



## APPENDIX 3 ATTACHMENT 1

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### **City of Joondalup**

### **Regulation 17 Audit Review**

**May 2023**

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## 1. EXECUTIVE SUMMARY

### Introduction

The City of Joondalup (the City) is a local government area with City status in Perth, Western Australia. The City covers an area of 96 square kilometres from Kinross in the north, to Warwick in the south and is bounded by Beach Road to the south, Wanneroo Road and Lake Joondalup to the east, Tamala Park to the north and the Indian Ocean to the west. Its central business district is in the suburb Joondalup (30 kilometres from the Perth CBD), and it includes the town centres of Hillarys and Warwick.

The City is one of the larger local governments in Western Australia based on a population of around 160,000 people. Popular beaches with excellent facilities are located at Marmion, Sorrento, Hillarys, Pinnaroo Point, Whitfords, Mullaloo, Ocean Reef, Iluka, and Burns Beach. Beachside leisure activities include boating, water skiing, snorkelling, fishing, windsurfing, animal exercise and dual use paths ideal for walking and cycling. The City provides a wide range of community services and some of the best leisure and sporting facilities available, catering for junior and senior sporting and recreational pursuits.

The City's natural assets include the Yellagonga wetlands, and the City works closely with the Department of Biodiversity, Conservation and Attractions, the City of Wanneroo, and a variety of community groups to manage the natural assets of the region. The City continues to work closely with regional stakeholders to develop cultural, educational, and economic initiatives.

### Audit Objective:

This audit is classified as an assurance audit with a focus on controls. We used a combination of walk throughs and sampling to test controls.

Stantons focussed on the following areas to assess the appropriateness and effectiveness of City's systems and procedures:

- Risk Management - To determine if the City has effective risk management systems that allows the identification, assessment and management of risks and reporting of risks to an appropriate level
- Internal Control - To determine if an effective internal control system is in place that safeguards assets, ensures accurate and reliable financial reporting and promotes compliance with legislation and effective and efficient operations. We used our work from the Regulation 5(2)(c) Financial Management Review audit to inform this area.
- Legislative Compliance - To determine if compliance programs allow the meeting of legislative compliance and that suitable monitoring and reporting systems are in place.

Our audit also considered the following:

Regulation 17 requires the CEO to undertake a review, not less than once in every three financial years and report to the audit committee the results of that review.

The examination should be conducted in reference to the Department of Local Government, Sport and Cultural Industries Operational Guidelines Number 09 - Audit in Local Government - Appendix 3 which provides further details and information on issues that should be considered for inclusion in the Chief Executive Officer's review of risk management, internal control, and legislative compliance. The report should include any significant issues identified during the examination and provide recommendations for improvement that will enhance the City's control environment relating to risk management, internal control, and legislative compliance.

**Scope of works**

The audit period was 1 July 2021 to 30 June 2022.

## 2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

### Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Risk Management	Mostly Achieved	Minor
8.2	Internal Control	Partly Achieved	Moderate
8.3	Legislative Compliance	Mostly Achieved	Minor

### **3. SUMMARY OF FINDINGS**

1. The Fraud, Corruption and Misconduct Control Policy - 4.1.2 Policies and Procedures does not refer to section 5.51A of the Act which sets out the requirement for the “Code of Conduct for Employees” – which is a separate document from the Code of Conduct for Council Members, Committee Members and Candidates required by section 5.103.
2. Review of the risk documents generated out of the Promapp database identified that in relation to individual strategic risks, aspects of the City’s Strategic Risk Report (as well as the Risk Registers maintained by the respective Business Units) remain incomplete with regards to Control Effectiveness and Residual Risk not yet being assessed, Risk Ownership not yet assigned, and Target Status not being met.
3. The City has not compiled an Accounting Manual detailing the City’s overarching approach for the functional administration (including associated internal controls) covering each of the financial management areas contained within Local Government (Financial Management) Regulations 1996 – Regulation 5.
4. Review of the Annual Corporate Compliance Calendar noted that the status of scheduled activities is either incomplete or contains information relating to 2019-2020, indicating that the Calendar has not been utilised by the City since 2020 to monitor compliance with the respective legislation.

### **4. RECOMMENDATIONS**

1. Audit recommends that the City identify within the Fraud, Corruption and Misconduct Control Policy that there is a Code of Conduct for Council Members, Committee Members and Candidates, that is separate from the Code of Conduct for Employees.
2. Audit recommends that the City review the Risk Registers at both a Business Unit and overarching Strategic level to ensure that they are both complete and up to date.
3. Audit recommends that the City compile an Accounting Manual detailing the City’s overarching approach for the functional administration (including associated internal controls) for each financial management area specified within Local Government (Financial Management) Regulations 1996 – Regulation 5.
4. Audit recommends that the City actively uses the Annual Corporate Compliance Calendar to ensure that compliance with the legislative requirements that relate to the City’s various day-to-day functions and operations are met in a timely manner.

### **5. BUSINESS IMPROVEMENTS**

1. There were no business improvements raised.

## 6. OVERALL COMMENTS

### City of Joondalup (the City) - Management Comments

Recommendations relating to the Fraud, Corruption and Misconduct Control Policy and Risk Registers (Business Unit and overarching Strategic level) have been accepted and are in progress.

Recommendation relating to the City compiling an Accounting Manual is noted. Development of an accounting manual is not considered critical, since the finding does not suggest that the relevant protocols/processes/controls do not exist or are not operating effectively. Since these are in place, it is not considered essential to duplicate these in an accounting manual or similar document, noting that this is neither a requirement of legislation nor of accounting standards.

Recommendation relating to the City actively using an Annual Corporate Compliance Calendar has been accepted and will be updated as a priority.

### Stantons - Audit Management Comments

Stantons appreciates the support and assistance that the City of Joondalup provided during the conduct of the internal audit and acknowledge the considered management comments.

The recommendation in relation to the compilation of an Accounting Manual as a single source of reference was to enable the City to provide a complete representation of all relevant process internal controls in place by showing the overarching operational arrangements and interrelationship that exists between the various financial management functions, rather than as a series of discrete procedure/protocol documents. However, we accept the City's viewpoint.

## 7. RISK RATING AND DEFINITIONS

### Risk Ratings and Interpretations

Risks Ratings	Rating Interpretation	Suggested timing of implementing recommendations
<b>Critical</b>	The finding poses a severe risk to the City if not appropriately and timely addressed.	Commence remedial action immediately
<b>Major</b>	The finding poses significant risk to the City if not appropriately and timely addressed.	Commence remedial action within 3 months
<b>Moderate</b>	The finding poses less significant risk to the City if not appropriately and timely addressed.	Commence remedial action within 6 months
<b>Minor</b>	The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop.	Commence remedial action within 12 months

## DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

### DISCLAIMER

*This report is prepared for the City's internal use and may be shared with its auditors and professional advisors for internal use. Copying and distribution of this report to other parties should not be done without prior approval and consent from Stantons.*

### BASIS OF AUDIT

*We have conducted our audit in accordance with the applicable Performance Standards of the International Standards for the Professional Practice of Internal Auditing. The content of this report therefore represents the independent view by Stantons purely based on the information provided by the City members of staff during audit fieldwork. Changes to the contents of the report without Stanton's involvement will render all contents less "independent" and unrepresentative of Stanton's position with regards to the contents contained therein.*

### INHERENT LIMITATIONS

*Because of the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected.*

*An Audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.*

*Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.*

*Liability limited by a scheme approved under Professional Standards Legislation.*

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### Report Release

Released by (Name): James Cottrill

Title: Principal, Internal Audit, IT Audit & Risk Consulting

Signature:



Date: 05 May 2023



## 8. DETAILED AUDIT ASSESSMENT

### 8.1 RISK MANAGEMENT

<b>Overall Outcome</b>	The City has initiated a comprehensive risk management system, including risk identification, risk assessment, risk management, and risk reporting processes, however, the effectiveness of the controls to mitigate the causes of the some of the strategic risks are still in the process of being determined and assessed in order to maintain the inherent and residual risks at the targeted level.
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#### Risk Identification

City of Joondalup (the City) has set up a Risk Management System, comprising Risk Management Framework, Risk Management Policy, Strategic Risk Register (Report) and supporting documents and tools. Audit obtained and reviewed the City's Risk Management Framework and noted that the City has defined risks for the following six primary business areas:

1. Financial Loss: budget expenditure; single and reoccurring losses.
2. Health, Safety and Wellbeing: injury and illness (physical or mental); life loss; absence; liability claims; staff retention; potential reprisal resulting from public interest disclosure.
3. Reputation: items of news; customers satisfaction; staff turnover; time/effort to recover; internal and/or external actions.
4. Service Delivery: timely delivery; quality of service; customer satisfaction; disruption; cancellation; backlogs; complaint increases; recourses.
5. Environment: living organisms affected; natural resources; waste; pollution; natural resources; climate and coastal impacts.
6. Governance and Compliance: breach of policy/procedure (internal and external); audits; compliance; risk management; achievement of objectives; internal and external investigations.

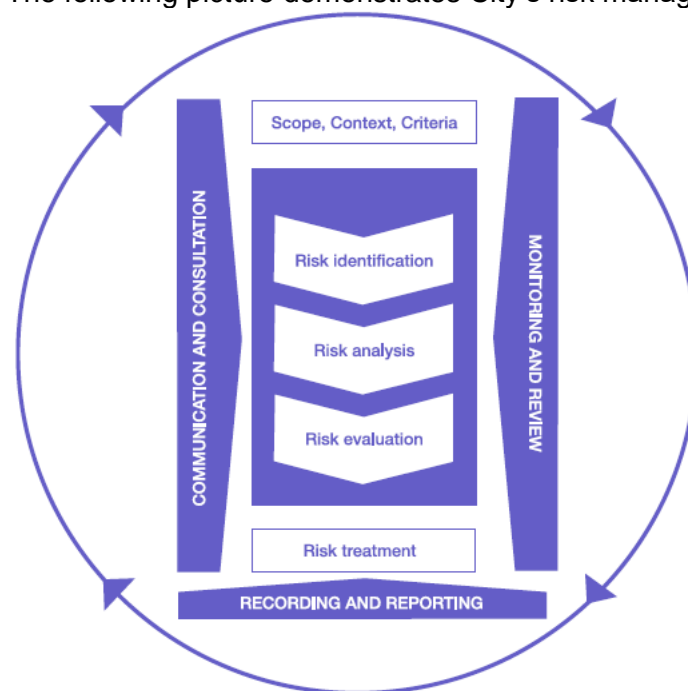
#### Risk Assessment

As per the City's Risk Management Policy, the City accepts the taking of controlled risk, aiming to maintain risks at targeted levels within each key area of business. The target inherent risk level has been set for each business area within the Risk Management Framework is as follows:

	Low	Medium	High	Extreme
Financial Loss		•		
Health, Safety and Wellbeing		•		
Reputation		•		
Service Delivery		•		
Environment		•		
Governance and Compliance		•		

Risk Level	Tolerance and Management Guidance	Minimum Monitoring / Report Frequency
Low	ACCEPTABLE with adequate or less control effectiveness; managed by routine procedures, consider if all controls are required.	Annual report to Risk Manager; projects in line with project length.
Medium	ACCEPTABLE IN MOST CASES depending on Risk Management Framework classification of primary area of impact assigned (approval required to manage outside of target); can have adequate and/or partially effective controls; managed by standard procedures; monitor effectiveness of controls.	On discovery outside of target risk to Risk Manager; then six-monthly report to Chief Executive Officer or as directed; projects in line with project length.

Within the Risk Management Framework, the City has also set up roles and responsibilities for risk accountability and governance, including Council; Audit and Risk Committee; Chief Executive Officer (CEO); Executive Leadership Team; Risk Management Taskforce; and Audit and Risk Services. The following picture demonstrates City's risk management process.



A Business Continuity Plan was created by the City in April 2020 and was last reviewed in May 2021. As per the Business Continuity Plan, the City has conducted the Business Impact Assessment (BIA) on the following business units:

- Asset Management at 21/12/2021
- Audit, Risk and Executive Services at 26/08/2021
- City Projects at 30/08/2021
- Communications and Stakeholder Relations at 15/10/2021
- Financial Services at 20/09/2021
- Governance at 03/11/2021
- Human Recourse Services at 16/11/2021
- Information Technology at 11/10/2021
- Infrastructure Management Services at 19/11/2021
- Leisure and Culture Services at 14/10/2021
- Economic Development and Advocacy at 15/10/2021
- Operation Services at 16/11/2021
- Planning Services at 26/10/2021
- Rangers Parking and Community Safety at 26/10/2021
- Regulatory Services at 18/10/2021

- Strategic Organisational Development at 02/11/2021.

### Risk Management

The City has introduced a Risk Management Training Program for employees, covering Risk Identification (1 hour), Risk Analysis (1.5 hours), Risk Control Effectiveness & Residual Risk (1.5 hours), Risk Awareness (30 minutes), and Promapp Risk all Users (30 to 60 minutes).

The City also has a Fraud, Corruption and Misconduct Control Policy and Integrity Framework. The Policy sets out the principles and standards of behaviour that Elected Members, Committee Members and employees must observe per the Code of Conduct that has been prepared and adopted by Council as required by section 5.103 of the *Local Government Act 1995*, however, section 5.103 sets the “*model code of conduct for council members, committee members and candidates*”, while section 5.51A sets “*Code of Conducts for Employees*”. The City has a Code of Conduct for Council Members, Committee Members and Candidates, which is separate from the Code of Conduct for Employees.

The City’s Integrity Framework, includes assigning responsibilities for defining, supporting, controlling and enforcing integrity across the organisation, as well as establishing Financial Management Controls (such as segregation of duties, monthly reconciliation reporting, etc), Human Resource Management Controls (such as new employee screening, comprehensive employee induction, etc), Information Management Controls (such as Record Keeping Plan, Online Services Usage Protocols, etc) and Internal Audit functions. The City also has set up a fraud and corruption detection system, comprising Financial Management Detection Systems (including Monthly data and exception issues analysis/reporting, etc), Governance Detection Systems (including conflicts of interest and gifts and hospitality declarations, etc), and Fraud and Misconduct Detection Systems (including live data analysis using accounts payable, contracts and payroll data).

Audit obtained the Strategic Health and Safety Management Plan 2021 – 2024 and noted that the City focuses on Safety Leadership, Safety Management System, Managing Risk, Safety Culture, and Health and Wellbeing Culture to prevent work-related injuries and unsafe work practices.

In addition, the City has a Purchasing of Goods and Services Protocol and a Tenders for Procurement of Goods and Services Protocol to ensure a consistent and transparent process for purchasing/procurement and obtaining best value for money.

### Risk Reporting

The City has compiled a Strategic Risk Report (extracted from the Promapp risk database), which recognise key strategic risks and perceived causes (both internal and external). The Report specifies for each risk its Likelihood, Consequence, Control Effectiveness, Target Status, as well as the assessed Inherent and Residual risk. The Strategic Risk Report identifies 12 key strategic risks for the City being:

1. Decisions – Ineffective / improper decision making that does not align with City plans, value, strategic direction and/or legislative
2. Expectations – Inability to understand community expectations
3. Environment – Ineffective management of natural environment and climate changes impacting and services and assets
4. Reputation – Reputation damage / loss of community trust
5. IT – Inability to protect IT network from degradation, data loss, security breach or other cyber attack
6. Workforce – Inability to attract or retain skilled and competent workforce
7. Health/Safety – Failure to maintain safe and healthy workplace
8. Assets – Inadequate asset planning maintenance and renewals

9. Financial – Lack of financial sustainability
10. Attraction – Lack of desirability as a place to visit, live, invest and do business
11. Waste – Inability to meet strategic waste objectives
12. Legislation – Inability to influence or effectively advocate for statutory changes that benefits the City's growth and change.

Review of the Report noted that controls addressing causes of risk (due to/failures in) have not yet been identified for one or more of the internal/external risk causes within eleven of the twelve strategic risk areas – refer to Appendix 1 for the listing of causes for which controls have not yet been identified.

Where Control Source Documents / Processes addressing the risk causes have been identified, the following have not yet been assessed to determine the effectiveness of the control:

- Governance Framework
- Elected Member Induction Program and Joint Elected Member Induction Program
- Executive level induction training and awareness programs
- 5 year Capital Works program
- IT Strategic Plan
- Safety Management Plan
- Cultural Plan
- Emergency Evacuation Plan
- Local Planning Strategy
- Drainage Asset Management Plan
- Workforce Plan
- CEO / Director / Manager employment process.

Also, other Control Source Documents / Processes identified as addressing the risk causes have been indicated to either require increased control and needs implementation or control operates well but does not always meet its own objectives.

As a result, for the strategic risks contained within the Report:

- Residual Risk has not been assessed (for 12 out of 12)
- Inherent Risk is either High or Extreme (10 extreme and 2 high)
- Control Effectiveness remains Not Assessed or Inadequate (for 11 of the 12)
- Target Status has not been met (for 12 out of 12).

Furthermore, review of a sample of Risk Registers that are maintained by each of Business Units noted that some of the Registers also did not have the Residual Risk or Control Effectiveness assessed, Target Status met or had risk controls/treatments that are overdue for review.

Audit reviewed the Audit and Risk Committee Charter noting that membership comprises the Mayor, six Councillors and an External Independent member (with a quorum of four required). Officers in attendance at the Committee meetings include the CEO, Director Governance and Strategy, Director Corporate Services, Manager Governance, and Manager Audit, Risk and Executive Services.

The role of the Committee is to assist the City in fulfilling its responsibilities in relation to systems of risk management and internal control, the City's processes for monitoring compliance with laws and regulations, including the City's Codes of Conduct, financial and performance reporting, and external and internal audit. The Committee is not responsible for the management of these functions. As part of their role, the Committee is to review the strategic risks to the City and the plans to minimise or respond to those risks. This includes

assessing whether risks that may prevent the City from achieving its objectives or maintaining its reputation have been identified.

<b>Finding 1</b>	The Fraud, Corruption and Misconduct Control Policy - 4.1.2 Policies and Procedures does not refer to section 5.51A of the Act which sets out the requirement for the “ <i>Code of Conduct for Employees</i> ” – which is a separate document from the <i>Code of Conduct for Council Members, Committee Members and Candidates</i> required by section 5.103.
<b>Risk Rating</b>	Minor
<b>Recommendation 1</b>	Audit recommends that the City identify within the Fraud, Corruption and Misconduct Control Policy that there is a Code of Conduct for Council Members, Committee Members and Candidates, that is separate from the Code of Conduct for Employees.

<b>Finding 2</b>	Review of the risk documents generated out of the Promapp database identified that in relation to individual strategic risks, aspects of the City’s Strategic Risk Report (as well as the Risk Registers maintained by the respective Business Units) remain incomplete with regards to Control Effectiveness and Residual Risk not yet being assessed, Risk Ownership not yet assigned, and Target Status not being met.
<b>Risk Rating</b>	Minor
<b>Recommendation 2</b>	Audit recommends that the City review the Risk Registers at both a Business Unit and overarching Strategic level to ensure that they are both complete and up to date.

## 8.2 INTERNAL CONTROL

Overall Outcomes	The City has internal controls operating within the existing operational environment, although these have not been documented within an Accounting Manual demonstrating the existence of effective financial management processes/practices.
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The Department of Local Government, Sport and Cultural Industries Operational Guidelines Number 09 - Audit in Local Government - Appendix 3 specifies that “internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government”.

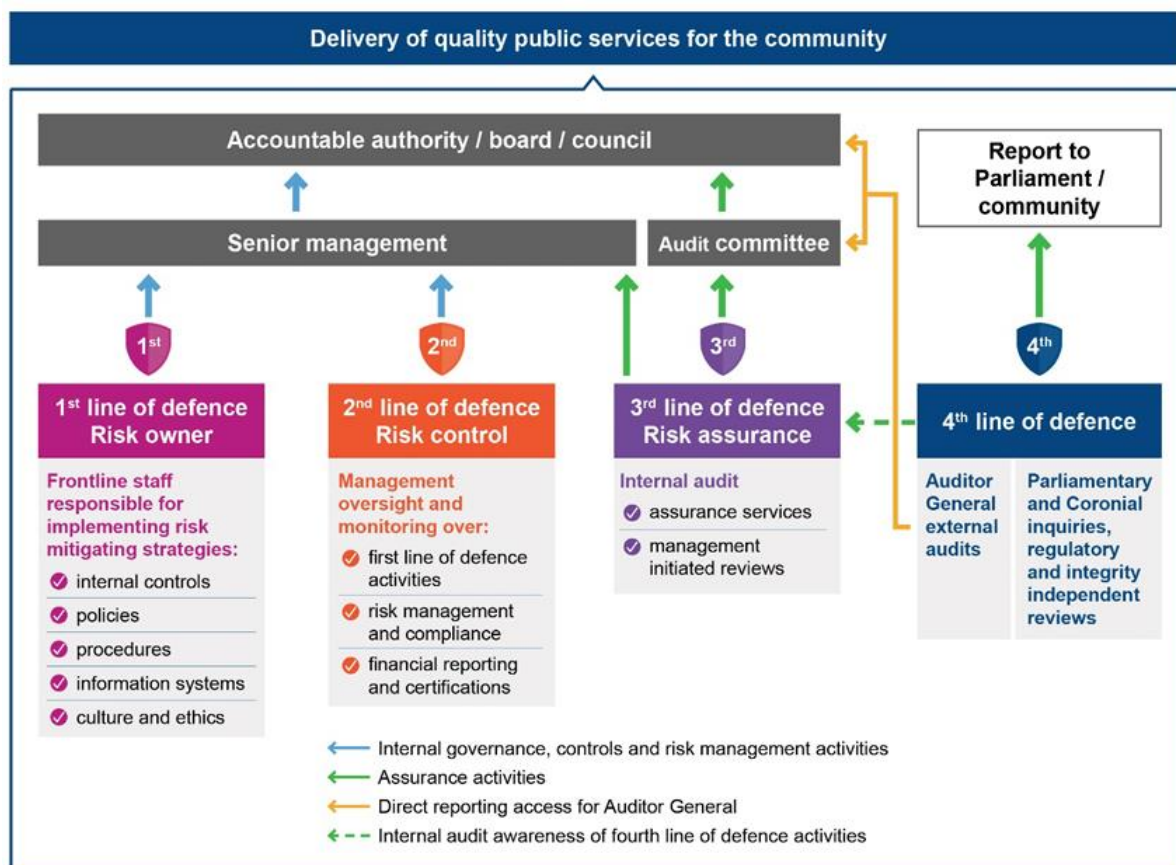
The Department of Local Government, Sport and Cultural Industries – Introduction to Local Government Accounting – 4.5 Policies, Procedures and Delegations highlights that “many issues associated with financial performance can be addressed with the development of proper policies and procedures. These provide for the smooth running of the organisation, while providing for the stewardship function of the public money under the control of the local government. The legislative requirements for establishing efficient systems and procedures are outlined in FM Reg 5”.

Local Government (Financial Management) Regulations 1996 – Regulation 5 in relation to financial management requires that efficient systems and procedures are to be establish by the CEO of a local government:

- a) for the proper collection of all money owing to the local government; and
- b) for the safe custody and security of all money collected or held by the local government; and
- c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and
- d) to ensure proper accounting for municipal or trust —
  - (i) revenue received or receivable; and
  - (ii) expenses paid or payable; and
  - (iii) assets and liabilities; and
- e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and
- f) for the maintenance of payroll, stock control and costing records; and
- g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

The Western Australian Local Government Accounting Manual, Section 7 – Internal Control Framework identifies key Monitoring and Control Activities that a Local Government should conduct (refer to Appendix 2). The application of these monitoring and control activities to the City’s financial management environment should be documented for each of the areas identified within Regulation 5, in order to demonstrate that the processes/practices undertaken by officers during the delivery of public services to the community are sufficient to provide the City with the first and second lines of defence against risk as shown in the diagram below.





Review of documents provided during the Regulation 5(2)(c) Financial Management Review audit relating to internal policies, protocols and procedures noted that the City has not developed an Accounting Manual (or other overarching process documents) covering each of the financial management areas contained within Regulation 5, which include details such as:

- information systems and/or applications utilised throughout the organisation
- legislative requirements
- organisational approach(es)
- segregation of duties
- approval/authorisation processes (including associated delegations)
- reconciliations
- reporting (daily, weekly, monthly, annually)
- etc.

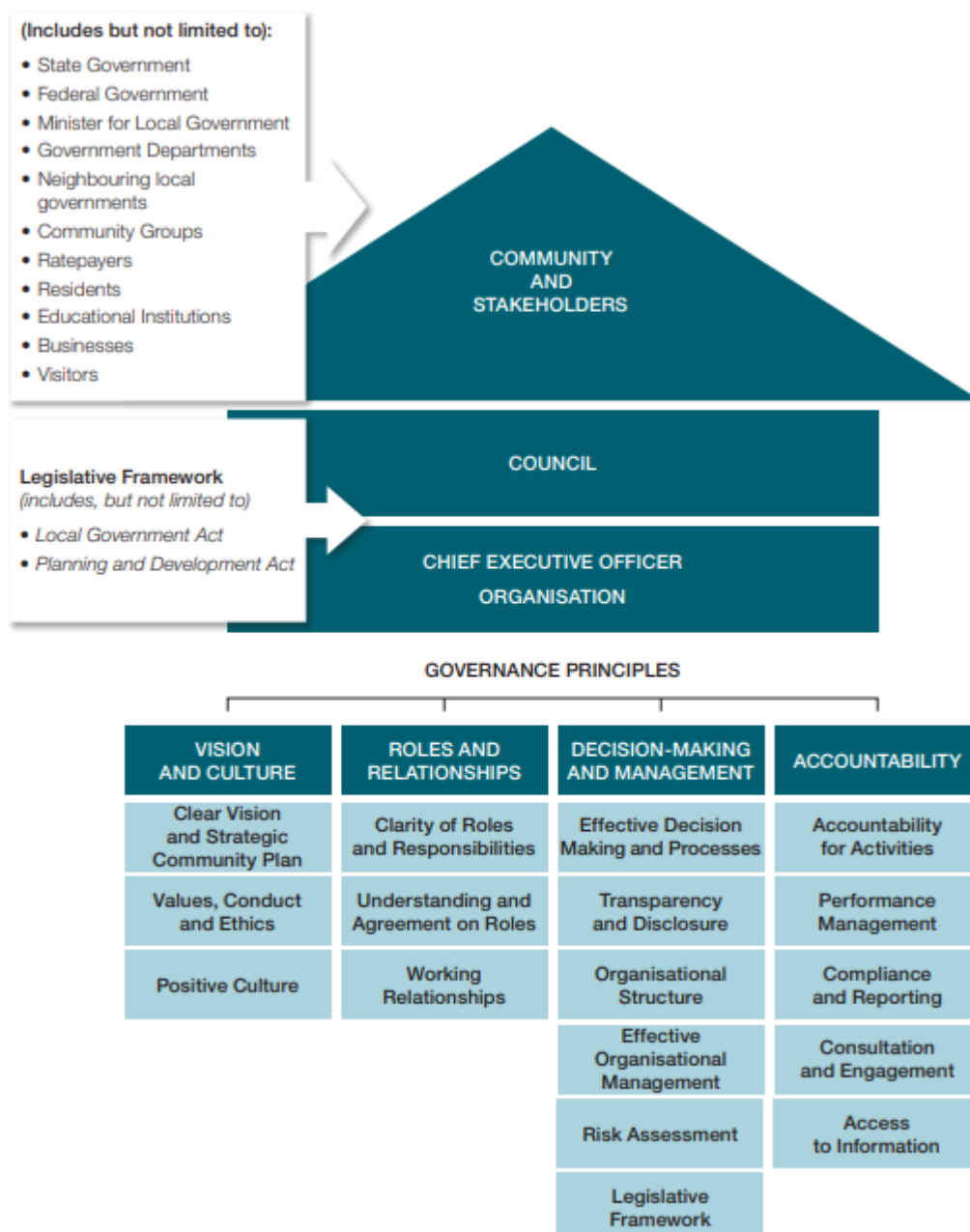
<b>Finding 3</b>	The City has not compiled an Accounting Manual (or other overarching process documents) detailing the City's approach for the functional administration (including associated internal controls) relating to each of the financial management areas contained within Local Government (Financial Management) Regulations 1996 – Regulation 5.
<b>Risk Rating</b>	Moderate
<b>Recommendation 3</b>	Audit recommends that the City compile an Accounting Manual detailing the City's overarching approach for the functional administration (including associated internal controls) for each financial management area specified within Local Government (Financial Management) Regulations 1996 – Regulation 5.

### 8.3 LEGISLATIVE COMPLIANCE

<b>Overall Outcome</b>	The City has established an effective legislative compliance methodology, although the Annual Corporate Compliance Calendar that has been developed to monitor legislative compliance is not being utilised.
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The City is subject to compliance requirements associated with a variety of legislation pertaining to numerous aspects of its day-to-day functions and operations.

The City's Governance Framework sets out (among other things) the Decision-Making and Management, and Accountability principles. The Legislative Framework for the City includes (but is not limited to) the *Local Government Act 1995* (the Act).





Within Compliance and Reporting, the Governance Framework – Section 10.3.1 Compliance Audit specifies that “it is a requirement of the Act that the City conducts an annual audit of its compliance with statutory requirements and responsibilities placed on it under the Act.

The Compliance Audit Return is submitted to the Department of Local Government Sport and Cultural Industries’ each year after its adoption by Council. The Compliance Audit Return provides prompts in relation to the local government’s statutory obligations in several areas, such as local laws, tenders, meeting processes, disclosure of financial interests and financial management. It provides a useful tool for the City to ensure compliance with the Act.

In addition to this requirement the City has established a few internal compliance mechanisms to ensure its practices and procedures meet its obligations in relation to good corporate governance”.

The Local Government (Audit) Regulations 1996 specifies that for the period 1 January to 31 December in each year, the City is required to carry out a compliance audit against the requirements of the compliance audit return (as determined each year by the Department of Local Government, Sport and Cultural Industries) relating to sections of the Local Government Act 1995 and associated Regulations. The City’s Compliance Audit Return 2021 was adopted at a Meeting of Council on 15 March 2022 indicating compliance with all applicable legislative requirements, except for two relating to Disclosure of Interest being:

No	Question	Comments
5	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2021?	One employee failed to lodge an annual return by 31 August 2021. The employee was on extended personal leave since 31 August 2020 and during this their position was made redundant. The employee ceased employment with the City on 22 July 2021
22	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates within 3 months of the prescribed model code of conduct coming into operation (3 February 2021)?	The draft Code of Conduct for council members, committee members and candidates was provided to elected members at Strategy Sessions on 2 March 2021 and 6 April 2021 for feedback; and adopted by Council on 18 May 2021 (CJ071-05/21 refers).

These two areas of non-compliance have been reported within the Annual Report 2021-2022.

Outside of the compliance audit, the City is also required to demonstrate compliance with other sections of the Act, as well as other applicable legislation - such as *Emergency Management Act 2005*, *Bush Fires Act 1954*, *Freedom of Information Act 1992*, *Planning and Development Act 2005*, *Dangerous Goods Safety Act 2004*, *Disability Services Act 1993*, *Equal Opportunity Act 1984*, *Fines, Penalties and Infringement Notices Enforcement Act 1994*, *State Records Act 2000*, *Dog Act 1976*, *Caravan Parks and Camping Grounds Act 1995*, *Health Act 1911*, *Food Act 2008*, *Environmental Protection Act 1986*, and *Building Act 2011*.

The mechanism developed by the City to monitor compliance with the respective legislation is the Annual Corporate Compliance Calendar. The Annual Corporate Compliance Calendar is in Microsoft Excel format with individual columns specifying the following:

- Month
- Date
- Activity Description
- Legislative Provision
- Section
- Schedule

- Directorate
- Business Unit
- Status
- Comments. If Action not completed, report on plan to rectify non-compliance
- Evidence (HPRM Reference).

Review of the Calendar (which is titled 2019), noted that many of the scheduled activities did not have their status indicated as Complete, In Progress or Not Started, nor had any Comments been provided as to its status. Also, where Comments have been included, the dates specified are within the 2019-2020 year, indicating that the Calendar has not been used since 2020.

The City's Governance Framework - Section 10.3.2 Audit and Risk Committee (Committee) specifies that "the Act requires Council to establish an Audit Committee to oversee and advise the Council on matters of internal or external audit, risk management, financial reporting and legislative compliance functions of the City." During 2021-2022 the Committee conducted four meetings (9 August 2021, 1 November 2021, 15 December 2021 and 1 March 2022) which encompassed discussion on items including the 2020-2021 Annual Financial Report, the 2021 Compliance Audit Return, as well as the Internal Audit Plan, internal audit reports and upcoming/completed OAG (external) audits/reports.

The updated Committee Charter presented at the Committee meeting on 1 March 2022 (and subsequently adopted by Council in September 2022) details the terms of reference for the Committee which includes the relationship that it has with the Council, CEO, and the internal auditor. The Governance Framework - Section 10.3.4 Internal Audit specifies that "the City has developed an internal audit program that focuses on areas of risk including financial and nonfinancial systems and compliance with legislation, regulations, policies and best practice". A Three Year Internal Audit Plan 2021-22 to 2023-24 has been developed and presented to the Committee.

The City's Code of Conduct for Council Members, Committee Members and Candidates sets out the principles and standards for behaviour, with the City also developing a Complaint Investigation Policy and Complaint Resolution and Investigation Protocol (including a register of complaints) for the management of complaints involving council members, committee members and candidates.

<b>Finding 4</b>	Review of the Annual Corporate Compliance Calendar noted that the status of scheduled activities is either incomplete or contains information relating to 2019-2020, indicating that the Calendar has not been utilised by the City since 2020 to monitor compliance with the respective legislation.
<b>Risk Rating</b>	Minor
<b>Recommendation 4</b>	Audit recommends that the City actively uses the Annual Corporate Compliance Calendar to ensure that compliance with the legislative requirements that relate to the City's various day-to-day functions and operations are met in a timely manner.

**Appendix 1 - Controls addressing causes of risk within the Strategic Risk Report which have not yet been identified.**

<b>Strategic Risk Area</b>	<b>Risk Causes – failures in or due to:</b>
<b>Decisions</b>	Council decisions not implemented in a timely manner or not actioned correctly (Internal) Delegated authority decisions (External)
<b>Expectations</b>	Consulting adequately or correctly with the community (Int) Effective delivery of the Corporate Business Plan (Int)
<b>Environment</b>	Community group management and support (Int) Management of assets to withstand increasing extreme events such as flooding, fire, storms (roads, drains, etc) (Int) Promoting natural energy (Int)
<b>Reputation</b>	Delivering on promises / published outcomes (Int) Effective management of Media (Int) Effective stakeholder management / collaboration / engagement to identify needs and trends (Int) External investigation outcomes (Int) Misappropriation of funds (Int) Openly acknowledging mistakes (Int) Scandal (Int) Supporting at risk populations and elderly residents (Int) Misinformation spread through social media (Ext)
<b>IT</b>	Managing appropriate system and software usage (Int)
<b>Workforce</b>	Attracting younger (millennials and Gen Z) workforce (Int) Internal culture of leadership (Council and Executive Teams) (Int) Maintaining staff commitment, engagement and knowledge (Int)
<b>Health/Safety</b>	Effective workforce planning and management (Int) Reporting work, health and safety changes (Int)
<b>Assets</b>	Planning of infrastructure assets: road, laneways and pathways (Int) Protecting or enhancing heritage spaces or assets (Int) Resource availability / obtaining funding opportunities (Int) Sporting / recreation / cultural facility planning and management (Int) Delegated authority decisions (Ext)
<b>Financial</b>	Adaptability to absorb increased service delivery supply costs (Int) Alternative community support models utilising partnering or grant funding (Int) Alternative income stream development (Int) Asset disposal/sales (Int)

	Delivering value for money for the community (Int) Ensuring financial capacity, without overextending, relating to major projects including cost increases (Int) Financial data analysis (Int) Investment fund management (Int) Rate collection and management (Int) Sporting and recreation leasing and hiring schemes (Int) Understanding ageing population impact (Int)
<b>Waste</b>	Partnering with external providers e.g., Mindarie Regional Council (Int) Service continuity (Int) Mindarie Regional Council and Tamala Park facility end of asset Life (Ext)
<b>Legislation</b>	Stakeholder management (Int) Changes in state priorities and political agendas (Int)

## Appendix 2 – Monitoring and Control Activities

Risk Area	Recommended Monitoring Activities
<b>1. Annual Budget</b>	a) Monthly actuals are compared to budget and significant variances fully investigated and explained.
<b>2. Financial reporting</b>	a) Through the presentation of the Monthly Statement of Financial Activity (SFA) to council actual results are compared to budget each month; management reviews, investigates and explains significant variances.
<b>3. Grants</b>	a) Management regularly reviews all grant income and monitors compliance with both the terms of grants and council's grant policy (including claiming funds on a timely basis).
	b) Through the SFA grant revenue is compared to budget; management reviews, investigates and explains significant variances.
<b>4. Receipting</b>	a) Income is compared to budget regularly in the SFA; management reviews, investigates and explains significant variances.
	b) Statements of accounts receivable are sent to customers enabling review.
<b>5. Rates</b>	a) Management reviews rates ageing profile on a monthly basis and investigates any outstanding items.
	b) Actual rate revenue is compared to budget; management reviews, investigates and explains significant variances.
	c) Annual valuation update is balanced prior to the generation of rates; this is reconciled to the rate record and reviewed.
	d) Interim valuation updates are balanced prior to the generation of the interim rates; this is reconciled to the rate record and reviewed.
<b>6. Receivables</b>	a) Receivables and revenue are compared to budget monthly; management reviews, investigates and explains significant variances.
	b) Management reviews provision for doubtful debts on a regular basis.
	c) Management reviews debtors ageing profile on a monthly basis and investigates any outstanding items.
	d) Trade receivables age reconciliation to the general ledger is reviewed at least monthly.
<b>7. Bank accounts and banking</b>	a) Management reviews journal transactions to the bank account.
	b) Management reviews bank reconciliations monthly to confirm large outstanding items are adequately explained and subsequently resolved.
<b>8. Investments</b>	a) Review the council investment performance regularly.

	b) Actual investment income compared to budget on a regular basis; management reviews, investigates and explains significant variances. c) Investments register maintained in accordance with regulations and investment policy. d) Reconciliation of investment register to general ledger routinely prepared and reviewed.
<b>9. Payroll</b>	a) Management reviews employee costs against budget on a monthly basis and investigates any outstanding items. b) Each departmental manager performs a regular review of reports detailing all employees listed on payroll master file; all unusual items are investigated. c) Salary and hourly payroll reports (including compensation and withholding information) are reviewed and approved by management before payments are approved. d) The payroll deduction table data is periodically reviewed by management for accuracy and ongoing pertinence. e) Management reviews a selection of salary sacrifice calculations for accuracy and compliance with statutory requirements; identified errors are promptly corrected. f) Each pay run is reviewed prior to authorisation for payment for consistency with prior pay runs and for abnormal items such as overtime.
<b>10. Purchasing, procurement, and payments</b>	a) Actual expenditure is compared to budget monthly; management reviews, investigates and explains significant variances. b) A list of all payments is prepared and presented monthly to the council; management reviews, investigates and explains any unusual or large payments. c) Management reviews supporting documentation before approving payments.
<b>11. Trade payables</b>	a) Management reviews trade payables ageing profile on a monthly basis and investigates any outstanding items. b) Trade payables age reconciliation to the general ledger is reviewed at least monthly.
<b>12. Fixed Assets</b>	a) Management compare actual fixed asset balance to budget; management reviews, investigates and explains significant variances. b) Activity recorded in fixed asset register is reviewed by management, including comparison to the capital budget. c) Management regularly reviews valuation of fixed assets (i.e., methodology and useful lives of assets) to ensure that assets' valuation is appropriate and in accordance with Australian Accounting Standards. d) Management reviews depreciation rates and methodology (at least annually) to ensure that rates and remaining useful lives are reasonable.

	e) Fixed asset register to the general ledger reconciliation is prepared and reviewed routinely.
<b>13. Borrowings</b>	a) Borrowings actual and interest charges are compared to budget monthly; management reviews, investigates and explains significant variances.
<b>14. Journals</b>	a) All journals are independently reviewed (including check to ensure correct account allocation) and contain sufficient support information.
<b>15. General IT Risks</b>	a) Regular IT audits performed focusing on data accuracy, retention, recovery and security. Results of these IT Audits reviewed by management and action plan promptly implemented.

<b>Risk Area</b>	<b>Key Control Activities</b>
<b>1. Financial Report Preparation</b>	a) Employees responsible for financial report preparation are competent and adequately trained.
	b) All journal entries require supporting documentation. Any non-routine entries require documented approval prior to being posted.
	c) Accounting software used contains application controls that prevent or detect an error from occurring.
<b>2. Payroll</b>	a) Payroll staffs are competent for their assigned tasks, adequately trained and supervised.
	b) Persons processing payroll are independent of other payroll functions, such as hiring/firing of staff, timekeeping and EFT payment.
	c) Approval in writing is obtained before adding new employees to payroll.
	d) Signed and dated approval of each employee's pay rate is documented on employee file.
	e) Timesheets and totals of hours worked are approved before being processed for payment
	f) Procedures exist to ensure terminated employees are immediately removed from payroll.
	g) Payroll register is reconciled to the general ledger and reviewed by a senior officer independent of payroll.
	h) Costs by sub program, are compared to budget.
<b>3. Revenue</b>	a) Rates/debtors officers are competent for their assigned tasks, adequately trained and supervised.
	b) Monthly statements are issued to trade debtors.
	c) Rates are raised in line with the approved budgeted rate in the dollar.
	d) The rate record is updated and reconciled monthly to the Valuer Generals Office (VGO) records.
	e) Documented procedures are in place to ensure the VGO is informed of any building works approved.
	f) The rates ledger is reconciled to the General Ledger.
	g) The approved schedule of Fees and Charges is used for invoice preparation. Exceptions require documentation and approval.
	h) Automatic or manual checks are performed on serial continuity of invoice documents.



<b>4. Receivables/ Receipting</b>	i) Credit note approvals are independent of accounts receivable.
	a) Staff handling cash receipts and managing receivables are competent for their assigned tasks, adequately trained and supervised.
	b) Bank reconciliation is prepared monthly (with statements from bank) and management approval documented.
	c) Customers are informed (signs, etc.) that they should obtain receipts.
	d) Pre-numbered cash receipts are issued for every cash sale. Serial continuity is reviewed periodically and checked against cash deposits data.
	e) Staff required to take their leave entitlements annually.
	f) When opening mail, cheques are stamped "for deposit only" with the local government bank account number. Cheques received are listed, totalled and reviewed before deposit.
	g) All receipts cash/cheques are deposited on a regular and timely basis.
	h) Reconciliation of daily deposit total to receivable posting and cash sales is prepared and reviewed.
	i) A reconciliation of aged receivables to control accounts is prepared monthly and management approval documented.
	j) Procedures exist to ensure receipts are recorded in the correct period.
	k) Significant overdue customer accounts are investigated by management and actions taken documented.
<b>5. Purchases, payables, Payments</b>	a) Personnel responsible for the purchasing, shipping, receiving and payable functions are competent, adequately trained and supervised.
	b) Management reviews outstanding cheques on period-end bank reconciliation.
	c) Pre-numbered cheques are used EFT's are allocated a sequential number for each creditor payment and details for every number is documented. Spoiled cheques are clearly marked "VOID" and cancelled.
	d) The purchasing policy clearly defines who can issue purchase requisitions/orders and to what dollar limit.
	e) Access to purchasing, receiving, accounts payable, and inventory records is restricted to authorised personnel.
	f) Spending limits are set by budget or individual levels of authority. These limits are monitored by the system or manually.
	g) A list of preferred suppliers is maintained and used where possible.
	h) Controls exist to ensure corporate buying cards/credit cards are only issued to authorised staff and personal purchases are not allowed.
	i) Pre-numbered purchase orders and receiving reports are used and exceptions are approved and documented.



j)	Period-end procedures exist to detect and account for unprocessed goods/service receipts.
k)	Personnel receiving goods do not perform any accounting functions.
l)	An aged accounts payable listing is reconciled to general ledger each month and exceptions investigated by management.
m)	Aged report of open orders is reviewed each month and old/unusual items are investigated.
n)	Unit prices on invoices received are checked against price lists, quotes or approved purchase orders. Invoices are checked for correct calculations, discounts, taxes and freight before payment.
o)	System has checks to prevent duplicate payments on same order.
p)	A list of accounts for payments is prepared in line with the legislation and authorised by council or a person with delegated authority before cheques are signed or EFT is authorised.
q)	Signing officers examine supporting documentation to payments and document approval
r)	All cheques must be made out to authorised vendors and cannot be made out to "cash".
s)	A reconciliation of the accounts payable sub ledger to the general journal is prepared monthly and approved by management.
t)	Suppliers' statements are reconciled to accounts payable monthly and reviewed by management.
u)	Procedures exist to ensure payments are recorded in the correct period.
v)	Procedures exist to ensure all bank accounts and signatories are authorised by council.
w)	The accounting policy for when goods should be capitalised is documented and clearly understood by accounting personnel.
x)	Management regularly compares actual purchases (costs and expenses) to budgeted purchases and investigates and documents variances.
y)	Management follows up creditor queries on a timely basis.
z)	Management addresses the reasons for debit balance creditor accounts on a timely basis.