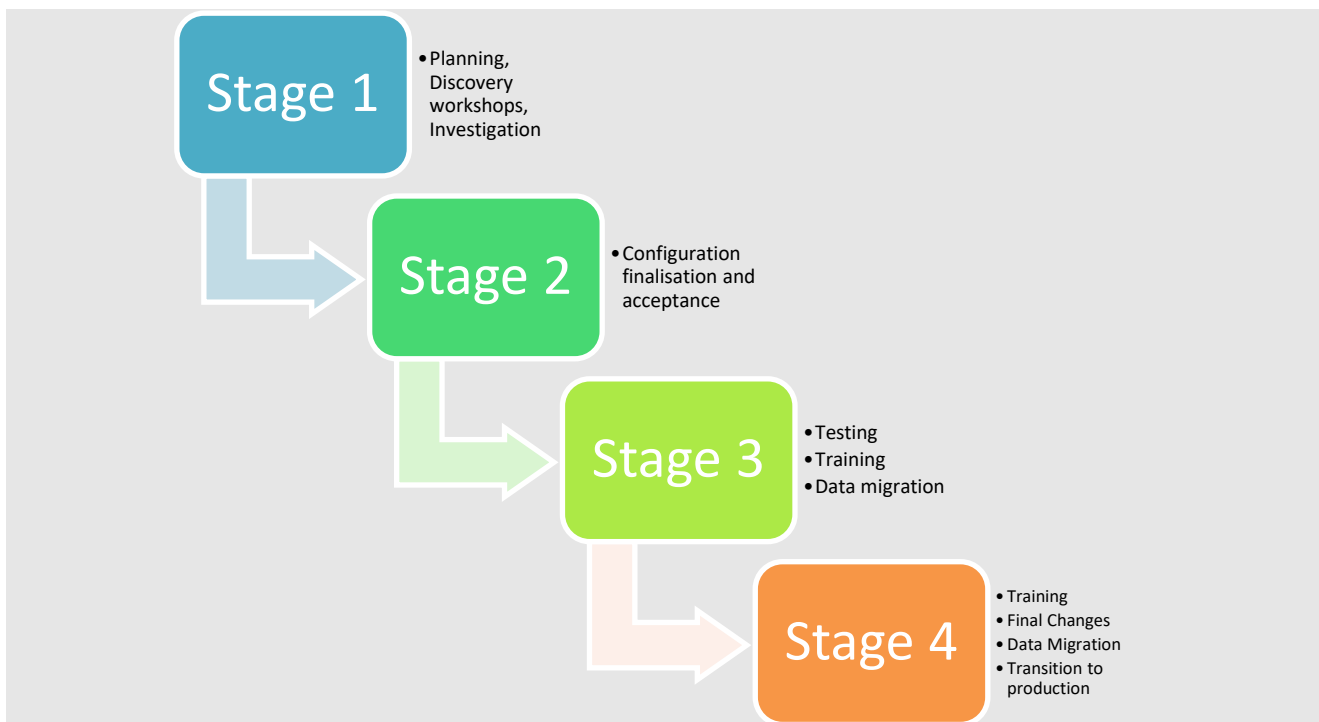
Phase Two Deliverables

Building upon the foundation laid during Phase one, Phase 2 has a strong focus on 'Works and Assets' and 'Corporate Performance Planning' with a rolling program of delivery throughout the financial year.

Broadly, the areas of delivery can be split into two categories. 'Major' indicates that the process involves significant effort from the Vendor, the Project Team, and General Staff. 'Minor' will be delivered internally without requiring significant consultancy effort from the vendor but still requiring internal and project team resources.

Tollgates of Delivery





All modules, regardless of size, will follow the same staged approach, as depicted below, for delivery.






Type	Item	Description	Planned Start	Estimated Delivery	Current Stage
Major	Asset Lifecycle Management	This is a significant topic which will afford the assets team greater transparency of information whilst also enabling a more flexible work process	August 2022	July 2023	2
Major	Enterprise Budgeting	Enablement of the oneCouncil native budgeting process which tightly integrates with the finance components	September 2022	January 2023	3
Minor	Contract Management	Held over from Phase One; the enablement of OneCouncil as the principal store for all information related to the City's contracts	October 2022	July 2023	1
Major	Corporate Performance Planning	Representation of the Corporate Business Plan within the OneCouncil framework for transparency and reporting	January 2023	July 2023	NA

Major	Minutes and Agenda Management	Streamlined management and availability of Council Meeting Minutes including associated documentation	April 2023	July 2023	NA
Minor	Credit Card Expense Management	Transition to OneCouncil purchase card management	January 2023	April 2023	NA

Phase Two Progress Commentary

KPI	Status	Comments
Schedule		Scheduling is more flexible in phase two. 6 modules to be delivered, 3 underway, remainder scheduled No concerns currently
Resources		This remains an area of concern. Change and Project administration resources are to be appointed during Q2
Risks		The desire to run, before we can walk is presenting challenges to resource allocation
Scope		No concerns at this time

Legend	Description
	Attention required.
	Potential impact on project.
	No issues.

Phase Two Budget Update

Budget Item	\$ Budget	\$ Actual	\$ Variance	\$ Forecast
SaaS Cloud Services	\$ 325,000.00	\$328,000.00	-\$ 3,000.00	\$ 328,000.00
T1 Implementation Services	\$ 400,000.00	\$ 82,358.06	\$157,006.17	\$ 242,993.83
Staff Salaries	\$ 674,000.00	\$208,794.10	\$141,511.37	\$ 532,488.63
Sundry Expenses	\$ -	\$ -	\$ -	\$ -
TOTAL	\$1,399,000.00	\$619,152.16	\$295,517.54	\$1,103,482.46

The above variances are based upon the Full Year forecast. However, the forecast figures will be higher than shown as the following items are not yet present

- Project Administration Resources
- Change Management Resources
- Additional TechnologyOne Project Management costs regarding planning and design for Phase Three

Phase Three – Property, Rating and Revenue

Phase 3 contains a single item for delivery, the transition to the 'P&R' suite. This covers most revenue generation methods for the City (Rates, Fees, and Charges); the size of which should not be underestimated.

Project Planning for this phase will commence in Q2 FY2223 despite delivery not being estimated until the start of FY2024/25.

It should also be noted that several Western Australian Local Governments are either in the process of completing the same transition or starting a similar journey to the City. This will have implications for resource availability both from the Vendor and from the market.

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 **High Standard of Service**

We have local services delivered to a high standard that take the needs of our diverse community into account.

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.

The City has adopted an Enterprise Resource Planning approach that sets the foundation for all organisational information technology systems and other supporting technologies. Investing in information systems and technology will provide the City of Nedlands with the requisite tools to plan, execute, and evaluate all existing and future operations.

Priority Area

The implementation of OneCouncil is a key result area for the Chief Executive Officer.

Budget/Financial Implications

A provision for the continuing implementation of OneCouncil is included in the approved City of Nedlands 2022/23 Annual Budget.

Legislative and Policy Implications

Nil.

Decision Implications

The City has sufficient information to present the OneCouncil project status report.

Conclusion

This report has presented a Project Status Report on the continuing implementation of the City's Enterprise Resource Planning System - OneCouncil.

Further Information

Nil.

9.4 ARC23.11.22 – Update from Moore Australia

Meeting & Date	Audit & Risk Committee – 21 November 2022
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil.
Report Author	Moore Australia
Director	Michael Cole – Director Corporate Services
Attachments	1. Moore Australia (WA) Agenda Paper for ARC Meeting November 2022

Purpose

This report is for Moore Australia to present its agenda paper to the Audit and Risk Committee.

Recommendation

That the Audit and Risk Committee received the agenda paper from Moore Australia.

Voting Requirement

Simple Majority

Background

Moore Australia has submitted an agenda paper for the discussion at the Committee meeting.

Consultation

Nil.

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 **High standard of services**

We have local services delivered to a high standard that take the needs of our diverse community into account.

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.

Priority Area

Nil.

Budget/Financial Implications

There are no financial implications to this report.

There may be budget implications when the report's recommendations are addressed in detail, where operational impacts are estimated and considered by the Administration, and then by Council at the appropriate time. There is no immediate budgetary implication to receiving this report.

Decision Implications

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

Conclusion

That Audit and Risk Committee receives the agenda paper from Moore Australia.

Further Information

Nil.



AUDIT AND RISK COMMITTEE
MEETING AGENDA PAPER

**CITY OF NEDLANDS
INTERNAL AUDIT**

21 NOVEMBER 2022



Internal Audit Report

1. Recommendation

That the Audit and Risk Committee:

- note the status of the City's Annual Internal Audit Plan for the years ended 30 June 2022 and ending 30 June 2023 (please refer to Section 2);
- note the final Internal Audit Report on the *Effectiveness of the Audit and Risk Committee* performed by Moore Australia WA.
- note Internal Audit Log information, insights, trends, and recommendations to Management included in this report.

2. Annual Internal Audit Plan for the years ending 30 June 2022 and 30 June 2023

Moore Australia WA present to you the status of the Annual Internal Audit Plan for the years ended 30 June 2022 and ending 30 June 2023, including details of finalised, in progress and not started internal audit engagements.

A) Annual Internal Audit Plan – 30 June 2022

Table 1 below presents the status of the City's Annual Internal Audit Program for the year ended 30 June 2022, including details of finalised, not started, in progress and deferred internal audit engagements, if any.

No	Audit Topic	Financial Year	Status Update	Status
1	Conflict of Interest	2022	The revised draft report has been provided to Management on 7 November 2022 for Management Comments. The Final Report is expected to be tabled at the next Audit and Risk Committee meeting.	In Progress
2	Financial Management Review	2022	The engagement is in progress. The Final Report is expected to be tabled at the next Audit and Risk Committee meeting.	In Progress
3	Occupational Safety and Health	2022	Finalised and tabled at the May 2022 Audit and Risk Committee Meeting.	Completed and reported to prior ARC
4	Procurement and Planning (Implementation of the ERP System)	2022	Finalised and tabled at the February 2022 Audit and Risk Committee Meeting.	Completed and reported to prior ARC
5	Regulation 17 Review	2022	The engagement is in progress. The Final Report is expected to be tabled at the next Audit and Risk Committee meeting.	In Progress
6	Risk Management	2022	Finalised and tabled at the August 2022 Audit and Risk Committee Meeting.	Completed and reported to prior ARC

Table 1: Status of FY2022 Internal Audit Engagements as at 14 November 2022

2. Annual Internal Audit Plan for the years ending 30 June 2022 and 30 June 2023 (continued)

B) Annual Internal Audit Plan – 30 June 2023

Table 1 below presents the status of the City's Annual Internal Audit Plan for the year ending 30 June 2023, including details of finalised, not started, in progress and deferred internal audit engagements, if any.

No	Audit Topic	Financial Year	Status Update	Status
1	Effectiveness of the Audit and Risk Committee	2023	Finalised and presented to this Audit and Risk Committee Meeting – 21 November 2022.	Completed and reported to this ARC.
2	Workforce Management	2023	The draft report has been provided to Management on 29 September 2022 for Management Comments. The Final Report is expected to be tabled at the next Audit and Risk Committee meeting.	In Progress
3	Asset Management	2023	The internal audit engagement is in progress and will soon be finalised. The Final Report is expected to be tabled at the next Audit and Risk Committee meeting.	In Progress
4	Planning Approvals	2023	The internal audit engagement is in progress and will soon be finalised. The Final Report is expected to be tabled at the next Audit and Risk Committee meeting.	In Progress
5	Post Implementation Review of New Finance System	2023	The engagement has not commenced. The Final Report is expected to be tabled at the first meeting in 2023.	Not started
6	Purchasing Cards	2023	The engagement has not commenced. The Final Report is expected to be tabled at the first meeting in 2023.	Not started

Table 2: Status of FY2023 Internal Audit Engagements as at 14 November 2022

3. Status of Internal Audit Recommendations

Moore Australia WA have been the trusted internal auditors for the City since the year ended 30 June 2019. During the year ended 30 June 2019 to the year ending 30 June 2023, we have tabled ten (10) internal audit reports at the Audit and Risk Committee, which includes the *Effectiveness of the Audit and Risk Committee* Internal Audit Report tabled at today's meeting.

Outlined below in Table 3 is the overall status of the internal audit recommendations as at 14 November 2022, compared to the previous meetings.

Status	18 February 2022 ARC Meeting		30 May 2022 ARC Meeting		29 August 2022 ARC Meeting		21 November 2022 ARC Meeting	
	Number	%	Number	%	Number	%	Number	%
Open recommendations in progress	28	97	47	100	46	98	31	30
Recommendations considered closed by Management but not validated by internal audit	-	-	-	-	-	-	6	6
Recommendations not started	-	-	-	-	-	-	44	42
Recommendations closed by the Audit and Risk Committee in the previous meeting	1	3	0	0	1	2	7	7
Recommendations validated by internal audit and recommended for closure at this Audit and Risk Committee	-	-	-	-	-	-	16	15
Total number of recommendations	29	100%	47	100%	47	100%	104	100%

Table 3: Status of Internal Audit Recommendations

The total number of open Internal Audit recommendations is eighty-two (81) as per the Audit Log.

4. Audit Log

Moore Australia WA have been validating the implementation of the internal audit recommendations since our appointment. Within this report we have provided the following for your information:

- a) Status of the Audit Log: Internal Audit, OAG Performance Audit and OAG Management Letters
- b) Status of Open Recommendations
- c) Status of Recommendations Not Started
- d) Responsibility of Open Recommendations
- e) Status of Internal Audit Log Recommendations by Risk Rating
- f) Overdue Recommendations per Responsible Officer

a) Status of the Audit Log

As of the 14 November 2022, the City had 151 recommendations through audit activities. From this we noted the following:

- **Total open Recommendations** – there are in total 112 open recommendations (In progress – 51, Not Started – 55, Management Considered Close – 6)
- **In Progress** – 51 (36%) of the recommendations are still in progress
- **Not Started** – 55 (36%) of the recommendations have not been started
- **Management Considered Closed** – 6 (4%) recommendations are considered closed by Management, but not validated by Internal Audit
- **Completed** – 39 (26%) of the recommendations have been validated by Internal Audit and closed

Recommendation Status – 14 November 2022						
Type of Audit	In Progress	Not Started	Considered Closed - Management	Completed	All	%
Internal Audit	31	44	6	23	104	69
OAG Performance Audit	6	11	0	5	22	15
OAG Financial Audit	14	0	0	11	25	16
Total No of Recommendations	51	55	6	39	151	100

Table 4: Status of Recommendations per Audit Team

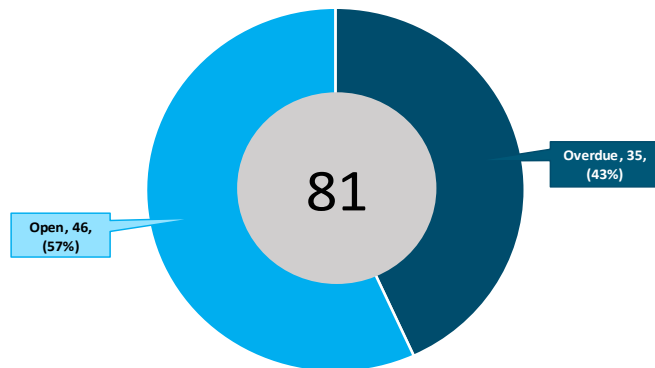
b) Status of Open Recommendations

Graphs 1.1, 1.2, 1.3 below provide the status of open recommendations by each audit team – Internal Audit, OAG Performance Audit, OAG Financial Audit.

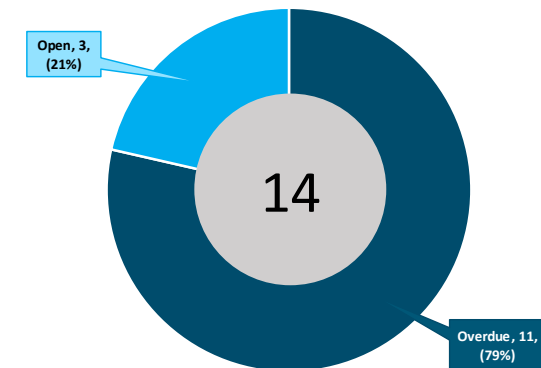
We note there are 112 (74%) from the 151 recommendations received by the City still open and forty-eight (48) (43%) of the open recommendations are overdue. This is a significant number.

We recommend revised due dates be determined by Management, in considering resources available, and overdue recommendations be closed out on a timely basis. We believe Executive should be monitoring and reporting these on a timely basis until improved rates of closure are achieved.

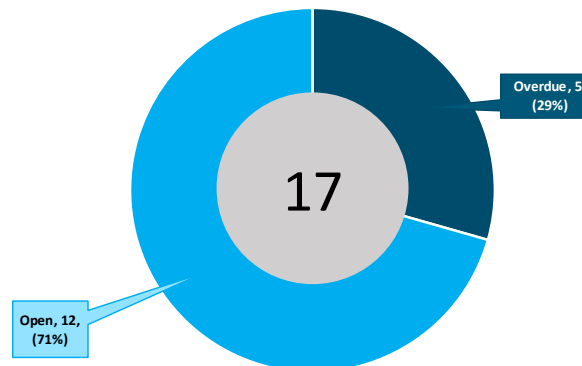
Graph 1.1: Internal Audit Recommendations - Overdue



Graph 1.3: OAG Financial Audit Recommendations - Overdue



Graph 1.2: OAG Performance Audit Recommendations - Overdue



c) Status of Recommendations Not Started

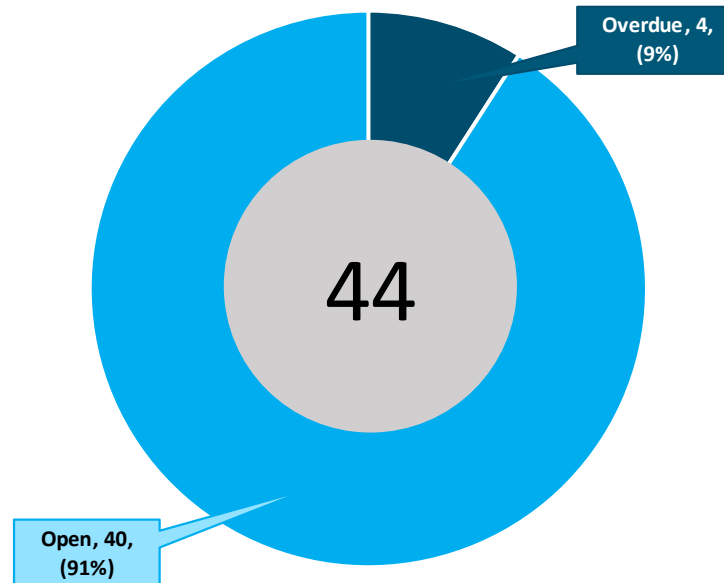
Graph 2 below is a subset of the previous data, instead showing the status of recommendations not yet started.

Only the Internal Audit Log contains entries that are not yet started.

We note that from the forty-four (44) recommendations that have not yet been started, four (4) (9%) recommendations surpassed their due date (4).

The OAG Financial Audit and Performance Audits have all been started.

Graph 2: Internal Audit Recommendations – Status of Not Started



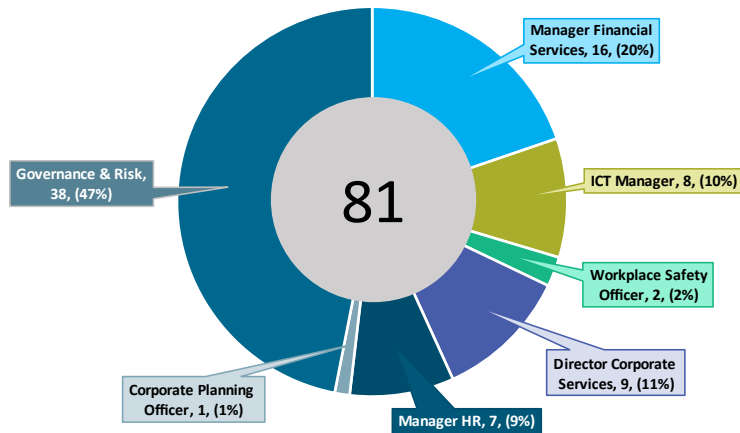
d) Responsibility for Open Recommendations

Graph 3.1 below provides a breakdown of open recommendations per responsible officer.

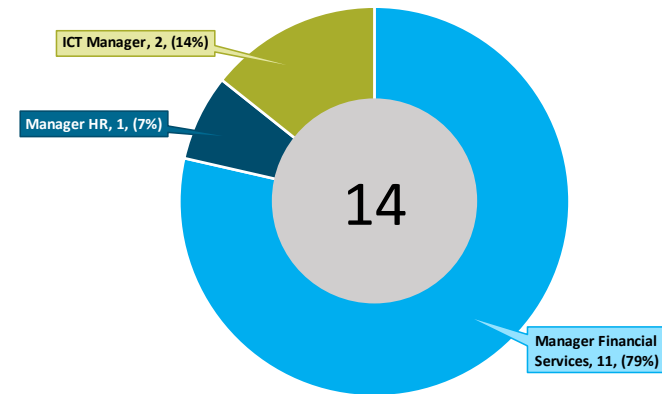
We note:

- Governance & Risk has responsibility for forty-five (45) (40%) of the open recommendations, followed by the Manager Financial Services with thirty-two (32) (29%), followed by the ICT Manager with ten (10) (9%) and the rest with less than ten (10) open recommendations per area
- The Manager HR is currently also responsible for the Workplace Safety Officers two (2) recommendations, bringing their total up from seven (7) to nine (9).

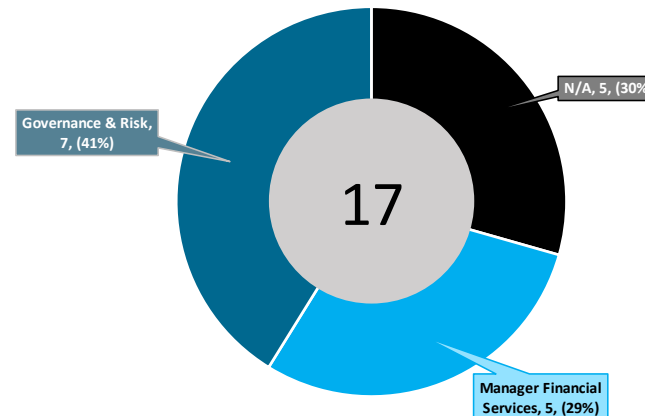
Graph 3.1: Open IA Recommendations per Responsible Officer



Graph 3.3: Open OAG Financial Audit Recommendations per Responsible Officer



Graph 3.2: Open OAG Performance Audit Recommendations per Responsible Officer



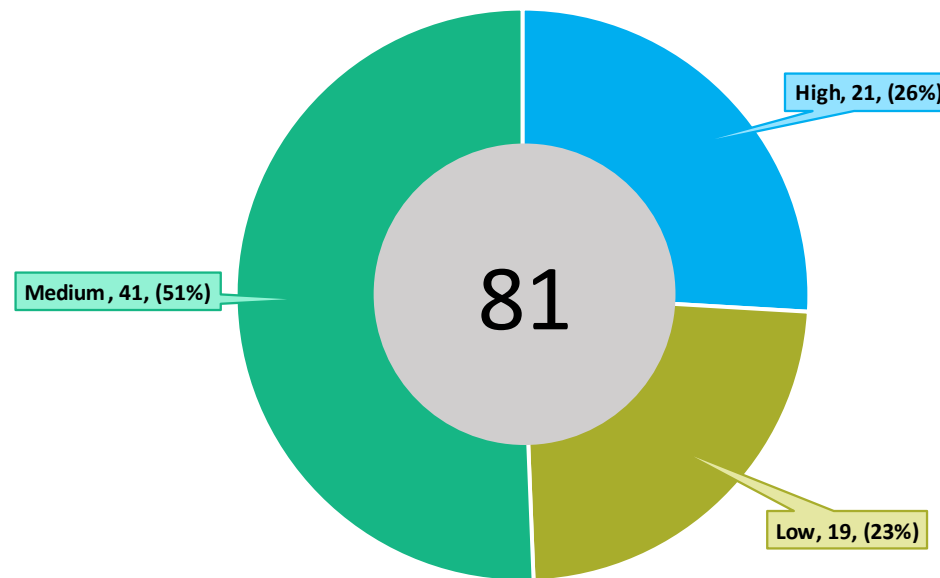
e) Status of Internal Audit Log Recommendations by Risk Rating

Graph 4 below provides a breakdown of open **internal audit** recommendations per Risk Rating. Moore Australia use our own Risk Rating Scale which is provided in **Appendix 1** for ease of access.

We note the majority of open recommendations, forty-one (41) (51%), have a Medium-Risk Rating, followed by twenty-one (21) (26%) with a High-Risk Rating and nineteen (19) (23%) with the recommendation being rated as Low.

We recommend that significant effort should be given to the High-Risk rated recommendations and to close these out as a matter of priority, followed by the Medium Risk rated and Low Risk rated Items.

Graph 4: Open Internal Audit Recommendations by Risk Rating

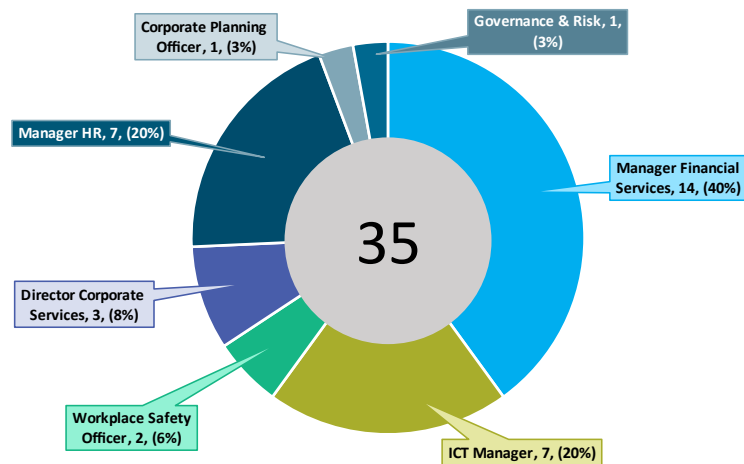


f) Overdue Recommendations per Responsible Officer

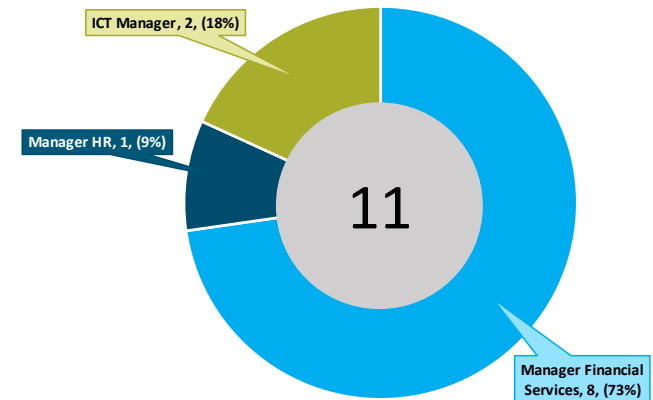
Graph 5.1, 5.2 and 5.3 below provides a breakdown of overdue recommendations per Responsible Officer per Audit Team recommendations. This graph is a subset of open recommendations which are overdue from **Graph 1.1, 1.2, and 1.3**.

We recommend that resources be allocated to the relevant areas to close out the overdue recommendations on a timely basis.

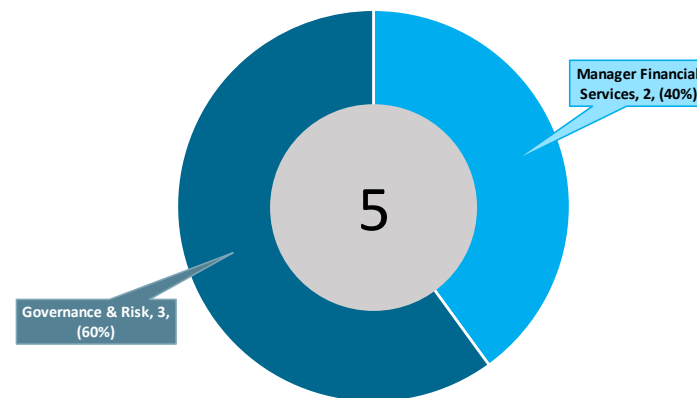
Graph 5.1: Overdue IA Recommendations per Responsible Officer



Graph 5.2: Overdue OAG Financial Audit Recommendations per Responsible Officer



Graph 5.3: Overdue OAG Performance Audit Recommendations per Responsible Officer



5. Internal Audit Insight 2021 and 2022

a) Number of Tabled Reports

Moore Australia WA have been the trusted internal auditors for the City since the year ended 30 June 2019. During the year ended 30 June 2019 to the year ending 30 June 2023, we have tabled ten (10) internal audit reports at the Audit and Risk Committee as follows:

	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	Total
Number of Finalised Reports	2	1	3	3	1	10
Number of audits 'In Progress', 'Deferred Reports' or Not Started				3	5	8
Total	2	1	3	6	6	18

Table 5: Internal Audit Reports Per year

Through these ten (10) tabled internal audit engagements, we now have the opportunity of identifying, summarising, and reporting some insights which we hope will be valuable to the Audit and Risk Committee and Management. These insights have been summarised into the following areas:

b) Review of the nature of the internal audit findings

See next page.

c) Review of the risk ratings of the internal audit findings

See next page.

5. Internal Audit Insight 2021 and 2022 (cont.)

b) Review of Nature of the Internal Audit Findings

Moore Australia WA have reviewed the nature of the internal audit findings in our ten (10) tabled reports. We categorised the nature of the findings into four (4) themes which include **Governance**, **Information Systems**, **People** and **Process**. The categories of themes have been defined in Figure 1 below.

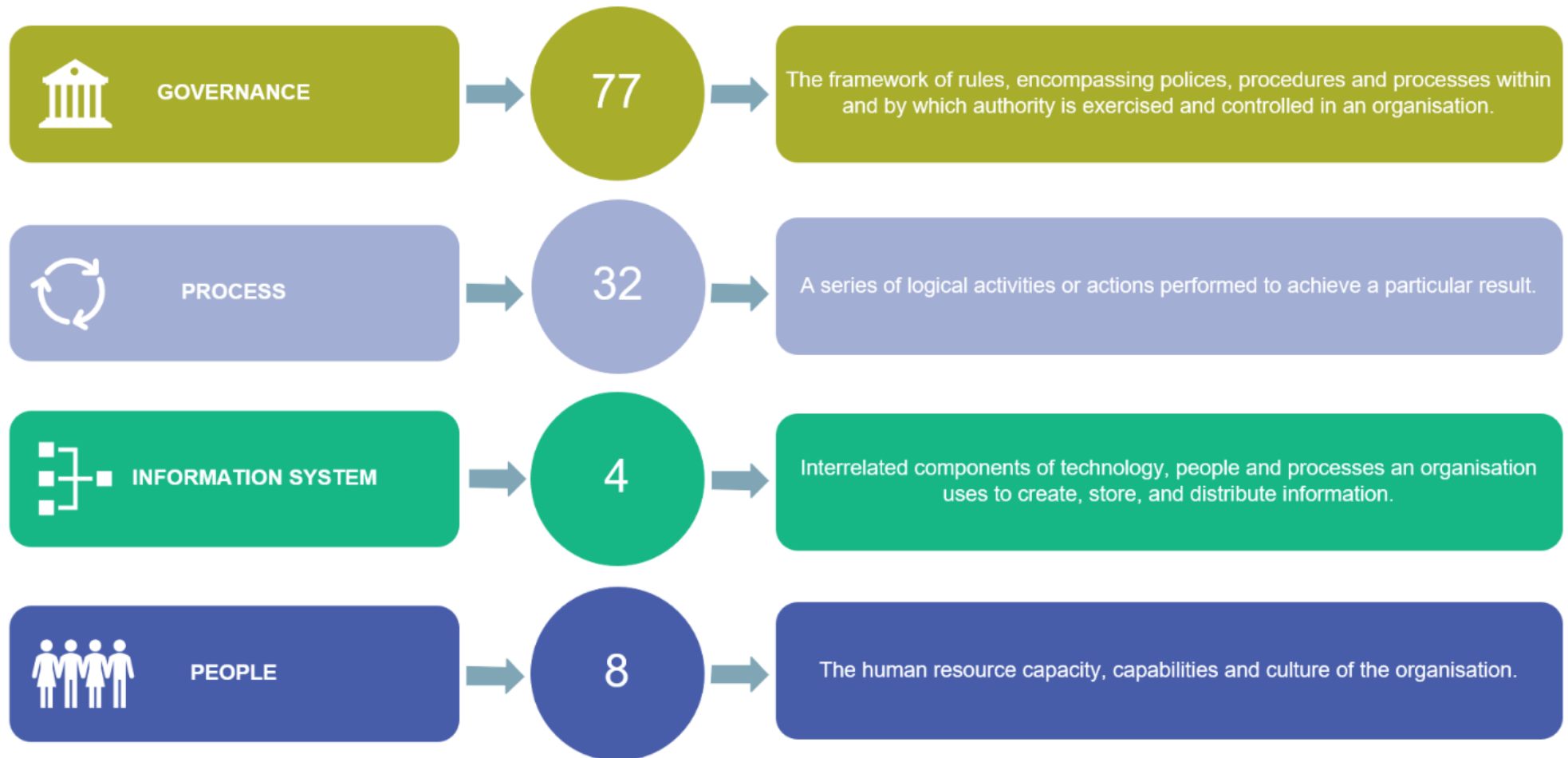


Figure 1: Themes from the Internal Audit Engagements – Governance, Information Systems, Process and People

5. Internal Audit Insight 2021 and 2022 (cont.)

Insight

Table 5 summarises the nature of internal audit findings from the tabled audits for the year ended 30 June 2019 to the year ending 30 June 2023.

We have observed the following:

- The majority of findings (66%) overall within the ten (10) tabled reports fall within the **Governance** Theme, with the next closest theme is **Process**, with (24%) of findings falling into this category and Less than 10% fall relatively evenly within the other two (2) themes.
- There is no consistency within the 2019, 2020, 2021 or 2022 years to date.

The above insight suggests additional focus may be required on the governance frameworks within Governance for the short to medium future.

Further analysis can be built on this at the next Audit, Finance and Risk Committee with the additional tabled reports.

Tabled Reports		FY	Governance	Information Systems	People	Process	Total Findings
1	Accounts Payable Process Audit	2019	7	-	-	6	13
2	IT Policies Review	2019	14	-	-	2	16
Total (FY 30 June 2019)			21	-	-	8	29
Percentage by Theme			72%	-	-	28%	100%
1	Business Continuity Planning Review	2020	4	3	-	5	12
Total (FY 30 June 2020)			4	3	-	5	12
Percentage by Theme			33%	25%	-	42%	100%
1	Payroll	2021	2	-	-	3	5
2	Records Management	2021	5	1	1	2	9
3	Contract Management	2021	5	-	-	3	8
Total (FY 30 June 2021)			12	1	1	8	22
Percentage by Theme			55%	4%	4%	37%	100%

5. Internal Audit Insight 2021 and 2022 (cont.)

Tabled Reports		FY	Governance	Information Systems	People	Process	Total Findings
1	Procurement and Planning for the Implementation of the Enterprise Resource Planning System	2022	5	-	-	3	8
2	Occupational Safety and Health	2022	7	-	-	1	8
3	Risk Management	2022	24	-	2	2	28
Total to Date (FY 30 June 2022)			36	-	2	6	44
Percentage by Theme			82%	-	4%	14%	100%
1	Effectiveness of Audit and Risk Committee	2023	4	-	5	5	14
Total Tabled to Date as Internal Auditors			77	4	8	32	121
Total Percentage by Theme			64%	3%	6%	27%	100%

Table 6: Summary of Categories of Findings within Tabled Reports for the year ended 30 June 2019 to date

5. Internal Audit Insight 2021 and 2022 (cont.)

c) Review of the Risk Ratings of the Internal Audit Findings

Insight

Table 7 summarises the Risk Ratings of the findings of the tabled reports for the year ended 30 June 2019 to the year ending 30 June 2022 to date. We have observed the following:

- Nearly half of the findings (46%) within the ten (10) tabled reports fall within the Medium Risk-Rating, with the second highest risk rating is the High Rating (33%) and the third highest being a Low-Risk rating for 18% of findings.

While a High Rating is not the most frequent, having 33% of findings be rated High is quite high.

Further analysis can be built on this at the next Audit and Risk Committee meeting with the additional tabled reports.

No	Tabled Report	Year	High Risk Rating	Medium Risk Rating	Low Risk Rating	No Rating Provided	Total Findings
1	Accounts Payable Process Audit	2019	1	12	-	-	13
2	IT Policies Review	2019	1	5	8	2	16
Total Tabled to Date (30 June 2019)			2	17	8	2	29
Percentage by Risk Rating			7%	59%	27%	7%	100%
1	Business Continuity Planning Review	2020	2	8	2	-	12
Total Tabled to Date (30 June 2020)			2	8	2	-	12
Percentage by Risk Rating			16%	67%	16%	-	100%
1	Payroll	2021	3	2	-	-	5
2	Records Management	2021	8	1	-	-	9
3	Contract Management	2021	8	-	-	-	8
Total Tabled to Date (30 June 2021)			19	3	-	-	22
Percentage by Risk Rating			86%	14%	-	-	100%

5. Internal Audit Insight 2021 and 2022 (cont.)

No	Tabled Report	Year	High Risk Rating	Medium Risk Rating	Low Risk Rating	No Ratings Provided	Total Findings
1	Procurement and Planning for the Implementation of the Enterprise Resource Planning System	2022	4	3	1	-	8
2	Occupational Safety and Health	2022	2	6	-	-	8
3	Risk Management	2022	6	14	8	-	28
Total Tabled to Date (30 June 2022)			12	23	9	-	44
Percentage by Risk Rating			27%	52%	21%	-	100%
1	Effectiveness of Audit and Risk Committee	2023	-	8	6	-	14
Total Tabled to Date as Internal Auditors			35	59	25	2	121
Total Percentage by Theme			33%	46%	18%	3%	100%

Table 7: Risk Ratings of the findings of the tabled reports for the year ended 30 June 2019 to date.

6. Publications

Moore Australia has identified the following reports which may be of interest to the Audit and Risk Committee Members. This is presented in Table 8 below.

Organisation and Report	Details	Issue Date
Corruption and Crime Commission WA Misconduct within the Department of Communities Relating to Country Building Projects	<p>“The report reveals how Mark Ainslie, a senior project delivery manager with Housing (now part of the Department of Communities), was paid by two men (Peter Haxby of HRD Construction Management and Nicholas Rumenos, of Griffin Civil) whose companies were awarded lucrative contracts by the Department – with Mr Ainslie’s assistance. The corruption came to light during the Department of Communities’ own review of all its business areas in the wake of the arrest of the former Assistant Director General on corruption charges in 2019. An officer noticed an unusual transaction by Mr Ainslie and reported it to their superior, David Leszenko – a man who enforced policies and procedures in relation to contracts and encouraged his team to report anomalies”</p>	April 2022
Corruption and Crime Commission WA Biosecurity misconduct revealed by cooperative investigation	<p>“The report details how cattle were exhibited at the Perth Royal Show under private stud names without permission and bulls owned by the University were loaned to teaching facilities and private studs – all with false identification documentation and disregard for required biosecurity measures.</p>	22 June 2022
Public Sector Commission Commissioner’s Instruction 33: Determining Remuneration of Specialist Positions	<p>“In exceptional circumstances to ensure the public sector has the right people, agencies are able to remunerate people in highly specialised positions where it is determined that market forces, the uniqueness, expertise or experience required are beyond the scope of a classification system, award, order or industrial agreement.”</p>	6 July 2022
Public Sector Commission Commissioner’s Instruction 34: Remuneration While Acting in CEO Positions, Prescribed Officer and Positions in the Special Division	<p>“There is a consistent process for determining remuneration for people acting in positions specified in this Instruction.”</p>	6 July 2022

Table 8: Publications Which May be of Interest

7. Office of the Auditor General

A role of internal audit is to help Management to identify where risks are and to identify the controls and treatment actions in place to mitigate those risks, or to report the lack of these controls and treatment actions. A risk for all State and Local Government entities is the risk the Auditor General will perform a performance audit and report the results to Parliament which depending on the results, may identify significant un-identified risks and affect the credibility with Parliament, the community, and other stakeholders. Moore Australia assist our clients to be “audit ready” to reduce their credibility risk.

7.1 Tabled Reports

Tabled Auditor General reports can provide an opportunity for State and Local Government entities to assess their policy framework and practice and to identify areas where improvements can be made. It can also identify internal audit topics which may be useful to include in the Strategic Internal Audit Plan. Set out below in Table 9. are the Auditor General tabled reports since the last ARC meeting in February 2022. This excludes Section 82 Financial Management Act Ministerial Notifications Reports. These reports may be of interest to the Audit and Risk Committee Members in their capacity on the City of Nedlands committees, or on other committees and boards.

Tabled Reports	Date
Compliance Frameworks for Anti-Money Laundering and counter-Terrorism Financing Obligations	19 October 2022
OAG Annual Report 2021-22	27 September 2022
Financial Audit Results – Local Government 2020-21	17 August 2022
Payments to Subcontractors Working on State Government Construction Projects	11 August 2022
Public Trustee’s Administration of Trust and Deceased Estates	10 August 2022
Financial Audit Results – Universities and TAFEs 2021	21 July 2022
Opinion on Ministerial Notification - AWU Funding Agreement	28 June 2022
Information Systems Audit Report 2022 - Local Government Entities	28 June 2022
Fraud Risk Management - Better Practice Guide	22 June 2022
Forensic Audit - Construction Training Fund	22 June 2022
2022 Transparency Report: Major Projects	17 June 2022
Staff Rostering in Corrective Services	18 May 2022
COVID-19 Contract Tracing System - Application Audit	18 May 2022
Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities Part 2: COVID-19 Impacts	9 May 2022
Information Systems Audit Report 2022 - State Government Entities	31 March 2022

Table 9: Reports Tabled by the Auditor General since previous City of Nedlands Audit and Risk Committee Meeting.

7. Office of the Auditor General (cont.)

7.2 Performance Audit Program

The OAG's forward performance audit topics can also be used to perform a self-assessment, to identify where there may be gaps within City of Nedlands, and where work needs to be performed to reduce your risks, including credibility risk. Set out below are the commenced and forward audit program, (if any). It is the Moore Australia proposed approach to include these audit topics within our Audit and Risk Committee papers for your information only.

We provide here the link [Office of the Auditor General website](#) which identifies the audits that have commenced and their expected tabling date. The titles and anticipated tabling dates are detailed in Table 10 below:

Performance Audit Title	Anticipated Tabling
Payments to Subcontractors Working on Government Construction Projects	Q2 2022
Administration of Trusts and Deceased Estates	Q2 2022
Management of School Psychology Services	Q2 2022
Major Projects: Transparency Report 2022	Q2 2022
Ensuring Projects Comply with Environmental Conditions	Q2 2022
Funding for Volunteer Emergency and Fire Services	Q2 2022
Regulation of Commercial Fishing	Q2 2022
Management of Long-Stay Patients in Public Hospitals	Q3 2022
Local Government Infrastructure Contributions	Q1 2023

Table 10: Reports Tabled by the Auditor General since previous Audit and Risk Committee Meeting

8. Feedback

Moore Australia are happy to receive any feedback during the meeting from Audit and Risk Committee Members and Management on the performance of the internal audit engagements. We can consider this feedback in the planning, execution, and reporting of future internal audits engagements.

9. Appreciation

We extend our appreciation to the Audit and Risk Committee, Management and staff for their assistance provided to Moore Australia WA

10. Questions

Michelle Shafizadeh (Director) and Nick Goosen (Associate Director) will be in attendance and are available to answer any questions that you may have at the meeting.

Appendix 1: Risk Ratings, Guidance and Action Required

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: Effectiveness of Audit and Risk Committee Final Report



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

City of Nedlands

2 November 2022





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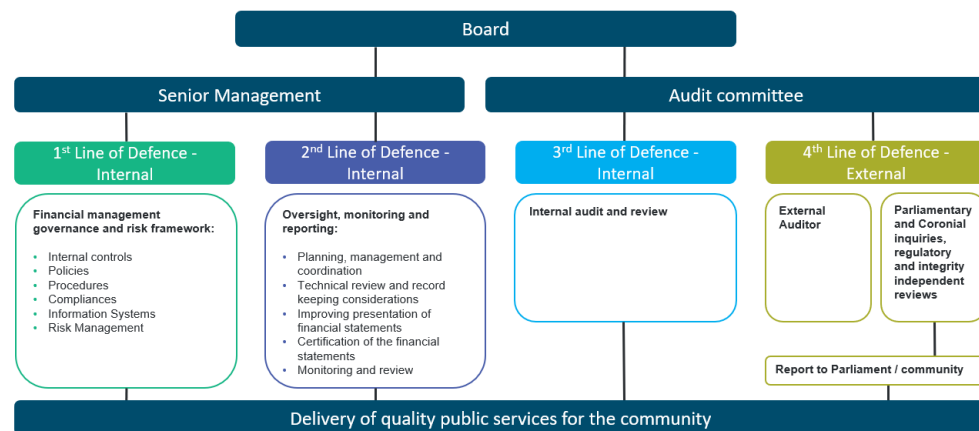
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1. EXECUTIVE SUMMARY

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.



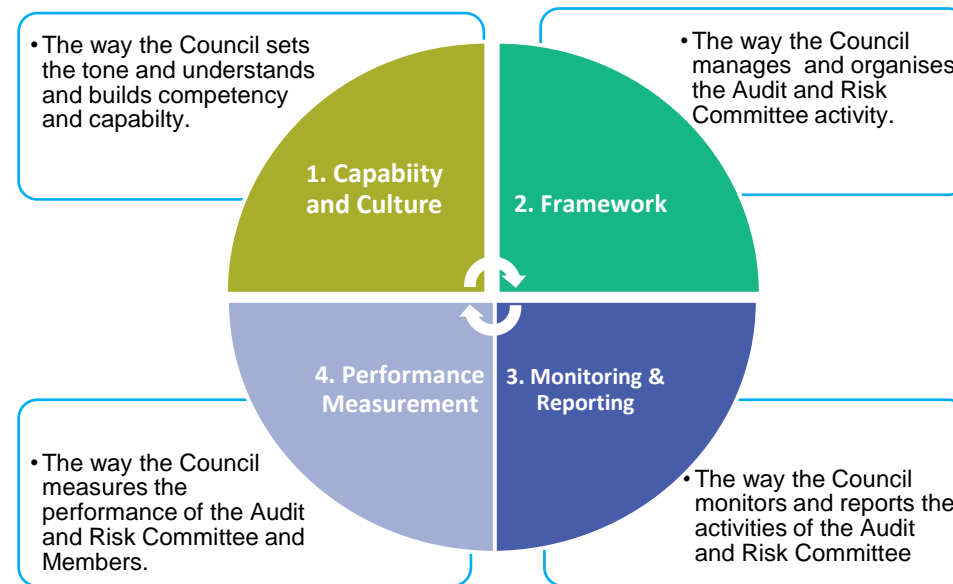
Moore Australia (WA) Pty Ltd (“Moore Australia”) performed the internal audit in line with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia Internal Audit Methodology. This report presents our observations and recommendations arising from the internal 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	5	0	3	2	1 to 7
Framework	4	0	2	2	8 to 11
Monitoring and Reporting	2	0	2	0	12 to 15
Performance Measurement	3	0	1	2	16 to 19
Total	14	0	8	6	19

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; and
- 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. 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
	4. 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
	5. 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	6. 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
	7. 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



1. EXECUTIVE SUMMARY (CONT.)

1.6. Summary of Results (continued)

Category	Finding	Risk Rating
Framework	8. 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
	9. 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
Monitoring and Reporting	10. 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
	11. 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	12. 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
	13. 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
	14. 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; and
- 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.

- Attend the Audit and Risk Committee to present our report and to answer questions.

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; and
- Prepare and issue a final report for the Audit and Risk Committee.



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			
<p>Current resourcing is considered sufficient. The City has completed the process for recruiting the 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. The Coordinator commences in January 2023.</p>			
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. Following the appointment of the Coordinator Governance and Risk resourcing is considered sufficient by Management.	Not applicable.	N/A



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.



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 (cont.)				Medium
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.	Not supported. The current Audit and Risk Committee members value experience of Councillors on the committee. The term of appointment of the Committee will lapse at the October 2023 Ordinary Council elections. Nominations will then be called for committee members post-election.	Coordinator Governance and Risk	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	November 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.	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			
The finding is noted. However, Elected Members are elected to Council and there is no skills or qualifications required.			
Recommendations	Agreed Action	Action Owner	Target Date
4. Perform a skills and experience matrix for the Audit and Risk Committee, identify any gaps and use this to inform the Non-Councillor member of the need for an expert to be used to assist the activities of the Audit and Risk Committee or training to be provided.	Committee members to be given opportunity to attend training suitable to the role on the Audit and Risk Committee. Given less than 12 months remains for the current of term of the Committee, this will be deferred until the next Committee is appointed following the October 2023 Ordinary Local Government Elections.	Coordinator and Risk Governance	November 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. Calendar, Work Plan and Budget

Low

The Audit and Risk Committee activities should be timetabled, planned, coordinated, and budgeted and actual activities compared to planned and / or budgeted.

An Annual Work Plan is a timetable of the activities of the Audit and Risk Committee, so no role or responsibility is overlooked.

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.

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.

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.

Implication

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.

Management Comment

A Work Plan has not been considered to date. However, a calendar of meetings has been scheduled in advance to meet expected timing of statutory requirements, i.e. annual financials, meet auditors etc and to receive internal audit reports and quarterly ERP updates. These meetings are held quarterly.

Recommendations

Agreed Action

Action Owner

Target Date

5. 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.

Annual calendar and a schedule to be developed and shared with Audit and Risk Committee members.

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 5. 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. There 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 relevant to the role of the Audit and Risk Committee should be offered to Committee members.

Recommendations	Agreed Action	Action Owner	Target Date
6. 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	November 2023
7. 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	November 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 6. Terms of Reference

High

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.

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.

Further to this, the Audit and Risk Committee Terms of Reference has not been documented as approved by the Council.

Implications

Sound governance reflecting better practice principles for the Committee may not be implemented if it is not explicit within the Terms of Reference.

Management Comment

The terms of reference have been updated and endorsed by Council – (Oct 2022 OCM). These are being provided to ARC members.

Recommendations

Agreed Action

Action Owner

Target Date

8. 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 principles.

Coordinator Governance and Risk

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 7. External Auditor and Internal Auditor			Low
<p>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.</p> <p>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.</p> <p>Implications</p> <p>Matters may not be raised by the external and internal auditors with the Audit and Risk Committee on a timely basis.</p>			
Management Comment			
Management agrees that the Committee be allowed the opportunity to meet in camera with external and internal auditors.			
Recommendations	Agreed Action	Action Owner	Target Date
9. 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 as required in all future Audit and Risk Committee agendas.	Director Services Coordinator and Risk	November 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 8. 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. 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. 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. 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			
Internal audit has only recently been liaising with the Director Corporate Services. The internal auditor can always access the CEO directly should there be any perceived conflicts of interest. Additional resourcing for Governance and Risk was identified as part of the Organisation Review with the Coordinator position identified in the Workforce plan. The current internal audit program includes a scope of works.			
Recommendations	Agreed Action	Action Owner	Target Date
10. 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.	An internal audit service charter not supported. The new role of Coordinator Governance and Risk will be the City's liaison with internal audit. Consideration of an internal audit charter will be considered by the Coordinator.	Coordinator Governance and Risk	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 9. Assurance Mapping			Low
<p>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:</p> <ul style="list-style-type: none"> 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 and the External Audit function or independent reviewer function (fourth line). <p>There is no Assurance Map within the City which his 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.</p> <p>Implications</p> <p>There is a risk some areas are over-audited and some are under-audited.</p>			
Management Comment			
An assurance map has not been envisaged to date. An assurance plan will be developed with input from the Internal Auditor.			
Recommendations	Agreed Action	Action Owner	Target Date
11. 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.)

Monitoring and Reporting

Enhances the quality of dialogue with stakeholders and support Management and oversight bodies in meeting their responsibilities.		Rating
Finding 10.	Council Reporting	Medium

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.

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.

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.

Implications

The Committee is not transparent and does not inform decision making by the Council.

Management Comment

The minutes of meetings of the Audit and Risk Committee provide and update to Council on a regular basis.

Recommendations	Agreed Action	Action Owner	Target Date
12. 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	No further action proposed as it is considered the minutes of the ARC meetings give sufficient information to Council of the activities of the Committee.	Not applicable	N/A



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Monitoring and Reporting

Enhances the quality of dialogue with stakeholders and support Management and oversight bodies in meeting their responsibilities.	Rating
Finding 11. Audit and Risk Committee Reporting	Medium

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.

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.

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.

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.

Implications

Audit and Risk matters are not transparent and does not inform decision making by the Audit and Risk Committee.

Management Comment

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. The Audit Reg 17 Review and Financial Management Review are overdue. The Internal Auditor has been contracted to undertake both.

Recommendations	Agreed Action	Action Owner	Target Date
13. 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
14. 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
15. 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 possible to meet legislative compliance requirements. Ensure they are performed on a timely basis in future years.	These reviews have been contracted to the Internal Auditor and will be brought to the Committee on completion	Manager Services Financial	December 2022



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Performance Measurement

Assessing the extent to which the actual performance meets / exceeds expectations including compliance requirements.				Rating
Finding 12. Compliance with Terms of Reference				Medium
<p>It is good governance to assess on a regular basis the extent of compliance with the approved Terms of Reference.</p> <p>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.</p> <p>Implications</p> <p>Potential non-compliance with policy.</p>				
Management Comment				
Management agrees.				
Recommendations	Agreed Action	Action Owner		Target Date
16. 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	Coordinator and Risk	Governance	February 2023
17. 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	November 2023



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Performance Measurement

Assessing the extent to which the actual performance meets / exceeds expectations including compliance requirements.			Rating
Finding 13.	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 notes the low rating of this finding. KPIs are not considered necessary if the Terms of Reference is being adhered to and Assurance Plan is adopted.			
Recommendations	Agreed Action	Action Owner	Target Date
18. 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.	Council has no authority to set KPIs for Elected Members. No further action proposed.	Not applicable	N/A



3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Performance Measurement

Assessing the extent to which the actual performance meets / exceeds expectations including compliance requirements.		Rating	
Finding 14.	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 consider developing for the future.			
Recommendations	Agreed Action	Action Owner	Target Date
19. 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 of Audit and Risk Committee members 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; and
- 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; and 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; and 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; and Departures from best practice management procedures, processes. 	<ul style="list-style-type: none"> Requires substantial management intervention and may require possible external assistance; and 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; and 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; and 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
Leo McManus	Councillor
Mike Cole	Director Corporate Services
Nikki McGill	Personal Assistant

CONTACT US

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10. In Camera

Allocated time for Committee to discuss items with Auditors without Administration or Public present.

11. Date of Next Meeting

The date of the next meeting of the Audit & Risk Committee Meeting will be on Monday 20 February at 5.30pm.

12. Declaration of Closure

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