



Audit and Risk Management Committee Meeting (18 March 2025)

ATTACHMENTS

Number	Title
6.1(1)	Audit and Risk Management Committee Meeting held on 28 November 2024
7.1(1)	2024 Compliance Audit Return
7.2(1)	Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls – Summary Report
7.3(1)	Report-26_Western-Australian-Public-Sector-Audit-Committees--Better-Practice-Guide
7.4(1)	Audit Findings Progress Report (1 October 24 – 28 February 25)



Minutes of Audit & Risk Management Committee Meeting

Held on 28 November 2024 and commenced at 4:30pm

Held at the Council Chambers in Donnybrook

(1 Bentley Street, Donnybrook)

Authorised:

A handwritten signature in dark ink, appearing to read 'Nick O'Connor', is positioned to the right of the 'Authorised:' label.

Mr Nick O'Connor, Chief Executive Officer

Prepared:

4 December 2024

Contents

1.	Declaration of Opening / Announcement of Visitors.....	3
2.	Attendance	3
2.1.	Apologies.....	3
2.2.	Approved Leave of Absence.....	3
2.3.	Application for Leave of Absence.....	3
3.	Announcements from the Chairperson	3
4.	Declarations of Interest	4
5.	Public Question Time	4
5.1.	Responses to previous public questions that were taken on notice.....	4
5.2.	Public Question Time	4
6.	Confirmation of Minutes.....	6
6.1.	Audit and Risk Management Committee Meeting held on 13 November 2024.....	6
7.	Reports of Officers	7
7.1.	Director Finance and Corporate.....	7
7.1.1.	2023/2024 Annual Financial Statements, Audit Report (Opinion) and Management Letter	7
8.	Meetings Closed to the Public	12
8.1.	Matters for which the Meeting may be closed	12
8.2.	Public reading of Resolutions that may be made public	12
9.	Closure	12

1. Declaration of Opening / Announcement of Visitors

Acknowledgement of Country:

The Chairperson acknowledged the continuing connection of Aboriginal people to Country, culture and community, including traditional custodians of this land, the Wardandi and Kaneang People of the Noongar Nation, paying respects to Elders, past and present.

The Chairperson declared the meeting open at 4:30pm and welcomed the public gallery.

2. Attendance

Members Present:

Cr Vivienne MacCarthy

Cr John Bailey

Cr Alexis Davy

Mr Ian Telfer, External Member

Mr Angelo Loguidice, External Member

Staff Present:

Nick O'Connor, Chief Executive Officer

Loren Clifford, Acting Director Finance &
Corporate

Stephanie Karafilis, Acting Manager Financial
Services

Ross Marshall, Director Operations

Samantha Farquhar, Administration Officer
Corporate Services

Other Members Present:

Public Gallery: 2 member of the public was in attendance

2.1. Apologies

Nil.

2.2. Approved Leave of Absence

Nil.

2.3. Application for Leave of Absence

Nil.

3. Announcements from the Chairperson

Nil.

4. Declarations of Interest

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Councillors to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the Act.

Nil.

5. Public Question Time

5.1. Responses to previous public questions that were taken on notice

Nil.

5.2. Public Question Time

Question from: Shane Sercombe

It appears much work has been done to address the information contained in the table on page 8. What is the source of information on this table?

Response: President Vivienne MacCarthy

This table is from the audit report.

Question from: Shane Sercombe

Has the Audit Committee been presented with the audit report?

Response: Chief Executive Officer

Yes. This is from a management letter, and it was tabled at the last Audit and Risk Management Committee Meeting. The responses and the findings were discussed with the auditors.

Question from: Shane Sercombe

Was that management letter in regard to the interim audit report?

Response: President Vivienne MacCarthy

Both the interim and the audit report were given together.

Question from: Shane Sercombe

Where can I find the interim audit report?

Response: President Vivienne MacCarthy

The interim audit report and the final audit report are all consolidated into one. The Office of the Auditor General had delays in responding to the interim audit report and it was agreed then to pull everything together into one report.

Question from: Shane Sercombe

Could I please have a copy of the interim audit report.

Response: President Vivienne MacCarthy

No, its confidential. An overview has been provided within the Officers report.

Question from: Shane Sercombe

So, the Auditor General did that and not the Shire.

Response: President Vivienne MacCarthy

Yes.

Question from: Shane Sercombe

Is the audit management letter only written if significant issues are found.

Response: Acting Manager Financial Services

The management letter includes findings that the auditors have found on site. We then get an opportunity to respond and then they assess our responses and make their recommendations. We had an unqualified audit so there were no qualifications and nothing to report. This is just a management letter.

Question from: Shane Sercombe

Is the Shire able to elaborate what the reasons were for the confidential management letter. Is this a new process.

Response: Chief Executive Officer

It's a long-standing practice for the management letter to be a confidential document, however the auditors opinion is a public document.

Question from: Shane Sercombe

Local Governments usually receive interim audits in July or August. Is there a reason why ours was significantly late.

Response: Acting Manager Financial Services

The interim audit report was done on time, and our auditors sent the report on to OAG, however they had a backlog. We were then informed that we were not going to get it before they came to our final audit.

6. Confirmation of Minutes

6.1. Audit and Risk Management Committee Meeting held on 13 November 2024

Minutes of the Audit and Risk Management Committee Meeting held 13 November 2024 are attached as Attachment 6.1(1).

EXECUTIVE RECOMMENDATION

That the Minutes from the Audit and Risk Management Committee Meeting held 13 November 2024 be confirmed as a true and accurate record.

COMMITTEE RESOLUTION: ARM14/11-24	
MOVED BY: Angelo Loguidice	SECONDED BY: Cr Alexis Davy

That the Minutes from the Audit and Risk Management Committee Meeting held 13 November 2024 be confirmed as a true and accurate record.

For: Cr MacCarthy, Cr Bailey, Cr Davy, Mr Loguidice, Mr Telfer
Against: Nil.
Carried: 5/0

7. Reports of Officers

7.1. Director Finance and Corporate

7.1.1. 2023/2024 Annual Financial Statements, Audit Report (Opinion) and Management Letter

Report Details:

Prepared by: Acting Director Finance and Corporate, Loren Clifford

Manager: Chief Executive Officer, Nick O'Connor

File Reference: FNC 02A

Voting Requirement: Simple Majority

Attachment(s):

7.1.1(1) AOG's Signed 2023/2024 Annual Financial Report and Audit's Report (Opinion).

7.1.1(2) **Audit Management Letter (confidential)**

Executive Recommendation

That the Audit and Risk Management Committee:

- 1. Receives and endorses the 2023/2024 Annual Financial Statements including Auditors Report (Opinion)** (Attachment 7.1.1(1)) **and Audit Management Letter** (confidential Attachment 7.1.1(2)) **for Councils receipt; and**
- 2. Confirms that it has fulfilled the requirements of section 7.12AD(2) of the *Local Government Act 1995*, to meet with a representative from the Office of the Auditor General on 13 November 2024; and**
- 3. Note that a report on significant findings in accordance with Section 7.12A(4) of the *Local Government Act 1995*, for the year ending 30 June 2024, is not required.**

Strategic Alignment

The following outcomes from the Council Plan relate to this proposal:

Outcome: 12 - A well respected, professionally run organisation.

Objective: 12.1 - Deliver effective and efficient operations and service provision.

Item: Nil.

Executive Summary

AMD, on behalf of the Office of the Auditor General (OAG), completed the Shire's Interim Audit in June 2024 and the final audit in October 2024 for the year ending 30 June 2024. The signed Independent Auditor's Report (Opinion), along with the 2023/2024 Annual Financial Statements ([Attachment 7.1.1\(1\)](#)) and the Audit Management Letter ([Confidential Attachment 7.1.1\(2\)](#)), was received from the OAG on 21 November 2024.

In accordance with its Terms of Reference, it is requested that the Audit and Risk Management Committee review and receive the 2023/2024 Annual Financial Statements, Auditor's Report

(Opinion), and Management Letter. Where appropriate, the committee should make recommendations regarding these documents and endorse them for Council's receipt. In addition, the committee is requested to confirm that it has met with the auditor, as required by Section 7.12A(2) of the *Local Government Act 1995*.

Background

In June 2024, AMD Chartered Accountants, on behalf of the Office of the Auditor General (OAG), conducted the Interim Audit for the year ending 30 June 2024. The final audit commenced in mid-August 2024, with Shire officers uploading requested documents to the online portal. The Auditor's were on-site from 2-4 October 2024.

Pursuant to Section 7.9 of the *Local Government Act 1995*, the Auditor is required to examine the accounts and annual financial report submitted by a local government and prepare a report by December 31 following the financial year. This report must be forwarded to:

- a. The Mayor or President,
- b. The Chief Executive Officer, and
- c. The Minister.

The signed and stamped 2023/2024 Annual Financial Statements, Auditor's Report (Opinion), and Management Letter were received on 21 November 2024 for the local government's examination.

In accordance with Regulation 10(4) of the *Local Government (Audit) Regulations 1996*, the Auditor may also prepare a Management Letter to accompany the Independent Auditor's Report, which is forwarded to the persons specified in Section 7.9 of the Act above. The Management Letter provides an overview of the audit process and outcomes, identifying any matters relevant to the Shire's day-to-day operations. These areas of improvement have been listed under the Officers Comment below.

Pursuant to Section 7.12A(2) of the *Local Government Act 1995*, a local government is required to meet with its auditor annually. The Audit Exit meeting was held on November 13, 2024, with the OAG's Director Financial Audit and AMD's Director leading the meeting. The Audit and Risk Management Committee, CEO, and relevant officers attended, with all elected members invited. At this meeting, the OAG outlined the audit process, provided an overview of the draft Auditor's Report (Opinion) discussing areas of improvement and management comments, allowing for questions from attendees. This requirement has been met due to the meeting taking place.

The OAG has since provided their signed Auditor's Report (Opinion) and Management Letter, which is now presented for receipt.

Risk Management

Risk:	Likelihood:	Consequence:	Risk Rating:
Compliance	Unlikely	Moderate	Moderate (6)
Risk Description:	Non-compliance with the <i>Local Government Act 1995</i> and associated regulations.		
Mitigation:	Adhering to statutory requirements, such as meeting with the auditor and endorsing the financial statements, ensures compliance.		

Risk:	Likelihood:	Consequence:	Risk Rating:
Financial Impact	Unlikely	Moderate	Moderate (6)
Risk Description:	Inaccurate financial statements could lead to financial mismanagement or undetected fraud.		
Mitigation:	The audit process, including the review and endorsement of the financial statements and auditor's report, ensures accuracy and transparency.		

Financial Implications

Nil.

Policy Compliance

Nil.

Statutory Compliance

Local Government Act 1995 - Section 7.9 and Section 7.12A.

Local Government (Financial Management) Regulations 1996.

Local Government (Audit) Regulations 1996 – Regulation 16

Consultation

The audited financial statements must be included in the Shire's Annual Report. This report will be made available to the public after it is reviewed by the Council in December 2024.

Officer Comment

The audit process for the year ending 30 June 2024 was thorough and involved multiple stages, including an Interim Audit in June and a final audit in October. The collaboration between Shire officers and the auditors ensured that all necessary documents were provided in a timely manner.

The Audit Exit meeting on November 13, 2024, was a key component in fulfilling the statutory requirement to meet with the auditor annually. The presence of the OAG's Director Financial Audit

and AMD's Director provided valuable insights into the audit findings and allowed for a comprehensive discussion with the Audit and Risk Management Committee and other attendees.

The auditors commended the Shire's staff for their diligence and professionalism throughout the audit process, especially considering the recent changes in staff. This recognition highlights the team's commitment to maintaining high standards and effective internal controls despite challenges.

The receipt of the signed and stamped 2023/2024 Annual Financial Statements, Auditor's Report (Opinion), and Management Letter marks the completion of the audit process. These documents are now presented for the committee's review and subsequent endorsement by the Council.

The Management Letter, in particular, highlights areas for improvement and provides actionable recommendations to enhance the Shire's day-to-day operations. Addressing these findings will be crucial in maintaining robust governance and financial management practices.

These areas of improvements are listed as follows:

Index of findings		Potential impact on audit opinion	Rating			Prior year finding
			Significant	Moderate	Minor	
1	Non-Compliance with LG Regulations	No	X			N/A
2	Lack of Review of Masterfile Changes	No	X			N/A
3	Lack of IT Policies, Strategic Plan, IT Risk Register	No	X			N/A
4	Lack of Independent Review of Daily Receipting Listings	No		X		N/A
5	Inadequate Credit Card Policies/Procedures	No		X		N/A
6	Missing Credit Note Request form	No			X	N/A
<p><i>Auditors key to ratings: The Ratings 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. They 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).</i></p>						
Significant	<p><i>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 opinion, it should be addressed promptly.</i></p>					
Moderate	<p><i>Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.</i></p>					

Minor	<i>Those findings that are not of primary concern but still warrant action being taken.</i>
--------------	---

Officers provided management comments on each of the six (6) matters listed above outlining the actions it intends to take or has undertaken on each matter. This information was shared with the auditors prior to their presentation at the Audit Exit meeting, during which the management comments were evaluated for appropriateness.

Each of the six (6) matters listed above have been assigned to a responsible officer, given an achievable completion date, and the Audit and Risk Management Committee (ARMC) will be provided with status updates by way of the Audit Findings Progress Report that is tabled for consideration at each scheduled ARMC meeting.

The Shire has received an unqualified audit opinion, which means that the auditors found the financial statements to be free of material misstatements and in accordance with the applicable financial reporting framework. Therefor it should be noted that a report on significant findings in accordance with Section 7.12A(4) of the *Local Government Act 1995*, for the year ending 30 June 2024, is not required. This is a positive outcome, indicating that the Shire's financial records are accurate and reliable.

COMMITTEE RESOLUTION: ARM15/11-24		
MOVED BY:	Cr Alexis Davy	SECONDED BY: Cr John Bailey

That the Audit and Risk Management Committee:

- 1. Receives and endorses the 2023/2024 Annual Financial Statements including Auditors Report (Opinion) (Attachment 7.1.1(1)) and Audit Management Letter (confidential Attachment 7.1.1(2)) for Councils receipt; and**
- 2. Confirms that it has fulfilled the requirements of section 7.12AD(2) of the *Local Government Act 1995*, to meet with a representative from the Office of the Auditor General on 13 November 2024; and**
- 3. Note that a report on significant findings in accordance with Section 7.12A(4) of the *Local Government Act 1995*, for the year ending 30 June 2024, is not required.**

For: Cr MacCarthy, Cr Bailey, Cr Davy, Mr Loguidice, Mr Telfer
Against: Nil.
Carried: 5/0

8. Meetings Closed to the Public

8.1. Matters for which the Meeting may be closed

Nil.

8.2. Public reading of Resolutions that may be made public

Nil.

9. Closure

The Chairperson advised that the next Audit and Risk Management Committee Meeting is to be advised.

The Chairperson declared the meeting closed at 4.45pm.

These minutes were confirmed as a true and accurate record at the Ordinary Council meeting held 18 December 2024.



Vivienne MacCarthy

President – Shire of Donnybrook Balingup



Department of
**Local Government, Sport
and Cultural Industries**

Donnybrook-Balingup – Compliance Audit Return

Commercial Enterprises by Local Governments				
No	Reference	Question	Response	Comments
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2024?	Yes	
2	s3.59(2)(b) F&G Regs 7,8A, 8, 10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2024?	Yes	A Business Case (Business Plan) for the VC Mitchell Park redevelopment project was prepared during 2024 and endorsed by Council for advertising for public comment at the Special Council Meeting held on 4 December 2024 (Council Resolution 219/12-24). DLGSC instructed the Council via letter dated 29 November 2023 (DLGSC reference E23152870) to prepare a Business Plan for the VC Mitchell Park project.
3	s3.59(2)(c) F&G Regs 7,8A, 8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2024?	Yes	
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2024?	Yes	
5	s3.59(5)	During 2024, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	Yes	

Delegation of Power/Duty				
No	Reference	Question	Response	Comments



1	s5.16 (1)	Were all delegations to committees resolved by absolute majority?	Yes	Delegations Register Review presented to Council at the Ordinary Council Meeting held 26 June 2024, Council Resolution 102/24.
2	s5.16 (2)	Were all delegations to committees in writing?	Yes	
3	s5.17	Were all delegations to committees within the limits specified in section 5.17 of the Local Government Act 1995?	Yes	
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes	Delegations Register Review presented to Council at the Ordinary Council Meeting held 26 June 2024, Council Resolution 102/24
5	s5.18	Has council reviewed delegations to its committees in the 2023/2024 financial year?	Yes	Delegations Register Review presented to Council at the Ordinary Council Meeting held 26 June 2024, Council Resolution 102/24
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Local Government Act 1995?	Yes	
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes	Delegations Register Review presented to Council at the Ordinary Council Meeting held 26 June 2024, Council Resolution 102/24
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes	
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes	
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	Yes	Delegations Register Review presented to Council at the Ordinary Council Meeting held 26 June 2024, Council Resolution 102/24
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes	Delegations Register Review presented to Council at the Ordinary Council Meeting held 26 June 2024, Council Resolution 102/24
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2023/2024 financial year?	Yes	Delegations Register Review presented to Council at the Ordinary Council Meeting held 26 June 2024, Council Resolution 102/24
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Local Government (Administration) Regulations 1996, regulation 19?	Yes	



Disclosure of Interest				
No	Reference	Question	Response	Comments
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69 of the Local Government Act 1995, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes	
2	s5.68(2) & s5.69(5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by the Local Government (Administration) Regulations 1996 regulation 21A, recorded in the minutes of the relevant council or committee meeting?	Yes	
3	s5.73	Were disclosures under sections 5.65, 5.70 or 5.71A(3) of the Local Government Act 1995 recorded in the minutes of the meeting at which the disclosures were made?	Yes	
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	No	One (1) Primary Return was not received by the required due date from an Elected Member (relevant person). The CEO acted on this non-compliance as specified in the relevant legislation. The Shire provides training to Elected Members, which includes an overview of the statutory environment relating to declarations of interest and clarification of the personal responsibilities of Elected Members to comply with their legislative obligations. Further to this, compliance management software specifically designed for local governments is being implemented to improve processes and manage compliance requirements.
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2024?	Yes	
6	s5.77	On receipt of a primary or annual return, did the CEO, or the Mayor/President, give written acknowledgment of having received the return?	Yes	



Department of
**Local Government, Sport
and Cultural Industries**

7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76 of the Local Government Act 1995?	Yes	
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28?	Yes	
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76 of the Local Government Act 1995, did the CEO remove from the register all returns relating to that person?	Yes	
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) of the Local Government Act 1995 been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes	
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28A?	Yes	
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes	
13	s5.89A(6)	When people cease to be a person who is required to make a disclosure under section 5.87A or 5.87B of the Local Government Act 1995, did the CEO remove from the register all records relating to those people?	Yes	
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A(6) of the Local Government Act 1995 been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes	
15	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes	
16	s5.71A & s5.71B(5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under section 5.71A(1) of the Local Government Act 1995 relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A	



17	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under section 5.71B(6) of the Local Government Act 1995, recorded in the minutes of the council meeting at which the decision was considered?	N/A	
18	s5.104(1)	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members candidates that incorporates the model code of conduct?	N/A	
19	s5.104(3) & (4)	Did the local government adopt additional requirements in addition to the model code of conduct? If yes, does it comply with section 5.104(3) and (4) of the Local Government Act 1995?	N/A	
20	s5.104(7)	Has the CEO published an up-to-date version of the code of conduct for council members, committee members and candidates on the local government's website?	Yes	
21	s5.51A(1) & (3)	Has the CEO prepared and implemented a code of conduct to be observed by employees of the local government? If yes, has the CEO published an up-to-date version of the code of conduct for employees on the local government's website?	Yes	

Disposal of Property

No	Reference	Question	Response	Comments
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) of the Local Government Act 1995 (unless section 3.58(5) applies)?	No	Disposal of aged assets, comprising one plant item and playground equipment, did not meet all requirements. As a result, staff have reviewed and updated processes, with additional plans for improving procurement and disposal compliance.
2	s3.58(4)	Where the local government disposed of property under section 3.58(3) of the Local Government Act 1995, did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	No	Disposal of aged assets, comprising one plant item and playground equipment, did not meet all requirements. As a result, staff have reviewed and updated processes, with additional plans for improving procurement and disposal compliance.



Elections				
No	Reference	Question	Response	Comments
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate in accordance with regulations 30G(1) and 30G(2) of the Local Government (Elections) Regulations 1997?	Yes	
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years in accordance with regulation 30G(4) of the Local Government (Elections) Regulations 1997?	N/A	
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with regulation 30G(5) of the Local Government (Elections) Regulations 1997?	No	<p>An Electoral Gift Register was not published on the Shire website.</p> <p>No 'Disclosure of Gifts' forms were received for the Ordinary Local Government Election held during 2023.</p> <p>An Electoral Gift Register will be published for the 2025 Ordinary Local Government Election, even if no disclosures are made.</p> <p>Compliance management software specifically designed for local governments is being implemented to improve processes and manage compliance requirements.</p>



Department of
**Local Government, Sport
and Cultural Industries**

Finance				
No	Reference	Question	Response	Comments
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Local Government Act 1995?	Yes	
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Local Government Act 1995, did it do so by absolute majority?	Yes	
3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2024 received by the local government by 31 December 2024?	Yes	
4	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under section 7.9(1) of the Local Government Act 1995 required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	Yes	
5	s7.12A(4)(a) & (4)(b)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A	
6	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under section 7.12A(4)(b) of the Local Government Act 1995, did the CEO publish a copy of the report on the local government's official website?	N/A	
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June 2024 received by the local government within 30 days of completion of the audit?	Yes	

Local Government Employees				
No	Reference	Question	Response	Comments
1	s5.36(4) & s5.37(3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Local Government (Administration) Regulations 1996, regulation 18A?	Yes	



Department of
**Local Government, Sport
and Cultural Industries**

2	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	Yes	
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4) of the Local Government Act 1995?	Yes	
4	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	Yes	
5	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A	

Official Conduct

No	Reference	Question	Response	Comments
1	s5.120	Has the local government designated an employee to be its complaints officer?	Yes	Chief Executive Officer
2	s5.121(1) & (2)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a) of the Local Government Act 1995?	Yes	
3	s5.121(2)	Does the complaints register include all information required by section 5.121(2) of the Local Government Act 1995?	Yes	
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes	

Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy, adopted under the Local Government (Functions and General) Regulations 1996, regulations 11A(1) and (3) in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes	



Department of
**Local Government, Sport
and Cultural Industries**

2	s3.57 F&G Reg 11	Subject to Local Government (Functions and General) Regulations 1996, regulation 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in regulation 11(1) of the Regulations?	Yes	
3	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 of the Local Government Functions and General) Regulations 1996, required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with Regulation 14(3) and (4)?	Yes	
4	F&G Reg 12	Did the local government comply with Local Government (Functions and General) Regulations 1996, Regulation 12 when deciding to enter into multiple contracts rather than a single contract?	N/A	
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents, or each acceptable tenderer notice of the variation?	Yes	
6	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 15 and 16?	Yes	
7	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulation 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes	
8	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	N/A	
9	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes	
10	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes	



11	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulations 21 and 22?	Yes	
12	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A	
13	F&G Reg 23(3) & (4)	Were all expressions of interest that were not rejected under the Local Government (Functions and General) Regulations 1996, Regulation 23(1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer?	Yes	
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with Local Government (Functions and General) Regulations 1996, Regulation 24?	Yes	
15	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with Local Government (Functions & General) Regulations 1996 regulations 24AD(4) and 24AE?	N/A	
16	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A	
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A	
18	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24AG?	N/A	
19	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A	



Department of
**Local Government, Sport
and Cultural Industries**

20	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A	
21	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A	
22	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24E and 24F?	N/A	

Integrated Planning and Reporting

No	Reference	Question	Response	Comments
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	25/08/2021 Strategic Community Plan 2032 adopted by Council 25 August 2021, Council Resolution 138/21.
2	Admin Reg 19DA(1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	25/05/2022 Council Plan 2022-2032 adopted by Council 25 May 2022, Council Resolution 70/22.
3	Admin Reg 19DA(2) & (3)	Does the corporate business plan comply with the requirements of Local Government (Administration) Regulations 1996 19DA(2) & (3)?	Yes	

Optional Questions

No	Reference	Question	Response	Comments
1	Financial Management Reg 5(2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the Local Government (Financial Management) Regulations 1996 regulations 5(2)(c) within the three financial years prior to 31 December	No	The review was undertaken by 31 December 2024. However, the report will be provided to the Shire's Audit and Risk Management Committee and Council in March 2025.



		2024? If yes, please provide the date of council's resolution to accept the report.		Compliance management software specifically designed for local governments is being implemented to improve processes and manage compliance requirements.
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulations 1996 regulation 17 within the three financial years prior to 31 December 2024? If yes, please provide date of council's resolution to accept the report.	No	The review was undertaken by 31 December 2024. However, the report will be provided to the Shire's Audit and Risk Management Committee and Council in March 2025. Compliance management software specifically designed for local governments is being implemented to improve processes and manage compliance requirements.
3	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B of the Local Government Act 1995, were the disclosures made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C of the Act?	Yes	
4	s5.90A(2) & (5)	Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events?	Yes	
5	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4) of the Local Government Act 1995?	Yes	
6	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes	
7	s5.127	Did the local government prepare a report on the training completed by council members in the 2023/2024 financial year and publish it on the local government's official website by 31 July 2024?	Yes	
8	s6.4(3)	By 30 September 2024, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2024?	No	The Shire applied for an extension of time from the Minister for Local Government. The granted extension date of 31 October 2024 was complied with (DLGSC Reference E24143797).



9	s.6.2(3)	When adopting the annual budget, did the local government take into account all its expenditure, revenue and income?	Yes	
---	----------	--	-----	--

Chief Executive Officer

Date

Mayor/President

Date



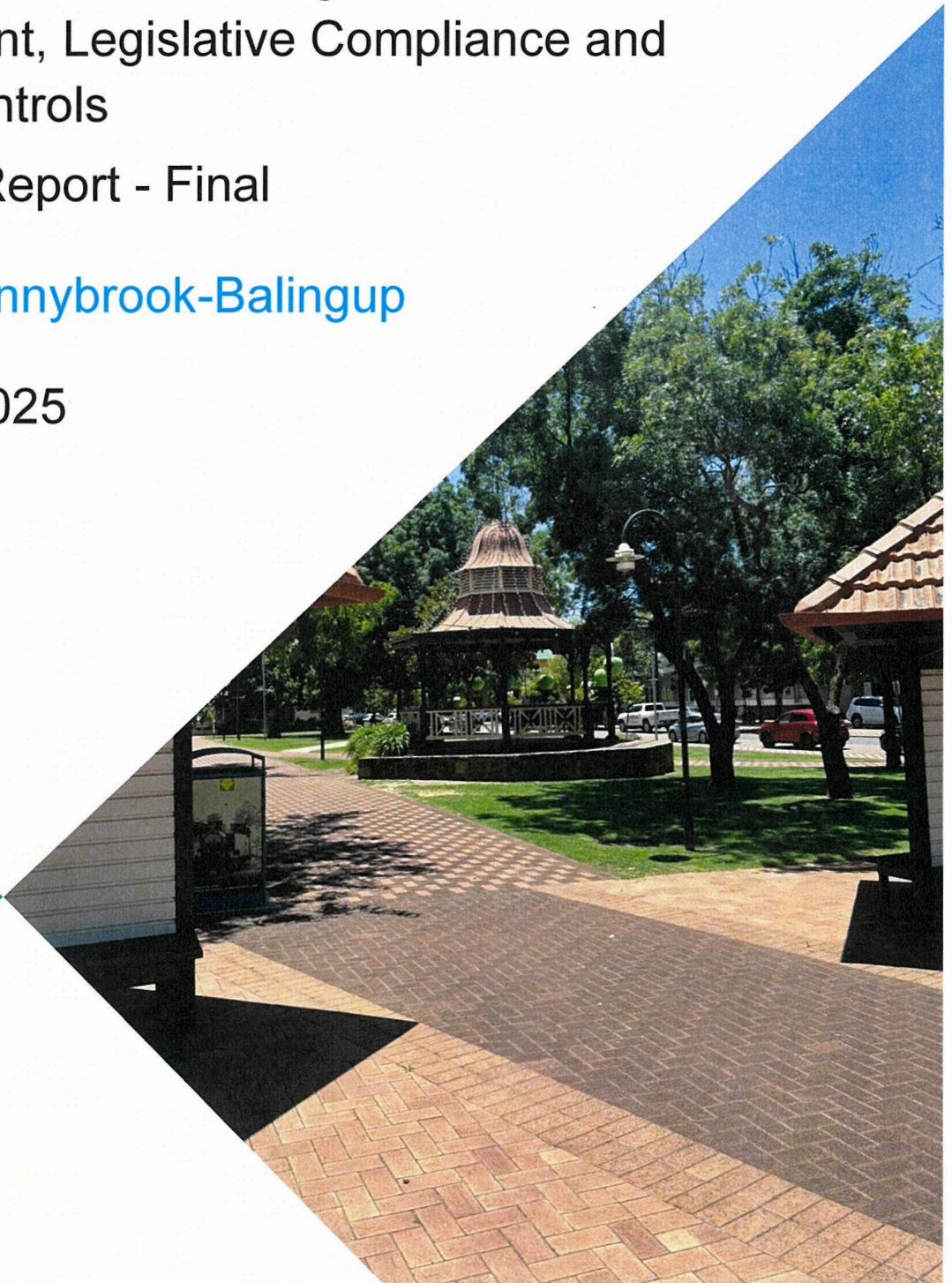
COMMERCIAL IN CONFIDENCE

Review of Financial Management, Risk
Management, Legislative Compliance and
Internal Controls

Summary Report - Final

Shire of Donnybrook-Balingup

February 2025



Contents

1.0 Engagement Overview	3
2.0 Review Context.....	5
3.0 Review Summary	6
4.0 Methodology	11
5.0 Appropriate Framework.....	13
6.0 Other Matters	14
Appendix A - Financial Management Systems Review	15
Appendix B - Council Policies Examined	17
Appendix C - Plans Examined	19
Appendix D - Strategic and Operational Registers Examined.....	20
Appendix E - Operational Guidelines	21

1.0 Engagement Overview

1.1 Scope of Services

The Shire of Donnybrook-Balingup (the shire) engaged Moore Australia (WA) to provide consultancy and advisory services with a dual purpose, firstly to provide a report to assist the CEO to perform select reviews required by legislation. This engagement set out to assist the CEO to report to the Audit Committee on the appropriateness and effectiveness of the shire's risk management, internal controls and legislative compliance systems and procedures as required by the *Local Government (Audit) Regulations 1996 regulation 17*. Secondly, to examine financial management systems to highlight the appropriateness and effectiveness of these systems and procedures to assist the CEO in undertaking a review as required by *Local Government (Financial Management) Regulations 1996 regulation 5(2)(c)*.

For efficiency, these services were undertaken simultaneously, and the results contained in this single report. Financial management systems and procedures are considered a subset of broader overall risk management, legislative compliance and internal controls. The matters examined in respect of financial management systems are detailed in Appendix A. Where opportunities for improvement were identified, they are reported within the relevant section of the risk management, legislative compliance and internal controls framework design, implementation and evaluation sections of this report.

The results of the examination of risk management, legislative compliance and internal controls review are to be reviewed by the CEO and reported by the CEO to the Audit Committee. The Audit Committee is required to review the CEO's report and on-report to Council. The report from the Audit Committee to Council is required to have attached a copy of the CEO's initial report to the Audit Committee.

1.1.1 Procedures – Financial Management Review

Our procedures for the Financial Management Review encompassed a review of the shire's financial systems including, but not necessarily limited to:

- Custody and security of money and investments held;
- Rates;
- Maintenance and security of financial records;
- Accounting and controls for revenue and expenses;
- Accounting and controls for assets and liabilities;
- Accounting and controls for trust transactions;
- Authorisation of purchases;
- Authorisation of payments;
- Borrowings;
- Maintenance and processing of payroll;
- Stock controls and costing records;
- Record keeping for financial records;
- Preparation of budgets and budget reviews; and
- Preparation of financial reports.

Our procedures and approach have been developed over a number of years, taking into account our extensive local government background and seeks to examine both financial systems and procedures in use.

The consulting services to assist the CEO to undertake the financial management review does not examine systems and procedures which are non-financial in nature and did not specifically test for legislative breaches. These were examined as part of the analysis of risk management, legislative compliance and internal control systems and processes.

1.0 Engagement Overview (continued)

1.1.1 Procedures – Risk Management, Legislative Compliance and Internal Controls Review

Our procedures to assist the CEO to perform their systems and procedures review, as required by regulation 17 of the *Local Government (Audit) Regulations 1996*, encompassed the following services:

- A review of the risk management systems policies, procedures and plans in place at the Shire;
- Evaluate the non-financial/operational internal control systems and procedures at the Shire;
- Assess systems and procedures for maintaining legislative compliance; and
- Prepare a report of matters identified during our engagement to assist the CEO to assess the appropriateness and effectiveness of the relevant systems and procedures in accordance with regulation 17 of the *Local Government (Audit) Regulations 1996*.

To undertake these procedures, we applied the following methodology:

- Conduct interviews with key personnel involved in risk management, financial management and the shire's adherence to legislative requirements;
- Identify the extent of commitment and mandate to risk management principles, using AS/NZS ISO 31000:2018 as the framework, within the overall risk management framework;
- Review each component of risk management, legislative compliance and internal controls after considering the overall risk environment, governance structure and internal control environment;
- Assess the gaps, if any, between the current processes and the expected risk management, internal controls and legislative compliance systems and procedures and recommend suggested improvements; and
- Report to the CEO to assist their assessment on the appropriateness and the effectiveness of current systems and procedures.

The service was undertaken through a high level review given the scale, variety and breadth of non-financial activities and considered, as a minimum, the issues identified by the Department of Local Government, Sport and Cultural Industries to Local Government Operational Guideline Number 09 – Audit in Local Government (listed in Appendix E).

2.0 Review Context

2.1 Review Context - Shire of Donnybrook-Balingup

Understanding the external and internal context in which the shire operates, relevant to financial management, risk, the internal control environment and legislative compliance obligations, as it seeks to achieve its overall strategic objectives is important to the review of the related systems and procedures.

The external and internal environmental influences identified during the review are set out below:

External Influences	Internal Influences
Increasing community expectations in relation to service levels and delivery.	The objectives and strategies contained in the current Plan for the Future.
Rapid changes in information technology, changing the service delivery environment.	The timing and actions contained in the current Plan for the Future.
Increased compliance requirements due to government policy and legislation.	Organisational size, structure, activities and location.
Cost shifting by the Federal and State governments.	Human resourcing levels and staff retention.
Climate change and subsequent response.	The financial capacity of the shire.
Reducing external funding for infrastructure and operations.	Maintenance of corporate records.
Increasing risk of cyber attack resulting in compromised or lost data.	Allocation of resources to achieve strategic outcomes.
Changing regulatory requirements.	
Changing global economic environment.	

3.0 Review Summary

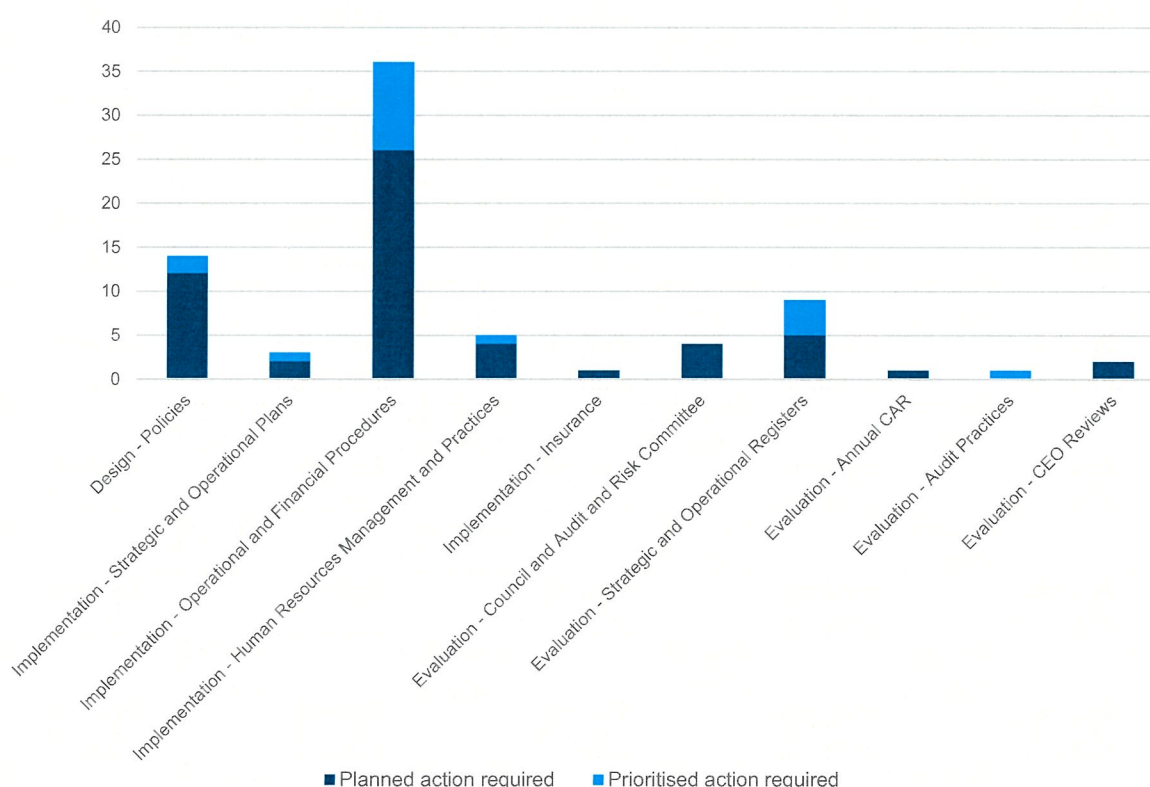
3.1 Overall

Operations of a regional local government seek to provide numerous services across multiple business areas to deliver the objectives and aspirations of the community. This involves commitment and dedication from staff, and while local government operations are diverse, they are also complex and involve a number of people making decisions across a large number of areas of operations. The Shire of Donnybrook-Balingup is highly reliant on a small team of senior decision makers to govern its operations whilst trying to ensure sound financial and risk management through internal controls and seeking to achieve a high level of compliance. These efforts were highlighted throughout our review with management noting planned action across a number of matters raised. The maintenance of continued and sustained efforts toward improvements, high levels of compliance and effective controls is encouraged into the future.

The onsite component of our services was undertaken (performed in December 2024) by first determining an appropriate framework for the shire against which current policies, procedures and actions could be assessed and is described further in section 5.0. A number of areas for improvement were identified during the review. As the shire has limited resources the areas identified for improvement have been split between those requiring prioritised action and those requiring planned action as it will require resources and time to address a number of the matters raised.

The chart below reflects the number of improvements identified within each area of the framework examined.

3.1.1 Number of Improvements Identified by Framework Element



Details of each matter and improvement identified under the framework elements has been provided to the CEO and management within a separate document. Key improvements are provided for each of the examined areas, financial management, risk management, internal control and legislative compliance within the report provided to the CEO.

3.0 Review Summary (continued)

3.2 Financial Management

The shire has a number of financial management system controls to cover the wide variety of operations undertaken. Council has responsibility for the adoption of the annual budget and annual report, review of the monthly statement of financial activity and review of the monthly list of payments. Responsibility for the financial management of the shire rests with the CEO, as detailed under *Local Government (Financial Management) Regulations 1996* regulation 5(1).

3.2.1 Appropriateness

Considering the size, resources, variety of operations and the context in which the shire operates, documented internal control procedures relating to financial management systems, are considered largely appropriate as a means of maintaining a high level of control over the financial management of the Shire, subject to control weaknesses being addressed.

Weaknesses were identified with some current financial controls and procedures. These are explained within a separate report provided to the CEO. Our assessment as to appropriateness is subject to identified weaknesses being addressed, and provided internal control procedures are routinely and consistently applied.

3.2.2 Effectiveness

Considering the results of other elements of financial management systems and processes where documented and routinely tested, the current practices undertaken by the Shire of Donnybrook-Balingup may be considered generally effective. Our assessment as to effectiveness is subject to the implementation of the improvements detailed in the report provided to the CEO.

Whilst generally considered effective, weaknesses were identified where internal controls for financial management systems are not considered effective. These are explained in the report provided to the CEO.

3.2.3 Improvements

Key improvements to the appropriateness and effectiveness of these procedures and internal controls include:

- IT general controls;
- General journal controls;
- Revenue controls;
- Asset disposals;
- Procurement controls;
- Stock controls;
- Corporate transaction cards;
- Security controls for cash handling;
- Payroll controls;
- Debtor management procedures;
- Bank reconciliations; and
- Management accounting reporting.

3.0 Review Summary (continued)

3.3 Risk Management

Risk management activities in local government should aim to facilitate an integrated and organisation wide approach to risk management practices. These activities would generally include routine and consistent consideration of risks (existing, new and emerging), as well as mitigations available to minimise risk levels, from both a 'top down' perspective as well as 'bottom up' perspective. These activities should be consistently applied through operational systems, processes and controls.

The shire updated its Risk Management Policy, aligned to ISO 31000:2018 in December 2022. Draft accompanying procedures to support the policy and formalise risk management processes are currently being reviewed by management and the Audit and Risk Committee. The risk management policy and supporting procedures form the basis for risk management activities within the shire.

3.3.1 Appropriateness

Currently, a documented entity wide Risk Management Policy is in existence to guide the implementation of risk management throughout the shire. The policy refers to the current Risk Management Standard, AS/NZ ISO 31000:2018, with accompanying procedures currently being developed, intended to support execution of the policy requirements. Update of the procedures for alignment to the current standard and policy is encouraged to help ensure the appropriateness of risk management practices.

Considering the size, resources, operations and the context in which the shire operates, a documented risk management policy and procedures aligned to ISO 31000:2018 is considered an appropriate means of uniformly supporting decision making and documenting the organisation's response to risks.

3.3.2 Effectiveness

The risk management framework and policy have been developed to reflect the shire's commitment to organisation wide risk management principles, systems and processes aimed at optimising the achievement of objectives, embedding controls to mitigate risk, improving corporate governance and planning for continuity of critical operations. To assist with the delivery and application of these processes, updates and further development of risk management systems and processes are required to be implemented throughout the organisation in order for risk management processes and procedures to be considered effective.

3.3.3 Improvements

Key matters for improvements to risk management practices and policies are summarised as follows:

- Progress the routine application of risk management activities to existing practices in accordance with the adopted risk management policy and procedures. Ensure procedures correctly reflect the context of the organisation and current practices, and align to the Risk Management Standard, ISO 31000:2018, and adopted Council policy;
- Develop and maintain an ICT strategic plan;
- Review contractor insurance to ensure contractors have appropriate insurance;
- Undertake a comprehensive ICT security review;
- Maintain reporting of risks as required by adopted policy and framework; and
- Ensure appropriate management of operational risks for high risk areas.

3.0 Review Summary (continued)

3.4 Internal Control

The principles of internal controls are not limited to administrative and financial control activities as they extend to all facets of operations. While the CEO is generally responsible for developing and maintaining internal control frameworks, all levels of the organisation should be accountable for the documentation and implementation of systems, controls, processes and procedures in their own area of responsibility. They all perform a function in the internal control framework.

Internal controls are of critical importance to operations and should provide for appropriate segregation of duties, experienced and qualified staff, risk management, documented procedures and effective monitoring and adherence. However inherent limitations will always be present in internal control frameworks and mechanisms where routine review and regular updates occur and may assist to ensure control environments are suitable.

We observed officers are aware a number of improvements to internal controls are required to be reviewed or developed with the objective of improving the existing framework and reducing gaps where weaknesses have been identified.

3.4.1 Appropriateness

Considering the size, resources, operations and the internal/external context in which the shire operates, the internal control framework, procedures and systems as described to us are considered appropriate for most areas of operations, subject to the identified improvements being in place. We identified internal controls where further improvements may be implemented, as described within the report provided to the CEO.

3.4.2 Effectiveness

Considering the overall results of monitoring and compliance practices undertaken by the Shire of Donnybrook-Balingup, the current internal control framework, procedures and systems (where documented and routinely tested) may be considered effective. Our assessment as to effectiveness is subject to the implementation of the improvements provided in the report to the CEO addressing weaknesses where breakdown in controls have contributed to non compliance matters and other risks.

3.4.3 Improvements

Detail of the recommended improvements to the current internal control framework, procedures and systems are provided in detail to the CEO with selected key improvements to internal controls summarised as follows:

- Development of an internal controls policy, promoting a risk-based approach to the further development and maintenance of documented internal controls and procedures. Continual risk based assessment of appropriate controls throughout the organisation will assist to identify the need for new controls and identify existing outdated and unnecessary controls to be discontinued;
- Test and maintain the Business Continuity Response Plan;
- Update / develop and maintain a number of registers to improve existing internal controls;
- Undertake appropriate training at induction and at regular intervals to ensure staff are fully aware of, and understand, relevant internal controls;
- Develop documented key internal control procedures, checklists or workflow diagrams;
- Define procedures to manage changes to internal controls; and
- Implement financial management control recommendations.

3.0 Review Summary (continued)

3.5 Legislative Compliance

General principles of good governance often refer to the application of appropriate policies and procedures to assist with ensuring appropriate measures are in place to uphold high levels of legislative compliance. The resources allocated to these structures will vary according to the context of individual local government operations. Formalised processes are designed to provide a consistent structure to guide the prioritisation of resources toward achieving compliance requirements and integration into the operations of the local government.

A legislative compliance policy has not been implemented to date to communicate expectations of Council in relation to legislative breaches and regulatory compliance. Legislative compliance at the Shire of Donnybrook-Balingup is currently largely dependent upon the knowledge and experience of senior staff and their individual desire to achieve high levels of legislative and regulatory compliance.

3.5.1 Appropriateness

Considering local governments generally maintain a low risk appetite for breaches of legislation, the current legislative compliance policy may be considered appropriate for good governance and should be adhered to. While reliance on experienced senior staff for legislative compliance may be considered appropriate in some instances, it also carries high risk where the number of experienced senior staff is low. A number of areas were noted where improvements for managing compliance may be made, these are detailed in a separate report provided to the CEO.

3.5.2 Effectiveness

Maintaining legislative compliance is instead heavily reliant on the knowledge, experience and commitment of senior staff, to identify and prevent breaches of legislation. As a consequence, staff turnover, competing priorities and variations in workloads may have a significant negative impact on legislative compliance. Therefore, one of the most effective controls in maintaining legislative compliance is a motivated, stable, experienced and knowledgeable senior management group in addition to a compliance framework to ensure required compliance tasks are considered and actioned.

Some instances of non-compliance with legislative requirements were identified during our review. Apart from the identified breaches of legislation, and in the instances where effectiveness was able to be assessed, the current legislative compliance framework may be considered effective. Our assessment as to effectiveness is subject to the implementation of the improvements detailed in the report provided to the CEO.

3.5.3 Improvements

Improvements to the current legislative compliance framework, including ongoing development of processes to monitor and report on legislative compliance have been identified and are summarised as follows:

- Development of a legislative compliance policy to consider current strategic objectives and practicalities of policy requirements in relation to legislative compliance and management of compliance breaches;
- Maintain statutory registers as required by legislation;
- Maintain record keeping in accordance with approved plans and implement improvements advised by the State Records Office;
- Further development and approval of authorised checklists for functions which require a high level of legislative compliance; and
- Update and maintain a staff training matrix and coordinate training across the shire. A risk based training matrix should help ensure staff with the responsibility for preventing, identifying and reporting breaches of legislation, are offered relevant training to ensure their knowledge of legislative requirements is maintained and qualifications are maintained and up to date where required.

4.0 Methodology

4.1 Review Methodology – Financial Management Review

The objective of this review is to assist the CEO of the Shire of Donnybrook-Balingup to discharge responsibilities in respect to regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996 (as amended)*.

In performing this consulting service, we examined documented policies / procedures, undertook walkthroughs of key systems and procedures and performed limited detailed testing procedures to identify weaknesses and identify opportunities for improvement in the financial management system and report to the CEO on the appropriateness and effectiveness of the control environment within the shire, as required by regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

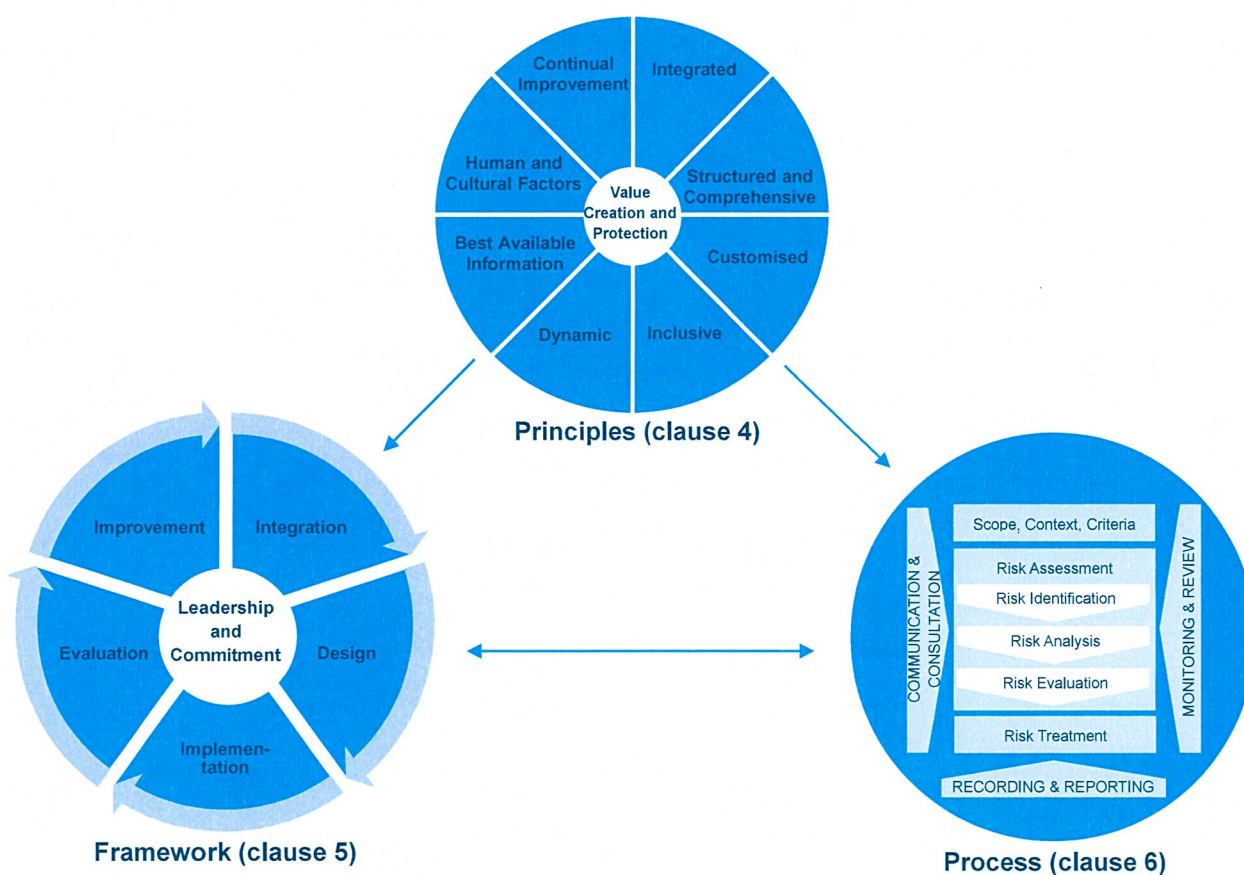
4.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls

The primary goal of this service is to assist the CEO in their assessment as to the appropriateness and effectiveness of the shire systems and procedures in relation to risk management, legislative compliance and internal controls.

Internal controls are designed to treat risks and form part of the risk management process. Non-compliance with legislation is one of the risks that would usually be identified as a consequence of applying a risk management process.

The Australian Standard for Risk Management, ISO 31000:2018(E), identifies three components in the application of risk management, being Principles, Framework and Process, as set out in Diagram 1 below.

Diagram 1. Risk Management Principles, Framework and Process



Source: Australia/New Zealand Standard ISO 31000:2018

4.0 Methodology (continued)

4.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls (continued)

In undertaking this consulting engagement, we have applied the three ISO 31000:2018 framework components, as set out on the previous page, to the review topics (risk management, internal controls and legislative compliance). This involves a process incorporating the five risk management framework components, Integration, Design, Implementation, Evaluation and Improvement, into the review of systems and processes:

- Identify the extent of leadership and commitment to the principles;
- Assess the extent of integration of risk management within the shire;
- Assess the design of the current framework through an understanding of the shire and the context within which it operates (risk management, legislative compliance and internal controls) after considering the overall context in which the review occurs;
- Assess the implementation of the current framework;
- Assess the extent of evaluation of the current framework and its effectiveness in supporting the shire's objectives;
- Assess the current framework and improvements to the suitability, adequacy and effectiveness of the framework;
- Examine the current process for the shire's systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing context, assessing, treating, monitoring, reviewing, recording and reporting risk, internal controls and legislative compliance; and
- Report to the CEO to assist their assessment on the appropriateness and effectiveness of current systems and procedures.

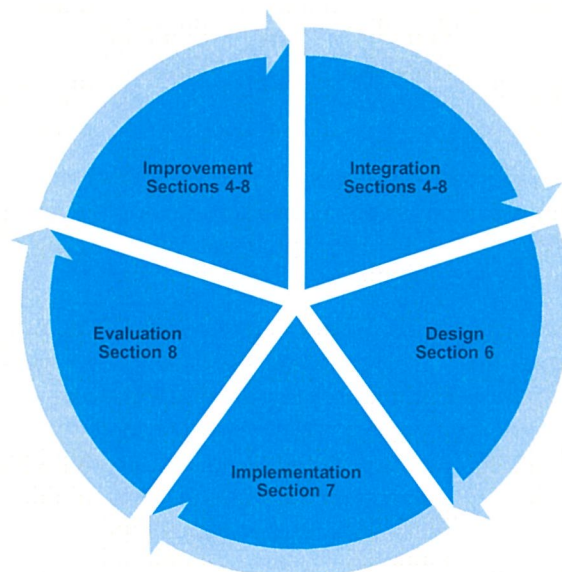
This evaluation is based on interviews with key staff, examination of requested documentation listed in the Appendices and reference to any external audit reports or reviews previously conducted.

5.0 Appropriate Framework

5.1 Risk Management, Internal Control and Legislative Compliance

The following framework was identified as being appropriate for risk management, internal control and legislative compliance for the Shire of Donnybrook-Balingup, after consideration of the current internal and external influences, detailed in section 2.1.

Diagram 2. Risk Management, Internal Control and Legislative Compliance Framework



Source: Australia/New Zealand Standard ISO 31000:2018

A high-level analysis of risk management systems, internal controls and legislative compliance was undertaken which precluded detailed testing in all areas.

The results of our service, as outlined and detailed within the report to the CEO for implementation of improvements, are set out with reference to the structure of the above framework. We assessed the following areas:

Design	Implementation	Evaluation
6.1 Strategic Plans	7.1 Strategic and Operational Plans	8.1 Council and Audit and Risk Committee
6.2 Council Policies	7.2 Operational and Financial Procedures	8.2 Strategic and Operational Registers
	7.3 Human Resource Management and Practices	8.3 Annual Compliance Audit Returns
	7.4 Insurance	8.4 Complaint Handling
		8.5 Audit Practices
		8.6 Reviews required by the CEO

Integration along with Leadership and Commitment were assessed within each of the elements of the framework.

6.0 Other Matters

Disclaimer

Since the service provided in terms of this engagement comprise an advisory engagement and is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management in undertaking the consulting engagement. Accordingly, we do not express an audit opinion or a review conclusion to convey assurance for the service/s performed within our report.

Moore Australia (WA), a Perth based partnership of trusts ("the firm"), carries on business separately and independently from other Moore Australia member firms around Australia and Moore Global firms worldwide.

Sole Recourse

Services provided under this engagement are between the Shire of Donnybrook-Balingup and Moore Australia (WA) Pty Ltd. Throughout this document, a reference to Moore Australia refers to Moore Australia (WA) Pty Ltd trading as agent ABN 99 433 544 961. The relationship is solely with Moore Australia (WA) Pty Ltd in respect of our appointment as professional advisors.

Moore Australia (WA) Pty Ltd is an independent member of the Moore Global Network Limited network. Neither the other member firms nor the correspondent firms of the network nor Moore Global Network Limited is responsible or accepts liability for the work or advice which Moore Australia (WA) Pty Ltd provides to its clients and in engaging our services you acknowledge and accepted that such other member and correspondent firms and Moore Global Network Limited do not owe you any duty in relation to the work or advice which we will from time to time provide to you or are required to provide to you and agree to hold such firms harmless from any actions, claims, suits, proceeding or damages which may arise from the services provided pursuant to our engagement.

Liability limited by a scheme approved under Professional Standards Legislation.

Copyright

© Moore Australia (WA) Pty Ltd

All rights reserved.

This work is subject to the Copyright Act 1968 which permits fair dealing for study, research, news reporting, criticism or review. Selected passages, tables or diagrams may be reproduced for such purposes provided acknowledgement of the source is included.

Any report, plan, presentation or document prepared and/or spreadsheet supplied will be prepared solely for the purpose set out in the engagement agreement and is not to be used for any other purpose or distributed to any other party without Moore Australia (WA) prior consent. Any reliance placed by a third party on the report is that party's responsibility.

Document Management

Version: 1

Status: Final

Date: 14 February 2025

Appendix A - Financial Management Systems Review

The following assessments were undertaken to evaluate the appropriateness and effectiveness of financial management system controls. Where we were unable to examine systems and procedures, comment has been provided throughout our report.

System	Description of Assessment
Bank reconciliation and petty cash management	Examination of procedures and review of maintenance and management practices undertaken by staff.
Trust funds	Examination of trust funds to determine proper accountability in the shire's financial management system and compliance with regulatory requirements.
Receipts and receivables	Examination of end of day banking procedures to determine if they were adequate in ensuring cash collection is being recorded and allocated properly to the general ledger. The receivables system including raising of invoices was also reviewed with limited testing in respect to allocation/posting.
Rates	<p>The shire's rating procedures were examined to determine if they were adequate in ensuring rates were being imposed or raised correctly. This also included inspection of the rate record, rate notices, instalment notices, valuation reconciliations and general ledger. We randomly selected and tested rate notices which included:</p> <ul style="list-style-type: none"> • sighting the notices; • re-performing the calculations; • ascertaining whether the valuations applied agree to Landgate's valuation roll/report and rate levies imposed are as per adopted budget; • ensuring the rate system is properly updated; and • checking proper posting to the general ledger.
Purchases, payments and payables (including purchase orders)	Random selection of payment transactions to determine whether purchases were authorised/budgeted and payments were supported, certified/authorised and correctly allocated. The shire's purchases, payments and payables system was also examined to determine if adequate controls were in place in ensuring liabilities are properly recorded and payments are properly controlled.
Payroll	<p>A sample of employees were randomly selected from pay runs during the reporting period and detailed testing of each employee's pay was performed to help ensure:</p> <ul style="list-style-type: none"> • the employee existed; • the correct rate of pay was used; • non-statutory deduction authorities are on hand; • time sheets were properly completed and authorised; • hours worked were properly authorised; and • allocations were reasonable and correctly posted. <p>The shire's payroll system was also reviewed to determine if adequate controls were in place to help ensure wages and salaries are properly processed and payments are properly controlled.</p>

6.0 Appendix A - Financial Management Systems Review (continued)

System	Description of Assessment
Transaction card procedures	<p>A review of the shire's transaction card procedures was performed to determine if adequate controls were in place. We randomly selected and tested credit card transactions to determine whether they are legitimate and usual in the context of the shire's operations. This included:</p> <ul style="list-style-type: none"> • sighting tax invoices; • ascertaining whether the transaction is for bona fide shire business; and • determining whether transactions are in line with the shire's policy.
Fixed assets (including depreciation, acquisition, and disposal of property)	<p>The fixed assets system including controls over acquisition and disposal of assets, updating of the fixed assets register, depreciation of fixed assets and reconciliation of the fixed assets register to the general ledger was examined. A sample of asset additions and disposals were judgmentally selected, and testing performed to ensure:</p> <ul style="list-style-type: none"> • the tax invoices existed; • correct posting to the general ledger; • fixed assets register was promptly updated; and • classification of assets was correct. <p>In addition, a sample of assets were judgmentally selected and testing performed to ensure the depreciation rates used are in line with the shire's policy.</p>
Cost and administration allocation	<p>The shire's cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included review of the allocation basis and rates used to ensure they are appropriate and regularly reviewed.</p>
Financial reports controls	<p>The format of the annual report, annual financial report and monthly financial reports were reviewed for compliance with legislative requirements.</p>
Budget and budget review	<p>The 2024-25 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements. The 2023-24 budget review was examined for statutory compliance.</p>
Borrowings	<p>Reconciliation of borrowings to the WATC loan schedules were examined.</p>
Inventory	<p>Inventory reconciliations and stock take procedures were examined.</p>

Appendix B - Council Policies Examined

The Council Policies examined as part of the review were as follows:

Elected Member
EMCP-1 Council Member Induction Training and Professional Development
EMCP-2 Live Streaming and Recording of Council Meetings
EMCP-3 Legal Representation for Elected Members and Employees
EMCP-4 Honorary Freeman Shire of Donnybrook Balingup
EMCP-5 Elected Members Allowances and Entitlements
EMCP-6 Caretaker
Finance
FINCP-2 Investments
FINCP-3 Debt
FINCP-4 Purchasing
FINCP-5 Regional Price Preference
FINCP-7 Credit Card
FINCP-8 Building Insurance
FINCP-9 Related Party Disclosure
FINCP-10 Group Valuation of Land Policy (Option 1 Identical Ownership)
Administration
ADMCP-1 Records Management
Community Development
COMDCP-1 Community Grants and Donations
COMDCP-3 Community Engagement Framework
COMDCP-4 Community Townscape Activities
COMDCP-5 Tourism in Donnybrook Balingup
Executive
EXECP-1 Commercial Lease
EXECP-2 Document Execution and Application of Common Seal
EXECP-4 Welcome to and Acknowledgement of Country
EXECP-5 Attendance at Events and Functions
EXECP-6 Organisational Risk Management
EXECP-7 Work Health and Safety
EXECP-8 Policy Framework
EXECP-9 Communication and Social Media
EXECP-11 Property Management

6.0 Appendix B - Council Policies Examined (continued)

Works

WRKSCP-1 Land Resumption Compensation

WRKSCP-2 Rural Verge Management

WRKSCP-3 Urban Verge Management

WRKSCP-4 Road Use Approval for Restricted Access Vehicles (RAVs) on Councils Road Network

Human Resources

HRCP-2 Gratuity Policy

HRCP-3 Employee Recreation Centre Subsidy

HRCP-4 Temporary Employment or Appointment of CEO

Local Planning

LPP-93 Private Tree Plantations Agroforestry

LPP-94 Outbuilding Control

LPP-96 Signage Advertisement

LPP-98 Stocking Rates

LPP-99 Road Closure

LPP-911 Relocation and Use of Second Hand Dwellings

LPP-915 Commercial Vehicle Parking

LPP-916 Transportable Structures

LPP-917 Industrial and Commercial Development Control

LPP-918 Residential Development Guidelines

LPP-919 Memorials and Public Art

LPP-920 Ancillary Accommodation Agricultural Rural Small Holdings and Rural Residential

LPP-921 Balingup Village Centre Special Character Area

LPP-923 Animal Husbandry Intensive

Assets

ASSCP-1 Infrastructure Asset Management

Emergency Services

EMERGCP-1 Fireworks Event

EMERGCP-2 Permits for Road Verge Burning

Appendix C - Plans Examined

The Plans examined as part of the review were as follows:

Plan	Status
Strategic Community Plan	2032
Council Plan	2022-2032
Long Term Financial Plan	2024-2039
Asset Management Plan (Consolidated)	2024-25
Asset Management Plan Parks & Reserves	2024-25
Asset Management Plan Buildings	2024-25
Asset Management Plan Vehicles	2024-25
Asset Management Plan Roads and Transport Infrastructure	2024-25
Reserve Fund Plan	2024-25
Borrowings Plan	2024-25
Rating Objectives Strategy	
Workforce Plan	2022-2026
Code of Conduct Elected Members, Committees and Candidates	April 2021
Code of Conduct Staff, Volunteers	2022
Incident Management and Business Continuity Response Plan	February 2022
Facility Emergency Plan	2023
Record Keeping Plan	2023
Disaster Management Recovery Plan	2023
Annual Budget	2024-25
Annual Report	2022-23

Appendix D - Strategic and Operational Registers Examined

The registers examined as part of the review were as follows:

Registers

Tender Register

Delegations Register

Financial Interest Register

Lease Register

Credit Card Register

Register of Investments

Insurance Claims, Litigation Register

Declaration of Gifts and Travel Contributions Register

Grant Register

Draft Risk Register

Completed Development Application Register

Pool Register

Register of Primary & Annual Returns

Portable and Attractive Items Register

Caravan Park and Camping Grounds Register

Lodging House Register

Food Business Register

Councillor Training Register

Complaints Register

Appendix E - Operational Guidelines

Risk Management

The internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

Reviewing whether the local government has an effective risk management system and material operating risks to the local government are appropriately considered;

Reviewing whether the local government has a current and effective Business Continuity Plan (including disaster recovery) which is tested from time to time;

Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:

- *potential non-compliance with legislation, regulations and standards and local government's policies*
- *important accounting judgements or estimates prove to be wrong*
- *litigation and claims*
- *misconduct, fraud and theft*
- *significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government*

Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure identified risks are monitored and new risks are identified, mitigated and reported;

Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;

Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;

Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;

Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;

Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and

Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

Legislative Compliance

'The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- a) Monitoring compliance with legislation and regulations*
- b) Reviewing the annual Compliance Audit Return and reporting to Council the results of that review*

6.0 Appendix E - Operational Procedures (continued)

Legislative Compliance (continued)

- c) *Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary*
- d) *Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints*
- e) *Obtaining assurance that adverse trends are identified and review management's Plans to deal with these*
- f) *Reviewing management disclosures in financial reports of the effect of significant compliance issues*
- g) *Reviewing whether the internal and / or external auditors have regard to compliance and ethics risks in the development of their Audit Plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee*
- h) *Considering the internal auditor's role in assessing compliance and ethics risks in their Plan;*
- i) *Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements*
- j) *Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest*

Internal Controls

'Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

An effective and transparent internal control environment is built on the following key areas:

- a) *integrity and ethics;*
- b) *policies and delegated authority;*
- c) *levels of responsibilities and authorities;*
- d) *audit practices;*
- e) *information system access and security;*
- f) *management operating style; and*
- g) *human resource management and practices.*

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.

6.0 Appendix E - Operational Procedures (continued)

Internal Controls (continued)

Aspects of an effective control framework will include:

- a) delegation of authority;*
- b) documented policies and procedures;*
- c) trained and qualified employees;*
- d) system controls;*
- e) effective Policy and process review;*
- f) regular internal audits*
- g) documentation of risk identification and assessment; and*
- h) regular liaison with auditor and legal advisors.*

The following are examples of controls that are typically reviewed:

- a) separation of roles and functions, processing and authorisation;*
- b) control of approval of documents, letters and financial records;*
- c) comparison of internal data with other or external sources of information;*
- d) limit of direct physical access to assets and records;*
- e) control of computer applications and information system standards;*
- f) limit access to make changes in data files and systems;*
- g) regular maintenance and review of financial control accounts and trial balances;*
- h) comparison and analysis of financial results with budgeted amounts;*
- i) the arithmetical accuracy and content of records;*
- j) report, review and approval of financial payments and reconciliations; and*
- k) comparison of the result of physical cash and inventory counts with accounting records.*

CONTACT US

Level 15, 2 The Esplanade,
Perth WA 6000

T 08 9225 5355

E localgov-wa@moore-australia.com.au

www.moore-australia.com.au



MOORE

Western Australian Auditor General's Report



Western Australian Public Sector Audit Committees – Better Practice Guide



Report 26: 2019-20

25 June 2020

**Office of the Auditor General
Western Australia**

Report team:

Jordan Langford-Smith
Mona Loo
Jo Stapley
Vanessa Kar
Financial Audit Directors

National Relay Service TTY: 13 36 77
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for
those with visual impairment.

© 2020 Office of the Auditor General Western Australia.
All rights reserved. This material may be reproduced in
whole or in part provided the source is acknowledged.

ISSN: 2200-1913 (Print)
ISSN: 2200-1921 (Online)

The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

**Western Australian Public Sector Audit
Committees – Better Practice Guide**



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

**WESTERN AUSTRALIAN PUBLIC SECTOR AUDIT COMMITTEES – BETTER PRACTICE
GUIDE**

This report has been prepared for submission to Parliament under sections 23(2) and 24(1) of the *Auditor General Act 2006*.

Better practice checklists regularly feature in my Office's performance audit reports as a means of providing guidance to help the Western Australian public sector perform efficiently and effectively. This is the first comprehensive stand-alone better practice guide we have produced.

While prepared primarily as a resource for audit committees in State and local government entities, it also provides Parliament with further insight on the significant role public sector audit committees play in supporting quality public administration.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
25 June 2020

Contents

Auditor General's overview.....	4
Part 1: Introduction	5
1.1 About this guide.....	5
1.2 Who should use this guide	6
1.3 Lines of defence model	7
1.4 Acknowledgements	8
Part 2: Key challenges to building effective audit committees	9
2.1 Establishing and maintaining effective relationships between the three governance parties	9
2.2 Getting the right balance of skills and experience.....	11
2.3 Enabling robust discussions at audit committee meetings	13
2.4 Being aware of all assurance activities	14
2.5 Seeking assurance on organisational culture	15
Part 3: Principles for better practice audit committees.....	18
Part 4: Guidance for audit committee fees.....	24
Part 5: Guidance for smaller entities.....	25
Part 6: Toolkit	27
Tool 1 Example audit committee charter	28
Tool 2 Audit committee member induction checklist	37
Tool 3 Meeting preparation checklist.....	39
Tool 4 Meeting agenda template	41
Tool 5 Characteristics of effective meetings	43
Tool 6 Annual work plan template	44
Tool 7 Audit recommendations progress report template	49
Tool 8 Review of OAG audit reports template.....	50

Auditor General's overview

Audit committees play a fundamental role in assisting directors general, councils and boards to fulfil their governance and oversight responsibilities. They are not a substitute for good management and controls. Instead, they help provide advice and independent assurance to the accountable authority on how effective these controls are.



The purpose of this guide is to provide better practice principles and guidance to accountable authorities, audit committee members and senior managers with responsibility for audit committee activities. We have drawn from our experience in interacting with audit committees at State and local government entities, as well as guidance from the Institute of Internal Auditors and other jurisdictions.

WA public sector entities range in size and complexity. Service delivery, rigorous compliance requirements and the ability to attract and retain skilled, qualified and experienced staff can be a challenge. To assist smaller entities to address these challenges, we have included some specific guidance to help them implement simple, yet effective practices to strengthen the effectiveness of their audit committees. There is also a toolkit in part 6 of the guide with useful resources for all entities.

Maintaining a strong ethical organisational culture is important in promoting excellence and efficiency in public service delivery, as well as minimising the risk of fraud and corruption. Failures in governance and integrity are all too common across sectors and jurisdictions, and recent inquiries into the finance sector have highlighted the important role that audit committees play in challenging management and holding them accountable. Poorly governed entities often have common characteristics, including a lack of an accountability culture that can be evident in such areas as long overdue internal and external audit recommendations. By ensuring that management promptly address weaknesses identified in internal and external audits, and by rigorously overseeing internal audit, risk management and compliance functions, audit committees can help to establish the right tone and culture within entities.

The guide provides principle-based guidance for State and local government entities in Western Australia. We recognise that the specific legislative and regulatory requirements for State and local government entities are different, and it is therefore difficult to have a 'one-size-fits-all' approach for better practice guidance. Entities need to consider their relevant legal and regulatory requirements as well as operating environment when using this guide.

It has been pleasing that the importance of public sector audit committees has been elevated recently, which included the introduction of a revised Treasurer's instruction for audit committees in State government entities. While our guide is not mandatory or intended to be a prescriptive list of requirements, I hope that it serves as a useful resource for entities in assessing and improving their audit committees for the benefit of the Western Australian community.

Part 1: Introduction

Audit committees are an essential part of an entity's governance framework. They provide independent advice and assurance to accountable authorities on systems of risk management and internal control, and financial and performance reporting. (Figure 1).

All State and local government entities in Western Australia are required to establish an audit committee that is independent from management influence, a fundamental element of effective audit committees. If they are not independent, objectivity may be compromised, making it difficult for them to perform their oversight roles.



Source: OAG

Figure 1: Scope of audit committee oversight responsibilities

1.1 About this guide

This guide provides better practice principles and guidance on common key challenges that audit committees face.

The guide consists of six parts:

Part 1: Introduction outlines the purpose of the guide and explains the lines of defence model.

Part 2: Key challenges to building effective audit committees provides insight into the key challenges faced by audit committees based on our observations from attending a wide range of Western Australian public sector audit committees.

Part 3: Principles for better practice audit committees outlines core better practice principles for our State public sector audit committees based on guidance from the Institute of Internal Auditors Australia (the IIA). These principles are as follows:

Principles for Better Practice Audit Committees	
1.	Membership: Members have the right experience and leadership skills to be trusted independent advisors.
2.	Role and Responsibilities: The roles and responsibilities of the audit committee allow for wholesome oversight of internal audit, governance, risk management and internal control practices.
3.	Professional Practices: The audit committee conducts itself professionally to provide independent, sound and valuable advice to the accountable authority.
4.	Performance and Accountability: The audit committee is aligned with the entity's strategic outcomes and is accountable for its performance.
5.	Entity Relationships: The audit committee is a trusted, independent partner.
6.	Governance and Reporting: The audit committee is governed effectively to enable transparent, objective and timely reporting.

Part 4: Guidance for audit committee fees outlines information to guide fee arrangements for external audit committee members.

Part 5: Guidance for smaller entities provides practical measures that smaller entities could apply to build effective audit committees with limited resources.

Part 6: Toolkit includes a comprehensive compilation of templates and checklists which can be used to help develop effective audit committees.

Throughout the guide, we have used the term 'accountable authority' to collectively represent:

- for State government entities, the Director General, Commissioner, Board, or other person responsible for the direction and control of the entity as defined in the *Financial Management Act 2006* or relevant legislation
- for local government entities, Councils. This reflects the direct reporting relationship between the audit committee and Council under the *Local Government Act 1995*. However, it is important to note that the Chief Executive Officer (CEO) has some responsibilities under the Act, including financial reporting, which instead rests with the accountable authority in State government entities.

We have also used the term 'audit committee' to represent all public sector audit-related committees. Within the public sector, there is a wide range of names for audit committees, such as, Audit and Risk Committees.

1.2 Who should use this guide

While we have tailored this guide for public sector entities in Western Australia, the principles and practices outlined in this guide generally apply to all audit committees.

This guide is suitable for members of audit committees, accountable authorities, CEOs, chief audit executives and senior managers with responsibility for audit committee activities, as well as those who are accountable to an audit committee.

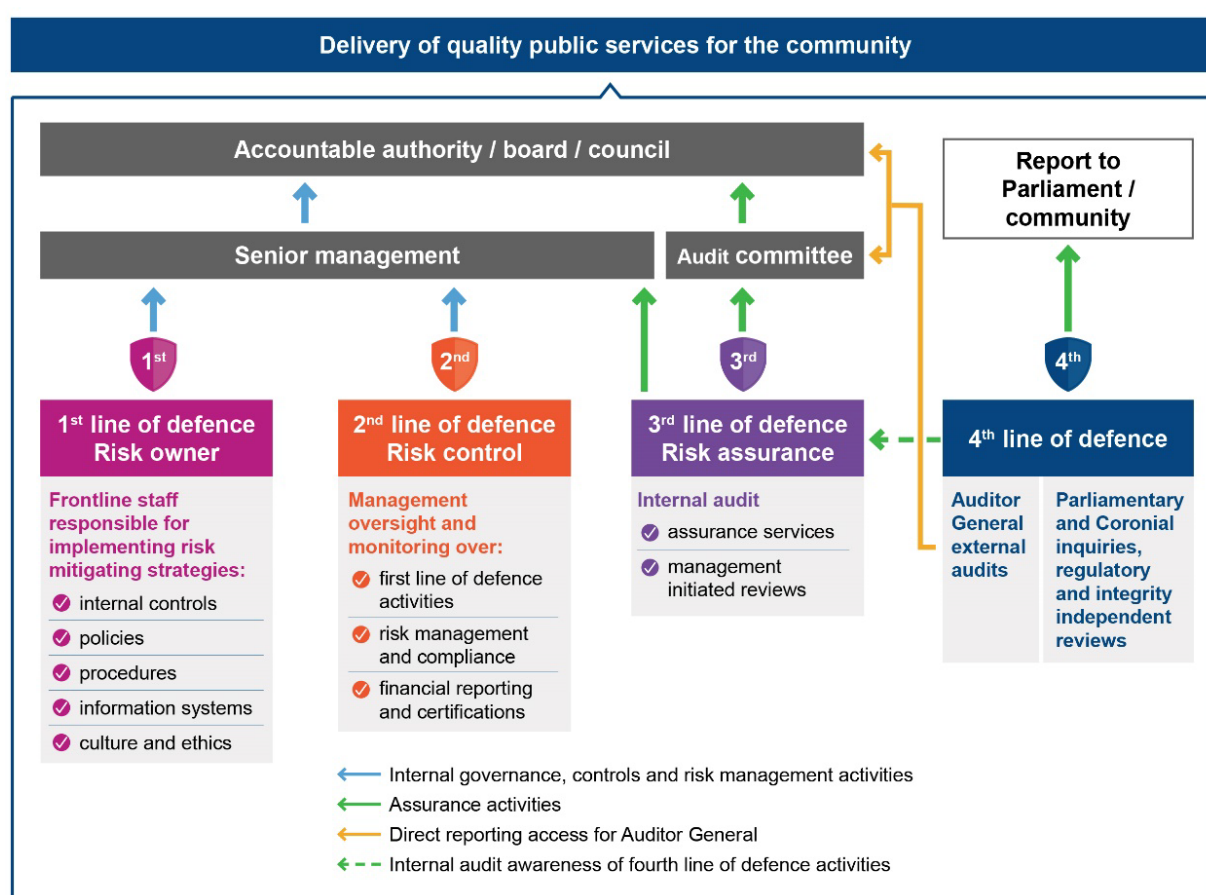
1.3 Lines of defence model

The lines of defence model is a visual representation of the different mechanisms (defences) which all work together to manage risks and ensure that controls are implemented and effective. It helps to provide a coordinated approach for managing entities' risks.

All entities regardless of their size and complexity should establish a good understanding of their risks and four lines of defence.

The lines of defence model typically identifies the 3 lines of defence within the entity. However, external auditors, regulators, parliamentary committees and other integrity bodies also provide important information and assurance on the implementation of controls within an entity. We have referred to these entities as the fourth line of defence.

Figure 2 below illustrates the activities for each line of defence and the general flow of communication between each of the bodies.



Source: OAG

Figure 2: WA public sector four lines of defence model

To apply the model, entities need to understand and assess business activities performed by each line of defence. This is often referred to as 'assurance mapping'. This mapping helps the accountable authority, audit committee and management to understand whether there are any gaps in assurance activities that manage key risks or whether there is duplication of effort. This can help inform the internal audit program, improve efficiency and assist the audit committee in their oversight responsibilities.

1.4 Acknowledgements

We would like to express our appreciation to the public sector entities and their staff and individual audit committee members and Chairs for sharing their valuable insights. In particular, a number of stakeholders, experienced in governance and accountability roles, willingly shared their views and suggestions for this guide. We highly valued and appreciated their input, guidance, advice and time.

In addition, we would like to thank the Institute of Internal Auditors - Australia (and Global) and the Australian National Audit Office who allowed us to use their resources to inform our guide.

Part 2: Key challenges to building effective audit committees

2.1 Establishing and maintaining effective relationships between the three governance parties

High functioning audit committees rely on strong working relationships between the accountable authority, the head of internal audit (the chief audit executive) and the audit committee (Figure 3). To support effective governance of an entity, the communication between them needs to be open, transparent and built on a relationship of trust.

Source: OAG

Figure 3: Relationships between the three governance parties



Roles and responsibilities of governance parties

Accountable Authority is responsible for establishing an effective audit committee and internal audit function¹ which is suitable for the entity. The accountable authority relies on the audit committee to provide independent oversight over the governance of financial and non-financial activities.

Chief Audit Executive is the head of internal audit within an entity. To maintain their independence, the Chief Audit Executive (CAE) should not perform key management duties. For example, the Chief Finance Officer should not take on the role of CAE.

For local government entities, responsibility for the internal audit function rests with the CEO, who also reports to the audit committee and council. Given that it is important for internal audit to be independent from management, it is good practice for the CAE to also have a direct line of communication to the audit committee (a functional reporting relationship).

To be effective, the Chief Audit Executive needs to be of a sufficiently senior level and respected by management as a key contributor to good governance and entity outcomes. This means that they need to be aware of current initiatives and activities within the entity, be suitably qualified, have open access to senior management and the accountable authority and adequate resources to carry out internal audits and support the audit committee.

While entities can use different models for their internal audit services (in-house, co-sourced or fully outsourced), it is critical that the entity appoint a CAE who is responsible for the internal audit function. This role should be performed by a capable and respected professional internal to the entity, even if all internal audit services are outsourced. The roles and responsibilities of the CAE should be documented and formally approved in the Internal Audit Charter.

Audit Committee provides independent advice and assurance to the accountable authority over the entity's systems of risk management and internal control, and financial and performance reporting. It consists of a group of members who support the accountable authority to instil strong control and risk practices within the entity by overseeing and probing

¹ For State entities only, refer to section 53(1)(d) of the *Financial Management Act 2006*.

activities relating to governance, control, risk management and compliance. The audit committee does not, and should not, hold formal decision-making powers. Rather, it relies on the skills and expertise of members to obtain sufficient appropriate information, through the CAE and internal auditors as their “eyes and ears”, as well as reports from management and external auditors and advisers.

For local government entities, the role of audit committee is prescribed by the *Local Government Act 1995* and Local Government (Audit) Regulations 1996. They do not have powers or authority to implement actions in areas over which the CEO has legislated responsibility and they do not have any delegated financial responsibility. The committee does not have management functions and cannot involve itself in management processes or procedures.

Key aspects for effective relationships between the governance parties

Supporting the independence of the CAE

The accountable authority and audit committee must take an active role in promoting the independence of internal audit and protect them from pressure from senior management. There are some cases where the accountable authority and audit committee need to increase their support for the CAE. For example, if management seeks to limit internal audit activities and scope, takes an overly defensive attitude towards audit findings, attacks the credibility of the CAE or fails to respond to audit enquiries and recommendations.

The audit committee needs to receive and request the right information

The audit committee may struggle to effectively perform its duties if it does not receive or request the right information. The committee needs to know what information to “pull” from internal audit and the CAE needs to know what information to “push” forward to the audit committee. To establish this flow of information, there must be strong working relationships between the audit committee and CAE and an understanding of what information both parties need.

It is important that the audit committee and CAE are clear about the expectations of internal audit. Having clear expectations about the content, format and frequency of internal audit reports and other reporting is crucial to having an effective relationship.

A good example of this is the CAE and audit committee Chair working effectively together, where possible, to establish an agenda for the audit committee meeting. The agenda should not be set by one party in isolation. Instead, the Chair needs to be comfortable obtaining information from the CAE to inform and direct the meeting. Similarly, the CAE needs to be confident in raising matters or concerns with the Chair and helping to guide the agenda and discussions.

Figure 4 provides some practical examples of common challenges faced by entities and how the 3 governance parties can work together to overcome the challenge.

Better practice activity	Example scenario
Timely and open engagement with the audit committee on an emerging issue	The entity is subject to a cybersecurity attack and activates its incident response plan. As part of the response, senior management writes to the Chair of the audit committee to inform them of the breach and to seek their input on management’s planned response. At the next audit committee meeting, management provides an update on the incident and key decisions and outcomes agreed by management as part of their regular reporting on cybersecurity incidents. The audit committee evaluates risk management actions and internal audit plans based on this information.

Better practice activity	Example scenario
	The timely and open discussion at the audit committee meeting provides additional independent assurance to the accountable authority that the measures the entity took to address the major incident are sound and based on informed decisions.
Treating the CAE as a trusted partner	<p>A senior executive decided not to implement recommendations from an internal audit on project management because the project was completed. The senior executive sought the accountable authority's approval to close the recommendations, without seeking input from the CAE.</p> <p>The accountable authority then checked whether the CAE was consulted on the decision. When the accountable authority became aware that the CAE was not consulted, the accountable authority sought advice from the CAE prior to deciding on the matter. The accountable authority reminded senior executives of the need to engage with the CAE when considering internal audit recommendations.</p>
CAE reporting directly to the audit committee and accountable authority	<p>The CAE administratively reported to a senior executive who was trying to limit the scope of an internal audit in the executive's area, without informing the audit committee.</p> <p>The CAE reminded the senior executive that they also need to report to the accountable authority and audit committee. The CAE raised the matter with the Chair of the audit committee and accountable authority and sought their advice. The accountable authority informed the executive team about the independence of internal audit, and allowed the CAE and audit committee to determine the scope of the internal audit to obtain the necessary assurance on priority risks.</p>

Source: OAG

Figure 4: Examples of effective relationships between the governance parties

2.2 Getting the right balance of skills and experience

It is essential that audit committee members have the right experience, personal qualities and independence to effectively perform their duties.

Independence is key

Having independent audit committee members who are free from management oversight and responsibility will help to bring an objective perspective and fresh insights to audit committee discussions. Audit committees that fully or predominately consist of senior management members will have difficulties in setting aside their management responsibilities to perform their oversight role. While local government entities and statutory authorities have a natural division between those charged with governance and management, this is not the case for State government departments.

Changes to Treasurer's Instruction 1201: 'Internal Audit' (TI 1201), in 2019 have strengthened the independence of audit committees. All State government entities subject to the Treasurer's instructions are required to have an audit committee Chair who is not employed by the entity and is suitably qualified. The guidelines in TI 1201 also recommend having a majority of members who are free of management responsibility and oversight.

For local government entities and statutory authorities whose audit committee members comprise of selected

The audit committee Chair plays an important role in leading and guiding discussions at audit committee meetings. The Chair should be independent, and have the right interpersonal skills to guide discussions on complex and sensitive matters.

board or council members, having at least 1 appropriately skilled audit committee member who is completely independent of the board or council can bring fresh insight or bridge gaps in the experience needed by the audit committee to perform their duties.

While the Director General or CEO should not be a member of the audit committee, it is important that they can attend meetings as an observer to provide context on important issues impacting the entity where useful or necessary, preferably meeting with the committee at least annually.

Collective expertise that is relevant to the entity

The audit committee must collectively have the knowledge, skills, qualifications and experience to perform its functions. As a minimum, the committee should comprise members with financial, risk management and relevant public sector or industry experience. Having a broad range of members from differing backgrounds helps to bring diverse perspectives to important issues and minimises group-think. Members should have senior governance and leadership experience in operating environments similar in complexity to that of the entity the audit committee is overseeing. Familiarity with the public sector environment of heightened probity, transparency and accountability is essential. If a new member does not have demonstrated experience working in or with the public sector, they must at all times fully inform themselves of their obligations and those of the entity. In these circumstances, induction and ongoing mentoring by the CAE, Chair and other members is important to support their contribution to committee effectiveness.

The skills and capabilities needed can vary over time, and will vary depending on the nature of the entity's activities. For example, if the entity is undergoing significant changes to information systems, the accountable authority may wish to consider appointing a member with IT operations or project leadership experience. Alternatively, audit committees can also use specialists or experts to help in the discussion of complex matters.

Leadership and interpersonal skills

Members, and in particular the Chair, need the right leadership and interpersonal skills to make committee meetings effective. Members need to feel confident to respectfully and, where necessary, persistently probe management, and to make useful contributions throughout the meeting. Much has been written on the qualities that make an effective committee member and these are relevant to public sector audit committees, recognising that public sector audit committees do not have decision-making authority or formal governance responsibility.

The committee needs at least three members

There is no specific number of members for a strong effective audit committee. However, audit committees should have at least 3 members². In determining the appropriate number of members, the accountable authority should consider what skills and experience is required based on the nature of the entity and its operations. Too few members may mean the committee does not have the extent of experience and knowledge to make informed decisions, and too many members may hinder robust discussion and debate.

Large complex State entities may choose to consider whether it is appropriate to establish the role of special advisers to the audit committee, within their charter. Senior managers appointed as special advisers participate like other audit committee members, but do not have formal membership status or 'voting' rights. They are there to provide operational context and detail to the committee. This is particularly important for audit committees

² For State entities refer to Treasurer's instruction 1201: 'Internal Audit' guidelines. For local government entities refer to section 7.1A of the *Local Government Act 1995*.

comprising mainly external members. These senior executives gain a valuable professional development opportunity from working closely with the committee, who are often senior governance professionals, and the opportunity to view their organisation from an oversight perspective.

2.3 Enabling robust discussions at audit committee meetings

Robust and respectful discussions between the audit committee, management and auditors are essential to good audit committee outcomes. It is important that the secretariat and CAE spend sufficient time planning audit committee meetings to facilitate these important discussions and achieve required outcomes.

Merely providing data/information versus delivering clear messages

Overwhelming the committee with data or information is unlikely to result in effective meetings and discussions. Information must be meaningful and fit for purpose. The CAE role in the audit committee meeting is more than simply gathering and transmitting information between management and the audit committee. The CAE should apply their professional expertise to deliver clear messages for audit committee deliberations. This is particularly important when the internal audit function is outsourced, as the CAE needs to ensure that the information meets the needs of the entity. Summary papers, which succinctly explain the issue and actions for the audit committee, are a good way to achieve this.

Having the courage to challenge

A good indicator of an effective audit committee is whether management feel that they have been appropriately challenged during audit committee discussions. This requires courage from members to question and probe management when necessary. Members should not take management assertions at face value, they should ask probing questions to ensure that the issue is not more significant than they are led to believe, or to make sure that a management action has actually been performed.

When management attend audit committee meetings, they should be prepared to answer challenging and difficult questions from audit committee members.

“Show me, don’t tell me”

Audit committees will need a level of evidence for assertions made by management, particularly around implementation of audit and review recommendations. They should be prepared to request from management all documentary information that the committee reasonably requires to satisfy themselves that key risks have been appropriately managed. The rigour and openness around evidencing management actions provides the audit committee insight into organisational culture and the commitment to accountability and transparency.

Having open discussions

Due to the advisory nature of the audit committee, they need capacity to discuss other matters which may not be included in the formal agenda. The agenda should allow for open discussion on other matters, as well as closed sessions with the CAE, internal audit teams or Office of the Auditor General (OAG). This will provide an opportunity for members to consider other matters which they would like to discuss and clarify.

2.4 Being aware of all assurance activities

It is vital that the audit committee has a sound understanding of the entity's assurance activities overall, as this provides valuable insights and direction to internal audit for its work program.

Assurance mapping can help to identify all assurance activities to ensure that the proposed internal audit plan focuses on areas where assurance is most needed.

When developing an internal audit plan, the committee should consider the following question:

'Is internal audit providing assurance on high risk activities, and considering where there are gaps in assurance?'

Using the fourth line of defence

Entities that use the fourth line of defence (external assurance) will be in a better position to coordinate their assurance activities. Having a complete picture of other assurance activities performed by the OAG, regulators or oversight committees, can help to identify gaps in assurance or potential risk exposures.

The audit committee should be aware of all external assurance activities, including OAG performance and focus audits and reports by other regulators or committees. Some examples of good practice behaviours we have observed at audit committees include:

- tracking and following-up the implementation of findings from OAG performance audits conducted within the entity
- performing self-assessments using the better practice information included in OAG focus and performance audits, and reporting the results back to the audit committee
- including the OAG audit committee briefing paper as part of meeting papers. This paper provides a regular snapshot of recently completed audits and audits in progress
- having a standing agenda item on fraud which provides a summary of relevant points from recently tabled Corruption and Crime Commission, Public Sector Commission or Parliamentary reports, or recent media coverage on fraud.

Understanding important financial reporting matters

Audit committees have an important role in overseeing financial and performance reporting within the entity. To perform this role effectively, it is critical that the audit committee has at least one member with a sound level of organisational-scale financial literacy.

Audit committee responsibilities for financial and performance reporting include reviewing financial statements and key performance indicators (State government entities) and recommending them for signature by the accountable authority, engaging with the OAG auditors during the financial audit, and reviewing and overseeing key controls related to financial reporting. It is a good idea to incorporate these reviews into the audit committee's annual work plan.

Best practice audit committees typically receive briefings on important matters or issues impacting risks, controls, financial and non-financial reporting. Figure 5 provides an example of how to report important control matters to the audit committee.

In order to review and endorse financial statements, audit committees need complete and accurate information about changes in accounting standards, accounting policies, judgements, estimates and errors.

Reporting a significant control matter to the audit committee

If an entity became aware that there was a significant payroll error or inappropriate use of a purchasing card, even if the amount in question was immaterial in value for the financial statements, such a matter would always be considered material in nature due to it representing a significant control breakdown or fraudulent activity.

In addition to reporting the matter to the Director General or CEO, the chief finance officer (CFO) would discuss the matter with the CAE and initially advise the Chair of the audit committee of the error and the actions taken or proposed to resolve it. The CFO should also raise the matter with the OAG financial audit team.

For the next audit committee meeting, the CFO and CAE should prepare a briefing for the committee on the matter, the likely impact and the actions taken or needed to correct the issue. The audit committee would consider the impact of the matter on risk assessments, external reporting and planned assurance activities. The committee would invite the CFO and representatives from human resources to the meeting to discuss the matter and obtain confidence around actions and improvements.

The committee would follow up to make sure control weaknesses were appropriately addressed and outcomes of any relevant investigations, disciplinary processes or referrals to integrity agencies.

Source: OAG

Figure 5: Advising the audit committee of significant control matters

Sharing information between the lines of defence

Management, in both the first and second lines of defence, frequently organise reviews and audits to assess maturity of their environment and identify business improvement opportunities. It is important that these activities are captured and shared with the CAE to help inform assurance mapping and allow for consolidated reporting of assurance activities to the audit committee.

Visibility by the audit committee on management-initiated reviews helps to understand areas of risk management concern for management, systemic issues requiring improvement, and allows monitoring to ensure that internal auditors are not being used excessively by management and thus impairing their independence.

A central register for management reviews is useful to provide timely and collective information of past and current activities to improve controls and business performance.

2.5 Seeking assurance on organisational culture

Even though the culture of an entity cannot be seen, it is a fundamental part of strong governance (Figure 6).

Forward thinking accountable authorities and audit committees strive to maintain a sound culture within the entity to protect it from breakdowns in controls or fraud.



Source: OAG

Figure 6: Factors that contribute to a healthy organisational culture

Internal audit is in a good position to assess culture

Despite culture being a complex area to audit, internal audit is in a good position to provide assurance to the audit committee on it.

Culture auditing involves evaluating factors that influence behaviour and attitudes (soft controls) and examining hard evidence such as policies and employee surveys. Internal audit can assess culture in many ways. They can perform a specific audit covering culture, embed consideration in all potential internal audits, provide a general observation on culture in all audit reports or use it in root cause analysis for audit findings.

To embed culture into assurance practices, the 3 governance parties should:³

- give internal audit a clear mandate to audit entity culture and include the requirement in the internal audit charter
- set the right tone and demonstrate expected behaviours among others by practicing, measuring and assessing the culture of compliance with policies, procedures and controls
- understand the entity's culture risks including signs of negative leadership styles (autocratic, narcissistic, secretive, hypocritical, deflecting)
- observe culture indicators while performing internal audits
- have candid discussions on culture matters, e.g. being comfortable to talk about 'gut feel' and subjective judgements
- use a mapping tool to understand and assess the entity's culture and identify improvement opportunities. An example of such a tool is The Cultural Web⁴.

Do you know your culture indicators?
They include:

- trust
- openness
- honesty
- values
- behaviours
- leadership
- ethics.

Reporting culture to audit committees

Reporting to the audit committee about culture can be daunting for CAEs. Auditors typically like using hard, objective evidence to support findings. However, auditing organisational

³ *Organisational Culture: Evolving Approaches to Embedding and Assurance*, the Chartered Institute of Internal Auditors UK.

⁴ *The Cultural Web* is a tool used to map the culture of organisation, developed by Gerry Johnson and Kevan Scholes.

culture involves looking at soft indicators based on subjective judgements. To assist with this, internal audit can use metrics to support culture reporting. These are included in Figure 7⁵.

Objective metrics

Employee survey results, complaints, frequency and nature of legal issues, turnover statistics, frequency of repeat audit findings, frequency of large projects failing, timeliness and effectiveness of corrective actions, whistleblowing reports, loss events, compensation claims.

Subjective metrics

Lack of open communication (caused by fear, lack of trust, or information hoarding), excessive focus on short-term results, chronic grumbling by employees, gossip and rumours that lead to repercussions, 'my way or the highway' management approach that inhibits input and healthy debate, competition to get ahead rather than cooperation, lack of accountability from senior management.

Source: Institute of Internal Auditors Australia

Figure 7: Metrics for auditing culture

Audit committees and internal auditors should feel comfortable discussing aspects of culture. These include receptiveness by managers to scrutiny, the extent to which line areas view audit as a continuous improvement opportunity and management's general understanding of accountability and probity obligations in the public sector. Discussions of this nature may be more constructive during the routine closed-door sessions between independent committee members and auditors, without management present.

⁵ The Institute Internal Auditors *Auditing Culture: Observation and Data*, article by James Roth.

Part 3: Principles for better practice audit committees

The following section outlines better practice principles for public sector entity audit committees. These principles are based on the IIA's six key elements of effective audit committees which they use in their maturity model. The requirements for State and local government entities can be different, and entities should adapt these principles accordingly.

1. Membership: Members have the right experience and leadership skills to be trusted independent advisors.	
<p>1.1 Members are independent:</p> <ul style="list-style-type: none"> The audit committee has an independent external Chair. Members are independent from the day-to-day management of the entity. This may not always be possible, but we recommend that the majority of members are independent of management. The Director General, CFO or CEO are not members of the audit committee. However, they may attend meetings as observers or advisors. <p>1.2 The Committee has the right number of members:</p> <ul style="list-style-type: none"> The committee consists of at least 3 members. For entities with boards/councils, the audit committee acts as a sub-committee and is not the entire board/council. We recommend a maximum of 5 members. <p>1.3 Members have the right skills and experience:</p> <ul style="list-style-type: none"> All audit committee members and the CAE are formally appointed by the accountable authority. As a collective group, members have the right skills, experience and knowledge to competently perform their duties. At a minimum, the committee should comprise of members with financial, risk management and relevant industry or public sector experience. The independent Chair should have the right interpersonal and leadership skills to effectively run the committee. An understanding of financial and other reporting requirements is also important. For State entities, the Chair should have membership in a professional accounting body or the IIA, or appropriate financial experience. 	<p>1.4 Membership terms are appropriate:</p> <ul style="list-style-type: none"> Members are appointed for a minimum term of at least 3 years. To ensure that the committee has fresh insight and perspective, we would not recommend exceeding a term of around 6 years. The accountable authority can terminate committee members for poor performance. Appointments are staggered where possible to ensure continuity and clear succession for the audit committee Chair. <p>1.5 Members receive a formal induction:</p> <ul style="list-style-type: none"> The entity has a formal induction process for members that includes an information briefing, site visits (where relevant) and discussions with the CAE and accountable authority, including around the applicable legislative framework, probity, transparency and accountability obligations and expectations. The Chair meets with new members to provide an overview of the committee and outline member expectations. <p>1.6 The committee has access to external auditors:</p> <ul style="list-style-type: none"> The committee requests an external auditor to attend meetings as an observer. <p>1.7 The Committee can seek advice when needed:</p> <ul style="list-style-type: none"> The audit committee charter allows the committee to obtain expert advice when needed. The committee uses existing expertise within the entity to provide briefings on emerging risks, issues or matters which can help improve the member's understanding of the entity.

2. Roles and responsibilities: The roles and responsibilities of the audit committee allow for wholesome oversight of internal audit, governance, risk management and internal control practices.

2.1 Roles and responsibilities are clearly documented in the audit committee charter:

- The audit committee charter clearly defines the independence, accountability, role and responsibilities and reporting arrangements for the committee.
- The roles and responsibilities of the committee are consistent with legislated power and duties.
- The internal audit charter aligns with the audit committee charter.

2.2 Audit committee roles and responsibilities allow for comprehensive oversight:

- The charter clearly outlines the committee's responsibility for overseeing governance, risk management, internal controls and compliance.
- The audit committee functions include overseeing activities that help entities achieve their strategic objectives.
- The charter allows the audit committee to consider innovation and improvement ideas.
- The committee's charter allows it to monitor emerging risks and business practices.
- Where controls are managed by another entity under a shared service arrangement, the audit committee has a process to obtain comfort from the service provider that the controls are operating effectively. For example, the service level agreement or memorandum of understanding for the arrangement allows the entity's audit committee to request appropriate assurance from the service provider.
- Arrangements for shared audit committees or internal audit functions are clearly documented in the audit committee charter (if applicable).

2.3 The audit committee charter is appropriately approved and regularly updated:

- The audit committee and accountable authority formally approve the audit committee charter.
- The audit committee review and update the audit committee charter annually.

- The CAE monitors changes in practice (e.g. changes in the Institute of Internal Auditors' Professional Practice Framework (IPPF)) or other legislative or regulatory changes and suggest amendments to the committee as appropriate.

2.4 Audit committee members seek to continuously improve their skills and understanding:

- The CAE provides the committee with regular information on trends and emerging issues relating to governance, risk and compliance.
- Audit committee members endeavour to maintain current and relevant knowledge by seeking additional information where required. For example, requesting information from management about a particular function performed by an entity or by attending staff training on governance matters.

2.5 Members are aware of legislative and regulatory requirements, standards and guidance:

- Members are aware of all regulatory requirements, standards and guidance relevant to the entity. Four important requirements include:
 - State Financial Framework - Financial Administration Bookcase, including Treasurer's instruction 1201: 'Internal Audit' for State government entities
 - *Local Government Act 1995* and associated regulations
 - Requirements of effective internal audit functions as prescribed by the IPPF
 - Entity-specific legislation and regulatory compliance obligations. This can be found in the entity's annual report.

2.6 The committee does not make management decisions:

- The Audit Committee does not, and cannot, get involved in the day-to-day decision making by the entity. The committee can provide advice on important matters, but the responsibility for approving decisions must rest with the accountable authority or the CEO.

3. Professional practices: The audit committee conducts itself professionally to provide independent, sound and valuable advice to the accountable authority.	
<p>3.1 Conflicts of interest are considered and managed:</p> <ul style="list-style-type: none"> • Potential new members are required to declare any actual or perceived conflicts of interest. • Processes for declaring and managing conflicts of interest are included in the audit committee charter and the service agreement (where relevant) for audit committee members. • Members declare any conflicts of interest at the start of each meeting. <p>3.2 Meetings are regularly scheduled and include private sessions with important stakeholders:</p> <ul style="list-style-type: none"> • The audit committee meets at least four times a year, with capacity to meet at other times when necessary to perform a function (such as reviewing the financial statements and key performance indicators). • The CAE regularly meets with the audit committee privately to discuss issues, management attitudes and risks. • During the financial audit exit meeting with the OAG, the audit committee has a closed-door session with the auditors without management present. This provides a frank and open opportunity for the auditors to discuss how the audit went, whether they received the information they needed and whether there are any concerns with management behaviour that the committee should be aware of. • The audit committee schedules private meetings with the accountable authority from time to time. 	<p>3.3 Key activities are scheduled in a forward work plan:</p> <ul style="list-style-type: none"> • Key activities of the audit committee are planned and scheduled in a forward work plan. • CAEs monitor the forward work plan to determine what information and support the audit committee might need. <p>3.4 Members attend all meetings where possible:</p> <ul style="list-style-type: none"> • Meetings are scheduled in advance to facilitate 100% attendance of audit committee members. <p>3.5 Members share responsibility and act independently:</p> <ul style="list-style-type: none"> • Audit committee members function as a collective advisory group and share responsibilities equally. • All members maintain their independent stance at all times, even if they are not independent of management.

4. Performance and accountability: The audit committee is aligned with the entity's strategic outcomes and is accountable for its performance.	
<p>4.1 The audit committee has mechanisms to assess its performance:</p> <ul style="list-style-type: none"> The charter outlines expectations of the audit committee and includes processes to monitor and measure performance. These can include an annual self-assessment and regular independent reviews of the audit committee. <p>4.2 Meeting minutes are prepared and distributed to members quickly:</p> <ul style="list-style-type: none"> Meeting minutes are distributed to members within the agreed timeline in the audit committee charter. A 2-week timeframe is commonly used in practice. <p>4.3 Attendance is monitored:</p> <ul style="list-style-type: none"> The CAE or secretariat monitors attendance by audit committee members and implements alternative measures (e.g. virtual meetings) where necessary. The charter clearly outlines the minimum number of members for a quorum. The CAE or secretariat actively monitor whether there will be a quorum and reschedule the meeting if necessary. <p>4.4 Action items are followed-up and addressed promptly:</p> <ul style="list-style-type: none"> Any action items arising from audit committee meetings are recorded and promptly distributed to the responsible officer for actioning. The implementation of action items is monitored and evidenced. The audit committee papers include a standing agenda item on the status of action items. There should be enough information in the papers to allow the audit committee to understand the nature of actions taken to date and the real reasons for any delays. 	<p>4.5 The committee has unrestricted access to the governing body and senior management:</p> <ul style="list-style-type: none"> The audit committee charter allows the audit committee to access the Board, Council, CEO and senior management where necessary to discuss important matters. <p>4.6 Annual self-assessment by members:</p> <ul style="list-style-type: none"> The audit committee performs an annual self-assessment to ensure it is operating effectively. The committee seeks feedback from observers from time-to-time to inform this assessment. <p>4.7 Periodic, independent assessment of committee performance:</p> <ul style="list-style-type: none"> There is an independent assessment of the audit committee periodically (e.g. every 3 to 5 years) in conjunction with the independent assessment of the internal audit function. <p>4.8 The committee models the values and desired culture of the entity:</p> <ul style="list-style-type: none"> The audit committee demonstrates the right tone and culture for the entity. For example, holding management to account for delays in implementing actions is one way to set a good tone within the entity. Committee members adhere to the entity's code of conduct. For example, members keep information confidential and conduct themselves in a professional and respectful manner. <p>4.9 Activities are aligned to the strategic mission of the entity:</p> <ul style="list-style-type: none"> The committee understands the entity's strategic plan and direction and reflects on this when discussing the internal audit plan or risks.

5. Entity relationships: The audit committee is a trusted, independent partner.	
<p>5.1 There are regular meetings to build and maintain effective relationships:</p> <ul style="list-style-type: none"> • The audit committee Chair regularly meets with the accountable authority. • The accountable authority sees the audit committee as a strategic partner and communicates with the Chair openly. • The accountable authority shares important information about issues or risks openly with the audit committee, and meets with the committee at least annually. <p>5.2 The committee obtains information from executive management:</p> <ul style="list-style-type: none"> • The audit committee receives regular briefings from executive management on key matters related to their operations. For example, information on significant projects, long outstanding audit recommendations or emerging risks. • Senior management use the collective experience and wisdom of the audit committee to guide their actions on important matters. 	<p>5.3 The committee uses expert advice where necessary:</p> <ul style="list-style-type: none"> • The audit committee accesses external expert advice when needed to support their deliberations. For example, the audit committee may wish to obtain independent legal advice to help them understand a significant issue raised in an internal audit report. <p>5.4 Entity staff are aware of the audit committee and internal audit:</p> <ul style="list-style-type: none"> • Information on the audit committee's role, functions and responsibilities, as well as the services offered by internal audit, is available on the entity's intranet. • The induction process for senior executives includes a meeting with the CAE and the Chair of the audit committee.

6. Governance and reporting: The audit committee is governed effectively to enable transparent, objective and timely reporting.	
<p>6.1 There are dedicated secretariat resources:</p> <ul style="list-style-type: none"> • The committee has sufficient secretariat support to plan and document meetings. • The CAE oversees the secretariat in preparing agendas, meeting papers and reviewing minutes and discusses these with the Chair for approval. <p>6.2 The committee maintains independence safeguards:</p> <ul style="list-style-type: none"> • The audit committee always acts to protect the independence of the internal audit function and the CAE. <p>6.3 Conflict of interest procedures are adhered to:</p> <ul style="list-style-type: none"> • Members declare all actual, perceived and potential conflicts of interest at the start of each meeting. • Other conflict of interest processes, such as annual declarations, are adhered to and monitored by the audit committee and CAE. 	<p>6.4 Audit recommendations are recorded and monitored:</p> <ul style="list-style-type: none"> • A log of outstanding audit recommendations is prepared for each audit committee meeting. This log should include the recommendations from all internal, financial and performance audits conducted within the entity. • Agreed actions to address the recommendations are clearly articulated and reported accurately to the audit committee in the log. • Internal audit has a framework to review and close-out audit recommendations that suits the entity's needs. This framework should be approved by the audit committee. • Audit committee members monitor the implementation of recommendations and challenge management to ensure that actions are actually implemented. <p>6.5 The accountable authority is adequately briefed:</p> <ul style="list-style-type: none"> • The audit committee, with the assistance of the CAE, provides a briefing to the accountable authority after each meeting on key issues or risks. <p>6.6 The Audit committee regularly reports on its performance:</p> <ul style="list-style-type: none"> • The entity's annual report includes information about the audit committee and outcomes delivered during the period.

Part 4: Guidance for audit committee fees

The appointment of independent audit committee members, who are external to the entity, will raise consideration of whether they are entitled to be reimbursed for their services.

There is some guidance in the *Premier's Circular 2019/07 - State Government Boards and Committees* regarding the payment of fees to committee members. Generally, fees cannot be paid to people who are full time State, Commonwealth and local government employees, Members of Parliament, current and retired judicial officers (except Magistrates) and current non-academic employees of public academic institutions. Entities should be aware of the requirements of this circular, and other legislation and regulations, when determining whether a fee can be paid to an external member.

Guidance for determining fees

Any fees paid to external audit committee members should reflect their role on the committee and associated responsibilities and expertise. For example, the audit committee Chair may need a different level of remuneration to other external members as they perform additional duties, such as having regular discussions with key governance parties, including the CAE and accountable authority.

Some items which entities may wish to reimburse members for include:

- meeting attendance and preparation time (this could be a fixed amount per meeting or an hourly rate)
- travelling expenses
- accommodation expenses.

When determining fees paid to external members, the entity and the member need to clearly agree on the hourly rates, generally with an upper limit of the amount of hours required to perform their duties, or a fixed annual fee, and the extent of reimbursements allowed. Entities should clearly document these arrangements in a services agreement. TI 1201 includes a template services agreement for engaging an independent external Chair. The template includes set terms and conditions relating to payment of fees. While this is not compulsory, entities should consider using it to help develop service agreements.

State entities can use the Common Use Agreement on Audit and Financial Advisory Services as a guide or benchmark for remuneration.

Entities should ensure that they comply with relevant procurement policies or requirements when obtaining external members.

Part 5: Guidance for smaller entities

We recognise that it is difficult for smaller entities, particularly those located in regional or remote locations, to establish audit committees that meet all of the better practice principles outlined in this guide. However, the risks to good governance remain very real in these entities too. This section provides guidance for smaller entities to help them improve the effectiveness of their audit committee.

Financial risk expertise is essential

While the functions of the audit committee are diverse, overseeing financial and performance reporting processes, and their associated internal controls, are incredibly important. Audit committees can help to prevent fraud by:

- understanding and challenging management about the accounting treatments, judgements and estimates used to prepare financial statements
- engaging with the OAG and management about deficiencies in internal controls and the actions needed to remediate these.

To do this effectively, at least one audit committee member needs to have an understanding of financial reporting and accounting standards, and the role of internal and external audit.

When trying to find members with financial reporting experience, smaller entities may wish to consider sharing resources with similarly sized entities. For example, a local government entity could consider the suitability of an accountant from a neighbouring shire as an independent audit committee member, or a suitably experienced person from a larger local government entity could be an audit committee member if they can perform their role remotely.

Smaller size does not mean smaller risk

Smaller entities are often exposed to unique inherent risks such as limited segregation of duties and potential conflicts of interest issues associated with a limited number of suppliers in regional areas. Not managing these risks properly can increase the risk of fraud or error.

The meeting agenda and annual work plan templates, provide additional guidance on the matters which should be considered in audit committee meetings. These templates are included in the toolkit.

Audit committees need to be aware of these risks and ensure that there is independent oversight of the processes to manage them. For example, regular internal audits on procurement which look at the processes for managing conflicts of interest can help provide assurance to the committee. In addition, risk management training for audit committee members can help them understand and assess risks relevant to smaller entities.

Sharing resources may help bridge gaps

Smaller entities, who deliver similar services to the community, may benefit from sharing resources to help build the capability of their internal audit function and audit committee. This could be achieved by using a shared internal audit service. State government entities have the option to consider sharing their audit committee with another entity, provided that committee members have a sound understanding of both entities' operations, culture and goals and devote adequate time to oversee each entity.

Roles and responsibilities must be clearly communicated during induction

The audit committee may include members with varied experience that bring valuable insights to entities. However, there is a chance that members may not have any previous

audit committee experience. This means that having an effective induction process, which clearly explains roles, responsibilities and expectations is vital. Smaller entities may wish to consider additional training or guidance to help them understand their important role.

To assist smaller entities with their induction processes, we have included an induction checklist in the Toolkit.

Getting the most from the fourth line of defence

Smaller entities should use information and guidance from external sources, such as the OAG, parliamentary committees, Public Sector Commission and Corruption and Crime Commission as much as possible to assess their systems of risk management and internal controls. For example, information from OAG audit reports can help entities understand common risks in the sector, and frequently contain better practice guidance which smaller entities can self-assess against.

External auditors can provide valuable perspective

The OAG, and their contracted auditors are independent, and can provide information on whether controls are operating effectively. To facilitate good discussions between the OAG, management and the audit committee, it is essential that all parties discuss issues openly and frankly. For example, local government entities may wish to consider suspending standing orders at audit entrance and exit meetings to allow the audit committee, management and the auditors to have robust discussions.

Seeking independent assurance when one person performs many roles

Smaller entities may have one person (such as the CEO or executive manager of corporate services) responsible for multiple functions such as risk management, compliance and internal audit. This can create a self-review risk, if they are being asked to report on the effectiveness of all of these processes to the audit committee.

Audit committees need to be aware of these risks and put strategies in place to provide a level of independent assurance about these important functions.

Audit recommendations need prompt action

Smaller size entities have fewer staff and this may make it more difficult to resolve audit recommendations quickly. Given the inherent risks associated with smaller entities mentioned above, it is vital that the audit committee insists that control deficiencies, particularly those that could result in the misappropriation of assets, are prioritised and actioned and documented promptly.

Audit committees need good support

Timely and succinct reporting is important to demonstrate that the audit committee is accountable for its governance role. This means that it is important that minutes of meetings and any action items, or requests for further information are actioned and documented promptly.

Part 6: Toolkit

The toolkit contains a number of templates that public sector entities may find useful to help establish and maintain an effective audit committee. The templates help to promote the better practice principles included in the guide and are designed to be easily tailored to meet the entity's specific circumstances.

Entities should take care to modify the tools to reflect their legal or regulatory requirements. For example, local government entities will need to adapt these templates to address the specific requirements of the *Local Government Act 1995* and relevant regulations.

These tools may be updated from time to time. Please check our website for the latest version.

List of tools

- 1 Example audit committee charter
- 2 Audit committee member induction checklist
- 3 Meeting preparation checklist
- 4 Meeting agenda template
- 5 Characteristics of effective meetings
- 6 Annual work plan template
- 7 Audit recommendations progress report template
- 8 Review of the OAG audit reports template

Tool 1 Example audit committee charter

The following example is designed to assist accountable authorities and audit committees develop an audit committee charter that reflects our better practice principles.

Source: OAG using information from the Institute of Internal Auditors Australia and Australian National Audit Office

ENTITY NAME

AUDIT [AND RISK ASSURANCE⁶] COMMITTEE CHARTER

Role

The accountable authority has established the audit committee under [\[Insert the related legislative/regulatory reference\]](#).

The audit committee assists the accountable authority in fulfilling their oversight responsibilities in relation to systems of risk management and internal control, the entity's processes for monitoring compliance with laws and regulations, including the code of conduct, financial and performance reporting and external and internal audit. The audit committee is not responsible for the management of these functions.

The audit committee will engage with management in a constructive and professional manner to perform its oversight responsibilities. The Chair of the audit committee is responsible to, and reports to the accountable authority.

Members of the audit committee are expected to:

- understand the legal and regulatory obligations of the accountable authority for governing the entity
- understand the [department's/statutory authority's/council's](#) governance arrangements that support achievement of the [department's/statutory authority's/council's](#) strategies and objectives
- exercise due care, diligence and skill when performing their duties
- adhere to the entities code of conduct and the code of ethics of any professional body which they are a member of
- help to set the right tone in the entity by demonstrating behaviours which reflect the entity's desired culture
- be aware of contemporary and relevant issues impacting the public sector
- only use information provided to the audit committee to carry out their responsibilities, unless expressly agreed by the accountable authority.

To help support the audit committee's role in overseeing the internal audit function, the Chief Audit Executive will functionally report to the audit committee.

The audit committee will prepare an annual work plan that outlines when it will perform key activities, in consultation with the accountable authority.

⁶ Most public sector entities do not have a separate sub-committee for overseeing risk management in the entity. It is therefore common for the audit committee to take on this role.

Authority

The accountable authority authorises the audit committee, in accordance with this Charter, to:

- obtain any information it requires from any official or external party (subject to any legal obligation to protect information)
- discuss any matters with the internal auditors, Office of the Auditor General (OAG), or other external parties (subject to confidentiality considerations)
- request the attendance of any official, including the accountable authority, at audit committee meetings
- obtain legal or other professional advice when necessary to fulfil its role, at the entity's expense, subject to approval by the accountable authority or delegate
- provide advice to the accountable authority on the appointment and replacement of the chief audit executive of the [department/statutory authority/council](#).

The audit committee may undertake other activities as requested by the accountable authority.

Membership

The audit committee comprises [\[insert number/up to\]](#) members of whom [\[insert number/at least\]](#) must be independent, appointed by the accountable authority. The committee will be led by an independent Chair, appointed by the accountable authority. The Chair will be appointed for an initial period of [\[insert number of years\]](#) and may be extended or reappointed for further periods as determined by the accountable authority.

Audit committee members will be appointed for an initial period of [\[insert number of years\]](#) as determined by the accountable authority.

The accountable authority will review the membership of the committee every [\[insert number of years\]](#) to ensure that there is an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience. The accountable authority may choose to re-appoint members based on their ability to contribute to the work of the audit committee. However, the total length of time a member can sit on the committee will not exceed [\[insert number of years\]](#).

The accountable authority may remove an audit committee member at any time before their term expires, or a member may resign.

Audit committee members will collectively have a broad range of skills and experience relevant to the operations of the [department/statutory authority/council](#). At least one member of the audit committee will have accounting or related financial management experience, with an understanding of accounting and auditing requirements in the public sector. To support the skills and experience of committee members, the committee will implement an induction and training program for new members.

The audit committee may invite the accountable authority, chief executive officer, chief financial officer, chief information officer, chief audit executive, or other management representatives to present information and participate in the meeting. An officer from the OAG will be invited to attend audit committee meetings as an observer.

The audit committee will be administratively supported by a secretary who is appointed by management.

Responsibilities

The audit committee will be responsible for the following:

The following part of the model charter provides an extensive list of many functions that the audit committee can perform. It is not intended that entities copy all of the functions in these lists. Instead, the accountable authority should review and modify the functions to suit the entity. It is important that the accountability authority and the audit committee agree on these functions.

Risk management, fraud and internal control

The audit committee oversees the entity's system of risk management and internal controls. Its responsibilities include, but are not limited to:

- providing oversight on significant risk exposures and control issues, including fraud risks, governance issues and other matters as necessary or requested by senior management and the accountable authority
- considering the impact of [department's/statutory authority's/council's](#) culture on risk management and internal controls
- annually reviewing the [department's/statutory authority's/council's](#) assurance map to ensure that risk and control activities are coordinated, communicated and managed effectively
- annually reviewing the [department's/statutory authority's/council's](#) risk management framework
- monitoring changes in government strategies, the economic and business environment and other trends and factors related to the [department/statutory authority/council's](#) risk profile. This includes meeting periodically with key management, internal auditors, the OAG, and compliance staff, to understand and discuss the impact of these changes or trends on the risk profile
- reviewing whether the [department/statutory authority/council](#) has an effective risk management framework, and, based on knowledge and understanding of the entity's risks, that material business risks are appropriately reflected in the risk profile and reported to the accountable authority
- reviewing and assessing the effectiveness of processes for identifying, managing, treating and mitigating the [department/statutory authority/council's](#) risks and ensuring that remaining risks align with the entity's risk appetite. The committee should prioritise risks involving:
 - significant business risks, including environmental and occupational health and safety risks
 - potential non-compliance with laws, regulations and standards
 - fraud and theft
 - litigation and claims.
- considering the adequacy and effectiveness of internal controls and the risk management framework by:
 - reviewing reports from management, internal audit, consultants, regulators and the OAG

- ensuring risk registers consider risks that may impact whether the entity will achieve its strategic objectives
- reviewing management's response to IT risks, including cyber risks
- monitoring management responses and ensuring timely correction actions are taken by management
- understanding the process of managing insurable risks and assessing whether the [department/statutory authority/council](#) has adequate insurance cover for these risks
- assessing the effectiveness of, and compliance with, the entity's code of conduct
- assessing whether management has controls in place for non-routine types of transactions and/or any potential transactions that might carry an unacceptable degree of risk
- enquiring with management and the OAG regarding their assessment of the risk of material misstatement in the financial report due to fraud
- enquiring with management, internal auditors and the OAG about whether they are aware of any actual, suspected or alleged fraud or corruption affecting the [department/statutory authority/council](#) including the entity's response to the matters
- reviewing the [department/statutory authority/council's](#) processes and systems to detect, capture and respond to fraud risks, including preventative measures
- reviewing the business continuity planning process and be assured that material risks are identified and appropriate business continuity plans, including disaster recovery plans, are in place.
- reviewing summary reports from management on all suspected, alleged and actual frauds, thefts and breaches of laws and ensuring these are reported to the accountable authority and/or relevant authorities
- reviewing summary reports from management on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions
- liaising with other subcommittees on matters relating to risk management, fraud and internal control
- [\[for entities who use a shared service arrangement\]](#) reviewing comfort letters and other assurance reports regarding the effectiveness of controls managed by shared service providers on behalf of the entity.

Internal audit

The audit committee is responsible for guiding and overseeing the activities, resources and structure of the internal audit function. The audit committee's responsibilities include, but are not limited to:

- annually reviewing internal audit's mission, resources and budget and protecting internal audit's independence from management
- reviewing the internal audit structure, composition, skills and experience, service delivery model, independence and access to the [accountable authority/board of directors](#)

- advising the accountable authority on the appointment and replacement of the chief audit executive
- advising the accountable authority on the adequacy of internal audit resources or budget to perform the approved internal audit plan
- ensuring that the internal audit function, through the chief audit executive, has a direct reporting relationship with the audit committee and accountable authority (functional reporting relationship) and has access to all levels of management needed to perform their duties
- monitoring internal audit's participation in non-assurance roles to assess whether it impacts their independence or interferes with the delivery of the internal audit program
- assessing the internal audit plan to ensure that it comprehensively covers material business risks that may threaten the achievement of strategic objectives and allows internal audit to assess culture
- reviewing and recommending the approval of the internal audit plan and work program by the accountable authority
- communicating the audit committee's expectations to the chief audit executive in writing through the internal audit charter
- reviewing the internal audit charter annually for the accountable authority's approval
- reviewing the quality and timeliness of internal audit reports
- considering the implications of internal audit findings on the business, its risks and controls
- monitoring management's implementation of internal audit recommendations
- monitoring the progress of the internal audit plan and work program
- monitoring the quality of internal audit services delivered and compliance with the Institute of Internal Auditors' International Professional Practices Framework
- overseeing the coordination of planned activities between the 4 lines of defence
- reviewing the annual report from the chief audit executive or the internal audit service provider on the overall state of the [department/statutory authority/council's](#) internal controls
- ensuring that internal audit has complete and timely access to all accounts, information, documents and records of the entity as needed to effectively perform their duties. This also includes discussing whether management was cooperative and provided timely responses to internal audit requests
- meeting privately with the chief audit executive at least once per year.

Compliance and ethics

The audit committee oversees the [department/statutory authority/council's](#) processes to ensure compliance with relevant laws and regulations and for promoting a strong governance culture within the entity. This includes, but is not limited to:

- understanding the [department/statutory authority/council's](#) compliance framework including its obligations, the officers responsible for compliance activities and management oversight and review of these processes

- considering the impact of [department/statutory authority/council's](#) culture on compliance processes
- overseeing compliance by reviewing arrangements that monitor the impact of changes in key laws, regulations, internal policies and accounting standards affecting the [department/statutory authority/council's](#) operations
- reviewing management's investigation of non-compliance matters and obtaining assurance from management that appropriate follow-up action was taken
- obtaining updates from management on matters of compliance and ethical matters that may have material impact on the [department/statutory authority/council's](#) financial statements, strategy, operations, health and safety or reputation
- reviewing and monitoring related party transactions and conflicts of interest
- enquiring with management, internal audit and the OAG on their assessment of the compliance culture, the risk of non-compliance, or whether they have any knowledge of any actual, suspected or alleged non-compliance affecting the entity
- overseeing complaints management and whistleblowing policies to ensure that they are recorded and actioned effectively
- reviewing the [department's/statutory authority's/council's](#) processes for communicating, and assessing the effectiveness of, the entity's code of conduct
- meeting with management to discuss regulatory compliance matters the [department/statutory authority/council](#) has considered in the preparation of the financial statements, such as compliance with accounting standards.

Financial and performance reporting

The audit committee oversees the integrity of financial and performance reporting processes within the entity. The committee's responsibilities include:

- reviewing the financial statements and providing advice to the accountable authority about whether they should be signed by the accountable authority. The review includes assessing:
 - whether the financial statements are consistent with the knowledge of the audit committee members
 - whether the financial statements comply with [\[Insert the related legislative/regulatory reference\]](#)
 - whether the financial statements accurately reflects the entity's financial position and performance, and if not, whether additional disclosures are required
 - the appropriateness of accounting policies and disclosures, including changes to accounting policies
 - areas of significant judgement, estimation and significant or non-routine transactions
 - whether appropriate management action has been taken in response to any issues raised by the OAG, including financial statement adjustments or revised disclosures
 - the quality of the entity's processes for preparing the financial statements, including how management has checked that they comply with relevant requirements

- significant issues, errors or discrepancies in the draft financial statements and ensuring members understand the reasons why these occurred
- the representation letter to be provided to the OAG to confirm that the assertions, including any immaterial errors collated during the audit, are appropriate.
- acting as a forum for communication between management and the OAG
- reviewing the entity's process to ensure the financial information included in the annual report is consistent with the audited financial statements
- [For State government entities only] reviewing the entity's systems and procedures for assessing and reporting on the [department's/statutory authority's](#) performance through key performance indicators. This includes determining whether:
 - the key performance indicators are relevant and appropriate to assess the entity's performance and take into account guidance issued by the Department of Treasury
 - the [department/statutory authority](#) has sound processes and controls for measuring and reporting on key performance indicators in its annual report
 - the key performance indicators are consistent with the entity's financial information, including its financial statements, that it proposes to include in its annual report
 - there are reasonable disclosures to explain why there is a significant variation in performance.

External audit

The audit committee is responsible for communicating and liaising with the OAG. This includes understanding the results of financial and performance audits conducted within the entity and overseeing whether recommendations are implemented by management. The committee's responsibilities include, but are not limited to:

- meeting with the OAG to discuss the audit plan (audit entrance meeting) and the results of the financial audit (audit exit meeting)
- discussing with the OAG any significant resolved or unresolved disagreements with management
- monitoring and critiquing management's response to OAG findings and recommendations
- reviewing reports from the OAG including auditor's reports, closing reports and management letters
- reviewing all representation letters signed by management to assess whether the information appears complete and appropriate
- meeting with the OAG at least once per year without management presence. At this meeting, the committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses
- reviewing performance audits conducted at the entity and ensuring that agreed recommendations are implemented
- monitoring the relationship between internal auditors and the OAG

- reviewing results of relevant OAG audit reports and better practice publications for guidance on good practices, including any self-assessment by management
- reviewing the form and content of the proposed auditor's report on the entity's financial and performance report. This may include any proposed modification, emphasis of matter, key audit matters, other matters and uncorrected misstatements in other information.

Other responsibilities

Perform other activities related to the role of this charter as requested by the accountable authority.

Administrative responsibilities

Meetings

The audit committee will meet at least 4 times a year or more frequently as necessary, depending on the size and complexity of the entity.

The Chair is required to call a meeting if asked to do so by the accountable authority. If a meeting is requested by another audit committee member, OAG or chief audit executive, the Chair will decide whether the meeting is necessary.

The Chair will oversee the planning and conduct of meetings including the approval of the agenda and draft minutes, and reporting to the accountable authority.

A quorum will consist of a majority of committee members. Where there is more than 1 external member on the audit committee, a quorum will include at least 1 external member. The quorum must be in place at all times during the meeting.

Secretariat

The accountable authority, in consultation with the audit committee, will formally appoint an officer to provide secretariat services to the committee. The secretariat will provide services as required by the audit committee that includes:

- preparing a meeting agenda for each meeting that is approved by the Chair
- circulating the meeting agenda and supporting papers at least 1 week before the meeting
- preparing minutes of the meetings and circulating them no later than 2 weeks after the meeting
- maintaining final meeting papers and minutes in accordance with the recordkeeping requirements of the [department/statutory authority/council](#).

Independence and conflicts of interest

The audit committee must be independent from management of the [department/statutory authority/council](#). Once a year, audit committee members will provide written declarations of any actual or perceived conflicts of interest to the accountable authority.

External members should consider past employment, consultancy arrangements and related party issues when making these declarations to the accountable authority. In consultation with the Chair, the accountable authority should be satisfied that there are sufficient processes in place to manage any actual, perceived or potential conflicts of interest.

At the start of each audit committee meeting, members are required to declare any personal interests that may apply to specific matters on the meeting agenda. The Chair, in consultation with the accountable authority where appropriate, is responsible for deciding if the members should excuse themselves from the meeting or from the audit committee's consideration of the relevant agenda item(s).

Details of any personal interests declared by the Chair and other audit committee members, and actions taken to manage the conflicts, should be appropriately recorded in the meeting minutes and the [department/statutory authority/council](#) register of conflicts of interest in accordance with its policy.

Audit committee performance assessment arrangements

The Chair of the audit committee, in consultation with the accountable authority, will review the performance of the audit committee annually, together with the annual review of this charter.

The review is performed using the approved assessment tool with appropriate input from the accountable authority, committee members, senior management, chief audit executive, and any other relevant stakeholders.

The Chair will provide advice to the accountable authority on the members' performance, particularly for external members, or members where an extension of tenure is being considered.

The Chair will always consider the costs and benefits of the activities that the audit committee performs.

Reporting

The audit committee will, as often as necessary, and at least once a year, report to the accountable authority on its operations and activities during the year and confirm to the accountable authority that all functions outlined in this charter have been satisfactorily addressed.

The audit committee may at any time, report to the accountable authority on any other matters it deems to be sufficiently important. In addition, any individual audit committee members may request a meeting with the accountable authority at any time.

Review of charter

The audit committee will ensure that this charter complies with relevant legislative and regulatory requirements and will propose amendments when necessary to ensure that it accurately reflects the committee's current role and responsibilities.

The audit committee will review this charter once a year and more frequently if required. The review will include consultation with the accountable authority. Any substantive changes to the charter will be recommended by the audit committee and formally approved by the accountable authority.

Endorsed:

Audit committee Chair

[\[Signature\]](#)

[\[Date\]](#)

Approved:

Accountable Authority

[\[Signature\]](#)

[\[Date\]](#)

Tool 2 Audit committee member induction checklist

This checklist includes a list of activities the Chief Audit Executive can use for inducing new audit committee members.

Source: OAG using information from the Institute of Internal Auditors Australia

Activity	Completed
Authority, composition and meetings	
Meet with all members of executive management.	
Read and understand the audit committee and internal audit charters.	
Read audit committee minutes for the last 3 years.	
External reporting	
Read and understand the entity's summary of significant accounting policies and significant judgements made in preparing the financial statements.	
Read and understand management's summary of processes for monitoring compliance with laws, regulations and other requirements.	
Read and understand the entity's processes for reporting to regulatory or oversight bodies (if any).	
Read and understand the entity's main corporate governance practices reported in its annual report for the last 3 years.	
Read the financial reports and any associated non-financial disclosures for the past 3 years.	
External audit	
Meet with the senior members of the OAG financial audit team.	
Read and understand the OAG's findings and recommendations, and management's response, for the last 3 years. This includes performance audits conducted at the entity.	
Internal audit	
Meet with the Chief Audit Executive (head of internal audit) and key audit team members (in-house, or outsourced firm partners and managers).	
Read and understand internal audit's mission, including its resources and budget structure.	
Read and understand the internal audit plan for the last 3 years.	
Understand the audit committee's expectations of the Chief Audit Executive.	
Read and understand all internal audit's findings and recommendations which remain unresolved.	

Activity	Completed
Read a sample of audit reports prepared by the internal audit area during the last 3 years.	
Read and understand the process the entity has in place for monitoring and assessing the effectiveness of the internal audit function.	
Read and understand the process for coordinating the planned activities of internal audit and the OAG, and risk and compliance management.	
System of internal control and risk management	
Meet with the Chief Risk Officer.	
Read and understand the risk management framework, assurance mapping and strategic plan.	
Meet with the Chief Information Officer to discuss information security processes and controls.	
Read and understand information related to the entity's identified tolerance for risk.	
Read and understand entity processes for identifying and managing material risks including business, financial, legal and compliance risks.	
Read summary reports from management on all suspected, alleged and actual frauds, thefts and material breaches of laws for the last 3 years.	
Compliance and ethics	
Read and understand the entity's processes for managing complaints and whistleblowing.	
Read significant issues, independent investigations and disciplinary action as reported to the accountable authority in the last 3 years.	
Attend a briefing or training on public sector probity and accountability requirements, including ethical considerations.	
Fraud	
Read and understand the entity's fraud prevention and detection framework and monitor suspected, alleged and actual instances of fraud.	
Read any instances of fraud reported during the last 3 years.	
Related-party transactions	
Read and understand processes for related-party transactions.	
Read related-party transaction reporting for the last 3 years.	
Governance framework	
Read and understand the governance framework and charter of the entity's other committees.	
Read and understand the organisational structure.	
Read and understand the entity's delegation schedule/register.	

Tool 3 Meeting preparation checklist

This checklist is to assist the secretariat in planning audit committee meetings. It's important to plan the date for each activity, working backwards from the meeting date, to ensure timely distribution of meeting papers to members and attendees.

Source: Australian National Audit Office

[Entity's name] Audit committee meeting

Meeting preparation checklist

Meeting Date: [insert date]

Audit Committee meeting	Planned Date	Completed Date
Members and observers' attendance confirmed.		
Room and required equipment booked (including 'members only' session).		
Chair and Chief Audit Executive discuss draft agenda based on committee work program and priority risks and issues		
Draft agenda circulated to Chair and members.		
Agenda confirmed with Chair		
Required papers collated. This includes, as appropriate:		
• list of attendees and apologies		
• minutes of previous meeting for review and confirmation		
• updated audit committee action item list with the status of actions arising from the previous meeting minutes		
• relevant information/papers from management		
• reports from internal audit		
• status report on implementation of previous internal and external audit, consultant and regulator report recommendations		
• reports from the OAG		
• compliance audit return (for local government entities)		
• report from the Chief Executive Officer under Regulation 17 of the Local Government (Audit) Regulations 1996 (local government entities)		
• reports prepared under section 7.12A of the <i>Local Government Act 1995</i> (local government entities)		
• other papers/information as reflected in the audit committee annual work plan.		
All papers marked with appropriate security classification.		

Audit Committee meeting	Planned Date	Completed Date
Agenda and papers distributed to members and attendees at least 7 days prior to meeting.		
Draft minutes prepared and circulated to members within 14 days of meeting.		
Revised minutes, reflecting changes made by committee members, sent out for final review.		

Tool 4 Meeting agenda template

This tool provides an example agenda for an audit committee meeting. The agenda should be based on the committee's annual work program, with flexibility for additional emerging risks and issues.

Source: OAG

[Entity's Letterhead]

[Entity's name] Audit Committee Meeting

[Date and time]

[Venue]

Attendees

Name	Role / Position
Committee members:	
1. [List attendees and apologies – include name, state if Chair or secretary and if external or internal member]	
Observers	
2. [List attendees and apologies – include name and position]	
Apologies	
3. [List attendees and apologies – include name and position]	

Agenda	Owner (Insert name)	Action (Noting, Discussion, Approval)
1. Welcome and apologies		
2. Confirmation of minutes		
3. Declaration of conflicts of interest by audit committee members and observers		
4. Issues brought forward from previous meeting		
5. Action items from previous meeting		
6. Reports to be tabled (refer to annual work plan) <ul style="list-style-type: none"> • Risk management • Internal control • Internal audit • Compliance • Financial reporting • Performance reporting • External audit 		

Agenda		Owner (Insert name)	Action (Noting, Discussion, Approval)
	• [name other items].		
7.	Status of recommendations from internal audit, OAG and consultant or regulator reports		
8.	Review of audit committee charter (annual item)		
9.	Assessment of audit committee performance (annual item)		
10.	Review of annual work plan (to identify issues and prepare for next meeting)		
11.	Other business		
12.	Next meeting		
13.	Meeting close		

Tool 5 Characteristics of effective meetings

This tool contains guidance on how to conduct an effective meeting. Audit committees can use this guidance to assess how well the meeting was run.

Source: OAG

Characteristics of an effective meeting include a combination of the following:

Pre-meeting

- the audit committee Chair discusses key issues with the chief audit executive and approves the agenda before it is issued and members agree on key discussion points for each agenda item at the beginning of each meeting ('starring' of key items)
- meeting papers are presented in an agreed form and provided to audit committee members at least 1 week prior to the meeting. Meeting papers may need to be distributed to members earlier when there are complex matters to be discussed or approved
- each member is briefed before each meeting by the audit committee secretariat on major issues
- agenda items clearly indicate what action is required from the audit committee members, such as discussion, noting, endorsement, approval, presentation. This ensures that audit committee members know what is required at the meeting
- the Chair and Chief Audit Executive meet before each meeting to discuss the agenda and any priority issues they wish to discuss with management.

Meeting

- the audit committee meets privately before each meeting to discuss issues without management and other observers present
- meetings facilitate open and robust discussions
- all members are responsible for effective meetings and raising continuous improvement opportunities to the Chair, when identified
- meetings are not used to edit documents received by the committee for approval or endorsement. Minor edits should be provided to the Secretariat before or after the meeting
- at the start of each meeting, members declare any actual, potential or perceived conflicts of interest that they have with any agenda item
- any private meetings (i.e. with internal auditors or the OAG) should be held at the start or end of the meeting
- all audit committee members have read, and engaged with the meeting papers prior to the meeting
- important or contentious agenda items are first on the agenda to ensure that they are addressed in the meeting
- members reflect on what went well, or what needs improvement.

Tool 6 Annual work plan template

The following tool is an example of an annual work plan for audit committees to help schedule activities across the year. A minimum of four meetings per annum is recommended, often with a fifth focussed meeting for the financial statements.

Source: OAG using information from the Australian National Audit Office

[Entity Name] Audit Committee Annual Work Plan 202X- 202X⁷,

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
1. Governance arrangements					
If required by the accountable authority, review the entity's governance arrangements or elements of the arrangements and suggest improvements where appropriate.		X			
Ensure that appropriate mechanisms are in place to review and implement relevant parliamentary committee reports, external reviews and evaluations of the entity, and recommendations arising from these reports and reviews.	X				
2. Risk management					
Review the risk management framework, risk register and fraud and corruption control plans to see that the risks represent and address the current environment and strategic direction of the entity, and meet legislative compliance and better practice principles.	X				
Consider the findings of the entity's occupational work health and safety reviews and enquire of management the arrangements to address these.				X	
Consider emerging risks and current issues arising from major projects.	X	X		X	X
Determine whether the entity has a sound and effective approach for business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically reviewed and tested.					X
Review reports on fraud that outline any identified allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk.	X	X	X	X	X

⁷ The marking of 'X' is an example only.

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
3. System of internal control					
Review management's approach to maintaining an effective system of internal control. This should include internal controls in relation to functions performed by external parties such as shared services providers, contractors and advisers.	X				
Obtain management assurances on the adequacy of internal controls and compliance by staff.		X			
Review advice from work areas e.g. human resources, finance and information technology on incidents where there was a breakdown in internal controls. Consider standing reports from CFO, CIO and HR on key risks, issues and incidents at each meeting except the financial statement meeting.	X				X
Consider how findings in internal audit and OAG audit reports impact on the entity's internal controls.		X	X		
Satisfy itself that management periodically assesses the adequacy of information security arrangements.		X			
Review whether appropriate policies and procedures are in place for the management and exercise of delegations.		X			
Review the assurance map.	X				X
Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.	X				
4. Compliance and ethics					
Review the effectiveness of processes to monitor compliance with relevant laws and regulations.	X				X
5. Internal audit					
Review the proposed internal audit plan for the next financial year, ensuring the coverage is aligned with key risks and recommend approval of the internal audit plan by the accountable authority.		X			
Review progress of the internal audit plan.	X	X		X	X
Review internal audit reports and provide advice to the accountable authority on significant issues identified and actions required.	X	X	X	X	X
Review the implementation status of internal audit recommendations.	X	X	X	X	X

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
Review the <i>Internal Audit Charter</i> to ensure appropriate authority, access and reporting arrangements are in place.	X				
Review the performance of internal audit.				X	
Advise the accountable authority on the adequacy of internal audit resources and budget to carry out responsibilities, including completion of the audit work plan.	X				
Meet privately with the Chief Audit Executive.	X				
Provide advice to the accountable authority on the appointment of internal audit service providers (if applicable).		X			
6. Financial reporting					
Receive advice on changes in accounting standards, legislation, and regulations.	X	X		X	X
Review progress in preparing the financial statements against the preparation plan/timetable.	X	X			
Review briefing from management on significant emerging issues, judgements and estimates impacting the financial statements. Review accounting policy papers on key matters prior to management's provision to OAG.		X			X
Review financial management reports, where required.	X		X		X
Review of financial statements including:			X		
<ul style="list-style-type: none"> consistency with members' understanding and knowledge of the entity 			X		
<ul style="list-style-type: none"> review compliance with accounting standards, <i>Financial Management Act 2006</i>, <i>Treasurer's Instructions</i>, <i>Local Government Act 1995</i> and relevant regulations 			X		
<ul style="list-style-type: none"> review the appropriateness of accounting policies including any significant changes in policies 			X		
<ul style="list-style-type: none"> review areas subject to significant judgement and/or estimates 			X		
<ul style="list-style-type: none"> review significant or non-routine transactions 			X		
<ul style="list-style-type: none"> review the CFO certification in relation to the quality of the financial statements, internal controls and compliance (State government entities) 			X		

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
• review draft management representation letter			X		
• review whether management has addressed issues raised by the OAG including financial statement adjustments or revised disclosures	X	X	X	X	X
• discuss the adequacy of the entity's accounting policies and quality of processes for preparing the financial statements with the OAG			X		
• draft the advice to the accountable authority recommending the signing of the financial statements and management representation letter.			X		
Discuss lessons learned from the current year financial statement process and the proposed strategy and timetable for next year.					X
Review the processes for ensuring that financial information included in the annual report is consistent with the audited financial statements.			X		
7. Performance reporting (mainly State government entities)					
Review systems and procedures for developing, measuring and reporting the entity's key performance indicators.		X	X		
Review the key performance indicator results and associated disclosures to ensure they are reasonable, clearly disclosed and consistent with financial and other information about the entity's performance.			X		
Review whether key performance indicators are consistent with members' understanding and knowledge of the entity.					
Ensure that there are adequate documentation and records to support the measurement of key performance indicators.		X	X		
8. External audit (OAG)					
Discuss OAG audit planning summary for financial audits.	X				
Receive OAG updates on issues arising from financial or performance audits.	X	X	X	X	X
Review the OAG interim management letter for the financial audit and assess the appropriateness of management's responses to recommendations.			X		
Discuss OAG exit brief and final management letter for				X	

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
the financial audit and assess the appropriateness of management's responses to recommendations.					
Review the status of implementation of OAG financial and performance audit recommendations.	X	X	X	X	X
Review form and content of the OAG draft audit report.			X		
Satisfy itself that the appropriate mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.	X				
Meet annually with OAG without management present.				X	
9. Committee operations					
Provide a report to the accountable authority on audit committee operations and activities.					X
Conduct an assessment of the performance of the audit committee and ensure that the committee complies with its charter.					X
Agree on the annual work plan; and set priority areas for the coming year.	X				
Review the audit committee charter and recommend any substantive changes to the accountable authority.	X				

Tool 7 Audit recommendations progress report template

This template is designed to assist audit committees with monitoring the implementation of recommendations from the OAG, internal audit and external reviews, including consultant and regulator reports. Audit committees should review this report at every audit committee meeting.

Source: OAG

(Name of Entity)

Objective

This report is to provide the audit committee with an update on the progress of actions taken by management to implement audit recommendations. The information is to help the audit committee monitor the timeliness of agreed actions and understand the reasons for any delay.

Source and year (Internal audit/ the OAG / other external reviewer's name)	Report date	Recommendation [record details]	Risk rating	Manager responsible	Original completion date	Revised completion date	Status	Management Comments on action taken

Tool 8 Review of OAG audit reports template

Entities can use the following template to capture information from OAG published audit reports to help self-assess their performance.

Source: OAG

Objective

This table is to inform the audit committee about audit recommendations from the OAG audits that may be relevant and beneficial for the entity to help identify risks and improvement opportunities.

Name of the audit report (include link to the report)	Finding or recommendation	Impact to the entity (describe if this applies to your entity)	Entity's existing policy, framework, procedures that manage the related risk	Action taken (describe the action taken by the entity or if no action required, provide justification)

Auditor General's reports

Report number	2019-20 reports	Date tabled
25	WA's Transition to the NDIS	18 June 2020
24	Opinion on Ministerial Notification	16 June 2020
23	Opinion on Ministerial Notification	29 May 2020
22	Regulation of Asbestos Removal	21 May 2020
21	Audit Results Report – Annual 2019 Financial Audits	12 May 2020
20	Local Government Contract Extensions and Variations and Ministerial Notice Not Required	4 May 2020
19	Control of Monies Held for Specific Purposes	30 April 2020
18	Information Systems Audit Report 2020 – State Government Entities	6 April 2020
17	Controls Over Purchasing Cards	27 March 2020
16	Audit Results Report – Annual 2018-19 Financial Audit of Local Government Entities	11 March 2020
15	Opinion on Ministerial Notification	28 February 2020
14	Opinion on Ministerial Notification	31 January 2020
13	Fee-setting by the Department of Primary Industries and Regional Development and Western Australia Police Force	4 December 2019
12	Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities	14 November 2019
11	Opinion on Ministerial Notification	30 October 2019
10	Working with Children Checks – Follow-up	23 October 2019
9	An Analysis of the Department of Health's Data Relating to State-Managed Adult Mental Health Services from 2013 to 2017	9 October 2019
8	Opinions on Ministerial Notifications	8 October 2019
7	Opinion on Ministerial Notification	26 September 2019
6	Opinions on Ministerial Notifications	18 September 2019
5	Fraud Prevention in Local Government	15 August 2019

Report number	2019-20 reports	Date tabled
4	Access to State-Managed Adult Mental Health Services	14 August 2019
3	Delivering Western Australia's Ambulance Services – Follow-up Audit	31 July 2019
2	Opinion on Ministerial Notification	26 July 2019
1	Opinions on Ministerial Notifications	19 July 2019

**Office of the Auditor General
Western Australia**

7th Floor Albert Facey House
469 Wellington Street, Perth

Perth BC, PO Box 8489
PERTH WA 6849

T: 08 6557 7500
F: 08 6557 7600
E: info@audit.wa.gov.au
W: www.audit.wa.gov.au

 @OAG_WA

















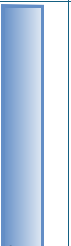

 Office of the Auditor General for
Western Australia



Audit Findings Progress Report

1 OCTOBER - 28 FEBRUARY

Internal Audit Findings Update 1 October 2024 - 28 February 2025

Ref	Issue	Risk Rating	Auditors Comments	Implication/Risk	Auditors Recommendation	Status Update (May'24)	Administration Update (May'24)	Status Update Sep'24	Update September 24	Status Update Feb'25	Update February 2025
Lease Management											
3.2.1.	Risk Management Procedures	High	From our review and inquiries we note there are currently no risk management procedures with respect to lease management.	Increased likelihood of leases being entered in to without inherent risks considered.	Risk management procedures are introduced by the Shire, including risk analysis with respect to prospective tenants.		As part of the Property Management Framework (PMF), changes were implemented in the Delegations Register and the decision-making process for new and existing lease commitments. The PMF mandates that lessees complete an Annual Health Check, which will mitigate numerous risk areas for the Shire.		A Risk Management framework is being drafted, as part of this process, the controls in place with regards to risks relating to lease management will be reviewed as part of this process.		The Risk Management Framework has been endorsed by the Audit and Risk Management Committee and Adopted by Council in December 2024. Staff are drafting an implementation plan to roll it out. As part of the roll-out staff will review the current controls in place to reduce the risk of leases being entered in to without inherent risks being considered.
Security and Emergency Procedures											
2.3.4.	Security Policy	Moderate	During our review, we identified that the Shire does not have any formal policies surrounding Security.	Security threats that arise may go unnoticed or untreated. Furthermore, employees and other key stakeholders may not know the correct response or lines of communication in relation to security threats.	A security policy is introduced by the Shire, covering at a minimum; physical; information and cyber security.		A Security policy is being drafted, noting the new Privacy and Responsible Information Sharing (PRIS) requirements.		A Security policy is being drafted, noting the new Privacy and Responsible Information Sharing (PRIS) requirements. This update has not progressed due to other organisational priorities and resource constraints		The ICT security policy has been delayed until the ICT strategy has been completed to ensure alignment with strategic goals, comprehensive coverage of critical assets, efficient resource allocation, and effective risk management. This approach also helps gain stakeholder buy-in, future-proofs the policy, ensures compliance with standards, and promotes an integrated approach to physical, information, and cyber security, leading to a more cohesive, effective, and adaptable security policy.
2.3.5	Records Management	Moderate	During our review and from discussions with management, it was noted that the Shire's centralised filing system is currently not underpinned by standard protocols, making it difficult to find key documentation. In many instances, the "task owner" will be relied upon	Time and money cost to the Shire as a result of time spent locating documentation. Furthermore, where "task owners" leave employment at the Shire, critical documentation and	•The Shire develops a set of naming principles/rules, by which critical documentation (i.e. policies/procedures, finalised agreements, compliance documents) are named and filed.		A Business Case has been completed by an external consultant outlining a Systems Improvement Plan for the Shire's Information Systems. With Electric Document Management System (EDMS) planned to be rolled out first. RFQ to be issued for a new EDMS.		The budget for the "New EDRMS Software (including email integration and tracking)" has been approved for the 2024/2025 financial year. We are currently awaiting the arrival of the new CEO to provide clarity on the project management and implementation of this significant project, which will require substantial resource allocation.		An RFQ for a new EDRMS has been sent out and applications close on 9am, 21 March 2025.
2.3.1.	Risk Register	Extreme	During review and from discussions with management we noted that an organisational wide risk register is not formally maintained by the Shire.	By not maintaining a risk register; the Shire may be unaware of risks facing the Shire, risks may not have an owner and therefore go untreated or the Shire may be underprepared for major/catastrophic risks when they do occur.	•A formal risk register is established, which at a minimum covers the following categories; financial, health, reputation, operation, environment, compliance and project. •The risk register should be reviewed on a rolling basis, with meetings held with risk owners on a		A Risk Register does exist but requires review. This review is proposed to be undertaken internally with assistance from LGIS, specifically its risk services division. Upon completion of the review, the Risk Register will be presented to the Audit and Risk Management Committee for consideration and recommendation to Council.		The ARMC workshopped the Risk Management Policy in early September. Staff have since started drafting a Risk Management Framework consisting of a framework document, overarching policy, procedures and risk register. Staff are aiming to present the draft framework to the ARMC in October for preliminary feedback.		The Risk Management Framework has been endorsed by the Audit and Risk Management Committee and Adopted by Council in December 2024. Staff are drafting an implementation plan to roll it out.
2.3.6	Remote Access	Moderate	From discussions with management, it was noted that the "Working from Home Self-Assessment Survey" and "Remote Working Agreement" have not been systematically utilised.	The "Working from Home Self-Assessment Survey" aids the Shire in complying with Occupational Safety and Health Standards, while the "Remote Working Agreement" is a record of the employee confirming their understanding of the requirements while working from home, therefore where these documents are not completed, the Shire is	•A review is undertaken of current employees who work from home, to ensure documentation is on file or is completed where appropriate. •All future employees who work from home, should complete the documentation as specified in the Shire's working remotely procedure.		A review of the completed documentation will be undertaken to ensure compliance. The Shire maintains a register of assets issued to staff; it identifies those assets regularly removed from the office.		A review of the current Work From Home (WFH) policy has been progressed. The review found that due to its extensive scope and enforcement challenges major amendments are required. Particularly relevant to c1.4.12 on Performance and the Home Self-Assessment Survey. Further collaboration with the Senior HR Officer, Leadership Team, and Work Health and Safety Officer will be conducted to achieve a balanced approach to the scope and enforcement issues.		Collaboration with the Senior HR Officer, Leadership Team, and Work Health and Safety Officer have been delayed due to staff vacancies in key positions.
2.3.7.	Policies and Procedures	Low	From review of policies and procedures relevant to this year's internal audit, it was noted that the majority were past their review date.	Risk that policies/procedures are outdated and do not reflect the current circumstances of the Shire and its control environment.	Policies and procedures are reviewed on a regular and rolling basis, with each policy/procedure specifying when adopted, when the next review is to occur and the Shire ensuring the specified dates are adhered to.		It was noted that several policies were scheduled for review in 2023; however, it was deemed prudent to postpone this process until after the elections. A plan has been established to ensure that policies are brought to Council for review in a timely manner, based on priority topics and workshops.		All Shire Policies and Procedures have been assessed to determine review due dates. From this, Management have been provided with a list of documents due for review, relevant to their area of responsibility. All approved documents provided to Governance have been finalised and communicated to staff, including changes to existing and adoption of new. The Policy and Procedure templates have been updated to include adoption date, review due date and department area of responsibility information. It is proposed to present a monthly Status List to the Leadership Team towards ensuring review due dates are monitored and adhered to.		All policies were thoroughly reviewed as part of the Regulation 17 Audit and Financial Management Review. The improvements noted by the auditors will be incorporated into future policy reviews.

Internal Audit Findings Update 1 October 2024 - 28 February 2025

Ref	Issue	Risk Rating	Auditors Comments	Implication/Risk	Auditors Recommendation	Status Update (May'24)	Administration Update (May'24)	Status Update Sep'24	Update September 24	Status Update Feb'25	Update February 2025
2.3.8.	Compliance Calendar	Low	From discussion with relevant staff members, it was noted that whilst the Shire is compliant with reporting requirements associated with LEMA, it was evident the Shire could benefit from maintaining an organisational wide compliance calendar to ensure legislative requirements are met.	Risk that important compliance deadlines could be overlooked or missed.	The Shire to introduce and maintain a compliance calendar to track and centralise important dates and deadlines associated with critical regulations and reporting obligations.	50	Calendar created, needs a robust review by all service units to ensure inclusion of important dates and requirements (not just legislative requirements). This information then needs to be embedded into the organisation, its recommended it be a regular agenda item for the leadership team meetings and staff meetings.	50	Staff will present the calendar to Council at a workshop for discussions on relevant information required. Staff are to work on procedures to embed this information into its everyday processes.	100	Staff presented the compliance/Governance calendar to Council at its workshop in November 2024. Staff have since incorporated fortnightly check in, with progress updates and incorporated the information into a live reporting dashboard for Councillors.

Compliance Audit Return Findings Update

Year	Topic	Item#	Question	Non-Compliance Response Comment	Actions Status (Sept 24)	Administration Update Sept 24	Actions Status (Feb 25)	Administration Update Feb 25
2023	Finance - Optional Questions	1	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the Local Government (Financial Management) Regulations 1996 Regulations 5(2)(c) within the three years prior to 31 December 2023? If yes, please provide the date of council's resolution to accept the report.	The Shire engaged AMD Accountants in 2023 to prepare an Internal Audit Proposal, towards the future development and implementation of a Strategic Internal Audit Plan. However, AMD opted to suspend the Internal Audit initiative due to potential conflict of interest concerns, stemming from their potential engagement by the Office of the Auditor General (OAG) to conduct the Annual Audit.	<div>50</div>	RFQ 325 & 330 for the Reg 17 Audit Review and Financial Management Systems Review, closed on 19 June 2024, an evaluation was completed, and Moore Australia were awarded the contracts for both reviews. Moore Australia will commence in December 2024.	<div>100</div>	The Financial Management Systems Review was completed by Moore Pty Ltd in December 2025.
2023	Finance - Optional Questions	2	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulations 1996 Regulation 17 within the three financial years prior to 31 December 2023? If yes, please provide date of council's resolution to accept the report.	The Shire engaged AMD Accountants in 2023 to prepare an Internal Audit Proposal, towards the future development and implementation of a Strategic Internal Audit Plan. However, AMD opted to suspend the Internal Audit initiative due to potential conflict of interest concerns, stemming from their potential engagement by the Office of the Auditor General (OAG) to conduct the Annual Audit.	<div>50</div>	RFQ 325 & 330 for the Reg 17 Audit Review and Financial Management Systems Review, closed on 19 June 2024, an evaluation was completed, and Moore Australia were awarded the contracts for both reviews. Moore Australia will commence in December 2024.	<div>100</div>	The Audit Reg 17 Review was completed by Moore Pty Ltd in December 2025.