



Audit and Risk Committee

Minutes

Wednesday 13 September 2023



Our Vision

Where environment, lifestyle and opportunity meet

Community Aspirations



KEY THEME 1

Environment

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



KEY THEME 2

Lifestyle

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



KEY THEME 3

Opportunity

A vibrant City with diverse opportunities and a prosperous economy.



KEY THEME 4

Leadership

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

MINUTES

Minutes of a meeting of the Audit and Risk Committee held in the Council Chambers, Administration Building, Southern Drive, Busselton, on Wednesday 13 September 2023 at 9:00 am.

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1. OFFICIAL OPENING

The City of Busselton welcomed Councillors, staff, guests and members of the public to the Audit and Risk Committee Meeting of 13 September 2023.

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

This meeting was audio recorded for minute taking purposes.

2. ATTENDANCE

PRESIDING MEMBER	MEMBERS
Cr Paul Carter	Cr Phill Cronin
	Cr Grant Henley
	Cr Anne Ryan

OFFICERS	
Ms Sarah Pierson	Director Corporate Strategy and Performance
Mr Tim Allingham	Manager Information Services
Mrs Rowena Trott	Information Technology Coordinator
Ms Jo Barrett-Lennard	Governance Officer

APOLOGIES	
Nil	

PUBLIC	
Nil	

3. DISCLOSURES OF INTEREST

DISCLOSURES OF FINANCIAL INTEREST

Nil

DISCLOSURES OF IMPARTIALITY INTEREST

Nil

4. PUBLIC QUESTION TIME

4.1 RESPONSES TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

4.2 QUESTION TIME FOR PUBLIC - MINUTES

Nil

5. CONFIRMATION AND RECEIPT OF MINUTES

5.1 Audit and Risk Committee 7 June 2023

COMMITTEE DECISION

AU2309/69 Moved Cr Anne Ryan, seconded Cr Phill Cronin

That the Minutes of the Audit and Risk Committee 7 June 2023 be confirmed as a true and correct record.

CARRIED 4 / 0

FOR: Cr Anne Ryan, Cr Grant Henley, Cr Paul Carter and Cr Phill Cronin

AGAINST: Nil

6. REPORTS

6.1 CEO Review of Systems and Procedures (REG 17) - Status of Findings

Strategic Theme:	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.
Directorate:	{Finance and Corporate Services}
Reporting Officer:	Director of Corporate Strategy and Performance – Sarah Pierson
Authorised By:	Director of Corporate Strategy and Performance - Sarah Pierson
Nature of Decision:	Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations.
Voting Requirements:	Simple Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	1. Reg 17 Audit Recommendations Status September 23 [6.1.1 - 2 pages] 2. 2023 Reg 17 Report - City of Busselton [6.1.2 - 23 pages]

Cr Henley left the meeting at 9:07am, and returned at 9:13am.

COMMITTEE RECOMMENDATION

AU2309/70 Moved Cr Phill Cronin, seconded Cr Grant Henley

That the Council acknowledge the status update in relation to the recommendations of the Regulation 17 Review (as at the beginning of September 2023) and note that the next update will be provided to the Audit and Risk Committee post the conclusion of the December 2023 quarter.

CARRIED 4 / 0

FOR: Cr Anne Ryan, Cr Grant Henley, Cr Paul Carter and Cr Phill Cronin

AGAINST: Nil

OFFICER RECOMMENDATION

That the Council acknowledge the status update in relation to the recommendations of the Regulation 17 Review (as at the beginning of September 2023) and note that the next update will be provided to the Audit and Risk Committee post the conclusion of the December 2023 quarter.

EXECUTIVE SUMMARY

Regulation 17 of the *Local Government (Audit) Regulations* (the Audit Regulations) requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance. The City engaged AMD Chartered Accountants (AMD) to undertake this review on behalf of the CEO, with findings and recommendations presented to the Audit and Risk Committee and then to Council on 21 June 2023. This report presents a status update in relation to the recommendations.

STRATEGIC CONTEXT

Having appropriate and effective systems and procedures in place in relation to risk management, internal control and legislative compliance provides for the good governance of the City and appropriate levels of risk and risk management activity.

BACKGROUND

In May 2023, the City engaged AMD Chartered Accountants (AMD), a leading local government audit, accounting and advisory firm in Western Australia, to undertake the Regulation 17 review on behalf of the CEO. Officers presented a report on the findings of that review to the Audit and Risk Committee on 7 June 2023 (endorsed by Council on 21 June 2023).

Council resolved (C23066/111)

That the Council

- 1. Accept the CEO's Regulation 17 review of the appropriateness and effectiveness of the City of Busselton systems and procedures in relation to risk management, internal control and legislative compliance; and*
- 2. request that the Chief Executive Officer provide quarterly updates to the Audit and Risk Committee on the progress of the recommendations for improvement identified as part of the review.*

This report provides an update on the status of the recommendations (Attachment 1), with the Audit and Risk Committee also receiving an update on the status of findings from the 2022 OAG general computer controls audit.

OFFICER COMMENT

Of the twelve recommendations, one has been completed and the remainder are in progress. None are overdue for completion. As noted in the initial management comments, completion of several of the recommendations in full are subject to additional resourcing, with resourcing requirements in the process of being quantified and prioritised. The CEO has recently concluded an organisational review, with the results of that review in terms of structure in the process of being implemented.

Key to recommendations associated with risk management and internal audit is the alignment of risk with governance and legal and the appointment of a broadened Governance and Risk Coordinator position. On commencement of a new incumbent to that role, further assessment of the City's risk systems and processes and requirements to implement the recommendations will be undertaken.

Statutory Environment

Regulation 17 of the Audit Regulations requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance once every 3 financial years and report to the Audit Committee.

Relevant Plans and Policies

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

Plan:

Not applicable.

Policy:

[Risk Management](#)

Financial Implications

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

External Stakeholder Consultation

Not applicable.

Risk Assessment

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

Options

As an alternative to the proposed recommendation the Council could request the Chief Executive Officer provide additional information in relation to any of the recommendations.

CONCLUSION

This report provides at Attachment 1 a status update in relation to the recommendations of the City's most recent Regulation 17 Review.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

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

Milestone	Completion Date
Status Update Noted	On Council's resolution

Reference	Theme	Recommendation	Risk Rating	Target Date	Status Update - 7 September 2023
RISK MANAGEMENT					
2.2.1	Risk Management Framework and Risk Reporting	<p>We recommend the Risk Management Report:</p> <ul style="list-style-type: none"> • Be reviewed and updated on a period basis. A comprehensive risk identification process may be required to be completed across all departments; • Clear reporting requirements be documented within the Risk Framework and these reporting requirements be complied with. Ideally this would involve risk reports being presented to the Audit and risk Committee on a quarterly basis to report emerging risks and ensure management/Council are notified of how risks are being managed; • WHS risk management be matured through the implementation of an online centralised system; • Corporate risk be managed by a dedicated risk officer; and • The re-established Risk Management Committee undertake the annual evaluation as required by the Terms of Reference. 	High	31-Dec-23	Additional resourcing is required to increase our risk maturity level in accordance with this recommendation. Risk management has been realigned within the City's organisational review to the new Legal and Governance business unit, with the Governance Coordinator position amended to include responsibility for risk, as Governance and Risk Coordinator. A new incumbent to that role commences in mid-September. They will be tasked to review and implement elements of this recommendation. Some elements such as an online centralised WHS system and a dedicated risk officer however will remain subject to additional budget and resourcing.
2.2.2	Emergency Risks and Response Management	<p>We recommend:</p> <ul style="list-style-type: none"> • Risk register be introduced for specific emergency services and brigades to identify, treat and monitor risks; • The bushfire management plan be updated as required by DFES with appropriate approval and communication of the revised plan; • A preventative maintenance and management plan be documented and implemented for brigade structures and emergency facilities including regular walkthrough of facilities; and • Service level emergency assets be recorded on a centralised register with an initial complete identification process undertaken as the initial step and development of a replacement program considered. 	Medium	30-Jun-25	Initial WHS audits have been done of all brigade facilities. A report is being compiled. Work on the remaining recommendations are scheduled to commence in 2024.
2.2.3	Misconduct, Fraud and Corruption Policy	<p>We recommend that a formal Fraud and corruption Control Plan be developed and implemented throughout the City.</p> <p>The Fraud and Corruption Control Plan should incorporate:</p> <ul style="list-style-type: none"> • The City's approach to controlling fraud and corruption at a strategic, tactical and operational levels; • The Shire's intended action in implementing and monitoring the City's fraud and corruption prevention, detection and response initiatives; • Any existing policies dealing with fraud and corruption risk; and • The roles and responsibilities, reporting lines of all personnel involved. <p>The Fraud and Corruption Control Plan should be reviewed every two years.</p> <p>Furthermore, we recommend the development of a communication strategy for ethics, fraud and corruption awareness and integrate this into the fraud and corruption control plan. The strategy could include processes for:</p> <ul style="list-style-type: none"> • Ensuring all appropriate employees receive training on ethics related documents and other elements of the City's Integrity Framework at induction and throughout the period of their employment; • Ensuring all employees receive regular fraud awareness training appropriate to their level of responsibility; • Ensuring updates and changes to fraud-related policies, procedures, the ethical documents and other ethical pronouncements are effectively communicated to all employees; and • Encouraging employees to report any suspected incidence of fraud or corruption. 	Medium	30-Jun-24	Work to progress these recommendations is scheduled for early 2024.
2.2.4	Contract Management	<p>We recommend Council consider:</p> <ul style="list-style-type: none"> • A contract management framework be developed incorporating policies and procedures relating to contract management; • Consideration be given to a dedicated department which is designated responsibility to oversee contract management; • A detailed and centralised contracts register be maintained and updated as required; • OSH obligations forms are obtained for all contracts and signed by both the contractor and the City representative; • Documentation to evidence contractor induction be retained; • Contract variations be approved; • Current insurances for City contractors be obtained and a system be implemented whereby a notification is issued when contractor insurances are due to expire; • Contracts due to expire are re-negotiated/compliance with City procurement processes complied with; and • A contractor performance review be designed and implemented. 	Medium	31-Dec-23	As per the management comment provided in response to these recommendations, further consideration and determination of these matters will be undertaken by the end of 2023. Some research has commenced as to how other LG's manage contracts. It is noted that in order for the City to successfully implement the recommendations some centralised resourcing of contract management may be required.
2.2.5	Tender Management	<p>We recommend:</p> <ul style="list-style-type: none"> • All tender documentation be completed in full and retained; and • A formal post tender/project review process be developed for projects exceeding a predetermined dollar value or considered to be high risk. 	Medium	31-Dec-23	All tender documentation is retained. Formal review processes are being reviewed. As per comment above re contract management, centralisation of procurement may assist in improving these processes but is subject to resourcing
2.2.6	Risk Management Policies and Procedures	<p>We recommend the following:</p> <ul style="list-style-type: none"> • Policies and procedures be developed and implemented for specimen signature for officers with delegated authority. • Potentially out of date policies and procedures identified be reviewed and updated accordingly; 	Medium	30-Jun-24	Work is progressing in relation to this recommendation. Since the finding: 1 Policy review has been completed; 2 of the identified policies are before P&L at present and 1 is scheduled for November. 2 OPs have been reviewed
2.2.7	IT Strategic Plan and Business Continuity Plan Testing	<p>We recommend:</p> <ul style="list-style-type: none"> • The IT Strategic Plan be finalised and approved for implementation; and • The Business Continuity Plan be tested on pre-determined basis to ensure that in the event of a disaster, appropriate actions can be taken. 	Medium	31-Dec-23	The ICT Strategy has been endorsed by the CEO and will be presented to Council for noting in the coming months. Quotes for testing of the BCP are being sought. The DRP is a scheduled for testing in October.
2.2.8	Lease Management	<p>We recommend current insurances be obtained as required by City leases and a system be implemented whereby a notification is issued when lease insurances are due to expire.</p>	Low	30-Jun-23	Additional controls have been implemented. Completed
INTERNAL CONTROLS					
3.2.1	Business Activity Statement ("BAS") Lodgement Relief	<p>We recommend an additional delegated employee be provided access to the portal to lodge BAS in case the Finance Coordinator was not available.</p>	Low	31-Dec-23	Will be implemented as planned

LEGISLATIVE COMPLIANCE					
4.2.1	Compliance Calendar	We recommend the City develop a centralised Compliance Calendar to be accessed and utilised by individual City staff as required.	Medium	30-Jun-24	Work will be progressed on implementing the attain compliance calender once the new Governance and Risk Coordinator commences.
4.2.2	Audit and Risk Committee	<p>We recommend:</p> <ul style="list-style-type: none"> •Risk reports be presented at each Audit and Risk Committee meeting; • Audit and risk Committee meeting agendas include a standing item relating to updating on the status of actions previously tabled, and the discussion of risk; and • Audit and Risk Committee meeting agendas include a standing item relating to compliance and the effectiveness of compliance at the City. 	Medium	30-Jun-24	Additional resourcing is required to increase our risk maturity level and improve reporting to the Audit and Risk Committee. This is currently being looked at as part of the Organsiational Review and Realignment
4.2.3	Internal Audit	<p>The Department of Local Government, Sport and Cultural Industries guidelines recommend an internal audit function be established incorporating an internal audit program which is re-assessed annually.</p> <p>We recommend the City consider an internal audit function overseen by the Audit and Risk Committee.</p>	Low	30-Sep-24	The City has commenced research into establishment of an internal audit function including seeking some costings. A report will be presented to the Council.



Regulation 17 Review

May 2023





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31 May 2023

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

Dear Tony

2023 REGULATION 17 REVIEW

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

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

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

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

Yours sincerely
AMD Chartered Accountants

A handwritten signature in black ink, appearing to read 'Tim Partridge', written over a horizontal line.

TIM PARTRIDGE FCA
Director



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Inherent limitations

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

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

Third party reliance

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



1. Executive Summary

1.1. Background and Objectives

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

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

1.2. Summary of Findings

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

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

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

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

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

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



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

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

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

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



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

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



2.2. Detailed findings and recommendations

2.2.1. Risk Management Framework and Risk Reporting

Finding Rating: High

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

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

Implications / Risks

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

Recommendation

We recommend the Risk Management Framework:

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

Management Comment

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

Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: 31 December 2023



2.2. Detailed findings and recommendations

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- WHS risk management be matured through the implementation of an online centralised system;
- Corporate risk be managed by a dedicated risk officer; and
- The re-established Risk Management Committee undertake the annual evaluation as required by the Terms of Reference.

Management Comment

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

Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: 31 December 2023



Responsible Officer: Rachel Runco, Manager Regulatory Services

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

30 June 2025 – review of Bushfire Risk Management Plan.

2.2.3. Misconduct, Fraud and Corruption Policy

Finding Rating: Medium

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

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

Implications / Risks

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

Recommendation

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

The Fraud and Corruption Control Plan should incorporate:

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

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

Furthermore, we recommend the development of a communications strategy for ethics, fraud and corruption awareness and integrate this into the fraud and corruption control plan. The strategy could include processes for:

- Ensuring all appropriate employees receive training on ethics related documents and other elements of the City's Integrity Framework at induction and throughout the period of their employment;
- Ensuring all employees receive regular fraud awareness training appropriate to their level of responsibility;
- Ensuring updates and changes to fraud-related policies, procedures, the ethical documents and other ethical pronouncements are effectively communicated to all employees; and
- Encouraging employees to report any suspected incidence of fraud or corruption.



Management Comment

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

Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: 30 June 2024

2.2.4. Contract Management

Finding Rating: Medium

We noted the following in respect to our review of contract management:

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

Implications / Risks

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

Recommendation

We recommend Council consider:

- A contract management framework be developed incorporating policies and procedures relating to contract management;



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

Management Comment

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

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

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

Responsible Officer: Ben Whitehill, Manager Legal and Property Services

Completion Date: 31 December 2023

2.2.5. Tender Management

Finding Rating: Medium

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

Tender 04/22

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

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



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

Management Comment

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- a contract management framework is likely to be required however there are concerns about how effective such a framework will be without centralised oversight or management of contracts;
- a dedicated department with responsibility for contract management is supported if achievable with existing resources (consider whether procurement and contract management functions could be centralised);
- a contracts register is a high priority with Local Government reform likely to require public registers of certain contracts in the short to medium term;
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Completion Date: 31 December 2023

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1. Executive Summary

1.1. Background and Objectives

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

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

1.2. Summary of Findings

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

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

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

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

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

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



2.2. Detailed findings and recommendations

2.2.1. Risk Management Framework and Risk Reporting

Finding Rating: High

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

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

Implications / Risks

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

Recommendation

We recommend the Risk Management Framework:

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

Management Comment

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

Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: 31 December 2023



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Inherent limitations

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

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

Third party reliance

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



1. Executive Summary

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



3.2. Detailed findings and recommendations

3.2.1. Business Activity Statement (“BAS”) Lodgement Relief

Finding Rating: Low

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

Implications/Risks

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

Recommendation

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

Management Comment

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

Responsible Officer: Paul Sheridan, Manager Financial Services

Completion Date: 31 December 2023



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2.2. Detailed findings and recommendations

2.2.1. Risk Management Framework and Risk Reporting

Finding Rating: High

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- Risk Management Committee Terms of Reference states an annual evaluation of the group's effectiveness is required to be undertaken however this has not occurred due to recent turnover within the team.

Implications / Risks

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

Recommendation

We recommend the Risk Management Framework:

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

Management Comment

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

Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: 31 December 2023



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Responsible Officer: Sarah Pierson, Manager Governance and Corporate Services

Completion Date: 31 December 2023



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

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

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

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



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

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



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

7. CONFIDENTIAL MATTERS

7.1 General Computer Controls Audit 2022 – Status of Findings

Strategic Theme:	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.
Directorate:	Finance and Corporate Services
Reporting Officer:	Manager Information Services – Tim Allingham
Authorised By:	Director of Corporate Strategy and Performance - Sarah Pierson
Nature of Decision:	Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations.
Voting Requirements:	Simple Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	1. Responses and Updates to Findings [7.1.1 – 86 pages]

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

The Presiding Member called on a member to move a motion to close the meeting to the public. The motion was moved and carried.

COUNCIL DECISION

AU2309/71 Moved Cr Phill Cronin, seconded Cr Anne Ryan

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

CARRIED 4 / 0

FOR: Cr Anne Ryan, Cr Grant Henley, Cr Paul Carter and Cr Phill Cronin

AGAINST: Nil

The meeting was closed to the public at 9:35am.

COMMITTEE RECOMMENDATION

AU2309/72 Moved Cr Anne Ryan, seconded Cr Grant Henley

That the Council acknowledge the progress of the actions taken to-date to address the findings identified in the audit report.

CARRIED 4 / 0

FOR: Cr Anne Ryan, Cr Grant Henley, Cr Paul Carter and Cr Phill Cronin

AGAINST: Nil

The Presiding Member called on a member to move a motion to re-open the meeting to the public. The motion was moved and carried.

COMMITTEE DECISION

AU2309/73 Moved Cr Grant Henley, seconded Cr Anne Ryan

That the meeting is be re-opened to members of the public.

CARRIED 4 / 0

FOR: Cr Anne Ryan, Cr Grant Henley, Cr Paul Carter and Cr Phill Cronin

AGAINST: Nil

The meeting reopened at 9:55am. The Presiding Member read out the committee recommendation to the gallery.

8. NEXT MEETING DATE

Wednesday 8 November 2023

9. CLOSURE

The meeting was closed at 9:55am.

The minutes of the Audit and Risk Committee Meeting held 13 September 2023 were confirmed as a true and correct record on Wednesday 8 November 2023.

Date: 29.11.23

Presiding Member:

