



City of Nedlands

Agenda

Audit & Risk Committee Meeting 30 August 2021

ATTENTION

This Agenda has yet to be dealt with by the Committee.

The Administration Recommendations, shown at the beginning of each item, have yet to be considered by the Committee and are not to be interpreted as being the position of either the Committee or Council.

The Minutes of the meeting held to discuss this Agenda should be read to ascertain the decision of the Committee. Before acting on any recommendation of the Committee a check must also be made in the Ordinary Council Minutes following the Committee Meeting to ensure that Council did not make a decision at variance to the Committee Recommendation.

Once the venue is at capacity no further admission into the room will be permitted. Prior to entry, attendees will be required to register using the SafeWA App or by completing the manual contact register prior to entry - as stipulated by Department of Health mandatory requirements.

Ed Herne
Director Corporate & Strategy
24 August 2021

Table of Contents

| | |
|--|----|
| Declaration of Opening | 3 |
| Present and Apologies and Leave of Absence (Previously Approved) | 3 |
| 1. Public Question Time | 3 |
| 2. Addresses By Members of the Public (only for items listed on the agenda) | 4 |
| 3. Disclosures of Financial and/or Proximity Interest | 4 |
| 4. Disclosures of Interests Affecting Impartiality | 4 |
| 5. Declarations by Council & Committee Members That They Have Not Given Due Consideration to Papers | 5 |
| 6. Confirmation of Minutes | 5 |
| 7. Matters for Which the Meeting May Be Closed | 5 |
| 8. Items for Discussion | 5 |
| 8.1 Financial Audit for Year Ended 30 June 2021 – Interim Management Letter | 6 |
| 8.2 Update on Audit Recommendations of Contract Management | 9 |
| 8.3 Update on Audit of Records Management | 14 |
| 8.4 Enterprise Resource Planning System: Project Status Report | 20 |
| 8.5 Moore Australia – Internal Audit | 28 |
| 9. Reports by the Chief Executive Officer | 31 |
| 10. Urgent Business Approved By the Presiding Member or By Decision | 31 |
| 11. Confidential Items | 31 |
| 12. Date of next meeting | 31 |
| Declaration of Closure | 31 |

City of Nedlands

Notice of a meeting of the Audit & Risk Committee to be held in the Council Chamber, 71 Stirling Highway, Nedlands and Livestreamed on Monday 30 August 2021 at 5.30 pm.

Audit & Risk Committee Agenda

Declaration of Opening

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

Present and Apologies and Leave of Absence (Previously Approved)

Leave of Absence None at distribution of agenda.
(Previously Approved)

Apologies None at distribution of agenda.

Disclaimer

Members of the public who attend Council 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 the Council meeting. Members of the public are also advised to wait for written advice from the CEO, on behalf of Council prior to taking action on any matter that they may have before Council.

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1. Public Question Time

A member of the public wishing to ask a question should register that interest by notification in writing to the CEO in advance, setting out the text or substance of the question. Questions tabled at the meeting may be unable to be answered due to the requirement for technical research and will therefore be answered directly afterwards.

Questions must relate to a matter contained within the agenda of this meeting.

2. Addresses By Members of the Public (only for items listed on the agenda)

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

3. Disclosures of Financial and/or Proximity Interest

The Presiding Member to remind Council Members, Committee Members and Employees 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 Council or Committee 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 Council & Committee Members may allow participation of the declarant if the Council 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 Council & Committee Members consider and decide upon whether the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

4. Disclosures of Interests Affecting Impartiality

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

Council Members, Committee Memembrs and employees 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 Council Member, Committee Members or employee is encouraged to disclose the nature of the association.

5. Declarations by Council & Committee Members That They Have Not Given Due Consideration to Papers

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

6. Confirmation of Minutes

Audit & Risk Committee Meeting 31 May 2021

The minutes of the Audit & Risk Committee held 31 May 2021 are to be confirmed.

7. Matters for Which the Meeting May Be Closed

Council, in accordance with Standing Orders and for the convenience of the public, is to identify any matter which is to be discussed behind closed doors at this meeting, and that matter is to be deferred for consideration as the last item of this meeting.

Nil.

8. Items for Discussion

Note: Regulation 11(da) of the *Local Government (Administration) Regulations 1996* requires written reasons for each decision made at the meeting that is significantly different from the relevant written recommendation of a committee or an employee as defined in section 5.70, but not a decision to only note the matter or to return the recommendation for further consideration.

8.1 Financial Audit for Year Ended 30 June 2021 – Interim Management Letter

| | |
|---|--|
| Committee | 30 August 2020/21 |
| Applicant | City of Nedlands |
| Employee Disclosure under section 5.70 Local Government Act 1995 | Nil. |
| Director | Ed Herne – Director Corporate & Strategy |
| Attachments | 1. Interim Management Letter |
| Confidential Attachments | |

Executive Summary

This report is to provide the Audit and Risk Committee with an update on the financial audit for the year ended 30 June 2021 and present the interim management letter to the committee.

Recommendation to Committee

That Council receives the status of the financial audit for the year ended 30 June 2021 and the interim management letter.

Discussion/Overview

The audit of the City's financials for 2020-21 is being undertaken by KPMG as contractors of the Auditor General.

KPMG conducted the interim audit on site from 21 June to 02 July 2021. Despite a short period of lockdown in WA during that time, the City continued to engage with KPMG to finalise the interim audit. The City provided all supporting documentation and KPMG's sample testing was also completed during that period.

As a result, the attached interim management letter is provided as an update to the status of the audit. It is encouraging to note that:

- no new items have been added on the management letter
- items highlighted on last year's management letter have been addressed
- only items remaining on the management letter are relating to the ERP implementation

For reference, the relevant legislative requirements below apply to financial statements for Local Governments in WA:

The City is to submit the annual financial statements to the auditor by 30 September 2021 as required by S 6.4(3) of the Local Government Act 1995.

The audit report is to be completed (signed and sent out) by 31 December 2021 as required by S 7.9 of the Local Government Act 1995.

The annual financial statements are to be accepted by Council no later than 31 December 2021.

In accordance with S 5.54 of the Local Government Act 1995, if the auditor's report is not available in time for the annual report to be accepted by 31 December 2021, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

A general meeting of electors is to be held once every financial year and within 56 days of Council accepting the annual report as required by S 5.27 of the Local Government Act 1995.

Key Relevant Previous Council Decisions:

Nil.

Consultation

Nil

Strategic Implications

How well does it fit with our strategic direction?

The annual financial statements report on the previous year's financial activity which allows the City to plan for future years.

Who benefits?

The community benefits from the annual financial statements.

Does it involve a tolerable risk?

There is no risk involved.

What level of risk is associated with the option? How can it be managed?

Nil.

Do we have the information we need?

Yes, the financial statements are based on 2020-21 information.

Budget/Financial Implications

There are no financial implications to this report.

Can we afford it?

There is no budgetary implication to receiving this report.

How does the option impact upon rates?

There is no impact on rates as the information presented is historical information for 2020/21.

Conclusion

The interim management letter and an update on the status of the 2020/21 financial audit is presented to the Committee.

CITY OF NEDLANDS

INTERIM MANAGEMENT LETTER

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

| INDEX OF FINDINGS | | RATING | | |
|--|--|-------------|----------|-------|
| Identified in the current year | | | | |
| No new matters have been identified in interim testing | | | | |
| No | Description | Significant | Moderate | Minor |
| Matters outstanding from prior years | | | | |
| 1. | Manual Input of Fees and Charges on Invoicing | | | ✓ |
| 2. | Capitalisation of Infrastructure Assets | | ✓ | |
| 3. | Lack of formal evidence of monitoring of vendor activity within the Authority production environment | ✓ | | |
| 4. | Migration of changes to the Authority production environment did not follow the relevant process | | ✓ | |
| 5. | Payments made to suppliers not matched against the respective supplier invoices. | | ✓ | |
| 6. | Receipts from debtors not matched against the respective debtor invoices. | | ✓ | |
| 7. | No aged trial balance available for Infringement Debtors. | | ✓ | |

CITY OF NEDLANDS

INTERIM MANAGEMENT LETTER

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

MATTERS IDENTIFIED DURING THE INTERIM AUDIT

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- **Significant** – Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- **Moderate** – Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- **Minor** – Those findings that are not of primary concern but still warrant action being taken.

1. Manual input of fees and charges on invoicing

Finding

2020/21

Prior year issue remains unresolved.

2019/20

The Council-approved schedule for fees and charges are not locked in the system and are manually input when invoicing.

Rating

Minor

Implication

There are risk of erroneous entry of the fees and charges upon invoicing which could result in incorrect charges to customers which might expose the City to reputational risks.

Recommendation

The City should ensure all categories of fees and charges are loaded onto the accounting system, reviewed in accordance with the approved schedule and locked for use in invoicing.

Alternatively, where this cannot be loaded onto the system and has to be entered manually, a level of review should be put in place to ensure the fees or charges entered agree to what has been approved by the Council.

Management Comment:

2020/21

2019/20

Due to current finance system limitations, the City is unable to load all categories of fees and charges in to the present accounting system. The Director C&S and Manager Financial Services are very aware of this issue and have ensured that this has been identified as an integral requirement of the new accounting system being sourced.

Responsible person: Manager Financial Services

Completion Date: July 2022

2. Capitalisation of Infrastructure Assets

Finding

2020/21

Prior year issue remains unresolved.

2019/20

We identified that in accordance with the City's capitalization policy, capitalization of new infrastructure assets is undertaken at year end, which results in the new infrastructure assets not being depreciated from the point at which they were ready and available for use.

Rating

Minor

Implication

There is a risk that depreciation expense for infrastructure assets is understated.

Recommendation

For major infrastructure assets, the City should include a depreciation start date that aligns with when the asset was ready and available for use.

Management Comment:

2020/21

2019/20

The current accounting system does not have the capacity for identification and capitalization of infrastructure assets as and when the asset is ready and available for use. There are numerous capital projects and to manually perform this exercise would not be viable. This has been identified as an integral requirement of the new accounting system being sourced.

Responsible person: Manager Financial Services

Completion Date: TBA – Dependent on implementation of new Finance System

3. Lack of formal evidence of monitoring of vendor activity within the Authority production environment

Finding

2020/21

Testing of the migration still to be completed for 2020/21.

2019/20

The Authority vendor (Civica) is responsible for developing and migrating large changes into the production environment, as well as providing support when required.

We were informed by IT personnel interviewed that Civica have 24/7 remote access to Authority via a generic account and that their access to the system is logged and monitored at the network layer, however logging functionality is poor within the application itself and therefore code or other configuration related changes cannot be tracked or monitored.

Rating

Significant

Implication

The vendor may make potentially inappropriate changes to Authority, including changing the configuration of key system-based controls or data related to the financial statements.

Recommendation

Management should consider:

- Locking the vendor account when not required
- Provisioning the vendor with unique accounts rather than a generic account
- Confirming with the vendor whether audit logging of changes within the application is available and if so, Management should conduct a formal periodic review of this log. To evidence that the review has been completed, the formal sign-off should be maintained, including the name of the reviewer, date reviewed, what they reviewed and the controls in place for them to gain comfort that the data provided to them to review was complete and accurate

Management Comment

The current solution records when the supplier logs in, but reporting of changes is restricted due to functionality within the system.

A new change management process has now been implemented. Civica have been notified via that effective immediately;

The Manager Business Systems will be notified prior to any changes.

Business Systems Senior engineer will manage the change process internally and pass information back to Civica once approval/rejection has occurred by management and the change has been affected.

Responsible person: Manager Business Systems

Completion Date: November 2020

4. Migration of changes to the Authority production environment did not follow the relevant process

Finding

2020/21

Testing of the migration still to be completed for 2020/21.

2019/20

The process to migrate a change to the Authority production environment as defined in the City of Nedlands's System/Application Change Control Policy is as follows:

- 1 A standard change control form is completed
- 2 Approval from the Manager Information Systems (title has been changed) is obtained prior to the implementation of the change

Furthermore, we were informed that the testing is also conducted by IT and the business prior to the Authority vendor (Civica) migrating the change into production.

We noted that there were changes migrated into the Authority production environment during the audit period, but no change control form was completed and no evidence of testing was recorded for these changes.

We noted the above process is being changed during the 2021 financial year.

Rating

Moderate

Implication

Changes may be made to the Authority production environment which aren't suitably tested or approved by the relevant stakeholders, which may result in system based controls not operating as intended.

Not recording evidence to support testing may result in there being no audit trail if any issues were to be encountered after migration.

Recommendation

Management should follow the change control process to maintain appropriate documentation for changes to the Authority application, including completing change control forms and maintaining evidence of testing being completed.

Management Comment

New change management processes have been defined around ITIL (Information Technology Infrastructure Library) standards

Suppliers of software or services have been informed and will now follow this formal process.

Responsible person: Manager Business Systems

Completion Date: November 2020

5. Payments made to suppliers not matched against the respective supplier invoices

Finding

2020/21

Prior year issue remains unresolved.

2019/20

Prior year issue remains unresolved.

2018/19

Our review of the creditors aged trial balances from 1 July 2018 to 28 February 2019 revealed that the payments made to suppliers were not matched against the respective supplier invoices in the creditor's module in the system, and thus, fully paid creditors were included as part of the creditors ageing.

Rating: Moderate

Implication:

In the absence of accurate creditors' ageing trial balance, there is increased risk that the Council may be using misleading data for decision making.

Recommendation:

We recommend that payments to creditors be matched against the relevant outstanding suppliers' invoices in the creditors' module in order to maintain an accurate creditors ageing trial balance and to evaluate the payable balances age-wise.

Management Comment:

2020/21

2019/20

This is an on-going issue with the current version of the Authority software that the City is using and will not be rectified until the implementation of a new solution. CIVICA is not addressing any issues in the software version used by the City as they have since upgraded their solution to 2 higher versions.

This has been identified as an integral requirement of the new accounting system being sourced.

Responsible person: Manager Financial Services

Completion Date: TBA – Dependent on implementation of new Finance System

2018/19

The inaccurate creditors aging was again raised with CIVICA in recent months and their reply remains the same, that they have no plans yet to change the report. Management agrees with the finding and recommendation and will continue to work with CIVICA to make the changes, however Management have little scope to ensure these changes are made as the supplier; CIVICA hasn't provided any clear indication of when they attend to address this issue.

Responsible person: Manager Financial Services

Completion Date: TBA – Dependent on implementation of new Finance System

6. Receipts of debtors not matched against the respective debtor invoices

Finding

2020/21

Prior year issue remains unresolved.

2019/20

Prior year issue remains unresolved.

2018/19

Our review of the sundry debtors aged trial balances from 1 July 2018 to 31 January 2019 revealed that receipts from debtors were not matched against the respective debtors invoices in the debtor's module in the system, and thus, debtors with a zero balance were included as part of the debtors ageing.

Rating: Moderate

Implication:

In the absence of accurate debtors ageing trial balance, there is increased risk that the Council may be using misleading data for decision making.

Recommendation:

We recommend that receipts from debtors be matched against the relevant outstanding debtor's invoices in the debtor's module in order to maintain an accurate debtors ageing trial balance and to evaluate the receivable balances age-wise.

Management Comment:

2020/21

2019/20

This is an on-going issue with the current version of the Authority software that the City is using and will not be rectified until the implementation of a new solution. CIVICA is not addressing any issues in the software version used by the City as they have since upgraded their solution to 2 higher versions.

This has been identified as an integral requirement of the new accounting system being sourced

Responsible person: Manager Financial Services

Completion Date: TBA – Dependent on implementation of new Finance System

2018/19

The receipts are matched against the invoices on a weekly basis. However, the debtors ageing report has a similar issue to the creditors ageing report in that the Authority system reports based on total invoices and total receipts and not as a net figure. We have also raised this issue with CIVICA and their response is that they have no plans yet to change the report. Management agrees with the finding and recommendation and will continue to work with CIVICA to make the changes, however Management have little scope to ensure these changes are made as the supplier; CIVICA hasn't provided any clear indication of when they attend to address this issue.

Responsible person: Manager Financial Services

Completion Date: TBA – Dependent on implementation of new Finance System

7. No Aged Trial balance available for infringement debtors

Finding

2020/21

Prior year issue remains unresolved.

2019/20

Prior year issue remains unresolved.

2018/19

The current accounting system “Authority” is not capable of generating an aged trial balance report for infringement debtors.

Rating: Moderate

Implication:

The Council is unable to ascertain if there are any long outstanding amounts for infringement debtors and their collectability.

Recommendation:

We recommend that an aged trial balance report be developed for infringement debtors.

All long outstanding debts if any, be reviewed and action taken to recover them at the earliest.

Management Comment:

2020/21

2019/20

This is an on-going issue with the current version of the Authority software that the City is using and will not be rectified until the implementation of a new solution. CIVICA is not addressing any issues in the software version used by the City as they have since upgraded their solution to 2 higher versions.

This has been identified as an integral requirement of the new accounting system being sourced

Responsible person: Vanaja Jayaraman (Manager Financial Services)

Completion Date: TBA – Dependent on implementation of new Finance System

2018/19

The Council agrees with the finding and recommendation and will continue to work with CIVICA to resolve this issue.

Responsible person: Vanaja Jayaraman (Manager Financial Services)

Completion Date: TBA – Dependent on implementation of new Finance System

8.2 Update on Audit Recommendations of Contract Management

| | |
|---|---|
| Committee | 30 August 20201 |
| Applicant | City of Nedlands |
| Employee Disclosure under section 5.70 Local Government Act 1995 | Nil. |
| Director | Ed Herne – Director Corporate & Strategy |
| Attachments | Nil. |
| Confidential Attachments | 1. Internal Audit Report - Contracts Management – 11 May 2021 |

Executive Summary

Moore Australia conducted an audit of the City's Contract Management, and the Audit Report was presented at the last Audit and Risk Committee meeting. This report provides an update on the recommendations from the Audit.

Recommendation to Committee

That Council receives the progress made to date to address the findings from the Moore Australia Contract Management Audit Report.

Discussion/Overview

Moore Australia are the City's appointed Internal Auditors and in accordance with the internal audit plan have facilitated a Review of the City's contract management processes.

The attached report which contained details of the issues raised and management's comments were presented to the Audit and Risk Committee on 31 May 2021.

A proposed action list to address the issues raised was presented to Council on 22 June 2021.

Update on Progress

Following the resignation of the then Procurement Coordinator, the position was advertised in June 2021. The Manager Financial Services and Manager City Programs interviewed 3 candidates and appointed a suitable person to the role in late July, with a start date of 18 August 2021.










The candidate had already referred to the findings of the Moore Australia audit as part of her interview preparation and therefore, is well aware of the challenges and critical tasks to be completed.




In the meantime, the Manager Financial Services has engaged with WALGA's Procurement Specialist team with a view to developing a strong working relationship for support, facilitation and advice on procurement processes and compliance.

The focus for the next 6 to 12 months for Procurement is primarily to address the findings and implement the recommendations from the Moore Australia audit.

The target dates for implementation of the findings, as shown below and presented at the last Audit and Risk Committee meeting in May 2021, were based on the Procurement Coordinator being still present at the City. Subsequently, with the incumbent's resignation in June 2021 and the position being vacant for about two half months, the target dates would need to be revised accordingly.

An update on status and progress of each finding is provided following:

| Finding | Description | Status | % Complete | Target Date | Issues | Activity |
|---------|--------------------------------|--|-------------|--------------|--------|---|
| 1 | Contract Management Training |  | 40% | 01 Sep 2021 | Nil. | <ul style="list-style-type: none"> Various training sessions held by WALGA are available as of end of Aug. Key Procurement users/officers will be attending relevant sessions. |
| 2 | Review of Resourcing |  | 0% | 30 June 2021 | Nil. | <ul style="list-style-type: none"> Will be addressed as part of the Organisational Review |
| 3 | Contracts Management Framework |  | 50% | 30 June 2021 | Nil. | <ul style="list-style-type: none"> A draft document is in place This will need to be reviewed by the incoming Procurement Coordinator |
| 4 | Contracts Register |  | 70% | 01 July 2021 | Nil | <ul style="list-style-type: none"> Contracts Register already developed. Needs to be updated and QA'd by the incoming Procurement Coordinator |
| 5 | Delegation Matrix |  | 80% | 31 Dec 2021 | Nil | <ul style="list-style-type: none"> Manager City Projects will be working together with Executive Officer to update the Delegation Matrix |
| 6 | Policies and Procedures |   | 100% 30% | 27 July 2021 | Nil. | <ul style="list-style-type: none"> Procurement Policy approved by Council on 27 July 2021 and on track as per target date Procurement procedures will be addressed as part of the ERP process mapping documentation |
| 7 | Executive Reporting |  | 0% | 30 June 2022 | Nil | <ul style="list-style-type: none"> Incoming Procurement Coordinator to implement |
| 8 | Risk Assessment |  | 0% | 31 Oct 2021 | Nil | <ul style="list-style-type: none"> Draft Risk Register to be developed |

| Legend | Description |
|---|----------------------------------|
|  | Target date will be delayed. |
|  | Potential for target date delay. |
|  | On Target |

Key Relevant Previous Council Decisions:

The audit findings were reported to the Audit and Risk Committee at the meeting held on the 31st May 2021. The Audit and Risk Committee recommended the following:

1. notes with concern the Moore Australia Audit into Contracts Management;
2. notes the actions recommended by the City's Officers; and
3. refers the report to the next Ordinary Council Meetings, where the Chief Executive Officer is requested to advise Council what resources are required to address this matter on an urgent basis.

At the Ordinary Council meeting dated 22nd June 2021, Council resolved the following:

1. notes with concern the Moore Australia Audit into Contracts Management;
2. notes the actions recommended by the City's officers.

Nil.

Consultation

Over the period of the audit several staff members across the city were interviewed and consulted by the Moore Australia audit team regarding their involvement with contract management, and the processes structures guiding around them.

Strategic Implications

How well does it fit with our strategic direction?

Strategically, the City is committed to reducing operational risk and continual improvement of administrative processes to deliver more efficient services.

Who benefits?

The City benefits from the effective management of its contracts. This ensures regulatory compliance, transparency, reduced risk, process efficacy, and improved controls on contract expenditure, especially that related to contract variance and executive reporting.

Does it involve a tolerable risk?

The greatest risk is that we do nothing. This will expose the City to multiple risks operationally, reputationally and financially. The availability of an effective Procurement and Contracts function with sufficiently resourced and qualified staff will ensure the City can address those risks identified.

What level of risk is associated with the option? How can it be managed?

The audit report demonstrates that the City is performing poorly in all areas of its contract management activities and this represents a high risk to the City, financially, reputationally and operationally.

Do we have the information we need?

The Moore Australia Audit into the City's contract management function provides all the information required to improve our contract management processes.

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.

Can we afford it?

There is no immediate budgetary implication to receiving this report. Due to the current status, as identified by the Audit Report, the City is exposed to risk with a continuation of a business as usual operation within this function. This will need to be considered by the Administration and Council at a later date.

How does the option impact upon rates?

There will be no impact on rates in the receipt of this report. Future costs will need to be considered by the Administration and Council at a later date following a detailed review of the report's implications to the City's operations.

Conclusion

The findings reported by Moore Australia are progressively being addressed through the recruitment of the Procurement Coordinator.
Addressing all the findings will occur throughout the 2021/2022 financial year.

8.3 Update on Audit of Records Management

| | |
|---|--|
| Committee | 31 August 2021 |
| Applicant | City of Nedlands |
| Employee Disclosure under section 5.70 Local Government Act 1995 | Nil. |
| Director | Ed Herne – Director Corporate & Strategy |
| Attachments | Nil. |
| Confidential Attachments | Nil. |

Executive Summary

The objective of this report is to present an update of the key records management initiatives being undertaken, along with their progress, to address the findings from Moore Australia (Internal Auditor's) Records Management Audit and the Dialog IT SharePoint and Recordkeeping Audit Report for endorsement.

Recommendation to Committee

That Council receives the progress made to address the findings from Moore Australia (Internal Auditor's) Records Management Audit and the Dialog IT SharePoint and Recordkeeping Audit Report.

Voting Requirement

Simple Majority.

Discussion/Overview

The Moore Australia (WA) Pty Ltd ("Moore Australia") audit into Records management identified a total of 9 key findings. The Dialog IT report identified eight recommendations. All recommendations are subsumed into the overarching audit report completed by Moore Australia.

Overall, the findings reported by Moore Australia and Dialog IT are considered very serious as the City's records are largely unmanaged and lack compliance with the relevant principles and standards under the *State Records Act 2000*.

The City has been reviewing the findings and has been working on addressing these as a matter of urgency to achieve increased compliance .

Update on Progress







The City's officers met with the Director of the State Records Office on Friday 30 July 2021 to:



- a) Provide a briefing on the issues that the City is addressing;
- b) Seek their guidance on retention and disposal schedules;
- c) Discuss changes to the revised Record Keeping Plan Template which will be released by the State Records Office in late 2021; and
- d) Discuss where SharePoint fits in the electronic records and documents suite of compliant records management products. The State Records Office indicated that SharePoint was not necessarily the preferred tool as it requires third-party software integration products to achieve compliance.




The City has benchmarked the number of records management staff across six (6) local government authorities that range from 185 FTE to 260 FTE. Across these 6 local government authorities the average number of Records Management staff is approximately 3.5 FTE. Given the City is at the low end of the FTE benchmark, the records management staffing level should also be considered at the lower end, that is, three (3) FTE. Currently the City has 0.8 FTE allocated to Records Management, thus leaving a capacity shortfall of two (2) FTE.

As a stop gap measure the City has employed one (1) person on a short-term arrangement (December 2021) to assist with the capacity gap and is planning to employ another suitable officer on a similar short-term arrangement. This approach will address the capacity gap in the short-term. Longer-term arrangements will need to be considered through the planned organisation and service review or through the 2022/2023 budget process.

The following table is an update on the status and progress of each finding:

| Finding | Description | Status | % Complete | Target Date | Issues | Activity |
|---------|--|---|------------|--------------|--|---|
| 1 | Lack of Records Management Policy & Procedures |  | 40% | 30 Oct 2021 | Nil. | <ul style="list-style-type: none"> Records Management Policy drafted Records Management Procedures in progress |
| 2 | Inadequate Record Keeping Plan |  | 20% | 31 Dec 2021 | Nil. | <ul style="list-style-type: none"> Meeting held with the Director of the State Records Office Friday 30th July 2021 to discuss the City's plan to develop a new Record Keeping Plan. |
| 3 | Lack of Qualified & Experienced Staff |  | 50% | 31 Dec 2021 | Additional capacity to address this finding. | <ul style="list-style-type: none"> A temporary resource has been engaged to 31 December 2021 to assist with capacity issues and operational records management. Benchmarking of various Local Government Councils Records Management staffing levels has been completed. Options of engaging another temporary Records Officer resource is being explored. |
| 4 | Inadequate Records Management Training |  | 0% | 30 Jun 2022 | Capacity to train all City staff. | <ul style="list-style-type: none"> Information Management staff scheduled to receive external training by end of November 2021. All staff training (160+ staff) will commence on the completion of Finding #9. |
| 5 | Lack of Monitoring |  | 0% | 30 Jun 2022 | Capacity to address this finding. | <ul style="list-style-type: none"> Discussed monitoring processes with the Director of the State Records Office Friday 30th July 2021. This will be addressed following the implementation of Finding #9. |
| 6 | Physical & Digital Security of Documents |  | 60% | 30 Sept 2021 | Nil. | <ul style="list-style-type: none"> The physical records are housed in a secure room. Only authorised staff can only enter the Records room by swiping their security access pass. Access to this room is electronically recorded in the Building Management System. Monthly reports of staff that enter the records room will be developed to audit security access. A formal procedure for accessing the Records room and retrieval of documents is under development. Security of digital documents will be addressed by Finding #9. |

| Finding | Description | Status | % Complete | Target Date | Issues | Activity |
|---------|--|---|------------|--------------|--|---|
| 7 | Inadequate management of retention & disposal of records |  | 10% | 30 June 2022 | Additional capacity to address the ongoing management of this finding. | <ul style="list-style-type: none"> Meeting held with the Director of the State Records Office Friday 30th July 2021 to discuss the Retention and Disposal schedule. The City will adopt the State Records Office Guideline for Records Retention and Disposal Instructions. |
| 8 | Inconsistent naming of documents |  | 10% | 30 June 2022 | Nil. | <ul style="list-style-type: none"> Following the meeting held with the Director of the State Records Office Friday 30th July 2021 the naming standards adopted will be based on Keywords for Councils. This standard will be incorporate into the training program. |
| 9 | Non-compliance with State Records Act - SharePoint |  | 20% | 31 Jan 2022 | Nil. | <ul style="list-style-type: none"> Procurement of a software tool has been finalised and approved. This third-party software tool is compatible with SharePoint and will address compliance issues as identified. Project implementation will commence in September 2021. |

| Legend | Description |
|---|----------------------------------|
|  | Target date will be delayed. |
|  | Potential for target date delay. |
|  | On Target |

Key Relevant Previous Council Decisions:

The audit findings were reported to the Audit and Risk Committee at the meeting held on the 31st May 2021. The Audit and Risk Committee recommended the following:

1. notes with concern the Moore Australia Audit into Records Management and Dialog I.T.;
2. notes the actions recommended by the City's Officers; and
3. refers the report to the next Ordinary Council Meetings, where the Chief Executive Officer is requested to advise Council what resources are required to address this matter on an urgent basis.

At the Ordinary Council meeting dated 22nd June 2021, Council resolved the following:

1. notes with concern the Moore Australia Audit into Records Management and Dialog I.T.;
2. notes the actions recommended by the Administration; and
3. ensures the CEO notes the Council's concerns of what the Audit Report – Records Management revealed and requests the CEO address the remedial action as an urgent matter and report back to Council as soon as possible.

Consultation

The City's officers have consulted with the Director of State Records Office of Western Australia.

Strategic Implications

How well does it fit with our strategic direction?

Addressing the findings reported by Moore Australia and Dialog IT audit reports will ensure that the City can achieve increased compliance with the *State Records Act 2000* and reduce operational and strategic risk.

Who benefits?

The City will benefit by complying with the *State Records Act 2000*.

Does it involve a tolerable risk?

The Moore Australia and Dialog IT audit reports have identified a significant number of business risks that can only be mitigated to a manageable level if their recommendations are addressed by the City.

What level of risk is associated with the option and how can it be managed?

Addressing the Moore Australia and Dialog IT audit reports recommendations will reduce the risks that the City is currently exposed to in Records Management.

Do we have the information we need?

Yes, the Moore Australia and Dialog IT audit reports has fully informed the City on what actions are required to mitigate the identified records management risks.

Budget/Financial Implications

Can we afford it?

Addressing the Moore Australia and Dialog IT audit report recommendations will initially be addressed with existing resources. Future requirements for increasing capacity in the Records Management area will be subject to the City's budgetary processes.

How does the option impact upon rates?

Accepting the Officers recommendations in this report will not impact rates.

Conclusion

The findings reported by Moore Australia and Dialog IT are progressively being addressed within the capacity of existing records management resources.

Fully addressing all the findings will occur throughout the 2021/2022 financial year as the administration will have a significant amount of work to do after 5 years of no attention to the records management function.

8.4 Enterprise Resource Planning System: Project Status Report

| | |
|--|--|
| Committee | 31 August 2021 |
| Applicant | City of Nedlands |
| Employee Disclosure under section 5.70 <i>Local Government Act 1995</i> | Nil. |
| Director | Ed Herne – Director Corporate & Strategy |
| Attachments | Nil. |
| Confidential Attachments | Nil. |

Executive Summary

The objective of this report is to present the Project Status Report for the implementation of the City's Enterprise Resource Planning System - OneCouncil.

Recommendation to Committee

That Council receives the Enterprise Resource Planning System Project Status Report.

Voting Requirement

Simple Majority.

Discussion/Overview

This is the first report prepared to provide the Audit and Risk Committee with a project status update of the implementation of the Enterprise Resource Planning System, called OneCouncil.

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

Thereafter the City has commenced detailed project planning and in the process of recruiting the project implementation team.

The implementation of OneCouncil will be via three (3) phases over three (3) years using a standard project management methodology as per the following.

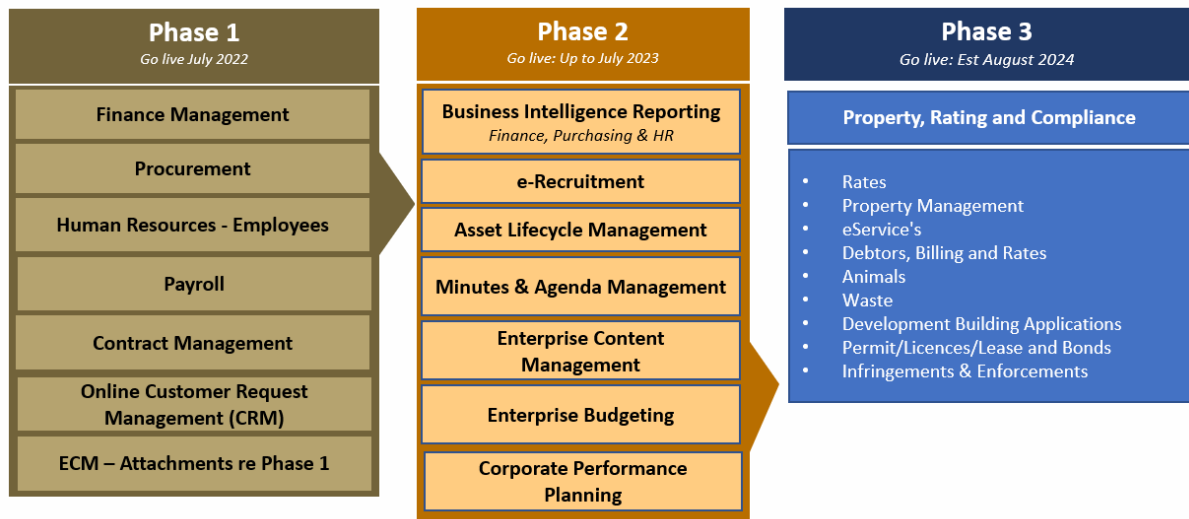


Figure 1 -OneCouncil : Overview of Phases

The scope of the abovementioned phases is largely driven by the fact that we are leveraging the implementation work undertaken at other Western Australian Local Governments. This approach reduces the implementation cost and overall risk to the City. Furthermore, the scope of Phase 1 is designed to lay the foundation systems ready for future phases of OneCouncil to build upon.

In terms of implementing Phase 1 of OneCouncil, the graphical representation below outlines the key project milestones:

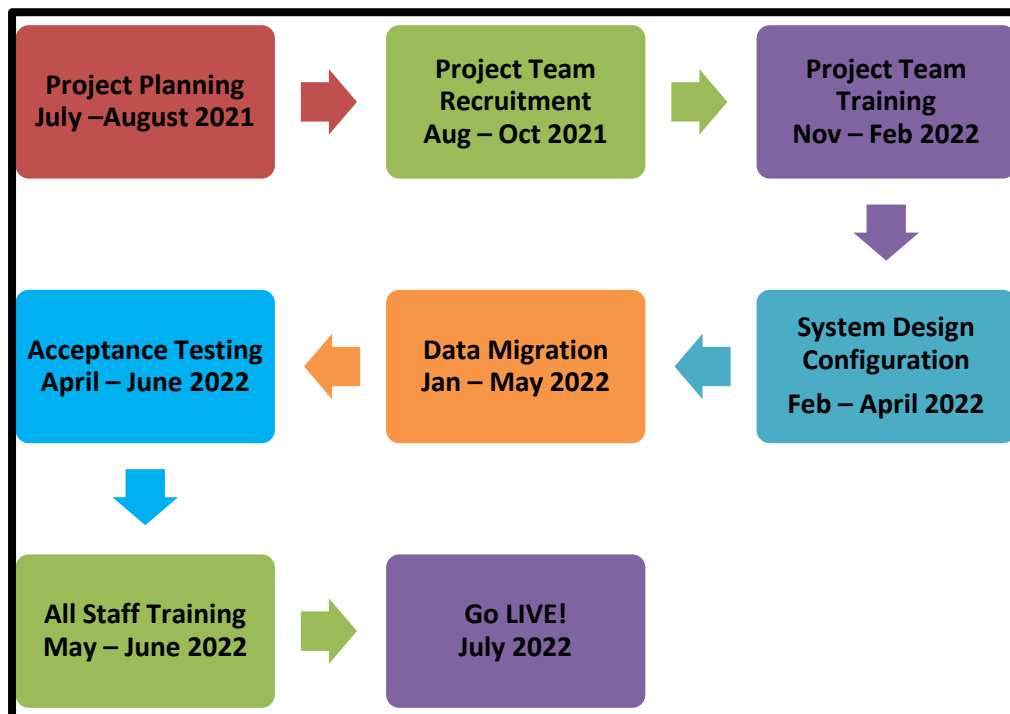













Figure 2 -OneCouncil Phase 1 Milestones

Update on Progress

To date, all milestones have been met by the OneCouncil Project as per the following:

| # | Milestone | Status | % Complete | Target Date |
|---|-------------------------------|---|------------|------------------|
| 1 | Project Planning |  | 80% | 31 August 2021 |
| 2 | Project Team Recruitment |  | 20% | 29 October 2021 |
| 3 | Project Team Training |  | 0% | 11 February 2022 |
| 4 | System Design & Configuration |  | 0% | 30 April 2022 |
| 5 | Data Migration |  | 0% | 30 May 2022 |
| 6 | Acceptance Testing |  | 0% | 30 May 2022 |
| 7 | All Staff Training |  | 0% | 30 June 2022 |
| 8 | Go LIVE |  | 0% | July 2022 |

| Legend | Description |
|---|--------------------------------|
|  | Milestone delayed > 10%. |
|  | Potential for milestone delay. |
|  | Milestone on target. |

The key deliverables produced by the OneCouncil Project were:

1. Milestone #1 – Project Planning

- City of Nedlands and TechnologyOne Contract signed;
- Memorandum of Understanding (MoU) with City of Nedlands and City of South Perth approved;
- Memorandum of Understanding (MoU) City of Nedlands and Shire Serpentine Jarrahdale approved;
- Project Management Plan developed;
- Project Risk Register developed; and
- Cloud based OneCouncil IT Environments established.

2. Milestone #2 – Project Team Recruitment

- Project Team Position Descriptions (PD's) Drafted;
- Project Team Position Descriptions (PD's) Approved; and
- Project Team Positions Advertised on Seek.

Key Relevant Previous Council Decisions:

At the Ordinary Council Meeting held on the 22nd 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
3. notes;
 - a. the adoption of the Integrated Enterprise Resource Planning approach for implementing Information Systems; and
 - b. the implementation of the TechnologyOne OneCouncil solution using the Cloud model called "Software as a Service".

Consultation

The OneCouncil Project is in the process of developing the followings stakeholder consultation plans:

| Stakeholder Consultation Plans | Purpose |
|---------------------------------------|--|
| Change Management Plan | To outline the strategy and approach to managing the organisational change associated with implementing the OneCouncil project for employees, customers and stakeholders. |
| Communication Plan | To provide an overall framework for the ongoing management, coordination and delivery of communications to all staff across the City of Nedlands impacted by the OneCouncil project activities. |
| Stakeholder Engagement Plan | To outline the City's approach to managing stakeholder engagement throughout the implementation of the OneCouncil solution to ensure clear direction for the delivery of stakeholder engagement actions. |

The City has also been consulting with the City of South Perth and the Shire of Serpentine Jarrahdale who are also implementing the same TechnologyOne OneCouncil system. The City has signed a Memorandum of Understanding (MoU) with the City of South Perth and the Shire of Serpentine Jarrahdale for the purpose of sharing information, system configuration/setup and lessons learnt.

Strategic Implications

How well does it fit with our strategic direction?

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, evaluate all existing and future operations.

Who benefits?

Council will benefit from the implementation of OneCouncil by:

- Improved online services for ratepayers and residents;
- Implementing the ability for customers/residents to engage the City online from any device and anytime;
- More efficient tools for reporting budget and statutory reporting obligations;
- Improved staff morale by reducing pressure/stress on staff - this will reduce the need to increase FTE in the future - as staff will have the right tools to do their job;
- The ability to attract talent from other Councils that use TechnologyOne;
- Improved planned and scheduled maintenance of our Assets;
- Reduced strategic and operational risk by replacing the City's obsolete IT systems;
- Improved granularity of financial reporting with a revised Financial Chart of Accounts; and

- Increased financial system controls with full audit capability to reduce the risk of fraud / corruption.

The City's administrative staff will benefit from the implementation of OneCouncil by:

- Optimization of business processes - Being more effective & efficient;
- Improved information accuracy and decision-making capability - A more strategic City;
- Improved and efficient business processes and tools for:
 - Business Intelligence & Reporting;
 - Financial management, budgeting, governance and transparency;
 - Employee performance management, learning, training and development;
 - Corporate strategic planning and reporting;
 - Sharing information between all areas of the City;
 - Comprehensive Asset management; and
 - Workforce mobility.
- Elimination of unnecessary manual and paper-based business processes;
- Delivers contemporary ICT systems with the capability to scale as the City grows; and
- Improved capacity for staff to work 'on the business' rather than 'in the business'

The Customer, community and other stakeholders will benefit from this initiative by:

- Customers will have access to on-line services 24x7 – this is an expectation;
- Ability for customers to report issues and/or request information online;
- Automated communication to customers - Request lodgement, progress and completion outcomes;
- Ability to track requests for information or service online – rather than calling the City;
- Online ability to lodge, track and pay for:
 - Building Applications and Development applications;
 - Dog/Cat renewals/licences;
 - Requests for new services (i.e. Bins, Verge collections);
 - Copies of plans; and
 - Infringements / Fines.
- Having an improved customer and interface experience with the availability of online processes that can be completed at their convenience, not only during the City's operating hours as is the current situation; and
- Simplification of the customer's communication and engagement with the City of Nedlands.

Does it involve a tolerable risk?

The implementation of transformational change has inherent risks. These risks have been formally identified, and risk mitigation strategies will be identified and implemented. A project risk register has been developed as part of the implementation of the Enterprise Resource Planning System, and the project risk register will inform the Corporate Risk Register. This will be supported by implementing robust project governance and project management to ensure visibility and accountability over the progress of the project.

A key risk mitigation strategy includes the establishment of a Memorandum of Understanding (MoU) with the City of South Perth and the Shire of Serpentine Jarrahdale as these local governments currently use the OneCouncil solution. This will enable the City to utilise information, system setup configuration, lessons learnt and various project deliverables (i.e., Test Plans, training material, project plans etc.) to minimise resource effort, cost, and risk in the City's overall implementation.

Importantly, adopting a pre-configured business process that another local government has already implemented will give the City a solid foundation on which to commence the implementation.

What level of risk is associated with the option and how can it be managed?

There is no risk associated with receiving this report.

Do we have the information we need?

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

Budget/Financial Implications

Can we afford it?

The provision of the implementation of OneCouncil is included in the City of Nedlands 2021/22 Annual Budget.

How does the option impact upon rates?

Receiving this report will not impact rates.

Conclusion

The implementation of OneCouncil Project is a significant investment that enables a whole new way of doing business more effectively. We need to evolve our organisation to ensure that we meet the expectations of the community we serve both now and in the future. Our goal is to deliver a best-practice system that improves our processes, strengthens the capacity of our people and facilitates the delivery of excellent service to our customers.

OneCouncil is a 3-year project managed in three (3) Phases and is an organisation-wide project that will touch most facets of the City. It is more than just new software. We are transforming the way we do things by simplifying our work processes and adopting best practice. Active involvement by all staff in this change is vital to success. Therefore, it is important to keep the Audit and Risk Committee abreast of the progress and status of the OneCouncil Project on a quarterly basis.

8.5 Moore Australia – Internal Audit

| | |
|--|---|
| Committee | 31 August 2021 |
| Applicant | City of Nedlands |
| Employee Disclosure under section 5.70 <i>Local Government Act 1995</i> | Nil. |
| Director | Ed Herne – Director Corporate & Strategy |
| CEO | Bill Parker |
| Attachments | 1. Moore Australia Agenda paper including Audit Log and Strategic Internal Audit Plan 2022-2024 |
| Confidential Attachments | Nil. |

Executive Summary

This report is to:

- Provide an update on the internal audit activities for the year ended 30 June 2021;
- Confirm the internal audit topics for the year ended 30 June 2022 and 30 June 2023 and provide topic suggestions for the year ended 30 June 2024; and
- Approve for Moore Australia to be reappointed as the City's internal auditor for the 3 years ended 30 June 2022 to 30 June 2024.

Recommendation to Committee

That Council:

1. receives the Moore Australia paper providing an update on the internal audit activities performed by Moore Australia for the year ended 30 June 2021;
2. confirms the Strategic Internal Audit Plan for the year ended 30 June 2022, 2023, and 2024;
3. approves for Moore Australia to be reappointed as the City's internal auditor for the 3 years ended 30 June 2022 to 30 June 2024.

Discussion/Overview

1. Internal Audit Activities

Moore Australia has provided an update of the internal audit activities for the year ended 30 June 2021.

2. Strategic Internal Audit Plan for the years ending 2022 - 2024

Moore Australia has prepared the Strategic Internal Audit Plan for the years ending 30 June 2022 to 30 June 2024 and are seeking confirmation of the internal audit topics.

3. Approval for Moore Australia to be reappointed as the City's internal audit provider for the 3 years ending 30 June 2022 to 2024

Moore Australia are seeking approval to continue as the City's internal audit provider to undertake the Strategic Audit Plan for the 3 years ending 30 June 2022 to 2024.

Key Relevant Previous Council Decisions:

Nil.

Consultation

Nil.

Strategic Implications

How well does it fit with our strategic direction?

The City of Nedlands relies on internal audit as the third line of defense to provide insight and improvement opportunities to the system of internal control.

Who benefits?

The City will benefit from having a Strategic Internal Audit Plan. This provides a strategic view of the internal audit topics planned for the next year to demonstrate the risks being mitigated by the work performed by the internal audit function, Office of the Auditor General via their financial and performance audit function and what work needs to be performed by the City of Nedlands.

Does it involve a tolerable risk?

The work included within the Strategic Internal Plan aims to reduce the residual risk identified by the City of Nedlands by identifying controls and improvement opportunities.

What level of risk is associated with the option? How can it be managed?

Nil.

Do we have the information we need?

Yes. The Strategic Internal Audit Plan identifies the internal audit topics for the years ending 30 June 2022 to 30 June 2024.

Budget/Financial Implications

Can we afford it?

The internal audit fees for the year ended 30 June 2022 have been included in the budget.

How does the option impact upon rates?

The impact of this option has already been included in the 2021-22 budget.

Conclusion

The Audit and Risk Committee:

- Notes the status update on the internal audit activities for the year ended 30 June 2021,
- Confirms the internal audit topic for the year ended 30 June 2022 to 30 June 2024,
- Approves the reappointment of Moore Australia as the City's internal audit provider for the 3 years ending 30 June 2022 to 30 June 2024.



AUDIT AND RISK COMMITTEE
MEETING AGENDA PAPER

**CITY OF NEDLANDS
INTERNAL AUDIT**

30 AUGUST 2021





CONTENTS PAGE

| | | |
|----|--|---|
| 1. | Recommendation | 3 |
| 2. | Tabled Reports | 3 |
| 3. | Status of Internal Audit Engagements..... | 3 |
| 4. | Status of Internal Audit Recommendations | 4 |
| 5. | Strategic Internal Audit Plan | 5 |
| 6. | Appointment as Internal Auditors | 5 |
| 7. | Publications | 5 |
| 8. | Office of the Auditor General | 6 |
| 9. | Questions | 8 |



1. Recommendation

The Audit and Risk Committee

- note the status update on the internal audit activities for the year ended 30 June 2021. (Please refer to Item 2, 3 and 4)
- confirm the internal audit topics for the year ended 30 June 2022 and 2023 and provide topic suggestions for the year ending 30 June 2024. (Please refer to Item 5)
- approve for Moore Australia WA to be reappointed as your internal audit service provider for the 3 years ending 30 June 2022 to 30 June 2024 (Please refer to Item 6)

2. Tabled Reports

There are no reports which have been finalised since the last Audit and Risk Committee.

3. Status of Internal Audit Engagements

The City of Nedlands Audit and Risk Committee approved 3 topics as part of the Strategic Internal Audit Plan and also the Regulation 17 Review. A summary of the status of these engagements is provided in the table below.

| Approved Audit or Review Topic | Status Update |
|--|---|
| Records Management | Issued to Management on 24 May 2021. Tabled at the 31 May 2021 Audit and Risk Committee Meeting. |
| Risk Management | Issued to Management on 24 May 2021. Tabled at the 31 May 2021 Audit and Risk Committee Meeting. |
| Procurement and implementation of the new finance system | Internal audit has not commenced. Moore Australia have been liaising with Management to seek a commencement date |
| Regulation 17 Review | Review has not commenced. Moore Australia have been liaising with Management to seek a commencement date |

Table 1: Status of Internal Audit and Review Engagements

4. Status of Internal Audit Recommendations

Outlined below in Table 2 is the status of the internal audit recommendations at 23 August 2021 compared to the previous Audit and Risk Committee meeting.

Please refer to Appendix 1 for the Register of Internal Audit Recommendations. This is a document maintained by the Management of the City of Nedlands and they are available to answer any questions at the meeting.

| | 9 November 2020 Audit and Risk Committee Meeting | | 7 December 2020 Audit and Risk Committee Meeting | | 31 May 2021 Audit and Risk Committee Meeting | | 30 August 2021 Audit and Risk Committee Meeting | |
|---|--|-------------|--|-------------|--|-------------|---|-------------|
| Status | Number | % | Number | % | Number | % | Number | % |
| Not implemented by Management | 16 | 73% | 15 | 94% | 14 | 93% | 8 | 26% |
| New recommendations | - | - | - | - | - | - | 17 | 55% |
| Completed by Management but not verified by internal audit | 0 | 0% | 0 | 0% | 0 | 0% | 4 | 13% |
| Verified by internal audit and recommended to the Audit and Risk Committee to be removed from the Internal Audit Log. | 6 | 27% | 1 | 6% | 0 | 0% | 2 | 6% |
| Redundant | 0 | 0% | 0 | 0% | 1 | 7% | 0 | 0% |
| Total number of recommendations | 22 | 100% | 16 | 100% | 15 | 100% | 31 | 100% |

Table 2: Status of Internal Audit Recommendations



5. Strategic Internal Audit Plan

The City of Nedlands Strategic Internal Audit Plan was approved by the Audit and Risk Committee in their December 2020 meeting. A copy is provided for your information in Appendix 2. Moore Australia are seeking confirmation of the internal audit topics for the year ending 30 June 2022 and 2023 and direction for the internal audit topics for the year ending 30 June 2024 to include within the Strategic Internal Audit Plan.

6. Appointment as Internal Auditors

The appointment of Moore Australia as your internal audit service providers we believe ends after the performance of the above-mentioned engagements.

Moore Australia are very happy to continue as your internal audit service providers and seek to be reappointed by the Audit and Risk Committee for the three years ending 30 June 2022 to 2024.

7. Publications

Moore Australia has identified the following reports which may be of interest to the Audit and Risk Committee. This is presented in Table 3 below.

| Organisation and Report | Issue Date |
|--|------------|
| Governance Institute of Australia – Board Papers | 2021 |
| Institute of Internal Auditors Australia - Using the Fraud Triangle to Design and Assess Internal Controls | June 2021 |

Table 3 **Publications**

8. 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.

8.1 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 4. is the Auditor General tabled reports since the last AFRC meeting in May 2021 This excludes Section 82 Financial Management Act Ministerial Notifications Reports. These may be of interest to the AFRC Members in their capacity on the SP or other Boards and Committees.

| Tabled Report | Date |
|--|---------------|
| Staff Exit Controls - Office of the Auditor General | 5 August 2021 |
| SafeWA - Application Audit - Office of the Auditor General | 2 August 2021 |
| Temporary Abbreviated State Procurement Control Requirements | 30 June 2021 |
| Improving Prisoner Literacy and Numeracy | 23 June 2021 |
| Audit Results Report 2019-2020 Financial Audits of Local Government Entities | 16 June 2021 |
| Information System Audit Report 2021- State Government Entities | 16 June 2021 |
| WA Public Sector Financial Statements- Better Practice Guide | 14 June 2021 |
| Audit Results Report 2020- Financial Audits of Universities and TAFES | 2 June 2021 |
| Delivering Essential Services to Remote Aboriginal Communities- Follow Up | 2 June 2021 |

Table 4: Auditor General Tabled Reports since May 2021.



8. Office of The Auditor General (continued)

8.2 Commenced Audits

The commenced or forward performance audit topics can also be used to perform a self-assessment, to identify where there may be gaps within SP, 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 AFRC papers for your information only.

Set out below in Table 5, is an extract from the Office of the Auditor General website which identifies the audits that have commenced and their expected tabling date.

| Name of Report | Expected Tabling Date |
|--|---------------------------------|
| Public sector building maintenance (State) | Second quarter 2021 |
| Temporary abbreviated State procurement control requirements (State) | Second quarter 2021 |
| Roll out of Stimulus Initiatives July 2020-March 2021 | Second quarter 2021 |
| State of cyber security in local government entities (Local) | Third quarter 2021 |
| Safe and viable cycling in the Perth area (Joint) | Third quarter 2021 |
| Water Corporation: Management of Water Pipes follow-up (State) | Third quarter 2021 |
| Payments to subcontractors working on government construction projects (State) | Fourth quarter 2021 |
| Local Government Financial Hardship Support | Yet to be determined by the OAG |
| Staff rostering in financial services | First quarter 2022 |
| Administration of trusts and deceased estates | First quarter 2022 |

Table 5: Auditor General WA Commenced Audits



8. Office of The Auditor General (continued)

8.3 Performance Audit Program

Currently there are no performance audits identified in a forward program on the Office of the Auditor Generals website and so this information has not been provided.

9. Questions

Michelle Shafizadeh and Duy Vo will be in attendance and are available to answer any questions that you may have at the meeting.

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HELPING YOU THRIVE IN A CHANGING WORLD

Register of Internal Audit Recommendations

| 1 | A | B | C | D | E | F | G | H | I | J | K |
|----|------------------------|--------|----------|--------|------------------|------------------|--|--|---------------------------|---------|---|
| 2 | Audit Register 2020/21 | | | | | | | | | | |
| 3 | ID | Open | Date Due | Closed | Business | Status | Name | Audit Action | Owner | Column1 | Status Comments |
| 8 | 5 | Jan-19 | May-21 | | Finance | Work in progress | Accounts Payable and Purchasing (Contract & Procurement) | Purchasing Policy - Contract Variations (pt 3.3) Develop monitoring controls to ensure that deviations to the guidelines around contract variations are detected and mitigated. | ICT Manager | N/A | 30 Aug: This is currently being developed 31 May: This project is scheduled for June 2021 17 Feb: Audit & Risk accepted te document "Risk Assessments and Controls Tendering Process" on 31 Aug 2020. This catered for not only risk mitigation in the c changes (variations) post tender / pre contract start. Over the past 3-4 months Procurement has drafted a comprehensive Contract Management Procedures Manual to provide guidance to all City officers on the diffi City. This Manual provides guidance (for each contract type) on how to action variations and includes templates for Variation Notices, Variation Registers and Variation The draft manual has already been reviewed by Assets and Leasing, and is currently under review by Tech Services. Once it has been reviewed by all stakeholder for approval to publish. Procurement has set a target date of June 2021 for this project to be completed. 9 Nov: Still in progress 5 Oct: Still in progress 3Aug20: - Currently in progress Jun20: The Procurement Coordinator is in the process of reviewing the existings controls and update them to enhance the monitoring process around contract var Feb20: The City is in the process of recruiting Purchasing and Tenders Coordinator. Existing Monitoring controls will be reviewed, finalised and managed by the ap Coordinator. Nov19: Monitoring controls to detect contract varaitions will be managed via exception reporting. Currently, the reporting is being developed. Jun19: The Purchasing of Goods and Services Policy has been updated with the contract variations clauses. The monitoring controls will be updated as part of th process which will be rolled out once the policy is approved by the Council. |
| 10 | 7 | Jun-19 | Dec-20 | | Business Systems | Work in progress | IT Policy review | Develop Privacy Policy and also policy to cover Data Breach Notifications (4.2.1) | ICT Manager | N/A | 30 Aug: Policies are in Draft pending review and approval. New ICT Manager will review and process for approval 31 May: We have engaged a consultant to do a review of our cyber security stance and deliver a report on our current state and what we would need to industry standard in the future. This is currently under way and will be completed by End of June 2020 17 Feb: This is part of a program of work around cyber security, data breach and privacy. This is a capacity issue and is part of a program of work 9 Nov: Still in Progress 5 Oct: Still in Progress 3Aug20: Currently work in progress. Jun20: The IT Department is in the process of creating Privacy Policy and to test it. Once developed and tested, the policy will be approved and implem |
| 11 | 8 | Jun-19 | Nov-20 | | Business Systems | Work in progress | IT Policy review | Item #1 Review and update BCP. Carry out testing of the BCP to assess for appropriateness. | ICT Manager | N/A | 30 Aug: A review and test of the BCP will be carried out by the new ICT Manager. 31 May: A review and workshop was carried out in Oct 2020. The BCP was updated to reflect the necessary changes. Due to a lack of the resources wi not been in any position to carryout the level of testing expected by the Internal Auditor. There has been extensive work carried out on ITSM (Informati Continuity) and we have had several instances that have proven our ability to maintain services when issues have arisen. 17 Feb: BCP has reviewed and updated and signed off by EMT. Currently we do not have the capacity to carryout a test to the degree that has been ind Business Continuity exercise, we have had two COVID lockdowns and business continuity has been consistant and continued throughout these peri give an example of the office not being available and demonstrating that they can still work from remote locations. As with the outage on 16th Feb with anything as it was a national fault. We had some workarounds which were able to give some functionality. The only option to protect ourselves in this : telecommunications account with two different suppliers for the same service. 28 Oct Ongoing 5 Oct: Completed going to EMT for Sign Off 3Aug: Remaining action is to carry out testing by re-creating a complete shutdown. The BCP has now been reviewed and the current BCP has been up and a complete re-write will commence offer that workshop. 20 Jun : The review has been conducted by the Internal Auditors on Business Continuity Management Area as part of 2nd year Internal Audit Function. progress but the BCP document has been updated to incorporate certain recommendations made as a part of Internal Audit Review. Once, the review i recommendations are received, the BCP document will be finalised and the testing will be conducted. |
| 15 | 12 | Aug | Jun-22 | | Finance | Work in progress | Payroll Review | Set-up of new employee salary details in Payroll system should be performed by someone other than the Payroll Officer. | Manager Financial Service | High | Aug 30: This is included in the ERP implementation. May 31: ERP process has concluded and a recommendation has been made. Feb 17: This will be addressed in the new ERP system. The RFT for this system is currently under review. Nov 9: This will be addressed in the new ERP system as the audit trail in the current format cannot be independently checked for changes made. |
| 16 | 13 | Aug | Jun-22 | | Finance | Work in progress | Payroll Review | Creation and changes to employee master file details impacting on salaries and/or employee level, should be independently reviewed after the changes have been made. There should be evidence of review by way of signature or initials. | Manager Financial Service | High | Aug 30: This is included in the ERP implementation. May 31: ERP process has concluded and a recommendation has been made. Feb 17: This will be addressed in the new ERP system. The RFT for this system is currently under review. Nov 9: This will be addressed in the new ERP system as the audit trail in the current format cannot be independently checked for changes made. |
| 17 | 14 | Aug | Jun-22 | | Finance | Work in progress | Payroll Review | Future State Recommendation: New employee set-ups changes to employee master file data could be setup with workflow approval to ensure that there is an independent review process | Manager Financial Service | High | Aug 30: This is included in the ERP May 31: ERP process has concluded and a recommendation has been made. Feb 17: This will be addressed in the new ERP system. The RFT for this system is currently under review. Nov9: Will be considered under the new ERP system or via SharePoint in due course. |
| 18 | 15 | Aug | Sep-20 | | Finance | Work in progress | Payroll Review | The access to position management should be removed from the manager Financial services as soon as practicable. | ICT Manager | High | 30 Aug: Completed but yet to be verified by auditors Feb 17: This was verified by the previous manager of Finance 9 Nov: Completed and awaiting verification Aug: As identified within the actions the position of management was removed was removed. |
| 19 | 16 | Aug | Oct-20 | | Finance | Work in progress | Payroll Review | Critical and sensitive transactions associated with Payroll module should be identified to ensure those specific transactions are only assigned to Payroll staff. | ICT Manager | High | 30 Aug: Completed but yet to be verified by auditors Feb 17: This was verified by the previous manager of Finance 9 Nov: Completed and awaiting verification Aug: Critical and sensitive transactions assoicated with the payroll module have been identified and transactions are assigned to the payroll staff as p and application. |
| 20 | 17 | Aug | Oct-20 | | Finance | Work in progress | Payroll Review | On completion of any critical or sensitive transactions that are part of the Human Resources Business Partner profile should be removed. | ICT Manager | High | 30 Aug: Completed but yet to be verified by auditors 17 Feb: This was verified by the previous manager of Finance 9 Nov: Completed and awaiting verification Aug: Critical and sensistive transaction that form part of the human resources business partners profile have been removed. |
| 22 | 19 | Aug | Jun-22 | | Finance | Work in progress | Payroll Review | Future State Recommendation: The feasibility of a payroll change report should be considered to ensure that all changes from current pay to previous pay are reported in a manner to facilitate an efficient review process. | Manager Financial Service | High | Aug 30: A variance report is currently prepared by the Payroll Officer and reviewed by the Manager Financial Services. This report will be automatically implemented. May 31: recommendation has been made. Feb 17: This will be addressed in the new ERP system. The RFT for this system is currently under review. Aug: To be considered in the new ERP system |

Register of Internal Audit Recommendations

| | A | B | C | D | E | F | G | H | I | J | K |
|-----|----|--------|--------|---|------------------------|------------------|-----------------------------|--|---------------------------|--------|--|
| 24 | 21 | Aug | Dec-21 | | Finance | Work in progress | Payroll Review | The Procedures should include a visual graphic of the payroll processes to help to identify the workflow ensuring key controls are performed by the appropriate resource and at the right time. This will help ensure segregation of duties is maintained between critical HR and payroll through systems access privileges. | Manager Financial Service | Medium | Aug 30: Workflow visualisation will be captured in Promapp as part of the ERP implementation. May 31: ERP process has concluded and a recommendation has been made. Feb 17: This will be addressed in the new ERP system. The RFT for this system is currently under review. Aug: This point is taken, but will be documented in a payroll process document. |
| 25 | 22 | Aug | Dec-21 | | Business Systems | Work in progress | Payroll Review | The digital strategy as part of Strategic Plan should consider a new platform | ICT Manager | Medium | 30 Aug: Completed but yet to be verified by auditors May 31: This was completed Aug/Sep 2020. It has been presented to all Managers. Due to Staff turnover and capacity this has not been progressed any further. Feb 17: The Digital Transformation Strategy has as a key recommendation proposed an enterprise approach to the use of technology and buisness. This has been progressed and is now being implemented. Nov 9: Currently a new Payroll Service is being assessed as part of RFT 2020 - 21.04 Outsourced Payroll Services Nov: New Busienss Platform to address system short falls are about to go to marting under RFT 2020-21.03 Request for Tender Bity Business Platform Aug: The Digital Strategy has highlighted the digital transformation required for our city platforms which include Business platform addressing Financial Systems |
| 110 | 23 | May-21 | Sep-21 | | Finance | New | Contracts Management Review | The City should implement a contract management training program | Manager Financial Service | High | Aug 30: Various training sessions held by WALGA are available as of end of Aug. Key Procurement users/officers will be attending relevant sessions. |
| 111 | 24 | May-21 | Jun-21 | | Finance | New | Contracts Management Review | The City needs to perfor, a complete and detailed assessment of resources required o effectively manage the contract management function. | Manager Financial Service | High | Aug 30: Will be addressed as part of the Organisational Review |
| 112 | 25 | May-21 | Jun-21 | | Finance | New | Contracts Management Review | The City should develop a comprehensive Contract Management Framework built on the Department of Finance "western Australian Contract Management Framework Principles" | Manager Financial Service | High | Aug 30: A draft document is in place. This will need to be reviewed. |
| 113 | 26 | May-21 | Jul-21 | | Finance | New | Contracts Management Review | The City should implement a Contracts Register | Manager Financial Service | High | Aug 30: Contracts Register already developed. Needs to be updated and QA'd by the incoming Procurement Coordinator |
| 114 | 27 | May-21 | Jul-21 | | Finance | New | Contracts Management Review | The City should develop a delegation matrix, which details who is responsible fro the contract management at the City, who can approve contract variations, extensions and renewals. The matrix hould document both value and risk of contracts. | Manager Financial Service | High | Aug 30: Manager City Projects will be working together with Executive Officer to update the Delegation Matrix |
| 115 | 28 | May-21 | Jul-21 | | Finance | New | Contracts Management Review | Contract management policies and procedures to be developed and implemented. | Manager Financial Service | High | Aug 30: Procurement Policy approved by Council on 27 July 2021 and on track as per target date. Procurement procedures will be addressed as part of the ERP implementation |
| 116 | 29 | May-21 | Jun-22 | | Finance | New | Contracts Management Review | Regular Executive Reporting to Executive and the Audit and Risk Committee should take place. | Manager Financial Service | High | Aug 30: Incoming Procurement Coordinator to implement |
| 117 | 30 | May-21 | Oct-21 | | Finance | New | Contracts Management Review | A Risk register should be developed | Manager Financial Service | High | Aug 30: To be developed |
| 118 | 31 | May-21 | FY-22 | | Information Management | New | Records Management Audit | Lack of Records Management Policy & Procedures | ICT Manager | High | 30 Aug: Records Management Policy & Procedure drafted 30 Aug: Information Management Framework Drafted. 30 Aug: Executive Management Team approval scheduled for late August 2021. |
| 119 | 32 | May-21 | FY-22 | | Information Management | New | Records Management Audit | Inadequate Record Keeping Plan | ICT Manager | High | 30 Aug: Meeting held with the Director of the State Records Office Friday 30th July 2021 to discuss the City's plan to develop a new Record Keeping Plan. |
| 120 | 33 | May-21 | FY-22 | | Information Management | New | Records Management Audit | Lack of Qualified & Experienced Staff | ICT Manager | High | 30 Aug: A temporary resource has been engaged to 31 December 2021 to assist with capacity issues and operational records management. 30 Aug: Benchmarking of various Local Government Councils Records Management staffing levels has been completed. 30 Aug: Options of engaging another temporary resource is being explored. |
| 121 | 34 | May-21 | FY-22 | | Information Management | New | Records Management Audit | Inadequate Records Management Training | ICT Manager | High | 30 Aug: Information Management staff scheduled to receive external training by end of November 2021. 30 Aug: All staff training (160+ staff) will commence on the completion of Finding #39. |
| 122 | 35 | May-21 | FY-22 | | Information Management | New | Records Management Audit | Lack of Monitoring | ICT Manager | High | 30 Aug: Discussed with the Director of the State Records Office Friday 30th July 2021. 30 Aug: This will be addressed following the implementation of Finding #39. |
| 123 | 36 | May-21 | FY-22 | | Information Management | New | Records Management Audit | Physical & Digital Security of Documents | ICT Manager | High | 30 Aug: The physical records are housed in a secure room. Only authorised staff can only enter the Records room by swiping their security access pass. Access is recorded in the Building Management System. Monthly reports of staff that enter the records room will be developed to audit security access. 30 Aug: A formal procedure for accessing the Records room and retrieval of documents is under development. 30 Aug: Security of digital documents will be addressed by Finding #39. |
| 124 | 37 | May-21 | FY-22 | | Information Management | New | Records Management Audit | Inadequate management of retention & disposal of records | ICT Manager | High | 30 Aug: Meeting held with the Director of the State Records Office Friday 30th July 2021 to discuss the Retention and Disposal schedule. 30 Aug: The City will adopt the State Records Office Guideline for Records Retention and Disposal Instructions. |
| 125 | 38 | May-21 | FY-22 | | Information Management | New | Records Management Audit | Inconsistent naming of documents | ICT Manager | Medium | 30 Aug: Following the meeting held with the Director of the State Records Office Friday 30th July 2021 the naming standards adopted will be based on Keywords for documents. 30 Aug: This standard will be incorporate into the training program. |
| 126 | 39 | May-21 | FY-22 | | Information Management | New | Records Management Audit | Non-compliance with State Records Act - SharePoint | ICT Manager | High | 30 Aug: Procurement of a software tool has been finalised and approved. This third-party software tool is compatible with SharePoint and will address compliance with the Act. 30 Aug: Project implementation will commence in September 2021. |



THREE-YEAR STRATEGIC INTERNAL AUDIT PLAN

City of Nedlands

1 July 2020 to 30 June 2023

**APPROVED IN THE DECEMBER AUDIT
AND RISK COMMITTEE MEETING.**

PRIVATE AND CONFIDENTIAL



Table of Contents

| | |
|--|----|
| 1. Introduction | 3 |
| 2. Context..... | 3 |
| 3. Objectives | 3 |
| 4. Principles..... | 4 |
| 5. Internal Audit Methodology..... | 5 |
| 6. Strategic Internal Audit Plan Development..... | 6 |
| 7. Measurement of Internal Audit Performance | 13 |

1. Introduction

This Three-year Strategic Internal Audit Plan sets out the scope of the planned Internal Audit activities for the City of Nedlands (the **City**) for the period 1 July 2020 to 30 June 2023.

Moore Australia has been appointed as the Internal Audit Service Providers of the City for the three-year period commencing with 1 July 2028 until the 30 June 2021.

2. Context

The City operates as a Western Australian (WA) Local Government under the Local Government Act 1995 and relevant regulations.

3. Objectives

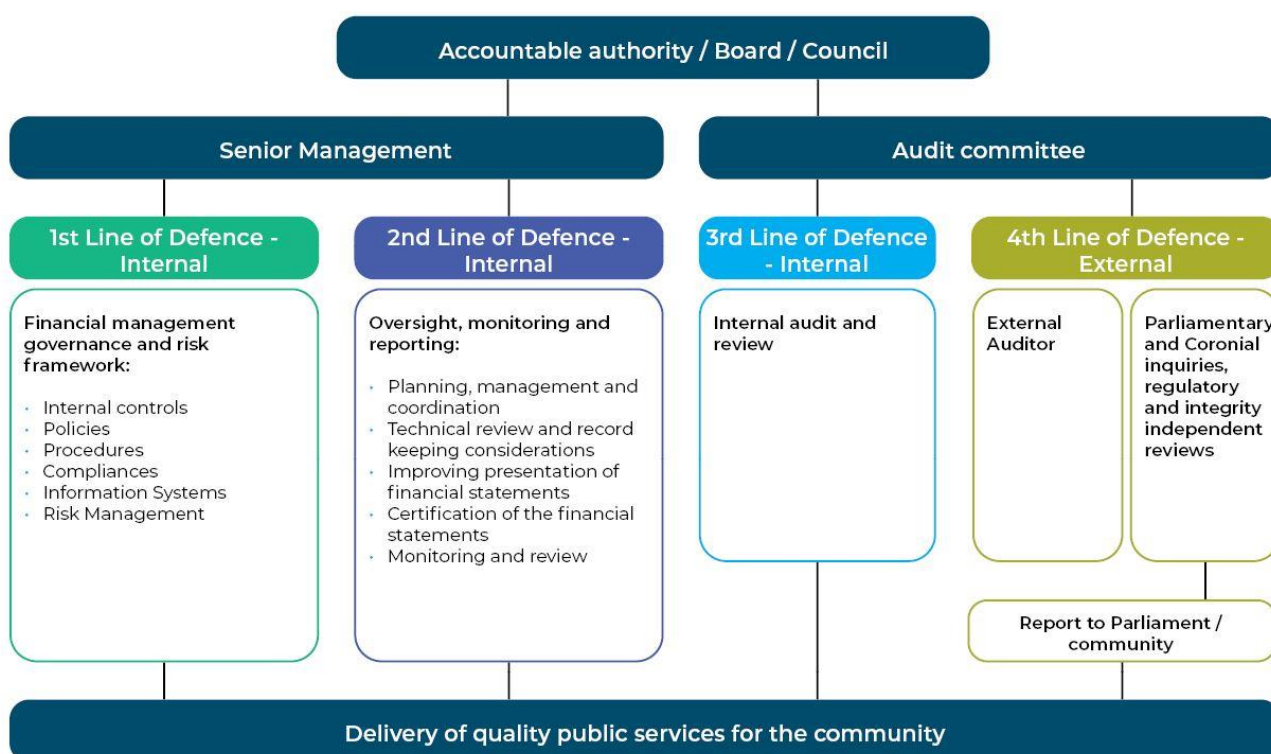
The International Professional Practice Framework says *“internal audits mission is: To enhance and protect organisational value by providing risk based and objective assurance, advice and insight.”*

The Objectives of this Strategic Internal Audit Plan are to:

- identify priorities for internal audits based on an assessment of risk and potential exposure that may affect the City's ability to achieve its strategic objectives.
- Identify the City's potential audit areas and proposed audit coverage over the three financial years from 1 July 2018 to 30 June 2021.

Internal Audit is the 3rd line of defence in the Four Lines of Defence Model pictured below. Internal audit is imperative in the Four lines of Defence model playing a critical role in providing independent assurance and liaison with Management, Audit and Risk Committee and Council.

Diagram 1



4. Principles

The internal audit function has adopted the following five principles in developing this Strategic Internal Audit Plan to achieve its objectives as stated above:

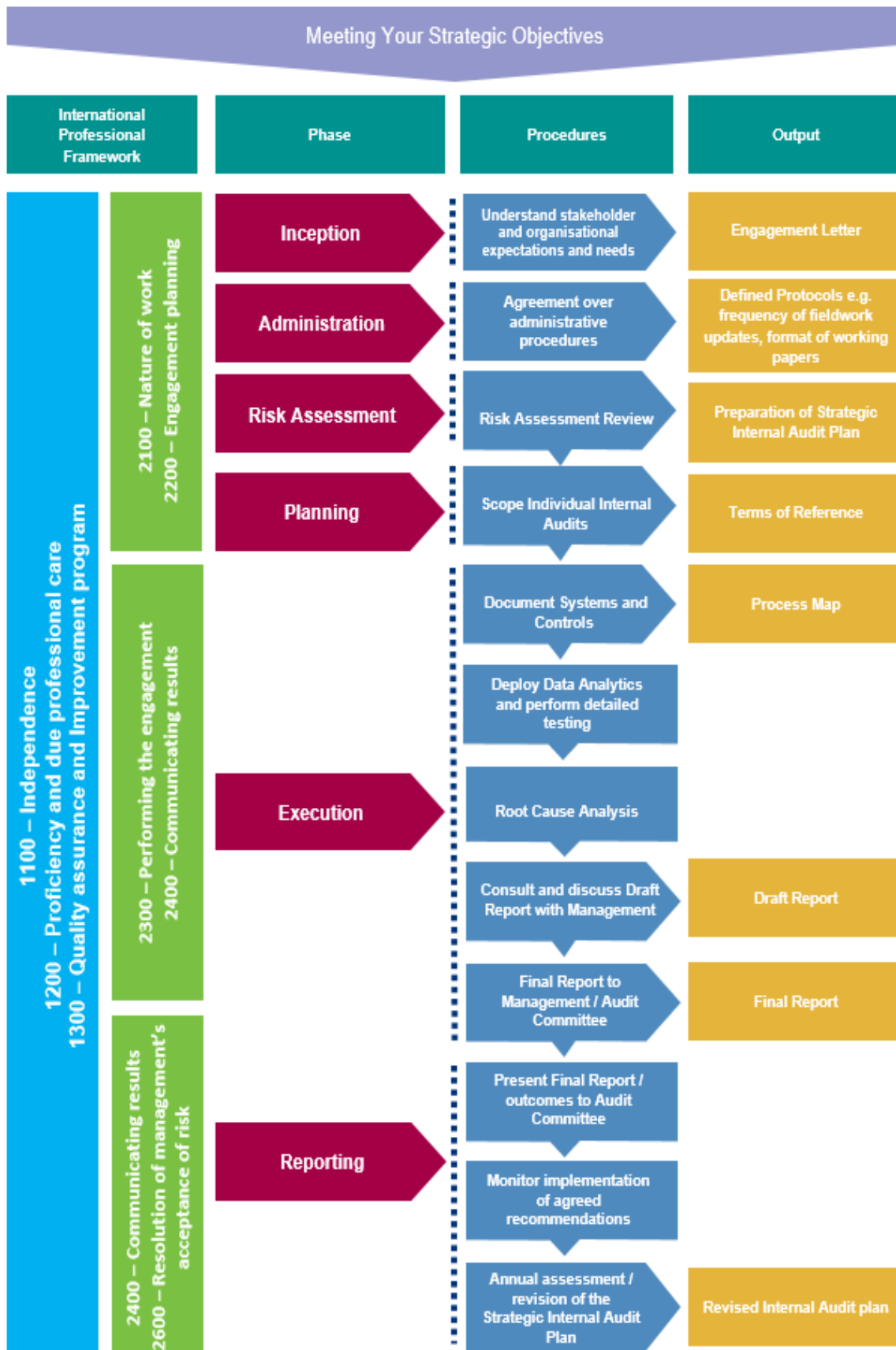
| Principles | Value |
|-----------------------------|--|
| Audit-ready approach | Identification of internal audit projects from Office of the Auditor General (OAG) tabled reports or forward audit program helps to ensure the City is "audit-ready" at all times. Reference to better practice guides and principles issued by the OAG and professional organisations will also guide internal audit projects. |
| Flexible approach | Responding quickly to changes in the business environment, business risks and the City's priorities. |
| Integrated approach | Internal Audit must work with other assurance providers, such as the Office of the Auditor General as external auditor and other specialists, to ensure there is efficiency within the audit effort and to avoid duplication (wherever possible). Internal Audit also considers the assurance activities undertaken by the business. |
| Risk- based approach | Development of an Internal Audit Plan that includes the core risks of the City supporting Management with a culture that reinforces an enterprise wide risk mindset and seeks continuous improvement in business processes. |
| Value-based approach | The value derived from the internal audit must outweigh the proposed cost of performing the internal audit. It must move beyond compliance and informing future decisions. |

5. Internal Audit Methodology

The Moore Australia Internal Audit methodology complies with the International Professional Practices Framework issued by the Institute of Internal Auditors in Australia.

Diagram 1 below demonstrates the high-level principles of the Moore Australia Internal Audit methodology.

Diagram 1: Moore Australia WA Internal Audit Methodology



6. Strategic Internal Audit Plan Development

We have developed the Strategic Internal Audit Plan using the 5 principles which were outlined above. These will be outlined in more detail here to demonstrate how we have applied these principles to the City's Strategic Internal Audit Plan.

Audit Ready Approach

The Western Australian Auditor General's tabled reports, Commenced Audits, and Forward Audit Program has been used to identify the audit projects for the Strategic Internal Audit Plan. It is critical that the City is audit ready at all times and previously un-identified risks are identified through the internal audit process in readiness for the external audit process to reduce the credibility risk of results being made public by being tabled in Parliament. We have also looked to other jurisdictions for potential audit topics as well to inform this Strategic Internal Audit Plan.

Flexible Approach

The Internal Audit Plan is intended to be flexible to accommodate the changing face of the City's business and the environment within which it operates. As new risks and issues arise, they will be considered and taken into account with the annual refresh of the Strategic Internal Audit Plan. This will ensure that the proposed internal audit projects are risk focused and relevant to the strategic imperatives of the City at the time.

Integrated Approach

The Strategic Internal Audit Plan for the financial years ending 30 June 2021, 2022 and 2023 has been decided by Management with input provided by Moore Australia, the Chief Executive Officer, Audit and Risk Committee, and External Auditor (OAG) to best represent those risks, core areas, projects and plans that will add the most value to the City. These audits have been identified as representing the specific area of risk within the Strategic Risk or Critical Business Process, which they have identified are the priority for an assurance activity. The impetus for the audits ranges from a high strategic risk, regulatory requirements, process or system change and regular compliance reviews.

The specific scope and approach of each Internal Audit will be formally agreed with the relevant Management representative responsible for the process prior to the commencement of the internal audit. This will ensure that the current risks and issues are considered in the audit. The Internal Audit will carry out the work as agreed, report the findings to Management, and make recommendations on actions to be taken by Management which are realistic, practical and address the weakness in the process level risk. During the audits, areas for process simplification will be considered.

Where new and pressing issues or risk arise, additional internal audits may be included in the Strategic Internal Audit Plan with the approval of the Audit and Risk Committee.

Risk-Based Approach

The Three-year Strategic Internal Audit Plan is designed to ensure the activities of internal audit are focused on the risks which matter to the City and the controls the City has in place to manage these risks. The City's key strategic, tactical, operational risks and core business processes have been considered as part of the development of this Strategic Internal Audit Plan.

The Internal Audits have been linked back to the strategic risks to allow the Audit and Risk Committee to consider internal audit's coverage. It should be noted that an Internal Audit engagement does not indicate full coverage of a risk, as a risk may be managed through a number of business processes and control procedures. Similarly, an Internal Audit of a process may be associated with more than one risk area.

It should be noted that internal audit is only one of many independent providers to the City. As such, the internal audit plans will not cover all strategic risks each year.

Mapping to Strategic Risks

Moore Australia has performed a risk assessment using risks identified within the City's Risk Register and from liaison with relevant stakeholders. These risks have been mapped against the proposed audit coverage to provide assurance the moderate or higher risks have been considered in this planning process. The risks also help to define the audit and coverage will be scoped in the Statement of Scope and agreed with the Audit Sponsor prior to each Internal Audit commencing.

Please refer to **Table 2** for the mapping of Key Strategic Risks to the Internal Audit Projects.

6. Strategic Internal Audit Plan Development

Risk-Based Approach (continued)

Mapping to Strategic Risks (continued)

Table 2: Mapping of the Key Risks to the internal audit projects

| No | Key Strategic Risks | Residual Risk Rating | Internal Audit Projects | | |
|----|--|----------------------|---|--|---|
| | | | 2021 | 2022 | 2023 |
| 1 | Asset Sustainability | Moderate | | | Asset Management |
| 2 | Providing Advice/ Information | High | | | Planning approvals- review of potential bias, compliance, approval rates, SAT determinations, historical statistical analysis, benchmarking, Grant applications, payments and acquittals |
| 3 | Community Expectation | Moderate | | | |
| 4 | Engagement with Community and Stakeholders and Elected Members | Moderate | | | |
| 5 | Errors, Omissions and Delays | Moderate | | | |
| 6 | Facilities, Venues and Events Management | Moderate | | | |
| 7 | Misconduct | Low | | | |
| 8 | People Management/ Employment Practices | Moderate | | Workforce Management -Recruitment, Induction, Performance Management, Terminations | |
| 9 | Project/ Change Management | High | Procurement and planning for the implementation of the new finance system | Post implementation of the new finance system | |
| 10 | Stock Management | Low | | | |
| 11 | Supplier/ Contract Management | High | Contract Management | | |
| 12 | Corporate Business Plan | Moderate | | | |

| | | | | | |
|----|---|----------|-----------------------------------|-----------------|--|
| 13 | Damage to Physical Assets | Moderate | | | |
| 14 | Business Disruption | Low | | | |
| 15 | Inadequate Data/ Document Management Processes | Low | Records Management | | |
| 16 | Inadequate Environmental Management | Low | | | |
| 17 | External Theft and Fraud | Moderate | | | |
| 18 | IT and Communications Systems and Infrastructure | Moderate | | | |
| 19 | Organisation and Community Emergency Management | Moderate | | | |
| 20 | Procurement, Disposal or Tender Practices | Moderate | | | |
| 21 | Safety and Security Practices | Moderate | | | |
| 22 | Statutory, Regulatory and Compliance Requirements | Low | Integrated Planning and Reporting | | |
| 23 | Financial, Accounting and Business Acumen | Moderate | | | |
| 24 | Political | Moderate | | | |
| 25 | Unallocated | | | Risk Management | Audit and Risk Committee Effectiveness |

Value added approach

In developing the Strategic Internal Audit Plan, we ensure at a high level that the Strategic Internal Audit Plan is fit for purpose for the City. At the project level, we ensure the audit project topic is of the size and nature which is going to be auditable and where the costs do not outweigh the benefits. This is critical to ensure the efficient use of internal audit resources. The Internal Audit approach is focused on performing work and providing data and information to inform future decisions and providing a value-added approach.

Data Analytics

Moore Australia want to leverage technology at every opportunity. A way in which we do this is by performing data analytics. We will use data analytical software and techniques within the internal audit, where appropriate, to test the City's data and provide valuable insights and knowledge to Management about the City's data, fraud risks and internal control environment. We will use data analytics software to analyse, inspect, cleanse and transform raw data to:

- discover useful information
- inform and support decision making
- recognise fraud and error by identifying anomalies, patterns and areas of emerging risk
- learn and predict human behaviour to enhance customer experience
- improve efficiency and effectiveness of business practices
- provide additional assurance to the Board, Audit and Risk Committee and users of financial and non-financial information, internal audit and external audit over whole populations of data, rather than relying solely on traditional sampling techniques.

6. Strategic Internal Audit Plan Development

General Approach

In addition to the principles above, Internal Audit will undertake a broad approach to identifying potential audits and include the following:

- Conversations regarding areas of focus with the Chief Executive Officer, Director Corporate Services, Audit and Risk Committee
- Review of the City's current Risk Register.
- Consideration of audits deferred or cancelled in the previous 3-year Strategic Internal Audit Plan.
- Consideration of previous internal audit reports.
- Benchmarking against other Moore Australia internal audit clients.
- Topical audit areas of focus in the internal and external environment.
- Validation of Internal Audit through conversations with the City's Management.

Arising from these activities, internal audit will identify the Strategic Internal Audit Plan for the next three years. In identifying the audits to be undertaken, Internal Audit will consider the periodic assurances and audits undertaken to maintain robust corporate governance, as well as regulatory reviews required. Discussions with the above stakeholders will also consider those activities undertaken by the City which mitigate risks, such as other regulatory reviews, reporting, monitoring and self-testing (i.e. safety). Furthermore, in assessing the need for an audit, discussions regarding the specialist skills required are considered.

Where matters of higher priority arise over the course of the three-year plan, they will be considered, and the detail of the Internal Audit Plan may be revised to accommodate the new risk. These changes will be communicated where necessary, and a detailed Annual Plan will be presented for approval by the Audit and Risk Committee at the commencement of each year in respect of that year's proposed activity.

In addition to the audits proposed in this plan, internal audit is committed to:

- Reporting, following up and proactively monitoring activities.
- Continuing & strengthening the relationship between risk and governance and the business.
- Proactively seeking out opportunities to assist the City in creating a risk aware culture.
- Providing assistance on significant projects and activities as required.

Approval of the Plan

This Strategic Internal Audit Plan is presented to the City's Audit and Risk Committee for review and approval annually.

While there is an intention to cover the risks identified, should higher priority audits emerge or if the risks noted below are sufficiently mitigated through alternative means, then the Strategic Internal Audit Plan will be amended to recognise the change. Any alterations to the Strategic Internal Audit Plan will be submitted to the Audit and Risk Committee for approval.

Furthermore, a detailed Annual Internal Audit Plan will be submitted for approval to the Audit and Risk Committee at the commencement of the financial years ending 30 June 2022 and 30 June 2023.

6. Strategic Internal Audit Plan Development

30 June 2021

The following internal audit topics have been suggested by the Chief Executive Officer, Director Corporate Services and internal audit after liaison with the external auditor (OAG).

Table 3: Internal audits for the financial year ending 30 June 2021

| Audit Project | | Budgeted Hours |
|---------------|---|----------------|
| 1 | Contract Management | 75 |
| 2 | Procurement and planning for the implementation of the new finance system | 75 |
| 3 | Records Management | 75 |
| | Total Hours | 225 |

Table 4: Internal audits for the financial year ending 30 June 2022

| Audit Project | | Budgeted Hours |
|---------------|---|----------------|
| 1 | Risk Management | 37.5 |
| 2 | Integrated Planning and Reporting | 75 |
| 3 | Workforce Management- Recruitment, Induction, Performance Management, Terminations | 75 |
| 4 | Post implementation of the new finance system | 75 |
| | Total Hours | 262.5 |

Table 5: Internal audits for the financial year ending 30 June 2023

| Audit Project | | Budgeted Hours |
|---------------|--|----------------|
| 1 | Asset Management | 75 |
| 2 | Audit and Risk Committee Effectiveness | 37.5 |
| 3 | Grant applications, payments and acquittals | 37.5 |
| 4 | Planning approvals- review of potential bias, compliance, approval rates, SAT determinations, historical statistical analysis, benchmarking, | 75 |
| | Total Hours | 225 |

The scope for each internal audit project will include the review of the governance including plans, frameworks, policies and procedures for compliance with legislation, better practice principles (where fit for purpose for the City), assessing maturity and benchmarking with other local governments (where possible), efficiency and effectiveness. Sampling will be performed where relevant.

The detailed scope area for each internal audit project will be confirmed prior to the commencement of each internal audit via a Statement of Scope which will be signed by Moore Australia and the City.

6. Strategic Internal Audit Plan Development

Potential Audits Mapped to Previous, Proposed or Possible Audits

Moore Australia have used our private and public sector audit experience, our understanding of better practice principles and our knowledge and understanding of potential Office of the Auditor General performance audit topics. We have presented the audit projects in Table 5 below as a summary of the coverage of these areas. The items **marked as red** were performed by the previous internal audit firm for the City. The items **marked as green** have recently been performed by Moore Australia during our contract period. The items **marked as blue** are currently planned for internal audit in 2021, 2022 and 2023. The items **marked in black** are other audit topics and you or your Management team may feel strongly about some of these and think it may be of interest to the Board and suggest for Moore Australia to include the topic in the Strategic Internal Audit Plan.

Table 6: Summary of potential audits and separately identified as previous, proposed or possible audits.

| Financial | Information Management and Technology | Community and Development Services |
|---|--|---|
| Budget & Forecasting Cash & Investments Management Credit Card Management Financial Management (2015) (2016) (2017) (2018) Financial Reporting & Governance Grants Applications/ payments and acquittals (2023) Infrastructure assets maintenance and replacement- strategies and inspection programs Major Capital Projects New systems- Procurement and planning for implementation (2021) New systems- Post implementation review of finance system (2022) Rates Revenue Management Payroll (2018) (October 2020) Procurement and Contract Management (2015) Accounts Payable (January 2019) Rates Invoicing & Collection Supplier Master file Management Timely Payment of Suppliers | Application Systems Reviews (2018) Cybersecurity Information Management Strategy Information Technology Strategy Information Security (2017) Information Technology- General Controls Review (2016) Records Management (2021) Review of IT Policies (June 2019) User Access Controls | Access and Inclusion Asbestos Management Building licence application and approval process Cats & Dogs Registration Closed-Circuit Television Community Development Community Grants Management Environmental Regulation Grants Management Homelessness Management Native Flora and Fauna Management Public Health Management Planning approvals (2016) (2023) Waste Management (2017) |
| Corporate Administration | | |
| Asset Management (2016) (2023) Audit and Risk Committee Effectiveness (2023) Business Continuity (2015) (June 2020) Capital Works (2015) Customer Services Conflict of Interest, Gifts, Benefits and Hospitality Contract Management (2021) Corporate Business Plan Corporate Governance Emergency Management | Financial Transaction Analysis Fleet Management (2016) Fraud and Misconduct (2017) Governance Structure (2017) Integrated Planning and Reporting (2022) Investments Management (2017) Legislative compliance Long Term Financial Planning Occupational Health & Safety Post Implementation Review of Financial and Non-financial Systems Post Project Reviews Project Management (2015) Public Interest Disclosure | Risk Management (2015) (2022) Systems of Insight Review (assessing the improvements from previous data analytics work) Training and Development Verifying Employee Identify and Credentials Workforce Management Recruitment, Induction, Performance Management, and Terminations (2017) (2022) |

Other Audits for Consideration

Should the related risks increase, these internal audits will be considered for inclusion in the Strategic Internal Audit Plan at the relevant time. Please refer to Table 7 for a summary of these internal audit topics.

Table 7: Other Audits for Consideration

[illegible]

7. Measurement of Internal Audit Performance

Good practice in internal auditing suggests that it should have good key performance indicators in place to demonstrate its level of performance. The following are examples of KPIs against which the performance of internal audit may be measured.

| | Key Performance Indicator | Measure | Target | Frequency |
|-----------|--|---|-------------------------------|-----------|
| 1 | Completion of internal audit plan | | | |
| 1.1 | Complete planned internal audit engagements as per the approved annual internal audit plan (subject to amendments endorsed by the audit committee). | % of planned internal audit engagements completed within the calendar year to an acceptable quality level. | 100% | Annual |
| 1.2 | Complete the approved annual internal audit plan within the approved internal audit budget | % variance from approved budget for the calendar year. | 0% | Annual |
| 2 | Implementation of internal audit recommendations | | | |
| 2.1 | Internal audit recommendations accepted by management. | % of recommendations accepted by management (subject to internal audit independence being maintained). | 90% | Annual |
| 2.2 | Monitor the implementation status of audit recommendations by management and report outcomes to the audit committee. | Updated status obtained from management and reported to the audit committee. | Status reports delivered | Quarterly |
| 3. | Formal survey feedback | | | |
| 3.1 | Results of management feedback surveys following each internal audit engagement. | % of survey responses rated good or better (averaged) in relation to value-add, usefulness of recommendations, and overall performance. | 90% | Annual |
| 3.2 | Result of annual feedback survey of audit committee members. | % of survey responses rated good or better (averaged). | 90% | Annual |
| 4. | Quality | | | |
| 4.1 | Provision of: (a) An annual statement on the internal audit quality assurance and improvement program. (b) An opinion on the organisation control framework. (c) An up-to-date internal audit manual. | Timely delivery of meaningful documents. | Consistent with good practice | Annual |
| 4.2 | Result of independent quality assessment of the internal audit function in accordance with the International Standards for Professional Practice of Internal Auditing. | Positive independent report issued detailing result of the assessment | Consistent with good practice | 3-yearly |

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9. Reports by the Chief Executive Officer

Nil.

10. Urgent Business Approved By the Presiding Member or By Decision

Any urgent business to be considered at this point.

11. Confidential Items

Nil.

12. Date of next meeting

The next meeting of the Audit & Risk Committee will be held on Monday 8 November 2021 at 5.30 pm.

Declaration of Closure

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