



Standing Committee (Audit and Risk)

Minutes

Monday 22 August 2022

BELMONT
CITY OF OPPORTUNITY



CITY OF BELMONT

Standing Committee (Audit and Risk)

Minutes

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Minutes from the Standing Committee (Audit and Risk) held in the Rivervale Room, City of Belmont Civic Centre, 215 Wright Street, Cloverdale on Monday 22 August 2022 commencing at 6.30pm.

Minutes

Present

Cr J Davis (Presiding Member)	South Ward
Cr P Marks, Mayor (Ex Officio)	East Ward
Cr R Rossi (via MS Teams)	West Ward
Mr R Back	Independent Member

In attendance

Mr J Christie (via MS Teams)	Chief Executive Officer
Mr W Loh	Acting Director Corporate and Governance
Mr B Godfrey	Internal Auditor
Ms V Govender	Manager Finance
Ms A Bird	Manager Governance, Strategy and Risk
Mr M Smith (via MS Teams)	Manager Information Technology
Mrs J Cherry-Murphy	Senior Governance Officer

Observers

Cr D Sessions (via MS Teams)	West Ward
Cr N Carter	South Ward

I Official Opening

6.30pm The Presiding Member welcomed all those in attendance and declared the meeting open.

The Presiding Member read aloud the Acknowledgement of Country.

Acknowledgement of Country

Before I begin, I would like to acknowledge the Noongar Whadjuk people as the Traditional Owners of this land and pay my respects to Elders past, present and emerging.

I further acknowledge their cultural heritage, beliefs, connection and relationship with this land which continues today.

2 Apologies and leave of absence

Cr Bass (absent)

East Ward

3 Declarations of interest that might cause a conflict

3.1 Financial interests

Nil.

3.2 Disclosure of interest that may affect impartiality

Nil.

4 Announcements by the Presiding Member (without discussion)

4.1 Announcements

Nil.

4.2 Declarations by Members who have not given due considerations to all matters contained in the business papers presently before the meeting

Nil.

5 Confirmation of Minutes

5.1 Standing Committee (Audit and Risk) Meeting held 30 May 2022

Officer Recommendation

Marks moved, Mr Back seconded

That the Minutes of the Standing Committee (Audit and Risk) Meeting held on 30 May 2022 be confirmed as a true and accurate record.

Carried Unanimously 4 votes to 0

6 Questions by Members on which due notice has been given (without discussion)

Nil.

7 New business of an urgent nature approved by the person presiding or by decision

Nil.

8 Questions by members without notice

Nil.

9 Business adjourned from a previous meeting

Nil.

10 Information items

10.1 Audit Logs – Office of the Auditor General and Other Audits

Attachment details

Attachment No and title	
1.	CONFIDENTIAL - Audit Logs - Office of the Auditor General and Other Audits [10.1.1 - 18 pages]

The Audit Logs (refer Confidential Attachment 10.1.1) have been developed to capture and report on progress of all recommended actions from previous audit reports as requested by the Standing Committee (Audit and Risk).

The Audit Logs will be included for information on all Standing Committee (Audit and Risk) Agendas.

The Internal Auditor and Manager Information Technology gave an overview of the Audit Logs.

Questions were asked and responded to as follows:

- Some deadlines have had to be slightly extended due to contractor staff and internal staff shortages. It is anticipated the new deadlines are achievable.
- A letter has been written to the Minister to seek clarification on variations proposed to the standard model for the introduction of FOGO. Legal advice has also been sought on a variation to the current tender.

11 Items requiring recommendation to Council

11.1 Internal Audit Plan 2022 - 2023

Attachment details

Attachment No and title	
1.	SCAR 22 August 2022 Draft Internal Audit Plan [11.1.1 - 2 pages]

Voting Requirement	:	Simple Majority
Subject Index	:	19/006
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	N/A
Previous Items	:	N/A
Applicant	:	N/A
Owner	:	N/A
Responsible Division	:	Executive Services

Council role

- Advocacy** When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
- Executive** The substantial direction setting and oversight role of the Council eg adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
- Legislative** Includes adopting local laws, local planning schemes and policies.
- Review** When Council reviews decisions made by Officers.
- Quasi-Judicial** When Council determines an application/matter that directly affect a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include local planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.

Purpose of report

The purpose of this report is to present the Draft Internal Audit Plan 2022 - 2023 to the Standing Committee (Audit and Risk) for approval and recommendation to Council for endorsement.

Summary and key issues

The Draft Internal Audit Plan identifies audits to be completed over the next three years. The audits are referenced to related corporate business goals and strategies.

The draft plan also identifies the City's three lines of defence, which are different functional levels with responsibility to manage risks and controls.

The draft plan also provides supporting information, regarding audit objectives.

An annual review of the Internal Audit Plan will be undertaken and an update will be presented to the Audit and Risk Committee annually for endorsement.

Location

Not applicable.

Consultation

The draft Internal Audit Plan 2022 - 2023 was presented to ELT on 16 March 2022 and presented to Elected Members at the Information Forum on 10 May 2022 for review and comments.

Comments provided have been considered and incorporated into the draft plan.

Strategic Community Plan implications

In accordance with the 2020 – 2040 Strategic Community Plan:

Goal 5: Responsible Belmont

Strategy: 5.2 Manage the City's assets and financial resources in a responsible manner and provide the best possible services for the community.

Policy implications

There are no policy implications associated with this report.

Statutory environment

Local Government Act 1995

7.1A Audit Committee

(1) A local Government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.

Local Government (Audit) Regulations 1996

16. Functions of audit committee

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and
 - (ii) its functions relating to other audits and other matters related to financial management.
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council.
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

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

[Regulation 16 inserted: Gazette 26 Jun 2018 p. 2386-7.]

Background

Introduction to the Internal Audit Function and Lines of Defence

The City's Internal Auditor has undertaken a review of the internal audit function since commencing in June 2021. As a result, it was determined that based on best practice principles for internal auditing, that the implementation of the "Three Lines of Defence" would provide for greater accountability across the organisation and provide guidance to ensure effective risk management and governance controls are in place and monitored.

The Three Lines of Defence Model was developed by KPMG in the 1990s and was later adopted by the Basel Committee on Banking Supervision as a model for internal control management. The Institute of Internal Auditors followed suit and also adopted the Three Lines of Defence Model. The Office of the Auditor General WA issued a better practice guide titled "Western Australian Public Sector Audit Committee's – Better Practice Guide Report 26: 25 June 2020 which recommends that all entities regardless of their size and complexity should establish the lines of defence model.

The three lines of defence model is described as:

First Line of Defence – Management

The first line of defence is the responsibility of business and process owners. It is the responsibility of management to maintain effective internal controls, assess the control measures in place and mitigate risks.

Second Line of Defence – Risk Management and Compliance

The second line of defence supports management to ensure risk and control measures are effectively monitored and managed. The City has established various risk management and compliance functions to assist business and process owners to ensure the first line of defence is effective and is reviewed on a regular basis.

Third Line of Defence - Internal Audit

The third line of defence, provides assurance to senior management that the first and second lines of defence are in place, have been implemented and are effective. The internal audit function is responsible for ensuring independence and objectivity when assessing the effectiveness of the controls. The Internal Audit function has reporting independence to the Chief Executive Officer (CEO), the Standing Committee (Audit and Risk) and Council.

External Auditors

External Auditors, such as the Office of the Auditor General (OAG) are often referred as a fourth line of defence. External Auditors are responsible for expressing their opinion on the effectiveness of the controls and a degree of materiality associated with audit findings. External Auditors provide a level of assurance to the CEO, the Standing Committee (Audit and Risk) and Council in relation to the effectiveness of controls and legislative compliance.

Internal Audit Plan - Methodology

The draft plan has been developed after undertaking the following steps:

1. Corporate Business Plan review.
2. Organisation charts review.
3. Operating and capital budgets review.
4. Existing risk registers review to identify residual risk ratings.
5. Previous OAG reports review.
6. Each City Department Manager was interviewed to identify their operations, key objectives, key risks, new developments and related City strategies.
7. Consequence risk levels were independently rated by the internal auditor (using City of Belmont Risk Framework).
8. The City's Coordinator Business Improvement, Planning and Risk was consulted on consequence risk level ratings.
9. Presentations to the Executive Leadership Team and to Elected Members at an Information Forum for review and comment.

The Institute of Internal Auditors (IIA) Supplemental Guidance paper "Developing a Risk Based Internal Audit Plan" was also used as a reference to develop the draft plan.

Officer comment

It is considered that the draft plan provides an effective risk-based approach for reviewing the City's governance, risk and control frameworks.

After completing year's one and two of the audit plan, the lines of defence maturity levels will be better understood and the internal audit approach modified to ensure the ongoing effective management of risk and governance functions across the organisation. An annual review of the Internal Audit Plan will be undertaken and an update will be presented to the Audit and Risk Committee annually for endorsement.

Financial implications

There are no financial implications evident at this time.

Environmental implications

There are no environmental implications associated with this report.

Social implications

There are no social implications associated with this report.

Committee Notes

Questions asked were responded to as follows:

- The City does have the resources to implement the Internal Audit Plan in 2022-2023.
- In future years the City may consider hiring internal staff to conduct audits as has been done previously.

Officer Recommendation

Marks moved, Mr Back seconded

The Standing Committee (Audit and Risk) approve the Internal Audit Plan 2022 - 2023 and recommend the Internal Audit Plan 2022 - 2023 be presented to Council for endorsement.

Carried Unanimously 4 votes to 0

DRAFT INTERNAL AUDIT PLAN - AT 6 APRIL 2022															
C of B PLANS		AUDIT UNIVERSE		POTENTIAL ASSURANCE MAP				AUDIT TYPE	AUDIT NAME			CONSEQUENCE	INTERNAL AUDIT COVERAGE		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
CORPORATE BUSINESS PLAN (CBP) GOALS	RELATED CBP STRATEGIES	ORGANISATION CHART STRUCTURE LEVEL 1	ORGANISATION CHART STRUCTURE LEVEL 2	1ST LINE DEFENCE MGT	2ND LINE DEFENCE RISK MGT COMPLIANCE	3RD LINE DEFENCE INTERNAL AUDIT	4TH LINE DEFENCE OAG, SGS	BAU - BUSINESS AS USUAL				RISK LEVELS	YEAR 1 2022 - 2023	YEAR 2 2023 - 2024	YEAR 3 2024 - 2025
											(note: column 11 shows audit priority for year 1 audits)				
											TIME RECORDED IN WEEKS				
DEVELOPMENT AND COMMUNITIES															
RESPONSIBLE BELMONT	STRATEGY 5.7, 5.1	PLANNING SERVICES						BAU AUDIT	1	12	Development Applications & Approvals	Major	4		4
RESPONSIBLE BELMONT	STRATEGY 5.7	SAFER COMMUNITIES	BUILDING SURVEYING					BAU AUDIT	2	13	Building License Approvals	Major	4		4
LIVEABLE BELMONT	STRATEGY 1.2		ENVIRONMENTAL HEALTH					BAU AUDIT	3	14	Community Environmental Health	Major	4		4
LIVEABLE BELMONT	STRATEGY 1.2		SAFETY AND CRIME					BAU AUDIT	4	15	Surveillance and Ranger Activities	Major	4		4
LIVEABLE BELMONT	STRATEGY 1.4	ECONOMIC & COMMUNITY DEV	ECONOMIC DEVELOPMENT					BAU AUDIT	5		Economic Development Programs	Moderate		4	
LIVEABLE BELMONT	STRATEGY 1.5, 1.3		COMMUNITY DEVELOPMENT					BAU AUDIT	6		Community Development Programs	Moderate		4	
LIVEABLE BELMONT	STRATEGY 1.1		CULTURAL ENGAGEMENT					BAU AUDIT	7		Community & Cultural Engagement Programs	Moderate		4	
LIVEABLE BELMONT	STRATEGY 1.1, 1.2	LIBRARY CULTURE AND PLACE	LIBRARY AND HERITAGE SERVICES					BAU AUDIT	8		Belmont Hub Utilisation	Moderate		4	
CREATIVE BELMONT	STRATEGY 4.1		ARTS AND PLACE					BAU AUDIT	9		Art Promotion	Moderate		4	
INFRASTRUCTURE SERVICES															
RESPONSIBLE BELMONT	STRATEGY 5.2	DESIGN, ASSETS & DEVELOPMENT	DRAINAGE PLANNING					BAU AUDIT	10		Drains - Asset Management	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2		ENGINEERING					BAU AUDIT	11		Development Applications - Engineering	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2		CIVIL DESIGN & ASSET MANAGEMT					BAU AUDIT	12		Roads - Asset Management	Moderate		4	
CONNECTED BELMONT	STRATEGIES 2.1 - 2.4		TRAVELSMART					BAU AUDIT	13		Travelsmart	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2	CITY PROJECTS						PROJECT AUDIT	14	7	Project Audit e.g. Wilson Park / or TBA	Major	4		4
								PROJECT AUDIT	15	8	Project Audit e.g. Belmont Hub / or TBA	Major	4		4
RESPONSIBLE BELMONT	STRATEGY 5.2	CITY FACILITIES AND PROPERTY	BUILDING OPERATIONS					BAU AUDIT	16		Buildings - Asset Management	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2		BUILDING OPERATIONS					PROJECT AUDIT	17	9	Project Audit e.g. Ruth Faulkner Library Upgrade	Major	4		4
RESPONSIBLE BELMONT	STRATEGY 5.2	WORKS	ROADS MAINTENANCE					BAU AUDIT	18		Roads, Footpaths & Drains Maintenance	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2		ROADS CONSTRUCTION					BAU AUDIT	19		Roads, Footpaths & Drains Construction	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2		FLEET AND PLANT					BAU AUDIT	20		Fleet and Plant Maintenance	Minor		4	
NATURAL BELMONT	STRATEGY 3.3, 3.5		WASTE MANAGEMENT					BAU AUDIT	21	10	Waste Management	Major	4		4
NATURAL BELMONT	STRATEGY 3.4	PARKS LEISURE AND ENVIRON.	PARKS					BAU AUDIT	22		Parks - Asset Management	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2		PARKS					BAU AUDIT	23	11	Parks - OSH	Major	4		4
NATURAL BELMONT	STRATEGY 3.5		ENVIRONMENT					BAU AUDIT	24		Water Management	Moderate		4	
NATURAL BELMONT	STRATEGY 3.2		ENVIRONMENT					PROJECT AUDIT	25		Project Audit e.g. Esplanade Stabil. / or TBA	Moderate		4	
LIVEABLE BELMONT	STRATEGY 1.2		COMMUNITY WELLBEING					BAU AUDIT	26		Community Wellbeing	Moderate		4	
EXECUTIVE SERVICES															
RESPONSIBLE BELMONT	STRATEGY 5.2	EXECUTIVE SERVICES	INTERNAL AUDIT				OAG	BAU AUDIT	27	16	Internal Audit Quality Assurances	Major	2	2	2
RESPONSIBLE BELMONT	STRATEGY 5.2		HUMAN RESOURCES					BAU AUDIT	28		Human Resource Planning and Management	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2		PAYROLL				OAG	BAU AUDIT	29		Payroll System Reliability	Minor		4	
RESPONSIBLE BELMONT	STRATEGY 5.2		OSH					BAU AUDIT	30	6	OSH legislation Compliance	Major	4		4
CORPORATE AND GOVERNANCE															
RESPONSIBLE BELMONT	STRATEGY 5.2	INFORMATION TECHNOLOGY	BUSINESS APPLICATIONS				OAG	BAU AUDIT	31	1	OAG Follow up	Major	4	4	4
RESPONSIBLE BELMONT	STRATEGY 5.2, 4.2		BUSINESS APPLICATIONS				OAG	BAU AUDIT	32		Applications and General controls	Major		4	4
RESPONSIBLE BELMONT	STRATEGY 5.2		BUSINESS APPLICATIONS				OAG	BAU AUDIT	33		Cybersecurity and Disaster Recovery	Major		4	4
RESPONSIBLE BELMONT	STRATEGY 5.2	FINANCE	REVENUE				OAG	BAU AUDIT	34		Revenue & Funding cycle	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2		PROCUREMENT				OAG	BAU AUDIT	35	2	Procurement & Expenditure cycle	Major	4		4
RESPONSIBLE BELMONT	STRATEGY 5.2		ASSETS				OAG	BAU AUDIT	36		Current & Non Current Assets	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2		LIABILITIES				OAG	BAU AUDIT	37		Liabilities and Equity	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2		REPORTING				OAG	BAU AUDIT	38		Statutory Reporting	Moderate			
RESPONSIBLE BELMONT	STRATEGY 5.2		REPORTING					BAU AUDIT	39	3	Management Reports - Financial, Operations	Major	4		4
RESPONSIBLE BELMONT	STRATEGY 5.5	GOVERNANCE	MARKETING					BAU AUDIT	40		Marketing & Communications	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2		BUSINESS CONTINUITY AND RISK				OAG	BAU AUDIT	41	4	Risk Management, Business Continuity, Fraud	Major	4		4
RESPONSIBLE BELMONT	STRATEGY 5.2		GOVERNANCE AND COMPLIANCE				OAG	BAU AUDIT	42		Governance and Compliance	Moderate		4	
RESPONSIBLE BELMONT	STRATEGY 5.2	BUSINESS PLANNING & IMPROVE	BUSINESS PLANNING & IMPROVE					BAU AUDIT	43	5	Business Planning and Improvement	Major	4		4
RESPONSIBLE BELMONT	STRATEGY 5.2		QUALITY AUDIT FUNCTIONS				SGS	BAU AUDIT	44		2nd Line of Defence Functions	Moderate		4	
											TOTAL ANNUAL WORK WEEKS				
												62	114	70	

DRAFT INTERNAL AUDIT PLAN - SUPPORTING NOTES - AT 6 APRIL 2022									
AUDIT NAME	DEPARTMENT BACKGROUND	RISK	AUDIT OBJECTIVES	RELATED	CONSEQUENCE RISK LEVELS				
1	2	3	4	5	6	7	8	9	10
				STRATEGY	STRATEGIC	OPERATIONAL	COMPLIANCE	FINANCIAL	
DEVELOPMENT AND COMMUNITIES									
1	Development Applications & Approvals	Manages strategic planning, approves DAs & reviews non compliant building plans	DA or building plan approval incorrect	Check Development Applications & non compliant R code plans correctly reviewed.	5.1, 5.7	Major	Moderate	Moderate	Moderate
2	Building License Approvals	Manages approval of Building Licences and issue of Occupancy Certificates	Completed building not compliant	Check correct approval of building licenses and occupancy certificates	5.7	Major	Moderate	Moderate	Moderate
3	Community Environmental Health	Manages environment risks e.g. noise, vermin, dust, food in the community	Environment hazards	Check environment plans and controls are timely and effective.	1.2	Major	Moderate	Moderate	Moderate
4	Surveillance and Ranger Activities	Manages community vehicle patrols, CCTV monitoring, emergency management	Injury to public	Check vehicle patrols and ranger plans and controls are timely and effective.	1.2	Major	Moderate	Moderate	Moderate
5	Economic Development Programs	Actively engages with the business community to promote business retention, growth	Business performance is poor.	Programs are performance measured and actively managed as necessary.	1.4	Moderate	Moderate	Moderate	Moderate
6	Community Development Programs	Actively engages with community to promote "Liveable Belmont"	Community groups not supported.	Programs are performance measured and actively managed as necessary.	1.3, 1.5	Moderate	Moderate	Moderate	Moderate
7	Cultural Engagement Programs	Actively engages with community to promote "Liveable Belmont"	Community groups not supported.	Programs are performance measured and actively managed as necessary.	1.1	Moderate	Moderate	Moderate	Moderate
8	Belmont Hub Utilisation	Manages Belmont Hub to deliver services that meet community needs	Facilities underutilised	Programs are performance measured and actively managed as necessary.	1.1, 1.2	Moderate	Moderate	Moderate	Moderate
9	Art Promotion Programs	Actively engages with community to promote art and "Creative Belmont"	Placemaking not maximised	Programs are performance measured and actively managed as necessary.	4.1	Moderate	Moderate	Moderate	Moderate
INFRASTRUCTURE SERVICES									
10	Drains - Asset Management	Manages drains asset management plans including maintenance	Drains fail	Check asset management plans including maintenance are timely and effective	5.2	Moderate	Moderate	Moderate	Moderate
11	Development Applications - Engineering	Reviews development plans to ensure engineering aspects e.g. crossovers comply	Non Compliance / rework	Check development plans are correctly reviewed	5.2	Moderate	Moderate	Moderate	Moderate
12	Roads - Asset Management	Manages roads, paths asset management plans including design and maintenance	Roads, paths fail	Check asset management plans including design, maintenance timely and effective	5.2	Moderate	Moderate	Moderate	Moderate
13	Travelsmart	Support Travel Smart by promoting walking, cycling, public transport, to reduce cars	Program not effective	Programs are performance measured and actively managed as necessary.	2.1, 2.4	Moderate	Moderate	Moderate	Moderate
14	Project Audit e.g. Wilson Park / or TBA	Manages one off, high value, complex high risk projects	Project fails to meet all expectations	Check tender, time, cost, quality, environment, OHS, variations are managed	5.2	Major	Moderate	Moderate	Moderate
15	Project Audit e.g. Belmont Hub / or TBA	Manages one off, high value, complex high risk projects	Project fails to meet all expectations	Check tender, time, cost, quality, environment, OHS, variations are managed	5.2	Major	Moderate	Moderate	Moderate
16	Buildings - Asset Management	Manages Buildings asset management plans including maintenance and leasing	Buildings not fully operational	Check asset management plans including maintenance are timely and effective	5.2	Moderate	Moderate	Moderate	Moderate
17	Project Audit e.g. Ruth Faulkner Library Upgrade	Manages major upgrades to C of B facilities and property	Project fails	Check tender, time, cost, quality, environment, OHS, variations are managed	5.2	Major	Moderate	Moderate	Moderate
18	Roads, Footpaths & Drains Maintenance	Develops budgets and maintains roads, footpaths, and drains owned by the C of B	Roads etc not fully operational	Check maintenance plans are timely and effective	5.2	Moderate	Moderate	Moderate	Moderate
19	Roads, Footpaths & Drains Construction	Develops budgets and constructs new roads, footpaths, and drains	Project fails to meet all expectations	Check tender, time, cost, quality, environment, OHS, variations are managed	5.2	Moderate	Moderate	Moderate	Moderate
20	Fleet and Plant Maintenance	Manages C of B fleet and plant maintenance	Plant and equipment fails	Check maintenance plans are timely and effective	5.2	Minor	Minor	Minor	Minor
21	Waste Management	Manages C of B contract with SUEZ for waste disposal	Environmental non compliance	Check contract and environmental conditions are met	3.3, 3.5	Major	Moderate	Moderate	Moderate
22	Parks - Asset Management	Manages Parks asset management plans including maintenance	Parks etc. not fully operational	Check asset management plans including maintenance are timely and effective	3.4	Moderate	Moderate	Moderate	Moderate
23	Parks - OSH	Manages Parks asset management plans including maintenance	Park employees or public injured	Check compliance with OHS Act, Regulations, Policy	5.2	Major	Moderate	Moderate	Moderate
24	Water Management	Manages water usage	Excess water usage or pollution	Check environmental conditions are met	3.5	Moderate	Moderate	Moderate	Moderate
25	Project Audit e.g. Esplanade Stabl. / or TBA	Manages Parks projects	Project fails to meet all expectations	Check tender, time, cost, quality, environment, OHS, variations are managed	3.2	Moderate	Moderate	Moderate	Moderate
26	Community Wellbeing	Manages community leisure facilities	Leisure facilities not fully operational	Check maintenance plans are timely and effective. Check Bluffit - Oasis contract	1.2	Moderate	Moderate	Moderate	Moderate
EXECUTIVE SERVICES									
27	Internal Audit Quality Assurances	Manages internal audit function.	3rd Line of assurance not effective	Check internal audit reports results of Quality Assurance annually and 5 yearly	5.2	Major	Moderate	Moderate	Moderate
28	Human Resource Planning and Management	Manages H R. Partners business, drives ethics, culture and talent management.	Strategic plans not effectively resourced	Check Strategic plans inform resource planning, ethics, culture and talent managmt.	5.2	Moderate	Moderate	Moderate	Moderate
29	Payroll System Reliability	Manages payroll	Unauthorised input, processing delays	Check payroll input authorised and control reports independently approved.	5.2	Minor	Minor	Minor	Minor
30	OSH legislation Compliance	Manages OHS.	Non compliance with act, injuries	Check adequacy of policies and compliance monitoring across all City functions.	5.2	Major	Major	Major	Major
CORPORATE AND GOVERNANCE									
31	OAG Follow up	Manages IT Applications and Servers	Business Applications not Available	Check outstanding OAG recommendations are implemented	5.2	Major	Major	Major	Major
32	Applications and General controls	Manages IT Applications and Servers	Business Applications not Available	Check Applications and General controls meet standards	5.2, 4.2	Major	Major	Major	Major
33	Cybersecurity and Disaster Recovery	Manages IT Applications and Servers	Business Applications not Available	Check Cybersecurity and Disaster Recovery controls meet standards	5.2	Major	Major	Major	Major
34	Revenue & Funding cycle	Manages revenue and grants collection	Revenue collections not maximised	Check revenue sources identified, invoiced and collected	5.2	Moderate	Moderate	Moderate	Moderate
35	Procurement & Expenditure cycle	Manages procurement procedures and resulting payments.	Expenditures not authorised	Check adequate segregation of duties and delegations of authorities.	5.2	Major	Moderate	Moderate	Major
36	Current & Non Current Assets	Manages financial records and reconciliations	Assets lost	Check financial records are reliable, reconciled to data and physical assets.	5.2	Moderate	Moderate	Moderate	Moderate
37	Liabilities and Equity	Manages financial records and reconciliations	Liabilities not managed	Check financial records are reliable, reconciled to data and discharged on time	5.2	Moderate	Moderate	Moderate	Moderate
38	Statutory Reporting	Manages statutory reporting	Statutory reporting not reliable.	Statutory reporting reviewed by the OAG, not reviewed by internal audit.	5.2	Moderate	Moderate	Moderate	Moderate
39	Management Reports - Financial, Operations	Manages management reporting	Management reporting not reliable	Management reporting timely, reliable, effective & supports Reg 5 & 17 attestations.	5.2	Major	Moderate	Moderate	Major
40	Marketing & Communications	Manages promotion of "City of Opportunity" branding to all stakeholders	City branding not optimised	Programs are performance measured and actively managed as necessary.	5.5	Moderate	Moderate	Moderate	Moderate
41	Risk Management, Business Continuity, Fraud	Manages risk identification & mitigation, business continuity, Fraud policy	Business interruption	Check business risks including fraud are managed within risk appetite and tolerances	5.2	Major	Major	Moderate	Major
42	Governance and Compliance	Manages administrative and legal support to council.	Council not effective	Check administration & compliance objectives e.g. Compliance Return met.	5.2	Moderate	Moderate	Moderate	Moderate
43	Business Planning and Improvement	Manages Strategic Community Plan (SCP) & Corporate Business Plan performance	SCP outcomes not met on time.	Programs are performance measured and actively managed as necessary.	5.2	Major	Moderate	Moderate	Moderate
44	2nd Line of Defence Functions	Manages 2nd line of defence assurance activities	2nd Line assurance not effective	2nd line assurance conducts effective risk based audits.	5.2	Moderate	Moderate	Moderate	Moderate
				RMSS Consequence Categories	Catastrophic				
					Major				
					Moderate				
					Minor				
					insignificant				
COMMENTS ON INTERNAL AUDIT PLANS									
1. The internal audit plan page 1, column 12, identifies audits that may be completed to assist the C of B meet strategies and achieve objectives.									
2. The internal audit plan page 1 columns 14 - 16 sets out potential audit coverage for each audit based on 2-3 staff. The amount of audit coverage over the three years is fully variable in response to resources allocated to internal audit.									
3. The compliance driver for the plan is the "Terms of Reference for Internal Audit" which requires the internal audit activity to develop risk based plans for CEO, Audit and Risk Committee and Council approval.									
4. The Internal Audit Plan page 1, columns 5 - 8 represent assurance mapping.									
5. The Institute of Internal Auditors Supplemental Guidance paper "Developing a Risk Based Internal Audit Plan" was used as a primary reference to develop this plan.									

11.2 Interim Audit Report August 2022

Attachment details

Attachment No and title	
1.	D 22 14753 Interim Management Letter Attachment - City of Belmont - 30 June 2022 [11.2.1 - 3 pages]

Voting Requirement	:	Simple Majority
Subject Index	:	19/001
Location/Property Index	:	N/A
Application Index	:	N/A
Disclosure of any Interest	:	Nil
Previous Items	:	N/A
Applicant	:	N/A
Owner	:	N/A
Responsible Division	:	Corporate and Governance

Council role

- Advocacy** When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
- Executive** The substantial direction setting and oversight role of the Council eg adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
- Legislative** Includes adopting local laws, local planning schemes and policies.
- Review** When Council reviews decisions made by Officers.
- Quasi-Judicial** When Council determines an application/matter that directly affect a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include local planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.

Purpose of report

This report provides the Standing Committee (Audit and Risk) with details of the outcomes of the Office of the Auditor General (OAG) interim audit conducted in July 2022.

Summary and key issues

The interim audit is a key process in the audit of the City's 2022 Annual Financial Report. This audit commenced in July 2022 and will culminate with final audit in October 2022 as per OAG's audit plan.

Location

Not applicable.

Consultation

There has been no specific consultation undertaken in respect to this matter.

Strategic Community Plan implications

In accordance with the 2020 – 2040 Strategic Community Plan:

Goal 5: Responsible Belmont

Strategy: 5.2 Manage the City's assets and financial resources in a responsible manner and provide the best possible services for the community.

Policy implications

There are no policy implications associated with this report.

Statutory environment

Section 7.9(1) of the *Local Government Act 1995* requires an audit to be conducted to examine the accounts and annual financial report submitted for audit and to prepare a report thereon which is required to be forwarded to the Mayor, Chief Executive Officer, and the Minister for Local Government.

Section 7.9(2) of the LGA requires the auditor to report on any error or deficiency in any accounts, misapplication of funds or any matters that needs to be addressed by the Local Government.

Background

During July 2022, the Office of the Auditor General (OAG) undertook an interim audit of the City's financial systems and processes.

The main purpose of the interim audit was to:

- examine the City's business, control environment and assess the design and implementation of key controls and risks
- review prior year's audit findings and management recommendations
- clarify significant accounting issues before the annual financial report is prepared for audit.

The OAG plans to perform the final audit in October 2022 as per the Audit Planning Summary report presented to Standing Committee (Audit and Risk) in May 2022.

Officer comment

The Interim Audit Management Letter as per Attachment 11.2.1 reflects one finding identified by the auditors together with the respective management response. This finding was identified during the 2021 Audit and the incorrect useful life was rectified; however, a full completeness check was not conducted at that time. Below is a summary of the finding identified:

Finding:

The OAG identified 17 assets in the City's fixed asset register with the following anomalies:

- Two assets had incorrect residual value
- Four assets with negative written down value
- Four assets had incorrect depreciation rate
- Seven assets had incorrect useful life

The anomalies identified total to \$20,000 net variance in the written down value.

Management Response:

The City's asset register has been comprehensively reviewed with all anomalies identified being rectified and depreciation adjustments being processed as required.

Existing processes have been reviewed with several improvements and additional controls being identified to ensure the likelihood of similar errors is significantly reduced. The asset register is dependent upon several manual calculations; therefore, a control report has been prepared to identify and rectify errors monthly. The control report will be prepared monthly and reviewed by the Manager Finance.

It is considered that this measure would provide sufficient mitigating controls to prevent the use of incorrect depreciation rates.

Financial implications

The use of incorrect depreciation rates that are not reflective of the asset's useful life may lead to increased risk of a material misstatement within the financial statements and non-compliance with the relevant accounting standards. It is noted that the anomalies identified by the OAG have been updated in the 2022 financials and have no impact on the Rate Setting Statement as this is a non-cash item.

The controls implemented will ensure the asset register is accurately maintained.

Environmental implications

There are no environmental implications associated with this report.

Social implications

There are no social implications associated with this report.

Officer Recommendation

Marks moved, Mr Back seconded

That the Standing Committee (Audit and Risk) recommend that Council note the recommendations and comments associated with the 2021-2022 Interim Audit Report as detailed in Attachment 11.2.1.

Carried Unanimously 4 votes to 0

ATTACHMENT

CITY OF BELMONT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Fixed asset register		✓	

KEY TO RATINGS

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

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

ATTACHMENT

CITY OF BELMONT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Fixed asset register

Finding 2022

We identified 17 assets in the City's fixed asset register with differences between the depreciation rates and recorded useful life.

The 17 assets we have identified have the following anomalies, causing a total of \$20k net variance in the written down value:

- 2 assets had incorrect residual value
- 4 assets with negative written down value
- 4 assets had incorrect depreciation rate
- 7 assets had incorrect useful life

A similar finding was raised in the 2020-21 financial year:
We identified 52 assets in the City's fixed asset register with unexplained differences between the depreciation rates and recorded useful life, causing a net variance of \$15k.

Management Comment

The depreciation rates of all asset classes will be reviewed annually to ensure assets are being consistently and accurately depreciated. This review will also ensure depreciation rates are aligned to the useful lives of assets in Finance One.

Responsible Person: Manager Finance
Completion Date: 31 March 2022

Rating: Moderate (2021: Moderate)

Implication

Use of incorrect depreciation rates that are not reflective of the asset's useful life may lead to increased risk of a material misstatement within the financial statements and non-compliance with the relevant accounting standards.

Recommendation

Management should:

- review their existing fixed assets where the depreciation rates and useful lives differ and make the necessary corrections, and
- review their current processes to ensure that changes to fixed asset details are appropriately captured in the fixed asset register and independently reviewed.

Management Comment

The City's asset register has been comprehensively reviewed with all anomalies identified being rectified and depreciation adjustments being processed as required.

Existing processes have been reviewed with a number of improvements and additional controls being identified to ensure the likelihood of similar errors is significantly reduced. The Asset Register is dependent upon several manual calculations; therefore a control report has been prepared to identify and rectify possible errors on a monthly basis. Some of these controls include:

ATTACHMENT

CITY OF BELMONT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

Residual value verification

Identifying assets with negative values

Theoretical depreciation rate versus actual depreciation rate

Theoretical useful life versus actual useful life calculations

These checks/controls will be prepared monthly and reviewed by the Co-ordinator or Manager Finance.

Responsible Person: Manager Finance

Completion Date: 29 July 2022

I 2 Next Meeting

The next meeting of the Standing Committee (Audit and Risk) will be held on 24 October 2022 commencing at 6.30pm.

I 3 Closure

There being no further business, the Presiding Member thanked everyone for their attendance and closed the meeting at 6.57pm.