



Audit and Risk Committee

# Minutes

Wednesday 13 March 2024



## *Our Vision*

Where environment, lifestyle and opportunity meet

## *Community Aspirations*



### KEY THEME 1

#### **Environment**

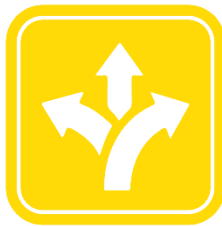
An environment that is valued, conserved and enjoyed by current and future generations.



### KEY THEME 2

#### **Lifestyle**

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



### KEY THEME 3

#### **Opportunity**

A vibrant City with diverse opportunities and a prosperous economy.



### KEY THEME 4

#### **Leadership**

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

## MINUTES

Minutes of a meeting of the Audit and Risk Committee held in the Council Chambers,  
Administration Building, Southern Drive, Busselton, on Wednesday 13 March 2024 at 10:00 am.

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## 1 OFFICIAL OPENING

The meeting opened at 10:08am.

The Presiding Member welcomed Councillors, staff, guests and members of the public to the Audit and Risk Committee Meeting of 13 March 2024.

The Presiding Member 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 Andrew Macnish	Mayor Phill Cronin
	Cr Val Kaigg
	Cr Jarrod Kennedy
	Cr Jodie Richards
	Cr Kate Cox
	Cr Mikayla Love
	Cr Anne Ryan ( <i>from 10:31am</i> )

OFFICERS	
Mr Tony Nottle	Chief Executive Officer
Ms Sarah Pierson	Director Corporate Strategy and Performance
Mr Tim Allingham	Manager Systems and Information
Mr Ben Whitehill	Manager Legal and Governance
Ms Tegan Robertson	Governance and Risk Coordinator
Ms Jo Barrett-Lennard	Governance Officer

APOLOGIES	
Cr Richard Beecroft	

### **3 ELECTION OF DEPUTY PRESIDING MEMBER**

The Presiding Member called for nominations for the position of Deputy Presiding Member.

Cr Jodie Richards nominated herself for the position of Deputy Presiding Member of the Audit and Risk Committee.

With no other nominations received, Cr Richards was appointed Deputy Presiding Member of the Audit and Risk Committee.

### **4 DISCLOSURES OF INTEREST**

#### **DISCLOSURES OF FINANCIAL INTEREST**

Nil

#### **DISCLOSURES OF IMPARTIALITY INTEREST**

Nil

## 5 CONFIRMATION AND RECEIPT OF MINUTES

### 5.1 Audit and Risk Committee meeting held 8 November 2023

#### COMMITTEE DECISION

**AU2403/1** Moved Cr Jarrod Kennedy, seconded Mayor Phill Cronin

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

**CARRIED 7 / 0**

**FOR: Mayor Phill Cronin, Cr Andrew Macnish, Cr Jodie Richards, Cr Val Kaigg,  
Cr Mikayla Love, Cr Kate Cox and Cr Jarrod Kennedy**

**AGAINST: Nil**

## 6 PUBLIC QUESTION TIME

### 6.1 RESPONSES TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

### 6.2 QUESTION TIME FOR PUBLIC

Nil

## 7 REPORTS

### 7.1 Capability development: risk management and internal audit

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

The officer recommendation was moved.

There was opposition and debate ensued.

#### **SUBSTANTIVE MOTION**

Moved Mayor Phill Cronin, seconded Cr Jarrod Kennedy

#### **That the Council:**

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

During debate, Cr Macnish moved the following amendment to the officer recommendation. The amendment was carried.

**AMENDMENT**

**AU2403/3** Moved Cr Andrew Macnish, seconded Cr Jodie Richards

**That the Council:**

- 1. Pursuant to the Terms of Reference of the Audit and Risk Committee, supports the proposed implementation program for the improvement of the City’s risk management capabilities and the introduction of an internal audit function.**
- 2. Approve the allocation of \$110,000 in the draft 2024/2025 budget for a new risk officer plus \$35,000 consultancy to fund the engagement of a consultant to undertake the internal audit function.**

**CARRIED 6 / 1**

**FOR: Mayor Phill Cronin, Cr Andrew Macnish, Cr Jodie Richards,  
Cr Mikayla Love, Cr Kate Cox and Cr Jarrod Kennedy**

**AGAINST: Cr Val Kaigg**

10:31am: At this time, Cr Ryan entered the meeting.

The substantive motion as amended was carried.

**COMMITTEE RECOMMENDATION**

**AU2403/4** Moved Mayor Phill Cronin, seconded Cr Jarrod Kennedy

**That the Council:**

- 1. Pursuant to the Terms of Reference of the Audit and Risk Committee, supports the proposed implementation program for the improvement of the City’s risk management capabilities and the introduction of an internal audit function.**
- 2. Approve the allocation of \$110,000 in the draft 2024/2025 budget for a new risk officer plus \$35,000 consultancy to fund the engagement of a consultant to undertake the internal audit function.**

**CARRIED 8 / 0**

**FOR: Mayor Phill Cronin, Cr Andrew Macnish, Cr Anne Ryan, Cr Jodie Richards, Cr Val Kaigg,  
Cr Mikayla Love, Cr Kate Cox and Cr Jarrod Kennedy**

**AGAINST: Nil**



## **OFFICER RECOMMENDATION**

That the Council:

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

## **EXECUTIVE SUMMARY**

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

## **STRATEGIC CONTEXT**

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

## **BACKGROUND**

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

The City currently has 100 risks captured in its corporate risk register as either approved or under review, with risks generally identified as part of annual business planning activities. In accordance with the City's current Risk Management Framework, risks are reviewed periodically based on their risk rating. The risk rating and the adequacy of controls determine risk tolerance and acceptance criteria. Risk identification is currently a component of the City's annual business planning, and this annual process will be further facilitated as part of embedding risk management into business process.

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

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

The City has not historically had an internal audit capability.

### **2023 Regulation 17 Review**

Regulation 17 of the *Local Government (Audit) Regulations 1996* (the Audit Regulations) requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance, and report the results of the review to the Audit and Risk Committee.

The City engaged AMD Chartered Accountants (AMD) to undertake this review on behalf of the CEO in May 2023 (the Regulation 17 Review). AMD's findings and recommendations were accepted by the Council in June 2023 (C2306/111).

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

### **Finding 2.2.1 Risk Management Framework and Risk Reporting**

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

*"We recommend the Risk Management Framework:*

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

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

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

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

The first step towards addressing the Regulation 17 Review findings was the alignment of the risk function with governance and legal, and the appointment of a Governance and Risk Coordinator in

late 2023 (with the risk function being included into the existing Governance Coordinator role, with no additional resource allocation). This has enabled the City to define a recommended program of works and resource requirements to deliver a more robust corporate risk management culture and capability at the City.

### **Finding 4.2.3 Internal Audit**

The Regulation 17 Review also noted that:

*“The City does not currently have a formal documented internal audit program in place.”*

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

### **OFFICER COMMENT**

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

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

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

### **Best Practice Risk Management**

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

### **Strategic Risks**

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

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

### **Operational Risks**

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

### **Project Risks**

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

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

### **Maturing Risk Management in the City of Busselton Context**

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

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

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

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

### **Phase 1: Design**

*Estimated time to complete: 3 – 6 months*

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

#### **1. Formalise the lines of defence model**

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

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

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

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

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

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

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

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

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

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

### ***3. Develop risk reporting***

To achieve risk informed decision-making, and appropriate oversight of risk management, fit for purpose risk reporting is essential.

Requirements for risk reporting will be defined in the Design phase and will consider the different information needs of line management, the Executive Leadership Team, the Audit and Risk Committee and the Council. When requirements have been defined, the development of risk reporting will commence.

### ***4. Risk systems and processes reviewed and documented***

The City currently uses Tech1's risk management module which is generally aligned to the City's current Risk Management Framework.

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

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

### ***5. Define implementation approach and supporting change management requirements***

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

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

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

**Phase 2: Implementation**

*Estimated time to complete: 3 months*

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

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

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

**2. Risk identification completed**

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

**3. Risk reporting to the Audit and Risk Committee commences**

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

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

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

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

### **Phase 3: Embed**

*Estimated time to complete: 6 – 12 months*

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

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

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

### **Phase 4: Evaluate and Improve**

*Estimated time to complete: 3 months*

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

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

### **Internal Audit function**

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

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

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

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



independence. Once the organisation has matured it may be appropriate to consider employing an internal auditor.

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

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

***Phase 1 – Identify and Engage Consultant for Internal Audit Function***

*Estimated time to complete: 3 months*

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

***Phase 2 – Develop Internal Audit Charter and Internal Audit Plan***

*Estimated time to complete: 1 month*

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

***Phase 3 – Embed***

*Estimated time to complete: 12 months*

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

***Phase 4 – Evaluate and Improve***

*Estimated time to complete: 1 month*

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

**Statutory Environment**

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

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

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

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

### **Relevant Plans and Policies**

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

Plan:

[Corporate Business Plan 2022-2026](#)

Policy:

[Risk Management](#)

### **Financial Implications**

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

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

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

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

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

### **External Stakeholder Consultation**

Not Applicable

### **Risk Assessment**

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

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

### **Options**

As an alternative to the proposed recommendation the Council could:

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

### **CONCLUSION**

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

### **TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

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

## 7.2 2023 Compliance Audit Return

<b>Strategic Theme:</b>	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.
<b>Directorate:</b>	Corporate Strategy and Performance
<b>Reporting Officer:</b>	Manager Legal and Governance - Ben Whitehill
<b>Authorised By:</b>	Director Corporate Strategy and Performance - Sarah Pierson
<b>Nature of Decision:</b>	Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations.
<b>Voting Requirements:</b>	Simple Majority
<b>Disclosures of Interest:</b>	No officers preparing this item have an interest to declare.
<b>Attachments:</b>	1. ATTACHMENT 1 City of Busselton Compliance Audit Return (1) [7.2.1 - 12 pages]

### COMMITTEE RECOMMENDATION

**AU2403/5** Moved Cr Jarrod Kennedy, seconded Cr Jodie Richards

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

**CARRIED 8 / 0**

**FOR: Mayor Phill Cronin, Cr Andrew Macnish Cr Anne Ryan, Cr Jodie Richards, Cr Val Kaigg, Cr Mikayla Love, Cr Kate Cox and Cr Jarrod Kennedy**

**AGAINST: Nil**

### OFFICER RECOMMENDATION

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

### EXECUTIVE SUMMARY

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

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

## STRATEGIC CONTEXT

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

## BACKGROUND

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

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

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

## OFFICER COMMENT

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

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

Details of non-compliance	Management comment and action
<p>Delegations to some committees were not recorded in the register of delegations.</p> <p>Specifically, delegations for the Airport Advisory Committee, Finance Committee and Policy and Legislation Committee to either note or refer items back to the CEO for amendment, as stated in their terms of reference, were not recorded in the register of delegations.</p>	<p>The current Airport Advisory Committee and Finance Committee Terms of Reference refer to a 'delegation' to note items that do not require a recommendation to Council or further action of Council. The Policy and Legislation Committee Terms of Reference refers to a 'delegation' to refer items back to the CEO for further information or amendments.</p> <p>While the City's delegation register does include other committee delegations, these specific delegations were not captured in the register, as they were not considered substantive delegations of authority or specific powers or functions of the local government. However, for completeness, this question is answered as no, with officers intending to both add all 'delegations' documented in Committee Terms of Reference documentation to the delegations register and complete a further review Committee Terms of Reference to consider removing reference to these functions as delegations.</p>

Details of non-compliance	Management comment and action
<p>Annual and primary returns were not removed from the register of financial interests when that person ceased to be a person required to lodge a return.</p> <p>The primary and annual returns records for some people who had ceased to be a person required to lodge a return under section 5.75 and 5.76 were retained in the redacted register published on the City's website.</p>	<p>Users who ceased to be a person required to lodge a return under sections 5.75 and 5.76 were marked as 'inactive' in the City's Attain system, however in some instances they were not excluded from the redacted list of primary and annual returns which is published on the City's website. This was a process failure, due to staff turnover and resourcing shortfalls in Governance over the course of the year. The register will be corrected, and a process for removing returns from the register will be developed and documented.</p>
<p>Records were not removed from the register of financial interests when that person ceased to be a person required to make a gift disclosure.</p> <p>There were 6 historical entries maintained on the City's gift register which should have been removed when that person ceased to be a person required to make a gift disclosure.</p>	<p>Users who ceased to be a person required to lodge a disclosure under sections 5.87A and 5.87B were marked as 'inactive' in the City's Attain system, however in some instances they were not excluded from gifts register published on the City's website. This was a process failure, due to staff turnover and resourcing shortfalls in Governance over the course of the year. The register will be corrected, and a process for removing relevant disclosures from the register will be developed and documented.</p>
<p>Records were not removed from the electoral gift register of a disclosure of gifts by an unsuccessful candidate, or a successful candidate that completed their term of office.</p> <p>One electoral gift from the 2019 ordinary election was not removed from the electoral gift register following the completion of that Elected Member's term.</p>	<p>The electoral gift register will be corrected to remove the record from the 2019 ordinary election. A task will be added to the compliance calendar following the next ordinary election to review the electoral gift register, to identify those records required to be removed.</p>
<p>Disclosures made under sections 5.87A or 5.87B of the Local Government Act 1995 were not made within 10 days after the receipt of the gift.</p> <p>Three gift disclosures by Elected Members were not made within 10 days after the receipt of the gift.</p>	<p>Officers acknowledge that a lack of familiarity with the online portal system for gift disclosures may have caused some delays to disclosures.</p> <p>Going forward, the Friday Fact Sheet will include a standing reminder to Elected Members to disclose gifts and provide a link to the online portal.</p>
<p>The local government did prepare a report on the training completed by council members in the 2022/2023 financial year but did not publish it on the local government's official website by 31 July 2023.</p> <p>The training report was published on the City's website in November 2023.</p>	<p>The Elected Member training report was published in November 2023, with the delay due to staff turnover and resourcing shortfalls in Governance around the end of financial year period. The City is implementing the compliance calendar function in Attain. The compliance calendar sends officers annual reminders prior to the due date for compliance tasks.</p>

### **Statutory Environment**

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

### **Relevant Plans and Policies**

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

Plan:

Not applicable.

Policy:

Not applicable.

### **Financial Implications**

Not Applicable

### **External Stakeholder Consultation**

Not Applicable

### **Risk Assessment**

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place. No risks of a medium or greater level have been identified, with the reported non-compliances assessed as representing a low-level risk overall.

### **Options**

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

### **CONCLUSION**

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

### TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

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

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



### 7.3 CEO Review of Systems and Procedures Recommendations - Implementation status

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

#### COMMITTEE RECOMMENDATION

**AU2403/6** Moved Cr Jodie Richards, seconded Cr Val Kaigg

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

**CARRIED 8 / 0**

**FOR: Mayor Phill Cronin, Cr Andrew Macnish, Cr Anne Ryan, Cr Jodie Richards, Cr Val Kaigg, Cr Mikayla Love, Cr Kate Cox and Cr Jarrod Kennedy**

**AGAINST: Nil**

#### OFFICER RECOMMENDATION

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

#### **EXECUTIVE SUMMARY**

Regulation 17 of the *Local Government (Audit) Regulations* (the Audit Regulations) requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance.

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

## STRATEGIC CONTEXT

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

## BACKGROUND

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

Council resolved (C2306/111):

*That the Council*

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

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

## OFFICER COMMENT

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

The three items concerning risk management and internal audit being Items 2.2.1 (Risk Management Framework and Risk Reporting), 4.2.2 (Audit and Risk Committee) and 4.2.3 (Internal Audit), are substantively dealt with in Item 6.1 of this Audit and Risk Committee agenda. As noted in that report, implementation of the recommendations is subject to additional resourcing.

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

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

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

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

### **Statutory Environment**

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

### **Relevant Plans and Policies**

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

Plan:  
Not applicable.

Policy:  
Not applicable.

### **Financial Implications**

There are no financial implications associated with the officer recommendation. Progression of the recommendations in full, however, is likely to have financial implications, with additional resourcing required to improve overall coordination of risk management, and to implement an internal audit function.

Additionally, if the City was to further centralise coordination of its procurement and contract management functions, additional resourcing is likely to be required. Further information and proposals will be presented as part of the regular updates on the recommendations.

### **External Stakeholder Consultation**

Not Applicable

### **Risk Assessment**

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

### **Options**

The Council could choose not to accept the officer recommendation.

### **CONCLUSION**

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

### **TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

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

<b>Milestone</b>	<b>Completion Date</b>
Status report to Audit and Risk Committee	24 July 2024

## 8 CONFIDENTIAL MATTERS

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 RECOMMENDATION**

**AU2403/7** Moved Cr Mikayla Love, seconded Mayor Phill Cronin

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

**CARRIED 8 / 0**

**FOR: Mayor Phill Cronin, Cr Andrew Macnish, Cr Anne Ryan, Cr Jodie Richards, Cr Val Kaigg,  
Cr Mikayla Love, Cr Kate Cox and Cr Jarrod Kennedy**

**AGAINST: Nil**

10:57am: At this time the meeting was closed to the public.  
Mr Whitehill and Ms Robertson left the meeting.

## 8.1 OAG Information Security Audit 2023

<b>Strategic Theme:</b>	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making. 4.5 Responsibly manage ratepayer funds to provide for community needs now and in the future.
<b>Directorate:</b>	Corporate Strategy and Performance
<b>Reporting Officer:</b>	Manager Systems and Information – Tim Allingham
<b>Authorised By:</b>	Director Corporate Strategy and Performance – Sarah Pierson
<b>Nature of Decision:</b>	Noting: The item is simply for information purposes and noting.
<b>Voting Requirements:</b>	Simple Majority
<b>Disclosures of Interest:</b>	No officers preparing this item have an interest to declare.
<b>Attachments:</b>	Section 5.23(2)(f) This attachment contains information relating to a matter that if disclosed, could be reasonably expected to - (ii) endanger the security of the local governments property Attachment 1 - D 23 20820 2023 - City of Busselton - IS GCC Audit management letter - 30 June 2023 [8.1.1 - 20 Pages]

Section 5.23(2)(f)(ii)

This report contains information relating to a matter that if disclosed, could be reasonably expected to endanger the security of the local government's property

### COMMITTEE DECISION

**AU2403/8** Moved Mayor Phill Cronin, seconded Cr Jarrod Kennedy

**That the Council:**

- 1. Notes the findings of the Office of the Auditor General (OAG) General Computer Controls (GCC) Audit for 2023;**
- 2. Acknowledges the progress of the actions taken to-date to address the findings identified in the audit report; and**
- 3. Acknowledges that the CEO will provide the next progress update to the November 2024 Audit and Risk Committee.**

**CARRIED 8 / 0**

**FOR: Mayor Phill Cronin, Cr Andrew Macnish, Cr Anne Ryan, Cr Jodie Richards, Cr Val Kaigg, Cr Mikayla Love, Cr Kate Cox and Cr Jarrod Kennedy**

**AGAINST: Nil**

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

**COUNCIL DECISION**

**AU2403/9** Moved Cr Jarrod Kennedy, seconded Cr Val Kaigg

**That the meeting is reopened to members of the public.**

**CARRIED 8 / 0**

**FOR: Mayor Phill Cronin, Cr Andrew Macnish, Cr Anne Ryan, Cr Jodie Richards, Cr Val Kaigg,  
Cr Mikayla Love, Cr Kate Cox and Cr Jarrod Kennedy**

**AGAINST: Nil**

11:25am: At this time, the meeting was reopened to the public.  
The Presiding Member read out the committee recommendation to the gallery.

## **9 NEXT MEETING DATE**

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

## **10 CLOSURE**

The meeting was closed at 11:26am.

**The minutes of the Audit and Risk Committee meeting held 13 March 2024 were confirmed as a true and correct record on:**

**Date:**

**Presiding Member:**