



AUDIT COMMITTEE MEETING

AGENDA

19 APRIL 2022

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CITY OF GREATER GERALDTON

**AUDIT COMMITTEE MEETING
TO BE HELD ON TUESDAY 19 APRIL 2022 AT 3PM IN THE GREENOUGH
ROOM – CIVIC CENTRE**

A G E N D A

1 DECLARATION OF OPENING

2 ATTENDANCE

Present:

Officers:

By Invitation:

Auditors	OAG – M Ambrose	(by video link)
	RSM – AK Neo	(by video link)
	RSM – Christine HO	(by video link)
	RSM – Amit Kabra	(by video link)

Apologies:

Leave of Absence:

3 CONFIRMATION OF PREVIOUS MINUTES

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held 22 February 2022 on as attached be accepted as a true and correct record of proceedings.



AUDIT COMMITTEE MEETING
MINUTES

22 FEBRUARY 2022

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CITY OF GREATER GERALDTON**AUDIT COMMITTEE MEETING
TO BE HELD ON TUESDAY 22 FEBRUARY 2022 AT 3.00PM
IN THE GREENOUGH ROOM – CIVIC CENTRE****MINUTES****1 DECLARATION OF OPENING**

The meeting was declared open at 3.05pm by Chairman Mayor Van Styn.

2 ATTENDANCE**Present:**

Mayor Van Styn
Cr N Colliver

Officers:

R McKim, Chief Executive Officer
P Radalj, Director Corporate and Commercial Services
R Doughty, Chief Financial Officer
T Machukera, Financial Accountant
B Pearce, Manager Corporate Compliance and Safety
K Wheeler– Minute Secretary

By Invitation:

Nil

Apologies:

Deputy Mayor J Clune
Cr M Reymond

Leave of Absence:

Nil

3 CONFIRMATION OF PREVIOUS MINUTES

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held on 6 December 2021 as attached be accepted as a true and correct record of proceedings.

COMMITTEE DECISION

MOVED Cr Colliver, **SECONDED** Mayor Van Styn

That the minutes of the City of Greater Geraldton Audit Committee meeting held on 6 December 2021 as attached be accepted as a true and correct record of proceedings.

CARRIED 2/0

Signed _____ Dated _____

4 ITEMS FOR AUDIT COMMITTEE REVIEW

AC115	COMPLIANCE AUDIT RETURN 2021
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AGENDA REFERENCE:	D-22-005352
AUTHOR:	M Adam, Coordinator Governance
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	20 January 2022
FILE REFERENCE:	RM/6/0020
ATTACHMENTS:	Yes (x1) Compliance Audit Return 2021

EXECUTIVE SUMMARY:

The purpose of this report is for the Audit Committee to review the 2021 Compliance Audit Return (CAR) and provide a report to the Council.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 and regulation 14 of the Local Government (Audit) Regulations 1996 RESOLVES to:

1. REVIEW the results of the Compliance Audit Return 2021.
2. REPORT to Council the results of the Audit Committee review of the Compliance Audit Return 2021, at the Ordinary Meeting of Council on 29 March 2022.

PROPONENT:

The proponent is the City of Greater Geraldton

BACKGROUND:

In accordance with section 7.13(1) of the *Local Government Act 1995* and regulation 14 of the *Local Government (Audit) Regulations 1996*, the City is required to carry out a compliance audit for the period 1 January 2021 to 31 December 2021 and prepare a Compliance Audit Return (CAR) in a form approved by the Minister.

The 2021 CAR is provided to the City by the Department of Local Government, Sport and Cultural Industries (the Department), electronically via the Departments Smart Hub portal, and the areas of compliance are restricted to those considered high risk.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:

Community:

There are no adverse community impacts.

Environment:

There are no adverse environmental impacts.

Economy:

There are no adverse economic impacts.

Signed _____ Dated _____

Leadership:

Review of the Compliance Audit Return and reporting to the Council by the Audit Committee is a regulatory requirement under the provisions of the *Local Government (Audit) Regulations 1996 r.14 (3A)*.

RELEVANT PRECEDENTS:

The Audit Committee reviewed the 2020 Compliance Audit Return for the City of Greater Geraldton on 27 January 2021, AC101, and submitted a report to the Council on 23 February 2021 (report CCS567).

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government Act 1995 s. 7.13(1)

Local Government (Audit) Regulations 1996 r.14

14. Compliance audits by local governments

- (1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
- (2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- (3A) *The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
- (3) *After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*
 - (a) *presented to the council at a meeting of the council; and*
 - (b) *adopted by the council; and*
 - (c) *recorded in the minutes of the meeting at which it is adopted.*

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Strategic Direction: Leadership	Aspiration: A strong local democracy with an engaged community, effective partnerships, visionary leadership and well informed decision-making.
Outcome 4.2	Decision making is ethical, informed and inclusive

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

Local Governments are legislatively required to carry out a compliance audit for the period 1 January to 31 December in each year and prepare a return in the form approved by the Minister. The return must be reviewed by the Audit Committee and

Signed _____ Dated _____

the Committee are required to report to the Council the results of the review and Council are required to adopt the CAR and submit to the Department CEO by the 31 March following the period to which the return relates. Compliance with these provisions addresses the risk associated with regulatory obligation.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternatives have been considered.

COMMITTEE DECISION

MOVED Cr Colliver, **SECONDED** Mayor Van Styn

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- 1. REVIEW the results of the Compliance Audit Return 2021.**
- 2. REPORT to Council the results of the Audit Committee review of the Compliance Audit Return 2021, at the Ordinary Meeting of Council on 29 March 2022.**

CARRIED 2/0

Signed _____ Dated _____

AC116	INTERNAL AUDIT SAFETY MANAGEMENT SYSTEMS IMPROVEMENT ACTION PLAN UPDATE
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AGENDA REFERENCE:	D-22-012791
AUTHOR:	B Pearce, Manager Corporate Compliance & Safety
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	2 February 2022
FILE REFERENCE:	RM/6/0012
ATTACHMENTS:	No

EXECUTIVE SUMMARY:

The purpose of this report is to update the Audit Committee on the status of the City of Greater Geraldton's Internal Audit Safety Management Systems Improvement Action Plan

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. NOTE the update on the Internal Audit Safety Management Systems Improvement Action Plan update

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

As reported to the Audit Committee in report AC108 the City developed the Internal Audit Safety Management Systems Improvement Action Plan (the Action Plan) based on the finds of the internal audit of the City's safety management systems.

The Action Plan in summary, outlined the following actions to be addressed.

Training:**Employee training**

- Updated orientation program to ensure all employees are formally inducted.
- Undertook information sessions and created online training model to induct all staff in the use of the City's Safety Management Plan (the primary manual for safety processes in the City).
- Implementation of Verification of Competency program for all plant and equipment operators.
- Developed and commenced the rollout of online training models for the City's safety procedure suites.
- Undertook workplace emergency management plan training for City facility emergency wardens
- Specialist Work Health & Safety (WHS) team facilitated training sessions updated and rolled out relating to risk management and specialist safety topics.

Signed _____ Dated _____

- An update to the distribution of safety information was implemented, this includes the provision of the following information to all staff on an ongoing basis,
 - Monthly incident report summary report
 - Weekly reports on vehicle safety
 - Safety Investigation reports to EMT and the Safety Committee
 - Safety Committee meeting minutes
 - Safety information Sheets & Safety Alerts
 - Safety Procedure suite updates

Contractors

- Provided WHS information sessions to City suppliers.
- Updated the Contractor safety induction program with the WHS team attending sites to verify all contractors and their employees are inducted and have the required training and licenses.

Volunteers

- Corporate volunteers safety training review underway.
- Identification of City volunteer coordinators who are to be trained in conducting safety inductions.
- WHS Team, upon request by City volunteer coordinators attends sites and undertakes safety training of volunteers.
- Bushfire Volunteer training review is underway with the City's Emergency Management team working with the Department of Fire & Emergency Services and the local Bushfire Brigades in relation to volunteer bushfire brigade members. This is being managed and reported separately to the Action Plan.

Documentation update:

A full review and update of all City safety documentation is underway. This will ensure that the City can transition immediately to WHS aligned legislation upon its implementation in March 2022.

A part of this review has had the WHS team complete a comparison assessment of the current Occupational Safety & Health legislation with the WHS legislation. This assessment is being used to ensure the City's safety documentation both is compliant with WHS and any gaps identified can be managed and corrected if required.

Implementation of safety processes:

The implementation of the Action Plan updates of following City safety processes:

- Contractor safety management and supervisor requirements
- City inspections processes e.g. Work crew safe work observations; Facility Inspections, and Safety Leadership walks
- Confirmation of Quarterly Safety Committee meetings
- Incident management and responses processes updated
- Workplace risk management training and templates reviewed and implemented
- Plant and equipment verification of competency implemented
- Updated Fitness for work program and in progress
- Development of safety change management procedure suite

Signed _____ Dated _____

- Update the visitor and contractor facility visitor procedure; and
- 2022 – 2024 Safety Strategy development

COMMUNITY, ECONOMY, ENVIRONMENT AND LEADERSHIP ISSUES:

Community:

The implementation of the Action Plan supports the safety and wellbeing of volunteers and the community accessing or involved in Council activities.

Economy:

There are no adverse economic impacts arising from the implementation of the Action Plan. The cost of compliance with WHS, however will affect the City, local businesses and community associations. This will be due to the increase in administration for all who must proactively manage and document effective safety management.

Environment:

There are no adverse environmental impacts.

Leadership:

The City's implementation of the Action Plan and a compliant Work Health & Safety Management System demonstrates the City's ongoing leadership in ensuring effective management and government of the City's safety.

Disclosure of Interest:

No Officer involved in the preparation of this report has a declarable interest in this matter.

RELEVANT PRECEDENTS:

The Audit Committee previously considered WHS on 03 March 2020, AC091 and AC108.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Occupational Safety & Health Act 1984

Occupational Safety & Regulation 1996

Work Health & Safety Act 2020

Operational Policy OP041 Occupational Health & Safety

City of Greater Geraldton Safety Management Plan

City of Greater Geraldton Safety Management System

FINANCIAL AND RESOURCE IMPLICATIONS:

The implementation and ongoing management of the new WHS requirements will require the application of additional resources to meet compliance obligations.

INTEGRATED PLANNING LINKS:

Strategic Direction: Leadership	Aspiration: A strong local democracy with an engaged community, effective partnerships, visionary leadership and well informed decision-making.
Outcome 4.3	Accountable leadership supported by a skilled and professional workforce

Signed _____ Dated _____

Outcome 4.5	A culture of safety, innovation and embracing change
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REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT:

The implementation of the WHS aligned Safety Management Plan and System is a critical risk management and compliance control for the City.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS:

No alternatives have been considered.

COMMITTEE DECISION

MOVED Cr Colliver, **SECONDED** Mayor Van Styn.

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- 1. NOTE the update on the Internal Audit Safety Management Systems Improvement Action Plan update**

CARRIED 2/0

Signed _____ Dated _____

AC117	REPORT ON MANAGEMENT ACTIONS ANNUAL FINANCIAL REPORT AND AUDIT REPORTS
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AGENDA REFERENCE:	D-22-014082
AUTHOR:	R Doughty, Chief Financial Officer
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	4 February 2022
FILE REFERENCE:	GO/11/0020-002
ATTACHMENTS:	Yes (x 2 Confidential)
	A. Progress Report – Financial Management Systems Review Report June 2021 and Audit Regulation 17 Review May 2021
	B. Progress Report – Interim and Annual Financial Report 30 June 2021

EXECUTIVE SUMMARY:

The purpose of this report is to provide an updated report on Internal Audit and Annual Financial Report management actions.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. RECEIVE the Progress Reports on the current status of management actions related to Internal Audits and the Annual Financial Report.

PROPONENT:

The proponent is the City of Greater Geraldton

BACKGROUND:

The Audit Committee at their meeting 10 September 2021 resolved to:

AC105

1. **ENDORSE the Strategic Internal Audit Plan for 2021-2025 as presented; and**
2. **REQUEST an update on progress at the next Audit Committee meeting.**

AC106

1. **RECEIVE the Financial Management Systems Review 2021**
2. **ENDORSE actions taken or proposed to be taken by staff to resolve items identified in the report; and**
3. **REQUIRE progress updates on implementation of the proposed management actions at the next Audit Committee Meeting.**

AC110

1. **RECEIVE the Audit Regulation 17 Review 2021**
2. **ENDORSE actions taken or proposed to be taken by staff to resolve items identified in the report; and**
3. **REQUIRE progress updates on implementation of the proposed management actions at the next Audit Committee Meeting.**

Signed _____ Dated _____

The Audit Committee at their meeting 6 December 2021 resolved to:

AC114

1. ***RECEIVE the Annual Financial Report for the financial year ended 30 June 2021;***
2. ***RECEIVE the Audit Report for the financial year ended 30 June 2021;***
3. ***NOTE that the Auditor has provided an unqualified audit opinion for the Annual Financial Report year ended 30 June 2021;***
4. ***RECOMMEND to Council the adoption of the audited Financial Report for the year ended 30 June 2021;***
5. ***NOTE the findings identified during the Audit and REQUEST they be listed for review until completed.***
 - a. ***Expand grant register to include all grant revenue including that recognised under AASB1058.***

The attached reports provide the Committee with an updated schedule. The reports include management actions that remained active and/or were still to be completed.

COMMUNITY, ECONOMY, ENVIRONMENT AND LEADERSHIP ISSUES:

Community:

There are no adverse community impacts.

Economy:

There are no adverse economic impacts.

Environment:

There are no adverse environmental impacts.

Leadership:

Monitoring the actions resulting from various audits allows the Audit Committee to fulfil its governance and oversight responsibilities.

Disclosure of Interest:

No Officer involved in the preparation of this report has a declarable interest in this matter.

RELEVANT PRECEDENTS:

The Audit Committee regularly reviews reports relating to the auditing processes of the City.

The previous Financial Management Systems Review and Audit Regulation 17 Review was presented to the Audit Committee on 28 September 2021 – AC106 AC110.

The previous Interim Audit Report was present to the Audit Committee on 28 September 2021 AC103.

The Annual Financial Report was presented to the Audit Committee on 6 December 2021.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

Signed _____ Dated _____

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government (Audit) regulations 1996, section 16:

Local Government (Audit) regulations 1996, section 17:

Local Government (Financial Management) regulations 1996, section 5:

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Strategic Direction: Leadership	Aspiration: A strong local democracy with an engaged community, effective partnerships, visionary leadership and well informed decision-making.
Outcome 4.2	Decision making is ethical, informed and inclusive
Outcome 4.4	Healthy financial sustainability that provides capacity to respond to changes in economic conditions and community
Outcome 4.7	Council understands its roles and responsibilities and leads by example

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT:

Findings outlined in audit reports are assigned a risk rating. These 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. Preparation of a schedule of management actions and reporting progress to the Audit Committee ensures findings are appropriately addressed.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS:

No alternatives have been considered.

COMMITTEE DECISION

MOVED Mayor Van Styn, **SECONDED** Cr Colliver.

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- 1. RECEIVE the Progress Reports on the current status of management actions related to Internal Audits and the Annual Financial Report.**

CARRIED 2/0

Signed _____ Dated _____

5 FRAUD CONTROL – STANDING ITEM

AC118	FRAUD AND CORRUPTION CONTROL PLAN AUDIT 2021
-------	--

AGENDA REFERENCE:	D-22-014686
AUTHOR:	R Doughty, Chief Financial Officer
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	7 February 2022
FILE REFERENCE:	FM/14/0002
ATTACHMENTS:	Yes (x 1 Confidential)
	Fraud and Corruption Control Plan Audit 2021

EXECUTIVE SUMMARY:

The purpose of this report is to present to the Audit Committee the Fraud and Corruption Control Plan Audit 2021.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. RECEIVE the Fraud and Corruption Control Plan Audit 2021
2. ENDORSE actions taken or proposed to be taken by staff to resolve items identified in the report; and
3. REQUIRE progress updates on implementation of the proposed management actions at the next Audit Committee Meeting.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

This Fraud and Corruption Control Plan (the Plan) details the City's intended action in implementing and monitoring fraud and corruption prevention, detection and response initiatives. The Plan calls for regular Fraud & Corruption Control Plan Audits (FCC Audits). The FCC Audit is designed to assist the City to monitor and review its misconduct resistance approach. The purpose is to identify: a) work areas where elements of the City misconduct resistance approach may need refreshing or improving; and b) elements of the misconduct resistance approach that may need attention across the entire organisation.

In accordance with the Strategic Internal Audit Plan 2025 and the City's Fraud and Corruption Control Plan 2019, AMD Chartered Accountants were engaged to undertake the review. The audit was undertaken onsite at the City 16 to 18 November 2021, their report is attached.

COMMUNITY, ECONOMY, ENVIRONMENT AND LEADERSHIP ISSUES:

Community:

There are no adverse community impacts. Undertaking this audit ensures that we are accountable for our actions to the community

Signed _____ Dated _____

Economy:

There are no adverse economic impacts.

Environment:

There are no adverse environmental impacts.

Leadership:

The Fraud and Corruption Control Plan is core to good governance and establishes an effective structure to address fraud and misconduct risks and to detect and respond to fraud and corruption in accordance with the best practice guidelines as defined in Australian Standard AS8001-2008 Fraud and Corruption Standards.

Disclosure of Interest:

No Officer involved in the preparation of this report has a declarable interest in this matter.

RELEVANT PRECEDENTS:

The Fraud and Corruption Control Plan was presented to the Audit Committee on 2 December 2019.

The previous Fraud and Corruption Control Plan Audit report was presented to the Audit Committee on 27 January 2021.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Council Policy 4.22 Fraud Control, Write-Off Debts & Waive Fees and Charges requires Council to examine its exposure to fraud.

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Strategic Direction: Leadership	Aspiration: A strong local democracy with an engaged community, effective partnerships, visionary leadership and well informed decision-making.
Outcome 4.2	Decision making is ethical, informed and inclusive

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT:

The Fraud and Corruption Control Plan puts in place the framework for prevention and detection to mitigate potential or actual fraudulent or corrupt conduct.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS:

No alternatives have been considered.

Signed _____ Dated _____

COMMITTEE DECISION

MOVED Cr Colliver, SECONDED Mayor Van Styn

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- 1. RECEIVE the Fraud and Corruption Control Plan Audit 2021**
- 2. ENDORSE actions taken or proposed to be taken by staff to resolve items identified in the report; and**
- 3. REQUIRE progress updates on implementation of the proposed management actions at the next Audit Committee Meeting.**

CARRIED 2/0

Signed _____ Dated _____

6 GENERAL BUSINESSBCM and Cyber risks

The Committee discussed business continuity management (BCM) and cyber risks in relation to the City's current information technology provider.

Action: An informal meeting is to be scheduled for a Cyber security/BCM overview for members of the Audit committee who wish to attend. Manager ICT services, D Duff to present on the risks related to data backup systems and proposed changes.

COVID

The Committee discussed COVID related issues including:

- Supplier pushback
- Security issues at Meru waste facility
- Protocols for City facilities
- Mask requirements

Signed _____ Dated _____

7 MEETING CLOSURE

There being no further business the meeting was declared closed at 3.46pm.

Signed _____ Dated _____

4 ITEMS FOR AUDIT COMMITTEE REVIEW

AC119	AUDIT ENTRANCE MEETING WITH OAG AND RSM
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AGENDA REFERENCE:	D-22-040699
AUTHOR:	R Doughty, Chief Financial Officer
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	6 April 2022
FILE REFERENCE:	GO/11/0020-002
ATTACHMENTS:	Yes (x1) Audit Planning Memorandum

EXECUTIVE SUMMARY:

The purpose of this report is to provide the Committee with the Audit Planning Memorandum for the year ending 30 June 2022.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. RECEIVE the Audit Planning Memorandum for the year ending 30 June 2022.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The *Local Government Amendment (Auditing) Act 2017* makes legislative changes giving the Auditor General the mandate to audit Western Australian local governments. The Act allows the Auditor General to contract out some or all of the financial audits, but all audits remain the responsibility of the Auditor General.

Each year the Office of the Auditor General (OAG) undertake an audit of the City's financial report. The OAG appointed RSM as the contract auditor who will undertake the audits for the period 2020-21 to 2022-23.

The interim audit for the 2021-22 year is scheduled for May 2022, and prior to this an Entrance meeting is required to discuss the Audit Planning Memorandum (draft attached). This document provides detail of the proposed approach by RSM Australia in undertaking the financial audit.

COMMUNITY, ENVIRONMENT, ECONOMY AND GOVERNANCE ISSUES:**Community:**

There are no adverse community impacts.

Environment:

There are no adverse environment impacts.

Economy:

There are no adverse economic impacts.

Governance:

Holding an Entrance Meeting provides the opportunity for the Audit Committee to undertake its functions including to support the auditor to conduct an audit.

RELEVANT PRECEDENTS:

Each year an audit entrance and exit meeting is held with OAG, the audit committee and the contract auditor.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government (Audit) regulations 1996, section 16:

An audit committee has the following functions —

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

-
- (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
 - (g) to perform any other function conferred on the audit committee by these regulations or another written law.

FINANCIAL AND RESOURCE IMPLICATIONS:

Provision in the budget is made to undertake the audit.

INTEGRATED PLANNING LINKS:

Title: Governance	Good Governance & Leadership
Strategy 4.5.2	Ensuring finance and governance policies, procedures and activities align with legislative requirements and best practice

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

The audit entrance meeting assists both the Committee and the OAG to undertake the annual financial audit.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternative options were considered.



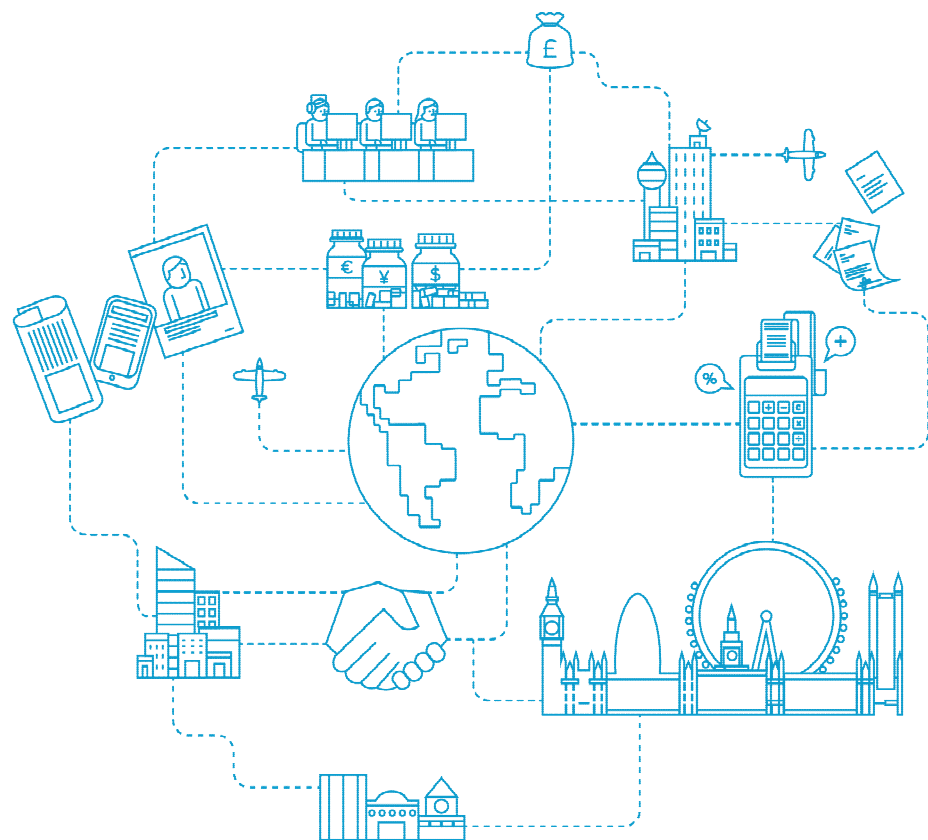
CITY OF GREATER GERALDTON

AUDIT PLANNING MEMORANDUM

30 June 2022

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1. INTRODUCTION

This audit strategy outlines the scope of our work and the key considerations in relation to our audit of City of Greater Geraldton (“City”) for the year ended 30 June 2022.

The purpose of this document is to set out our understanding of the key areas in the audit, when we will conduct the audit and your audit team.

The audit plan is prepared with input from management. The audit plan is tailored for the City’s environment and revised throughout the year to adjust for business developments, additional relevant matters arising, changes in circumstances, findings from activities performed and feedback we receive from you.

We look forward to working together with you.

Please do not hesitate to contact either myself or one of the other team members should you wish to discuss any aspect of the engagement.



AMIT KABRA

Director – Assurance & Advisory
RSM Australia Pty Ltd

It is our **strong, collaborative** approach that differentiates us.

We will:

- Be committed to **quality** and **excellence**.
- Provide **tailored insights** to help you make **critical decisions with confidence**.
- **Add value** through ideas and insight.
- Bring you **expert global and local knowledge**.
- Help you **move forward with confidence**.

Experience the power of being understood.



2. AUDIT SUMMARY

Purpose of the Audit Planning Memorandum

The primary purpose of this Audit Planning Memorandum (**APM**) is to brief the City of Greater Geraldton (**City**) on the proposed approach by RSM Australia (**RSM**), on behalf of the Office of the Auditor General (**OAG**), to audit the financial report of the City for the year ending 30 June 2022.

The APM forms the basis for discussion at the audit entrance meeting scheduled for 19 April 2022 and is a key tool for discharging our responsibilities in relation to communicating with those charged with governance.

Scope of the Engagement

The scope of this engagement involves:

- (a) Expressing an opinion on the audit of the general-purpose financial statements for the financial year ending 30 June 2022, prepared in accordance with the *Local Government Act 1995 (Act)*, the *Local Government (Financial Management) Regulations 1996 (Financial Management Regulations)*¹, Australian Accounting Standards, to the extent that they are not inconsistent with the LG Act and the Financial Management Regulations. The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standard Board (**AASB**).
- (b) Report on the City's compliance with other legal and regulatory requirements as required by the *Local Government (Audit) Regulations 1996 (Audit Regulations)*¹.

As required by the *Auditor General Act 2006*, the Auditor General is required to express an opinion on the audit of the financial statements.

In addition to the above, the City also requires certifications in respect of the following grants:

- (a) Roads to Recovery (R2R) grant under the National Land Transport Act 2014, Part 8; and
- (b) Local Roads and Community Infrastructure Program (LRCIP) grant in accordance with the LRCIP guidelines issued by the Australian Government Department of Infrastructure, Transport, Regional Development and Communications.

RSM will audit these certifications on behalf of the OAG.

Matters of significance

In accordance with section 24(1) of the *Auditor General Act 2006*, the Auditor General is required to report on matters arising out of the performance of the Auditor General's functions that are, in the opinion of the Auditor General, of such significance as to require reporting

Arrangements

Audits are not an absolute guarantee of the accuracy or reliability of the City's information and may not have identified all matters of significance. This is because the work undertaken to form an opinion is permeated by judgement and most audit evidence is persuasive rather than conclusive. In addition, there are inherent limitations in any audit, including the use of testing, the effectiveness of internal control structures and the possibility of collusion.

Primary responsibility for the detection, investigation and prevention of irregularities rests with City. Consequently, the City remains responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, complying with the *Financial Management Act 2006* and other relevant laws.

Under the *Auditor General Act 2006*, audit staff have unrestricted access to information held by the City, irrespective of any restrictions on disclosure imposed, such as secrecy provisions.

Confidentiality of audit files and working papers is required under the Auditor General Act 2006. The Office of the Auditor General is an 'exempt agency' under the *Freedom of Information Act 1992*. The signed contract between the Auditor General and RSM contains strict confidentiality clauses

RSM relationship with the OAG and the City

RSM has been contracted by the OAG to execute the scope and report to the OAG.

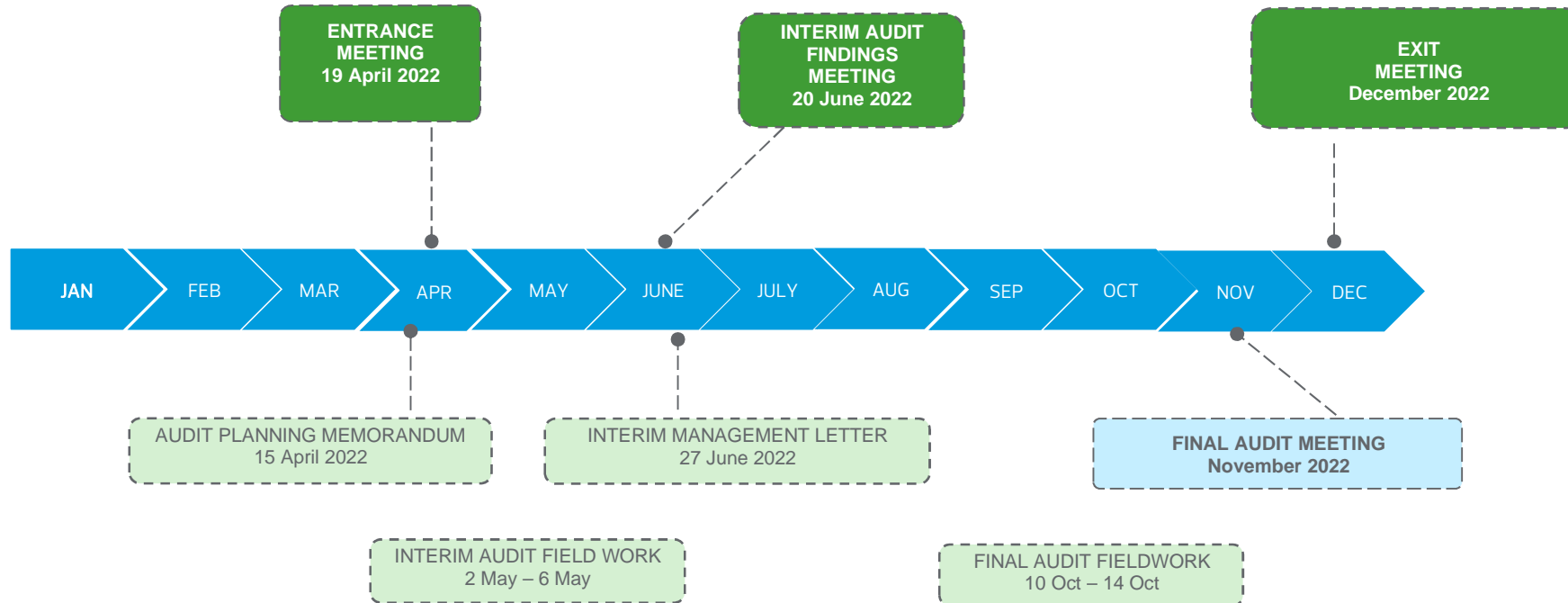
RSM is also required to report to the OAG any matter which may affect the Auditor General's responsibilities under sections 15 and 24 of the Auditor General Act 2006.

RSM's services will be conducted under the overall direction of the Auditor General, who will retain responsibility for forming the audit opinions and issuing the audit report to the City. The contract requires RSM to use its audit approach and methodology.









¹ As at the date of this APM these regulations are currently undergoing review by the Minister. Refer to Section 4 – *Current Year Developments* of this APM for further discussion.

Timing

Based on discussion with management, we have agreed on the below milestones. A detailed timetable can be found at *Appendix 1*.



3. AUDIT APPROACH

<p>Internal control environment</p> 	<p>In accordance with Australian Auditing Standards, we will perform a review of the design and operating effectiveness of the entity's significant financial recording and reporting processes.</p> <p>We will ensure that any significant deficiencies that come to our attention during our audit are communicated to the councillors and management in a timely manner.</p> <p><i>Refer to Appendix 3 Key Controls for more details.</i></p>	<p>Materiality</p> 	<p>The planning materiality level will be calculated and determined using the RSM international audit methodology. The amount may be adjusted during the audit, depending on the results of our audit procedures.</p> <p>Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements and on our opinion.</p>
<p>Fraud Considerations</p> 	<p>Under Auditing Standard ASA 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i>, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error.</p> <p>Although ASA 240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with the management of the City. The City is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial statements. <i>Refer to Appendix 4 Fraud Risk for more details.</i></p>	<p>Key Areas of Audit Focus</p> 	<p>For all significant risk material account balances, the engagement team will specify which audit assertions pose significant audit risk and test this balance to ensure it is not materially misstated.</p> <p>Where we have determined that an assessed risk of material misstatement at the assertion level is a significant risk, we will perform substantive procedures that are specifically responsive to that risk.</p> <p>Non-significant risk material balances will be audited by substantive analytical procedures and tests of details, as necessary.</p> <p><i>Refer Section 5 Key Areas of Audit Focus for more details.</i></p>
<p>Information Systems</p> 	<p>In accordance with Australian Auditing Standards, we will obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including (amongst others) how the information system captures events and conditions, other than transactions, that are significant to the financial statements.</p> <p><i>Refer to Appendix 7 Information Systems Audit Specialist for more details.</i></p>	<p>Other Critical areas</p> 	<p>We will audit the critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed.</p> <p><i>Refer to Section 6 Other Critical Areas in The Financial Statements for more details.</i></p>
<p>Going Concern</p> 	<p>In accordance with Australian Accounting Standards, management is required to make an assessment of the entity's ability to continue as a going concern when preparing the financial report.</p> <p>We will review management's assessment and, along with our audit evidence, form an opinion on the entity's ability to continue as a going concern.</p>	<p>Compliance</p> 	<p>We will enquire and consider the impact on the financial report any non-compliance with laws and regulations during our audit. Any identified instances of non-compliance will be reported to the councillors and management in a timely manner.</p>

4. CURRENT YEAR DEVELOPMENTS

As at the date of this audit plan, the City has advised the following major developments have, or will, occur during the current financial year, which may significantly affect our audit approach and procedures. We will obtain an update on any further major developments during our interim and final audit procedures.

COVID – 19

The impact of the Coronavirus (COVID-19) pandemic is ongoing. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Western Australia has reopened the borders on 3 March 2022, nearly two years after first sealing to international visitors and other Australians because of the coronavirus pandemic. COVID infections are expected to peak in the following months with the second variation omicron. The business crippling restrictions expected to stay until the Coronavirus reaches the other end.

RSM Audit response

- Work with the City's Administration to minimise the risk for your staff and Councillors, our staff, and to your operations, while completing audits in the best timeframe possible under the circumstances.
- Likely involve more audit work being performed remotely rather than at your premises and / or delaying audit work if unforeseen circumstances arise.

FRAUD & CORRUPTION PLAN INTERNAL AUDIT & COMPLIANCE REVIEWS

The City had internal audit carried out in November 2021 by AMD Audit & Assurance Pty Ltd (AMD) in accordance with the City's five-year Strategic Internal Audit Plan ending 30 June 2023, approved by the City's Audit Committee. The work focuses on the review of the City's Fraud and Corruption Control Plan.

In addition to the above, the City has scheduled a number of compliance reviews as part of its 5-year internal audit strategic plan.

RSM Audit response

- Review the findings in the report prepared by AMD and consider the impact on our fraud risk assessment as documented within Appendix 4.
- Review the City's response and action plan to the findings raised by AMD.
- Consider the impact of the findings, if any, of this report and other compliance reviews on the financial statements.

Proposed Changes in Local Government Regulation

The State Government has announced a package of major reform for WA local government in November 2021. The proposed reforms have been developed based on findings identified as part of the Local Government Act Review and recommendations of various reports.

The Department of Local Government, Sport and Cultural Industries (**DLGSC**) has started work to implement the changes. The work by the DLGSC aligns with six themes of the proposed reforms including improved financial management and reporting.

As at the date of the APM, it is unclear if there will be any impacts on the City this financial year.

RSM Audit response

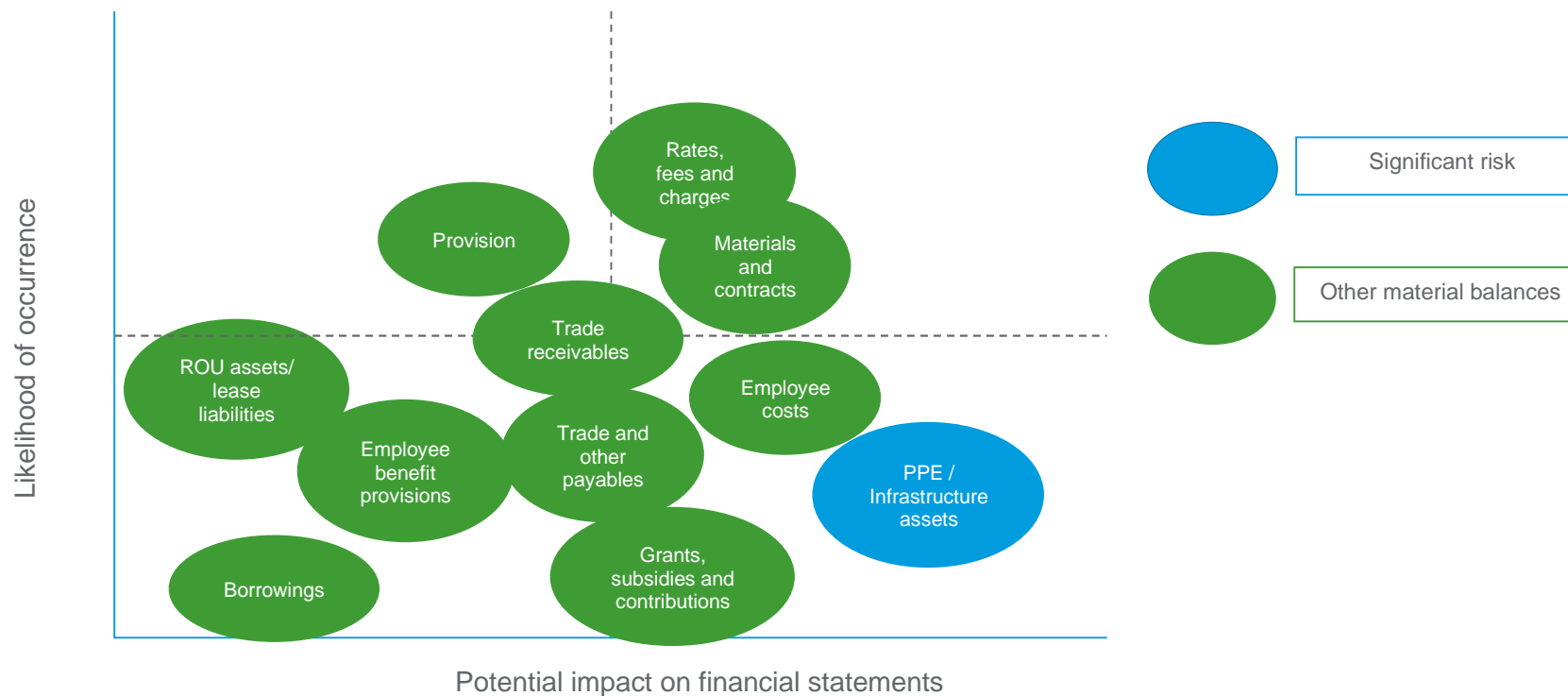
- We will continue to review developments arising from the reform project and will assess the impact of changes to regulatory requirements and determine whether, to the extent necessary, any changes in controls and processes may be required.
- We will also ensure that the financial statements comply with new requirements, if any.

5. KEY AREAS OF AUDIT FOCUS

As part of the risk assessment, we have determined whether any of the risks identified are, in our judgment, a significant risk. A significant risk is an identified and assessed risk of material misstatement that, in our judgment, requires special audit consideration. The assessment is based upon:

- Enquiries of management and directors.
- The complexity of transactions within each area,
- The extent of specialist skill or knowledge needed to perform the planned audit requirement.
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of uncertainty.
- Understanding and reviewing prior year's audited financial statements and audit files
- Whether the area is exposed to fraud risk.

Using the FY22 budget forecast, FY21 financial statements as a guide and referring to the RSM calculated materiality amount and risk assessment, RSM has identified the following potential significant balances for the current financial year.



5. KEY AREAS OF AUDIT FOCUS (CONTINUED)

Using the 30 June 2021 financial report as a guide and referring to the RSM calculated materiality amount and risk assessment, RSM has identified the following potential significant risk areas for the current financial year:

Significant risk area and other material balances	30 June 2022 \$'000 Budget **	30 June 2021 \$'000 Actual	30 June 2020 \$'000 Actual
Revenue cycle			
Rates	48,211	45,602	46,590
Fees and charges	21,827	19,997	21,086
Purchases and Procurement Cycle			
Material and contracts	21,699	17,903	18,348
Property, plant and equipment (additions)	2,400**	2,634	7,767
Infrastructure (additions)	15,000**	15,170	18,348
Employee cost	28,832	26,309	28,172
Fixed Assets Cycle			
Property, plant and equipment	**	175,227	204,577
Infrastructure	**	683,173	687,363
Other Material Balances			
Borrowings (current and non-current)	23,450**	28,465	33,079
Significant Estimates			
Provision for remediation costs	**	9,155	9,091

** balances expected to be comparable to previous year.

5. KEY AREAS OF AUDIT FOCUS (CONTINUED)

1. Revenue Cycle

Reasons why RSM considers this area as significant risk

Revenue is measured by considering multiple elements, for example rates transactions are calculated by the application of a rate in the dollar to the Gross Rental Value (GRV) or Unimproved Value (UV), which is in turn determined by dividing the required rate collection amount by the total valuations on the roll.

GRV's and UV's vary between the various property types, such as mining and pastoral. The GRV / UV is supplied by Landgate.

Lastly, rates revenue represents a significant portion of the City's annual operating income and is an important revenue stream in terms of the City's cash flows.

Fees and charges is a material amount and is measured by the application of an annual charge to rateable land supplied with specified services and other services provided by the City. For example, classic domestic bin services and swimming pool inspection fees. There are also further complexities with the application of the eligible pensioners rebate scheme. In addition, further complexity and risk is associated with the requirement for the City to comply with Part 6, Division 6 'Rates and service charges' of the Local Government Act 1995.

Grants are a material amount and are measured by the application of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities, which require the City's judgement and assessment in line with the relevant contract / agreement.

Based on the above complexities and the risk of management override by the City's Administration, revenue recognition for rates, fees and charges and grants are considered significant risk.

RSM Audit response

Test of controls including:

- an assessment of the City's effectiveness of key internal controls operating within the revenue cycle, including application controls
- perform a walkthrough of the key management controls over the revenue cycle and test key management controls and access controls.

Substantive testing including:

- review, on a sample basis, the reconciliations and calculation of rates and compare these against historical results
- perform revenue cut-off testing and review credit notes
- ensure material revenue streams have been properly brought to account in accordance with *AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities*
- review the City's expected credit loss calculation
- review receivables balances on a sample basis and perform subsequent receipt testing
- perform analytical procedures on rates through detailed comparison with prior year balances and budget forecasts
- determine if the disclosures in the notes to the financial report related to the City's revenue recognition policy are appropriate

5. KEY AREAS OF AUDIT FOCUS (CONTINUED)

2. Purchases and Procurement Cycle

Reasons why RSM considers this area significant risk	RSM Audit response
<p>All procurement made by the City is subject to the requirements of the Act and Part 4 of the Local Government (Functions and General) Regulations 1996 (Functions and General Regulations), which is the basis for the City's purchasing policy (Policy). The Act and the Functions and General Regulations are there to guide the City in delivering best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance.</p> <p>Errors, uncertainty and unrealistic timelines can undermine market confidence, discredit a purchasing process and devalue the outcome of the procurement. Due to the strict and complex requirements of the Policy, including value for money, regulatory compliance, record management, transparency and professionalism, there is potential for insufficient knowledge of the Policy's requirements or failure to comply with the Policy.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none">review the City's purchasing policies and assess the effectiveness of internal controls operating within the payment cycleperform a walkthrough of the key controls over the purchase and procurement cycle, including tendering, and perform tests of control on key controls over the purchase and payment cycle <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none">perform analytical procedures on procurement through detailed comparison with prior year balances and budget forecasts <p>an evaluation of whether the City's purchasing activities have complied with the Act and the Functions and General Regulations</p>

3. Fixed Asset Cycle

Reasons why RSM considers this area significant risk	RSM Audit response
<p>Property, plant and equipment and infrastructure respectively constituted 19% and 74% of the City's total assets as at 30 June 2021. Under regulation 17A of the Financial Management Regulations, the City's plant and equipment assets are to be measured under the cost model whereas property and infrastructure is to be carried at fair value less accumulated depreciation and accumulated impairment losses. Under regulation 17(4) of the Financial Management Regulations, the City is required to revalue an asset:</p> <ul style="list-style-type: none">Whenever the local government believes the fair value of the asset is likely to be materially different from its carrying amount; andIn any event, within a period of not more than 5 years after the day on which the asset was last valued or revalued. We understand that the City will not be revaluing fixed assets for the year ending 30 June 2022. <p>Furthermore, in accordance with paragraph 9 of AASB 136 Impairment of Assets, the City is required to assess at reporting date whether there is any indication that an asset may be impaired.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none">perform an internal control testing over the City's processes for determining inputs and assessing the assumptions and reasonableness of the valuation methodology used for fair value measurements <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none">perform testing on a sample basis of the related fair value measurementsobtain the third-party independent valuation reports commissioned by the City, where appropriate

5. KEY AREAS OF AUDIT FOCUS (CONTINUED)

4. Other material balances

Statement of Financial Position	RSM Audit response
Employee benefit provisions	<ul style="list-style-type: none"> Review the method and underlying data that management and where applicable third parties use when determining critical accounting estimates Considering the reasonableness of assumptions and corroborating representations Review management's assessment on casual employees' leave entitlements
Provision for remediation costs	<ul style="list-style-type: none"> Review management's assessment to identify change in circumstances and any change required to the provision for remediation costs Review present value calculation for the provision for remediation costs
Borrowings	<ul style="list-style-type: none"> Obtain Audit Report issued by WA Treasury Corporation and agree loan balance, finance costs and repayment terms
Right-of-use asset and lease liabilities	<ul style="list-style-type: none"> Obtain the various material lease agreements and review the accounting treatment and related disclosures in the notes to the financial statements Review the practical expedient option applied by the City to recognise the leases in the financial statements under AASB 16
Trade receivables	<ul style="list-style-type: none"> On a sample basis, test trade receivables to supporting documentation and subsequent receipts (where possible) Review management's assessment of reasonableness of provision for expected credit losses
Trade and other payables	<ul style="list-style-type: none"> On a sample basis, test trade payables and accruals to supporting documentation and subsequent payment (where possible)
Statement of Comprehensive Income	RSM Audit response
Grants, subsidies, and contributions	<ul style="list-style-type: none"> Obtain and agree the total contribution received to invoice/supporting document Ensure that revenue has been recorded in the correct period and has been appropriately treated under AASB 1058 & AASB 15

6. OTHER CRITICAL AREAS IN THE FINANCIAL STATEMENTS

RSM will also audit the following critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed.

Related party disclosures

The City continues to be subject to the requirements of AASB 124 Related Party Disclosures. The Standard requires disclosures for senior officers' compensation and certain transactions with related parties. A review will be conducted to ensure proper accounting and disclosure of related party transactions and executive remuneration.

Further, section 7.12AL of the Act applies section 17 of the Auditor General Act 2006 to a local government, which requires the City to advise the Auditor General in writing of details of all related entities that are in existence.

RSM Audit response:

We will review the disclosures and supporting material to ensure compliance with AASB 124. We will also assess the City's internal controls around the identification and proper disclosure of related party transactions and executive remuneration.

Financial ratios

Under regulation 50 of the Financial Management Regulations, the annual report is to include financial ratios. Financial ratios are designed to enable users of annual financial reports to interpret more clearly the City's performance and financial results, as well as provide a comparison of trends over several years.

These indicators provide a measure of the financial sustainability of local governments and complement the national criteria endorsed by the Local Government and Planning Ministers. They provide for a comprehensive tool for monitoring the financial sustainability of local governments.

RSM Audit response:

We will obtain and audit the ratios to assess compliance with regulation 50 of the Financial Management Regulations.

Capital and other commitments for expenditure

The City must disclose in the financial statements its capital and other commitments relating to future asset construction and replacements.

RSM Audit response:

We will check the underlying calculations and review the evidence to support the amounts disclosed.

Reserve accounts

The City has established several reserve accounts under section 6.11 of the Act for the purpose of setting aside money for a specific purpose to be used in a future period. Cash reserves are required to be held in separate bank accounts. Although reserve accounts are aggregated with municipal funds in the financial statements, they are segregated in the notes to the financial statements as restricted funds.

RSM Audit response:

RSM will review the reserve account reconciliations and test that the transfers to and from these accounts are approved by Council and are in accordance with the specific purpose of the reserve.

Major land transactions

Regulation 46 of the Financial Management Regulations prescribes the disclosure requirement for major land transactions. The information to be disclosed by the City is set out in regulation 47 and includes:

- Details of the total income and expenditure for the transaction; and
- Details of the amount or value of any surplus of money or assets.

RSM Audit response:

RSM will review the financial records of the City to assess whether all major land transactions have been identified and disclosed in accordance with regulation 47.

Auditing Accounting Estimates - ASA 540

The ASA 540 (Revised) Auditing Accounting Estimates and Related Disclosures standard has implications for the City and those responsible for financial statement preparation and the determination of accounting estimates. The key implication of the new standard means that the City will require more time to prepare sufficient appropriate documentation of the City's estimates and recognise that increased efforts may be required by auditors to audit the estimates. There is an expectation that the City will assist and review the level of detail and provide audit evidence available to support estimates within the financial statements along with an increase in audit effort. This will be achieved through two-way dialogue between auditors, management, and audit committees about the critical aspects of accounting estimates.

- Valuation of infrastructure assets; and
- Provision for rehabilitation of the Meru site.

RSM Audit response:

RSM will obtain further understanding over the control environment, risk assessment procedures, information systems, control activities and monitoring procedures during our audit procedures. Testing over how management made the accounting estimates will be performed by performing a retrospective review of past estimates and judgements, obtaining audit evidence up to the date of the auditor's report and by developing an auditor's point estimate or range (Three Testing Approach). Based on the information gathered, we will determine if there are indicators of possible management bias and if there are, the implications for the audit.

7. INFORMATION SYSTEMS AUDIT APPROACH

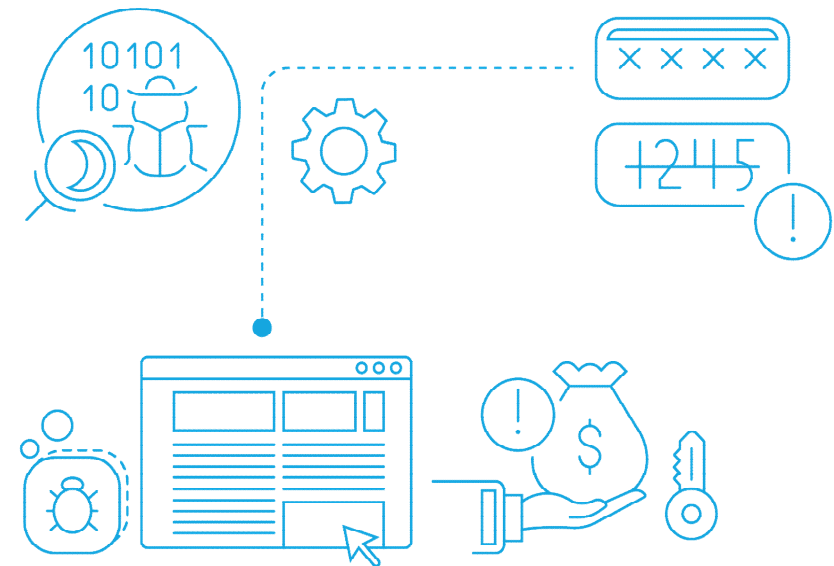
The financial management systems being used by the local government entities is varied, but there is a general reliance on “Synergy Soft”. In some circumstances the information systems are integrated, whereas in others they are separate and rely on manual transfer of data between systems.

Due to the varying degree of financial system integration at each local government, RSM has assessed the information system environment as being sophisticated and we will engage an Information System Auditor (**ISA**) specialist to assess the risk of material misstatement imposed by the Information Technology (**IT**) environment at each local government.

The audit procedures conducted by the ISA will be:

- Testing general IT controls around system access and testing controls over computer operations within specific applications which are required to be operating correctly to mitigate the risk of misstatement in the financial statements;
- Reviewing the key controls around change management related to significant IT systems.

RSM complies with Auditing Standard ASA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment. Our approach to information systems audit is to obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including (amongst others) how the information system captures events and conditions, other than transactions, that are significant to the financial statements.



8. YOUR ENGAGEMENT TEAM

Your engagement team has been carefully selected to provide you with an efficient and effective audit through their relevant experience. The audit team consists of the following members:

RSM Core Engagement Team



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Subject Matter Specialists



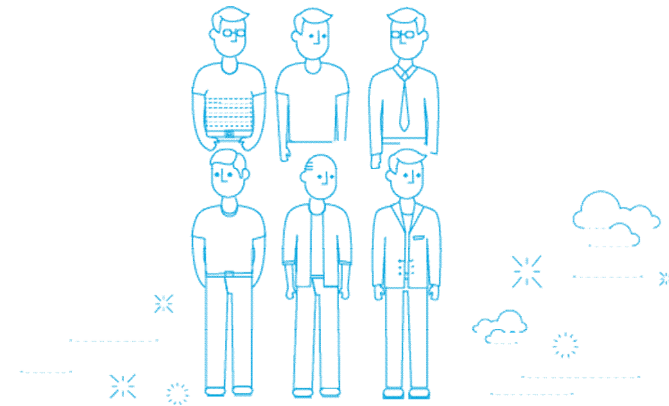
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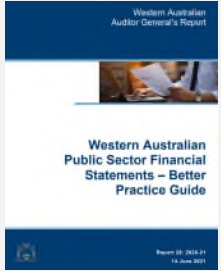


Riaan Bronkhorst
Principal – Security & Privacy

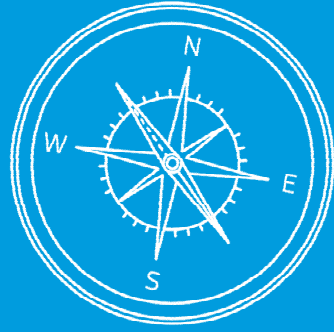
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9. HAVE YOU CONSIDERED?

Some recent publications from the WA Office of the Auditor General and RSM has been included here for reference.

	<p>Western Australian Public Sector Financial Statements – Better Practice Guide</p> <p>This guide has been developed to promote better practice principles for financial statement preparation for the WA public sector.</p> <p>Western Australian Public Sector Financial Statements – Better Practice Guide - Office of the Auditor General</p>		<p>Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities</p> <p>This report summarises the results of our annual audits of 147 State government entities for the year ended 30 June 2021, along with the results of a number of other audits and assurance activities.</p> <p>Audit Results Report – Annual 2020-21 Financial Audits of State Government Entities - Office of the Auditor General</p>
	<p>Cyber Security in Local Government</p> <p>This audit assessed if a sample of 15 local government entities manage cyber security risks and respond to cyber threats effectively.</p> <p>Cyber Security in Local Government - Office of the Auditor General</p>		<p>Information Systems Audit Report 2022 – State Government Entities</p> <p>This report summarises the results of the 2020-21 annual cycle of information systems audits for State government entities and tertiary institutions in the Western Australian public sector.</p> <p>Information Systems Audit Report 2022 – State Government Entities - Office of the Auditor General</p>
	<p>Perspectives on the economic opportunities for the South-West of Western Australia</p> <p>The South West of Western Australia is possibly the most attractive area to invest in throughout all of Australia. Rich in an array of natural resources, agriculture, viticulture and improved access to the city of Perth and beyond, the sun is shining in the South West.</p> <p>South West Economy</p>		<p>CATCH 22 - Digital transformation and its impact on cybersecurity</p> <p>Regardless of their digital footprint, any business with a reliance on technology is at risk of cybercrime.</p> <p>An in-depth survey of successful companies across Europe has been undertaken for RSM International by the European Business Awards, in order to understand levels of industry awareness of these cyber risks, the actions being taken to combat them, as well as the reaction to breaches taking place.</p> <p>Digital transformation and its impact on cybersecurity (rsm.global)</p>



10. APPENDICES

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6	Other Governance Matters	27
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APPENDIX 1 – TIMETABLE

Phase	Task	Indicative time frame*	Action
Pre-planning	Pre-planning meeting to review and update the overall audit approach and plan	11 April 2022	RSM/OAG/City
	Issue draft APM to the City for commentary	15 April 2022	RSM
	Entrance meeting with the Council Members, the City's Administration, OAG and RSM for the presentation and discussion of final APM	19 April 2022	RSM/OAG/City
Interim Audit Fieldwork	Issuing of Interim Audit Preparation Checklist to the City	26 April 2022	RSM
	Based on risk assessment, performance of cyclical controls testing, walkthrough of major business cycles and review of key reconciliation procedures	2 - 6 May 2022	RSM
	Assessment of status of Management Letter points raised for the prior year	17 May 2022	RSM/OAG/City
	Review of audit file by the OAG	Week of 13 June 2022	OAG
Interim Audit Reporting	Interim audit findings meeting with the City's Administration and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any	20 June 2022	RSM/City
	Issue the draft Interim Audit Management Letter (if any) for the year ending 30 June 2022 to the OAG for consideration and comment	27 June 2022	RSM/OAG
	Issue of the draft Interim Audit Management Letter (if any) to the City for consideration and comment.	30 June 2022	RSM/City
	Return of draft Interim Audit Management Letter (if any) to RSM with commentary	5 July 2022	City
	Issue the Interim Audit Management Letter (if any)	8 July 2022	OAG
Draft Financial Report	The City submits proforma financial report to RSM for review and comment. This will be in the form of the statutory model with the previous year's actuals displayed.	31 August 2022	City
Final Audit Fieldwork	Issuing of Final Audit Preparation Checklist	1 September 2022	RSM
	Provision of trial balance as at 30 June 2022 to RSM	No later than 30 September 2022	City
	City to submit draft financial report in accordance with section 6.5 (3) of the Act.	No later than 30 September 2022	City
	Performance of substantive tests for revenue and expenditure cycles for the 2 months ending 30 June 2022	10 – 14 October 2022	RSM
	Performance of substantive tests for balance sheet accounts as at year end and review of financial statement disclosure		
	Review of audit file by the OAG	Mid November 2022	OAG

Phase	Task	Indicative time frame*	Action
Final Audit Reporting	Final audit findings meeting with the City's Administration and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any.	9 November 2022	RSM/ City
	Issue the draft Final Audit Management Letter (if any) for the year ending 30 June 2022 to the OAG for consideration and comment	10 November 2022	RSM/OAG
	Issue the draft Final Audit Management Letter (if any) for the year ending 30 June 2022 to the City for consideration and comment	14 November 2022	RSM/ City
	Return draft Final Audit Management Letter (if any) for the year ending 30 June 2022 to RSM with commentary	17 November 2022	City
	Issue the Final Audit Management Letter (if any) to the OAG	18 November 2022	RSM
	Issue draft Management Representation Letter and draft Financial Report to the City for consideration and comment	23 November 2022	RSM
	Issue, Financial Report and Audit Closing Report at least 1 week before exit meeting.	1 December 2022	RSM
	Final audit exit meeting with the Council Members, the City's Administration, OAG and RSM.	December 2022	RSM/OAG/ City
	Independent Contract Auditor's Report issued	9 December 2022	RSM
	OAG to sign and issue the Audit Report	Within 5 working days of receiving the signed financial statements and reporting from RSM.	OAG
	City's Ordinary Council Meeting for the adoption of the 30 June 2022 Financial Report	December 2022	City

Audit preparation checklist

To assist the City to gather and collate the necessary audit information and documentation, we will issue in advance of each audit visit an Interim Audit Preparation Checklist and a Final Audit Preparation Checklist utilising CaseWare Xtend. As the requested information will be an important part of our audit working papers, the information required must be made available to RSM on or before the audit fieldwork dates specified above. This will facilitate the delivery of an efficient audit and help to minimise interruptions to the City's staff. RSM will endeavour to make the checklists as detailed as possible in order to allow for changing working conditions in place due to applicable guidance at the time with respect to COVID 19.

CaseWare Xtend will facilitate the delivery of an efficient audit and help to minimise interruptions to the City's staff. We have found this facility to be very useful and clients have appreciated the savings in time and reduced disturbance by auditors during the audit fieldwork. The benefits of CaseWare Xtend include:

- Securely request, file and store sensitive data within the audit engagement.
- Collaborate and communicate in real time, allowing for a more adaptable and transparent workflow.
- Manage requests in one centralised location that is readily accessible.
- Track the status of audit requests.

APPENDIX 2 – RSM ORB



An RSM Audit puts quality at its heart to deliver.

We recognise that the delivery of a quality audit service is critical to achieving client satisfaction and our audit objectives.

In undertaking the audit on the financial report, we have utilised our technology platform and proprietary methodology, RSM Orb.

RSM Orb is our optimal risk-based audit methodology, deployed across more than 100 countries worldwide. Our technology platform and proprietary methodology enables our auditors to focus on your risks and design procedures tailored to your unique circumstances and environment. RSM Orb enables us to develop a deeper understanding of your business, providing you with critical insights now and for the future.

An RSM Orb audit delivers:

Consistency

- A consistent approach across any number of operations and jurisdictions, tailored to your unique risks and circumstances.

Innovation

- Optimising our use of technology in how we plan and conduct our work to enhance your audit experience.

Critical insights

- Pinpointing those areas that require closer scrutiny and enhanced judgement, enabling us to be more effective in addressing risk areas and adding intellectual value and critical insights.

Confidence

- Delivered through robust and considered planning, an efficient technology platform and a highly qualified, experienced team.



APPENDIX 3 – KEY CONTROLS

3.1 Internal controls

Internal controls are systems, policies and procedures that help an entity reliably and cost effectively meet its objectives. Sound internal controls enable the delivery of reliable, accurate and timely external and internal reporting. The City is responsible for developing and maintaining its internal control framework to enable:

- Preparation of accurate financial records and other information;
- Timely and reliable external and internal reporting;
- Appropriate safeguarding of assets; and
- Prevention or detection and correction of errors and other irregularities.

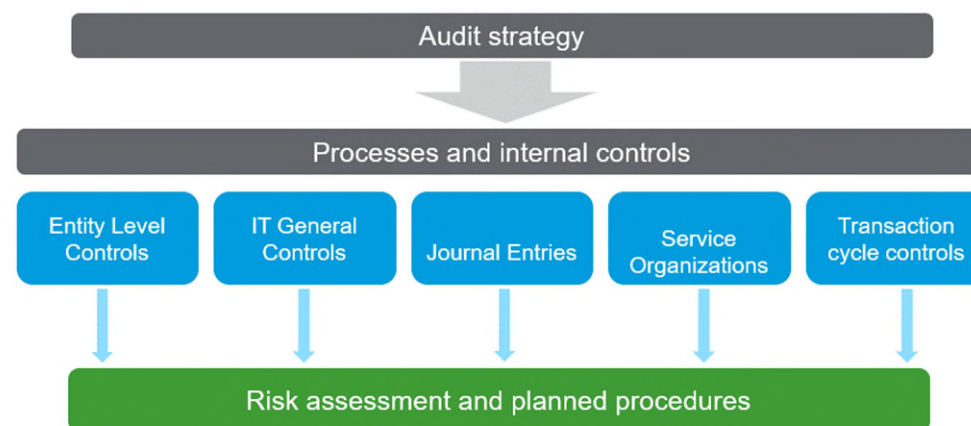
The annual financial audit enables the Auditor General to form an opinion on the City's controls. An integral part of this, and a requirement of Australian Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*, is to assess the adequacy of an organisation's internal control framework and governance processes related to its financial reporting.

We focus on the internal controls relating to financial reporting and assess whether the City has managed the risk that the financial statements will not be complete and accurate. Poor controls diminish management's ability to achieve the City's objectives and comply with relevant legislation. They also increase the risk of fraud.

During our planning procedures reviewed our understanding of the following components of internal control:

- Control environment
- Risk assessment procedures
- Information systems
- Control activities
- Monitoring procedures

Our preliminary assessment of the internal control framework determined that internal controls are likely to be effective in preventing or detecting and correcting material misstatements in the financial report. As such, we plan to place reliance on the key internal controls relating to the material components in the financial statements to support the audit opinion.



3.2 Significant changes to internal controls

The City advised that there are no major changes to its management and internal control environments and are not aware of any major changes that may significantly impact the FY22 financial statements.

3.3 Effectiveness of internal controls

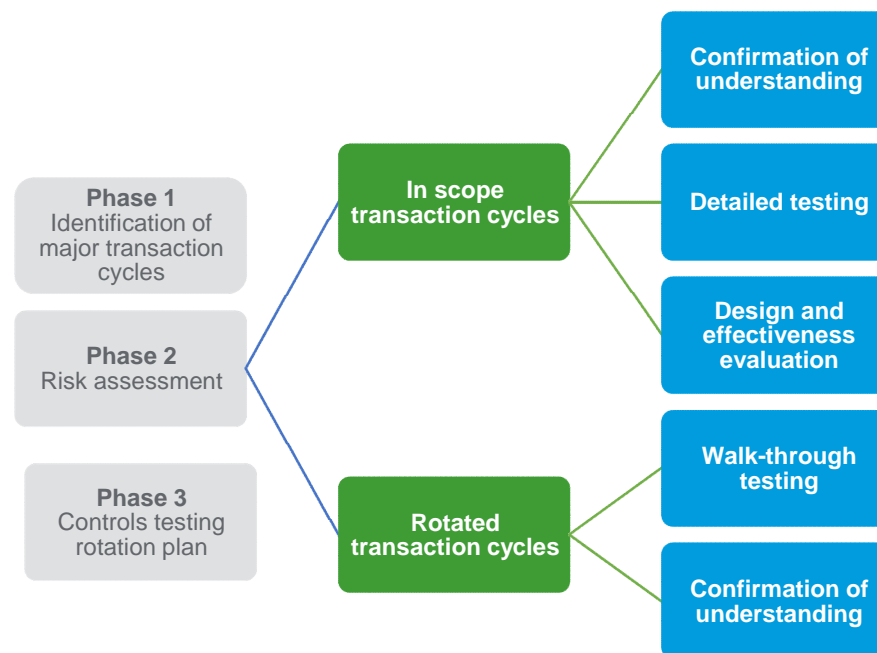
City management team has a substantial focus on ensuring that controls in place are robust and that financial reporting is accurate. The financial controls, processes and procedures across City are at a mature stage with proper documentation and ownership within the various business units.

The status of the matters raised during the previous audit is as follows:

Matter	Rating	Due Date
Payroll Exception Reporting	Moderate	Completed
Staff acting on higher duties & DFA limits within Synergy	Moderate	Completed
SynergySoft Finance Application – User Access Management	Significant	30 June 2022
Change Management	Significant	Completed
Network and Remote Account Management	Moderate	30 June 2022
Network Security Management	Moderate	30 June 2022
Backup and Restoration Management	Moderate	28 February 2022
Business Continuity and Disaster Recovery	Moderate	31 December 2022

We will review the above matters to ensure the matters have been rectified accordingly.

We will assess City's overall control environment, including meeting with senior management and City's compliance and internal audit functions. This will include consideration of senior management's approach, the quality of internal audit and risk management processes and procedures.



3.4 Internal audit

Subject to the requirements of Auditing Standard ASA 610 Using the Work of Internal Auditors, if we have satisfied ourselves regarding the competence and objectivity of internal audit, we plan to rely on their work. The use of the City's internal audit function may be used in the following ways:

- To obtain information that is relevant to RSM's assessments of the risks of material misstatement due to error or fraud; and
- As partial substitution for audit evidence to be obtained directly by RSM.

The responsibility for internal audit rests with the City. The City internal audit functions are a mix of internal and outsourced to third parties. We have discussed with the City, the current year internal audit work program and plan to rely on their work where relevant and appropriate.

3.5 Rotation approach

In accordance with our rotational controls testing approach, we will conduct a risk assessment for each major transaction cycle. The risk assessment is benchmarked against our knowledge of each transaction cycle which enables us to design a control testing rotation plan that will bring certain transaction cycles into audit scope each year. Those cycles not in scope will be subject to our normal walk-through procedures and confirmation of our understanding of the key controls. Those transactions cycles in scope will be subject to detailed controls testing, including testing of the design and effectiveness of those controls.

During the current audit, we will use a rotation approach to test the design and effectiveness of key controls used in a sample of major transaction cycles linked to significant risk areas. Some transaction cycles will be rotated out and not subject to design and effectiveness testing. Instead, we will update our understanding of the controls and confirm our understanding using walk-through procedures.

APPENDIX 4 - FRAUD RISK CONSIDERATIONS

Under Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error.

Although ASA 240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with the management of the City. The City is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial statements.

4.1 Audit approach

Our audit procedures on fraud risk include the following:

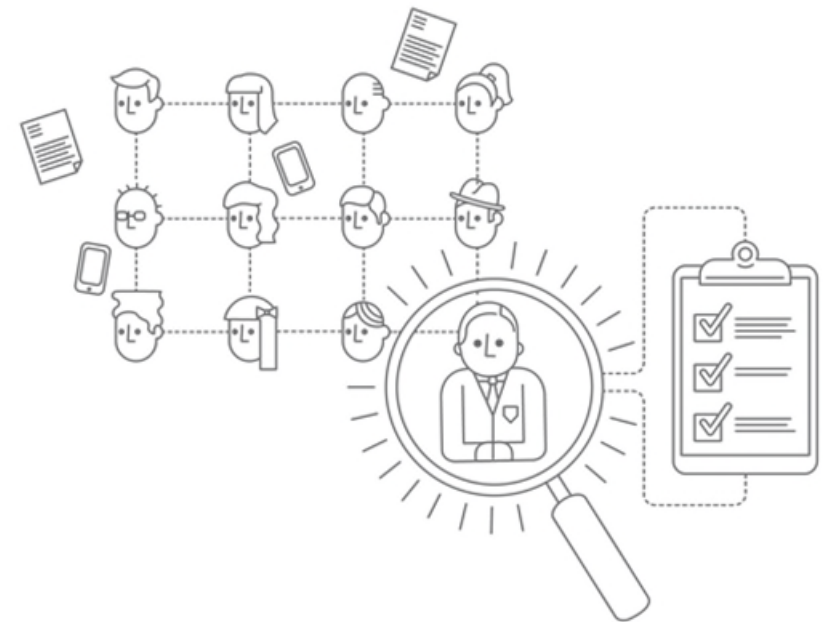
- Forward a copy of the fraud control checklist for self-assessment to the City's management, prior to our interim audit visit. The checklist allows us to make inquiries of management, to obtain its understanding of the risk of fraud within the City and to determine whether management have any knowledge of fraud that has been perpetrated on or within the entity. We will review the fraud control self-assessment by the City's management and the Audit Committee.
- Review the City's fraud control procedures in place to reduce the risk of fraud occurring within the entity, including the City code of conduct and fraud risk profile.
- Understand the City's manual general journal entries process as part of our fraud testing using CaseWare IDEA software.
- Analyse the financial year end balances in comparison with prior period balances to confirm the movements of the balance are in line with our expectations.
- Understand the business rationale for significant or unusual transactions.

4.2 Unpredictability test

We will incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures to be performed as individuals within the entity who are familiar with the audit procedures normally performed on engagements may be more able to conceal fraudulent financial reporting.

4.3 Fraud incidences during the year

The City's management has represented that no matters have been reported to the Crime and Corruption Commission or the Public Sector Commission. The City's management have confirmed that there were no fraud incidences to the date of this APM.



APPENDIX 5 - AUDIT APPROACH TO THE KEY AUDIT AREAS

5.1 Risk assessment

Key audit areas are those areas that, in RSM's professional judgment, will be of most significance in our audit of the financial statements. As part of our audit approach, we have conducted an initial financial statement risk assessment to determine whether any of the risks identified are, in our judgment, significant or high. A significant or high risk is an identified and assessed risk of material misstatement in the financial statements that, in our judgment is a key audit area and requires special audit consideration. Our assessment of key audit areas is based upon:

- Enquiries of management and directors.
- The complexity of transactions within each area,
- The extent of specialist skill or knowledge needed to perform the planned audit requirement.
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of uncertainty.
- Understanding and reviewing prior year's audited financial statements and audit files
- Whether the area is exposed to fraud risk.

5.2 Professional scepticism

We approach all our audits with a degree of professional scepticism as required by Australian Auditing Standards and the *Auditor General Act 2006*. In addition, professional scepticism is a key component of delivering an effective public sector audit. *ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* defines professional scepticism as 'an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence'.

Professional scepticism is particularly relevant in areas that involve management assumptions and/or estimates. It is also critical when evaluating audit evidence to reduce the risk of the auditor:

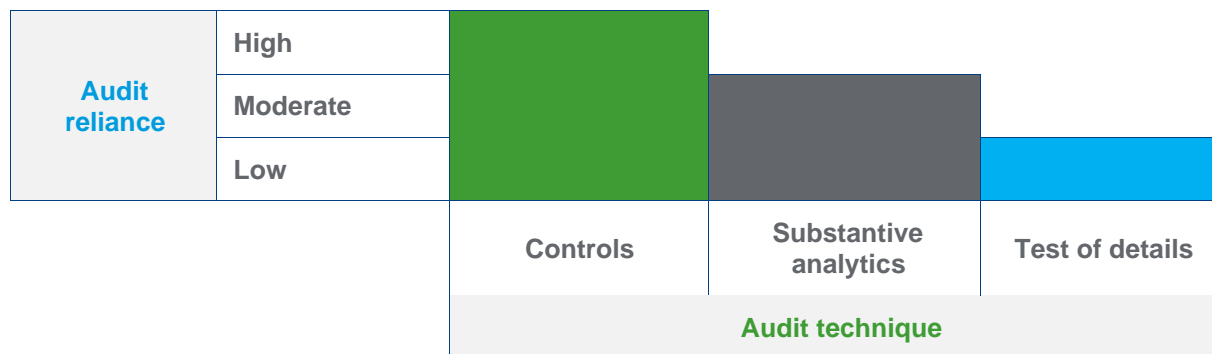
- Overlooking unusual circumstances; and
- Over generalizing when drawing conclusions from observations using inappropriate assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.



5.3 RSM approach to auditing significant risks

RSM's approach to auditing a class of transactions, account balance or disclosure is to initially assess whether there is a reasonable possibility that it could contain a material misstatement. Our risk assessment is based on both quantitative and qualitative criteria to determine whether they are significant.

Our audit strategy follows a hierarchy, which starts with testing of controls, then moves to substantive analytical review procedures and then finally testing of details. The following diagram shows an example where a high level of reliance on controls, along with a moderate level of reliance on substantive analytics is likely to result in testing of details that can safely rely on smaller sample sizes.



Based on previous audit experience at the City and review of the City's financial information, we have assessed that we can rely on internal controls, which effectively means we can apply a moderate level of substantive analytics and limited testing of details. This controls based approach is both efficient and effective.

APPENDIX 6 – OTHER GOVERNANCE MATTERS

Management Representation Letter

The audit plan assumes that the City's representatives will be able to sign a management representation letter. We will draft a management representation letter and forward to the City for consideration and review. The management representation letter is expected to be signed at the same time as the annual financial report is signed.

We will rely on the Chief Executive Officer signing the financial statements as evidence that they have:

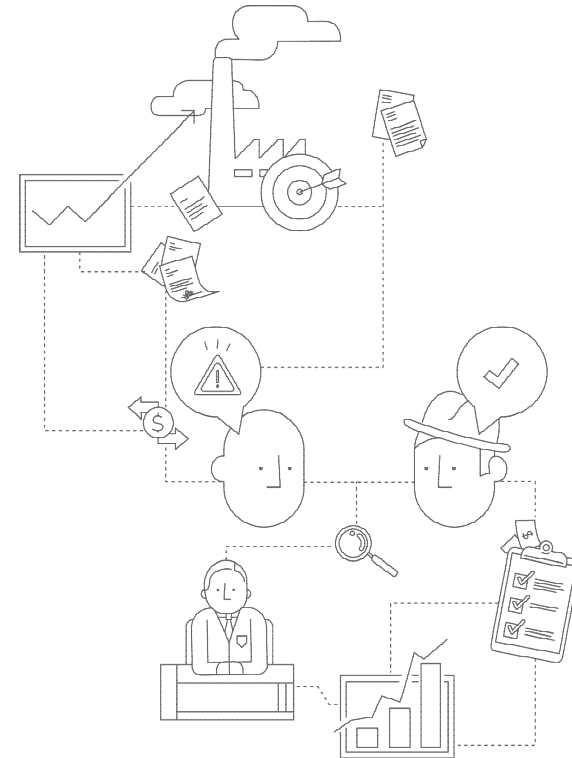
- Fulfilled their responsibilities for the preparation and fair presentation of the financial statements and key performance indicators in accordance with *Local Government Act 1995*, *Local Government (Audit) Regulations 1996* (**Audit Regulations**) and Australian Accounting Standards;
- Established and maintained an adequate internal control structure and adequate financial records and performance measurement data;
- Provided RSM with access to all information of which they are aware that is relevant to the preparation of the financial statements and key performance indicators, and the operation of controls, such as records, documentation and other matters;
- Recorded all transactions in the accounting and other records and are reflected in the financial statements and key performance indicators;
- Advised RSM of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- Advised RSM of all known instances of fraud or suspected fraud affecting the City involving management, employees who have significant role in internal control or others where the fraud could have a material effect on the financial statements and key performance indicators; and
- Provided RSM with the results of their assessment of the risk that the financial statements and key performance indicators may be materially misstated because of fraud.

Independence

The Auditor General is an independent officer of the Western Australia Parliament, appointed under legislation to examine, on behalf of Parliament and Western Australia taxpayers, the management of resources within the public sector. The Auditor General is not subject to control or direction by either Parliament or the government. In conducting the audit, the Auditor General, her staff and delegates will comply with all applicable independence requirements of the Australian accounting profession.

The Auditor General requires contract auditors to comply with the auditor rotation requirements of APES 110 Code of Ethics for Professional Accountants. A contract audit director may not play a significant role in the audit of an agency for more than seven financial years. RSM International audit methodology requires that we conduct an annual re-evaluation of our independence prior to the commencement of each assignment. We have fully satisfied ourselves that we do not have any actual or perceived conflict of interests.

We are fully compliant with our Ethics and Independence Policies, which are verified and tested each year by our Partner Responsible for Ethics and Independence. Each year we are required to submit certain information to our Partner Responsible for Ethics and Independence, which is analysed and subjected to a series of stringent tests. This system has been extensively reviewed by the Australian Securities and Investments Commission and found to be in accordance with Australian Auditing Standards, the Corporations Act 2001 and better practice.

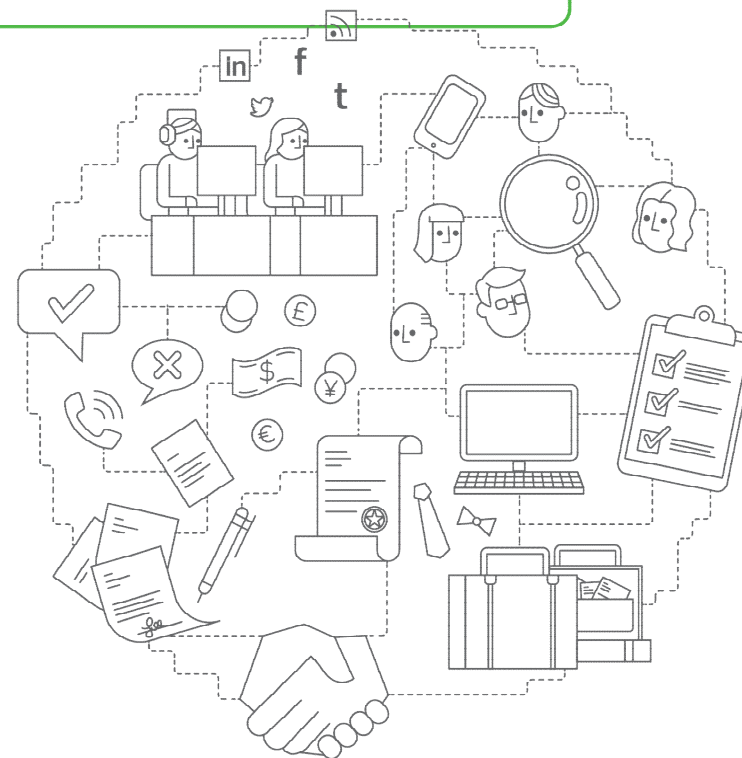


APPENDIX 7 - CHANGES IN ACCOUNTING STANDARDS

Standard	Matter	Key Requirements	Application Date
AASB 101 Presentation of Financial Statements	AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as current of non-current	AASB 2020-1 amends AASB 101 and require a liability to be classified as current when entities do not have a substantive right to defer settlements at the end of the reporting period for at least 12 months. This may affect the classification of some liabilities between current and non-current.	Periods beginning on or after 1 January 2023.
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.	This amending standard makes narrow scope amendments to a number of standards: <ul style="list-style-type: none"> ▪ AASB 1: to simplify its application by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences; ▪ AASB 3: updating the reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; ▪ AASB 9: clarifying which fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; ▪ AASB 116: requiring an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use, and the related cost, in profit or loss, instead of deducting the amounts received from the cost of the asset; ▪ AASB 137: specifying the costs that an entity includes when assessing whether a contract will be loss-making; and ▪ AASB 141: removing the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards. 	Periods beginning on or after 1 January 2022.

For more information, visit: www.rsm.global/australia/service/audit-and-assurance-services

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AC120	RISK MANAGEMENT PROFILE
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AGENDA REFERENCE:	D-22-034557
AUTHOR:	B Pearce, Manager Corporate Compliance and Safety
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	24 March 2022
FILE REFERENCE:	GO/11/0020-002
ATTACHMENTS:	Yes (x1) 2022 Risk Management Maturity Assessment

EXECUTIVE SUMMARY:

The purpose of this report is to provide an update to the Audit Committee as to the City of Greater Geraldton's risk management profile.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. NOTE the status of the City of Geraldton Geraldton's risk management profile.
2. REQUIRE the CEO to report back to the Audit Committee the ongoing status of the City's risk profile

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

In accordance with the Risk Management Framework, the City is required to report on the effectiveness of the management of risk. This report provides an update on the status of either strategic or high risks. Moderate or low risks of an operational nature are not included in this report.

Strategic risk:

The Executive Management Team during 2021 undertook multiple strategic risk review sessions. These sessions assessed foreseeable risks that have an external source which the City has limited ability to mitigate, and instead is required to develop response plans should the risks eventuate. The following strategic risks were assessed with mitigation plans established.

1. Major emergency event (natural or human caused, includes COVID 19)
2. Work Health & Safety injury or harm
3. Impact on operations due to shortage of resources (e.g. fuel, gas, electricity, contractors, water etc.)
4. Reduction or loss of external funding
5. Forced organisational change
6. Climate change impacts
7. Organisational culture

8. Regional population & economic decline
9. Technology advances more rapidly than council is able to adapt

High or Extreme Risks:

The City across its operations currently has identified 20 risks with a rating of high. These risks are as follows.

1. MP. Aquarena 50m Pool Upgrade - Tenders exceed budget
2. Walkaway Nangetty Bridge 3014 at risk of failure
3. Major aerodrome emergency Incident
4. Infrastructure failure event
5. Theft/holdup of City employees transporting/handling cash
6. Major security incident/event at City facilities or sites
7. Emergency evacuation of City facility
8. Cyber or information security incident
9. Major disruption/cancellation of City event
10. Potential health/disease impacts to Mullewa residents due to waste water/effluent treatment systems
11. Harm to minor under City guardianship for youth outreach program
12. Injury or illness to community member(s) (relating to City sites of services)
13. Major medical emergency at City facility or site
14. Major emergency event (natural or human caused, includes COVID 19)
15. Work Health & Safety injury or harm
16. Major Project. LRCIP 3 Culverts - Injury to a community member(s) or worker(s)
17. Major Project. Aquarena 50m Pool Upgrade - Injury to a community member(s) or worker(s)
18. Major Project. Railway Street - Safe Active Streets – Construction - Resources
19. Major Project. Renewals - Roads 21/22 - Injury to a community member(s) or worker(s)
20. Major Project. Renewals - Footpaths - Injury to a community member(s) or worker(s)

All risks identified above were included in the risk review workshops detailed below.

Risk review workshops:

During the fourth quarter of 2021, all City branches undertook a review of their branches risk accountabilities. These sessions verified the current risk mitigation plans and ensured risk accountabilities were up to date.

Since these review sessions, the average overdue risk action status has reduced by approximately 75%, with the majority of overdue actions now being completed within a 30-day period. All such overdue risk actions are reported to the Executive Management Team monthly and are monitored by managers and directors as part of the employee performance conversation process.

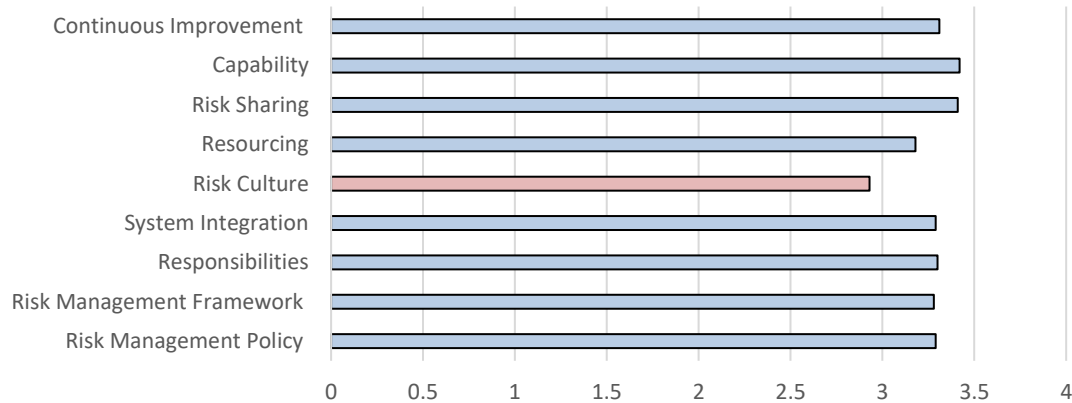
Risk Maturity Assessment:

Utilising the Risk Improvement Strategy assessment template, the City has assessed the current maturity of its risk systems across its operations. The

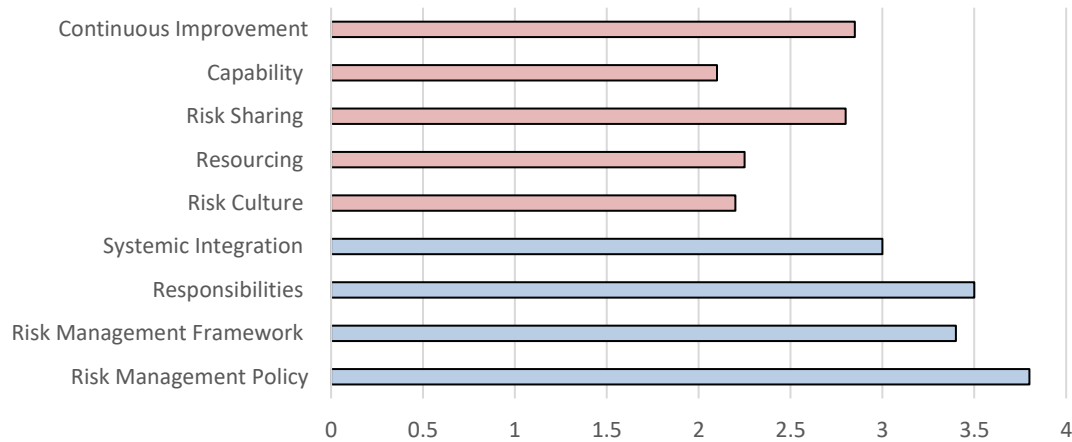
assessment reviewed the status of 9 key risk management system elements and their implementation across City operations using a scale of 1 – 5.

The assessment confirmed the City has successfully improved its risk maturity across the board with 8 out of 9 elements now rating a score of over 3 (3/implemented). This is in contrast to the assessment done in 2019 which had 4 of the 9 elements scoring above 3. See below tables which detail the improvements.

2022 Risk Maturity Assessment.



2019 Risk Maturity Assessment.



It is acknowledged that while the City’s risk maturity has improved, it has not progressed as far as was expected following the 2019 review. COVID 19 has influenced the City’s ability to be able to implement detailed risk programs (with the exception of pandemic and business continuity planning).

The noted reduction in the Risk Management Policy, Responsibilities and Risk Culture element relates to process issues associated with bi annual document review dates and overdue risks. These will be prioritised in 2022 as part of the Risk Management Framework review.

It is anticipated with the implementation of the Enterprise Resource Planning System and the improved Work Health & Safety Risk Management Systems

that the City's risk maturity will increase from a risk maturity score of 3/implemented to either 4/embedded or 5/mature.

Further details associated with the maturity assessment are included in the attached 2022 Risk Management Maturity Assessment.

COMMUNITY, ECONOMY, ENVIRONMENT AND LEADERSHIP ISSUES:

Community:

There are no adverse community impacts relating to the risk profile update.

Economy:

There are no adverse economic impacts relating to the risk profile update.

Environment:

There are no adverse environment impacts relating to the risk profile update.

Leadership:

There are no adverse leadership impacts to the risk profile update.

Disclosure of Interest:

No Officer involved in the preparation of this report has a declarable interest in this matter.

RELEVANT PRECEDENTS:

- AC039 – Status of City Risk Management Activities
- AC044 – Status of Risk Management & Compliance Activities
- AC084 – Risk Management Profile

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

This item has compliance and polity implications as follows:

- *Local Government (Audit) Regulations 1996, Regulation 17*
- Department of Local Government, Sports and Cultural Industries Integrated Planning Guideline
- City of Greater Geraldton Risk Management Framework
- Council Policy CP4.7 Risk Management
- Council Policy CP4.24 Risk Appetite and Tolerance

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications relating to the risk profile update.

INTEGRATED PLANNING LINKS:

Strategic Direction: Leadership	Aspiration: A strong local democracy with an engaged community, effective partnerships, visionary leadership and well informed decision-making.
Outcome 4.2	Decision making is ethical, informed and inclusive
Outcome 4.5	A culture of safety, innovation and embracing change

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT:

The purpose of this report is wholly associated with current risk management practices in the City. For this reason priority shall be given to all risks with:

1. a rating exceeding moderate;
2. a control effectiveness level of less than moderate; and
3. the areas of improvement identified in the maturity audit.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS:

No alternative options were considered as risk management is integral to City operations.

Overview

This Risk Management Maturity Assessment makes use of the Risk Management Improvement Strategy assessment template. This template utilises the following maturity scale and assesses 9 risk management elements as follows.

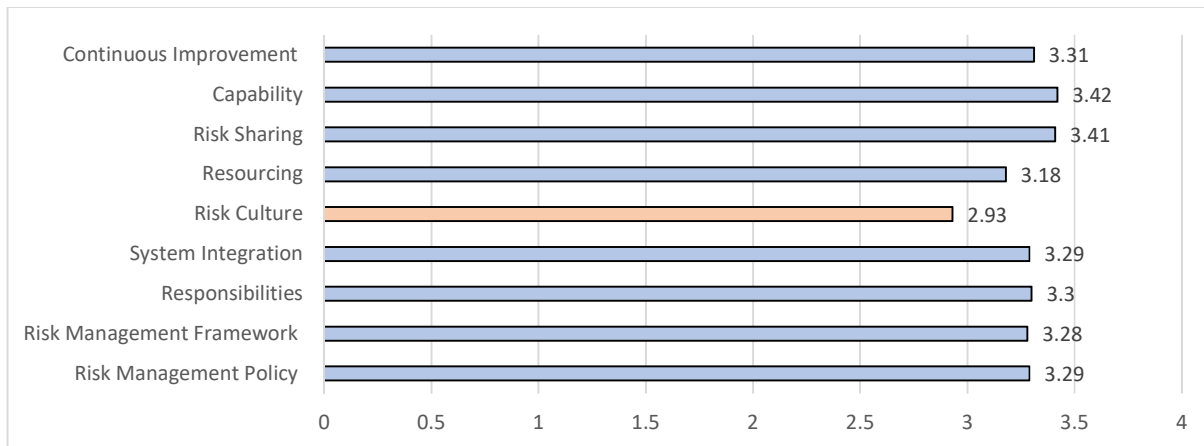
- | | |
|------------------------------|---------------------------|
| 1. Risk Management Policy | 6. Resourcing |
| 2. Risk Management Framework | 7. Risk Sharing |
| 3. Responsibilities | 8. Capability |
| 4. System Integration | 9. Continuous Improvement |
| 5. Risk Culture | |

Risk Mature Criteria.

Level 1	Awareness	There is a general understanding within the organisation of the benefits of risk management to the organisation, however, at this stage, no active measures have been taken that would constitute the implementation of a Risk Management Framework.
Level 2	Understanding	A Risk Management Framework has been designed and implementation has commenced or has been programmed to commence in the near future. There may be some risk management being done within the organisation, however, this is on an ad- hoc basis and is reliant on individuals within the organisation, as opposed to leadership from senior management.
Level 3	Implemented	A Risk Management Framework has been implemented in all key functional areas within the organisation, however, there are areas within the organisation that have yet to incorporate sound risk management practices into their processes.
Level 4	Embedded	A Risk Management Framework has been implemented in all key functional areas within the organisation, however, not all of the functional areas can be regarded as 'best practice' in relation to their risk management but steps are being taken to continually improve.
Level 5	Mature	A Risk Management Framework has been implemented in all key functional areas within the organisation, and all of the functional areas can be regarded as 'best practice' in relation to their risk management.

Average maturity score based on assessment

Refer to the subsequent section for the individual scoring allocation across the 9 risk management elements.



Risk management maturity assessment

Element 1: Risk Management Policy	
Fundamental	Maturity Score 1-5
The City has a risk management policy which has been endorsed by Council.	4
The policy defines the approach and rationale for managing risk within the City.	3
Communication and understanding of the policy and its objectives for managing risk vary across different levels of the City.	4
Understanding of the City's appetite for risk is inconsistent across the City.	3

Developed	
The City's risk management policy has been communicated throughout the City.	3
There is a thorough understanding of the City's risk appetite and tolerance by senior executive and the Council that is implied in the City's risk documentation, in particular its consequence and likelihood tables.	4
Systematic	
The City's risk management policy outlines the required accountability and responsibility for managing risk.	4
A common definition of risk exists and is applied throughout the City.	3
The City's risk appetite and tolerance policy is high-level and qualitative.	4
Integrated	
The City's risk management policy includes a vision for the continuing development of its risk management program.	3
The policy contains a high level risk appetite and tolerance policy with both qualitative and quantitative elements, which is linked to the City's business strategies.	3
The policy is reviewed and updated to reflect changes in the internal and external environment as they occur.	3
Advanced	
The City's risk management policy defines the linkages between risk and strategy within the City.	3
The policy is reviewed and updated on a biannual basis or more regularly if circumstances change.	4
The City's risk appetite and tolerance is articulated through individual risk appetite and tolerance statements developed for each source or category of risk. These statements are supported and operationalised by measures that enable effective monitoring and review.	2
Optimal	
The City's risk management policy considers the management of risk as an integral part of the City's governance systems, and this reflects the link between risk and realising the City's strategic objectives.	3
The policy contains information for all staff and stakeholders on the resources and processes dedicated to the management of risk.	3

Element 2: Risk Management Framework	
Fundamental	Maturity Score 1-5
The City's risk management framework (framework) is articulated at a high level but not integrated with the City's operations and overarching governance practices.	3
Resources allocated to manage risk are limited and are often shared across other responsibilities.	3
The framework and systems used to manage risk may not be widely understood or practiced.	3
Developed	
The City's risk management framework articulates the methodology and processes required to manage risk within the City.	4
The effectiveness of the City's framework is reviewed on an ad hoc or informal basis.	4
Systematic	
The City's risk management framework has been implemented and supports a consistent approach to the identification, assessment, evaluation and treatment of risk.	4
Resources have been allocated to implement, monitor and review the framework.	3
The framework has performance measures that are reviewed on an annual basis.	3
The framework explains the requirements for reporting the status of key risks including how the City contributes to managing shared or cross jurisdictional risk.	3

Integrated	
The City's risk management framework is embedded in the operations of the City and is part of its overarching governance and management framework.	3
The techniques for the identification, assessment, evaluation and treatment of risk are applied consistently across all business units.	3
Reporting on the status of key risks and control performance including effectiveness of the framework occurs on a quarterly basis.	2
Advanced	
The City's risk management framework includes measures for the accountability and management of risk and controls at both a business unit and programme/project level.	4
Key risk indicators are used to measure the overall performance of the City's risk management framework.	3
There is a hierarchy of tools to guide decision making and support regular reporting and the escalation of risks.	4
Risk management documentation and data is centrally stored and readily available to officials.	4
Optimal	
The City's risk management framework includes techniques to identify, analyse and measure current, future and emerging risks through the collection and analysis of data including loss event, near-miss data and root cause analysis.	3
Real time risk information is readily available from a centralised source to support decision making.	3
The appetite and tolerance for managing risk in the City is understood and informs discussions on the changing profile of individual risks or themes.	3
Performance reporting requirements are in place to measure and monitor risk exposures.	3
There is no duplication of risk management activities for different risk related functions across branches or business units, resulting in the effective flow of information across the City.	4

Element 3: Responsibilities	
Fundamental	Maturity Score 1-5
Responsibility for the management of risk has been articulated in the City's Council instructions.	4
Developed	
The City's Council instructions and risk management policy articulate who is accountable and responsible for the management of risk, and the implementation of the City's risk management framework.	4
The management of risk is not specified in individual's performance agreements.	3
Systematic	
The City has a risk manager or team responsible for implementing the City's risk management framework and these roles and responsibilities are defined in the City's Council instructions and risk management policy.	3
Accountability and responsibility for managing risk is clearly defined and linked to the performance of staff at each level of the City.	4
Accountability and responsibility for managing, or overseeing, risk is included in the charters of executive committees including audit and or risk committee.	3
Integrated	
There is a formalised governance structure to assess and have oversight of the management of risk at business unit and executive levels.	3
The City has a clear definition of what constitutes a new policy, programme and/or service and there is a formal governance structure in place for the assessment of the risks associated with the development or implementation of these.	3
The City's risk manager or team coordinates the implementation of the City's framework, its risk profiles and action plans as well as evaluating risk planning to ensure consistency and accuracy of practice.	3

Advanced	
Senior leadership supports the City's risk manager or team to facilitate, challenge and drive risk management capability in the City.	4
The risk management team report to senior executive, the audit committee or the Council at regular intervals on the performance of the City's risk framework.	3
The City's Executive approves the City's risk appetite and tolerance, including its risk profile, and the management of significant and critical risks, as well as overseeing the continual improvement of the City's risk framework.	3
Optimal	
Managers and supervisors monitor the risks and risk profiles of their areas of responsibility and ensure staff adopt the City's risk management framework as developed and intended.	3

Element 4: Systemic Integration	
Fundamental	Maturity Score 1-5
Branch and Business unit risks are reviewed annually however these risks do not inform the City's business planning, budgeting and reporting processes.	3
The definitions used to manage risk are inconsistently understood throughout the City as there is limited guidance for identifying risk processes or differentiating between risk classes.	3
Developed	
Enterprise-wide risks are considered in the City's business planning, budgeting and reporting processes.	3
There is no evidence of the identification of specialist categories of risk, such as fraud, or business continuity in these processes.	4
Systematic	
The City's risk management framework is embedded in its operational, process and reporting frameworks ensuring greater coordination of risk activities.	4
The City's approach to managing risk is a part of its overarching governance framework and recognised as key to effective business planning.	3
The processes of identification, assessment, monitoring, communicating and reporting risk are consistent across the City.	3
The City's risk profile enables the prioritisation of City's audit and assurance activities.	4
Integrated	
The process of managing risk occurs at the policy, program and/or service delivery level and is evident in the collation and analysis of management information.	3
The City's risk appetite and tolerance has been defined and communicated to all staff to ensure an appropriate level of risk identification is undertaken when developing strategic and operational plans.	4
Specialist risk programs are documented and included in regular reports to senior executive and/or the Council.	4
Advanced	
The City's approach to managing risk is fully integrated with its overarching governance framework and recognised as key to effective business planning.	3
The City identifies opportunities for improvement that arise as a result of analysing risk information and identifying good risk management practice.	3
The City has developed a comprehensive risk appetite and tolerance policy including KPI's that cascade from high level down to the detailed level.	2
Optimal	
The City's risk management processes are utilised at enterprise, business unit, program and project levels and for all risk activities including specialist areas such as information technology, fraud, security, business continuity, crisis management and business continuity.	3
Formal mechanisms exist to build and maintain organisational resilience.	4

The City's risk appetite and tolerance policy, (including its tolerances and limits for different categories of risk) are used consistently across the City to inform decision making.	3
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Element 5: Risk Culture	
Fundamental	Maturity Score 1-5
Officers understand and agree the need and value of effective risk management.	3
Council, senior executives and line managers demonstrate the importance the City places on managing risk in line with the City's framework and systems.	4
Developed	
The City's risk management framework is integral to its operating model.	3
Lessons learnt are communicated to staff.	3
There is a common understanding of the meaning of good risk management and as a result a consistent use of language and understanding of risk related concepts.	3
Systematic	
Surveys and external reviews undertaken (such as the annual state of the service report or capability reviews) are analysed to provide insights into the risk culture of the City.	2
The City analyses loss incidents and identifies areas for improvement. This includes acknowledging good risk management practice and speaking with staff regularly about opportunities to better manage risk.	3
Integrated	
Senior executives are held accountable through their performance agreements for managing risk including responsibility for strengthening the risk culture of their teams.	3
The City's risk culture is formally and regularly assessed with recommendations identified for improvement.	2
The City has a risk management framework that is integrated with its overarching governance framework so that the task of managing risk is not regarded as an additional responsibility or burden.	3
Advanced	
Officers are comfortable raising concerns with senior managers and those being challenged respond positively.	4
There is a sponsor at the senior executive level of the City that leads and promotes the management of risk across the City.	3
The City learns from negative and positive situations so that policy and procedural changes are made to improve the management of risk in the future.	3
Optimal	
The culture of the City is one that demonstrates and promotes an open and proactive approach to managing risk that considers both threat and opportunity.	3
Examples of good risk management practice are communicated by senior executive and individuals that excel in demonstrating good risk management practice in their day to day responsibilities are rewarded.	2

Element 6: Communication and Consultation	
Fundamental	Maturity Score 1-5
There is no common risk language used across the City with limited reporting of risks to senior executive, the Council or key stakeholders.	3
Branches and or business units communicate with their stakeholders but this information is not shared across the City.	3
Communication of risk issues with senior executive and/or the Council is as requested. As a result, this may lead to duplication of information across the City.	3

Developed	
Communication with the senior executive and/or the Council is limited to information on the specialist risks of the City such as work health safety, security or fraud. Risks are discussed at the senior executive level but it is not apparent how this information is communicated or shared with those responsible for managing specific risks.	3
A common risk language is used and understood to communicate risk by the risk management function and senior leadership teams but these terms are not consistently understood across the City.	3
Systematic	
There is a common understanding of the principles and importance of managing risk across the City.	4
The City acknowledges the importance of communicating risk in a timely manner by providing information on the management of key risks and the effectiveness of the City's risk management framework to senior executive and the Council.	4
While the City analyses incidents and identifies areas for improvement feedback is not commonly used to improve policies, procedures and related communications.	3
External communication occurs to inform stakeholders of the management of key risks and to assist them in understanding the City's approach to managing risk.	3
Integrated	
The City's risk terminology is understood by all staff providing a consistent approach to managing risk across all branches and functions internally.	3
The importance of communicating and escalating risk issues is considered in the day to day activities of staff.	3
Reporting formats have been agreed and are tailored to target audiences.	4
Advanced	
There is a consistent approach to communicating and discussing risk, enabling staff to develop an understanding of how risk management contributes to achieving the City's objectives.	3
Staff are informed of the City's appetite for risk through a variety of communication and information channels which are regularly reviewed and updated as the City's context for managing risk changes.	2
There is evidence of the integration of risk information with key operational systems such as strategic planning, work health safety and business continuity.	4
Optimal	
The importance of communicating risk is apparent across the City with a high level of importance placed on ensuring a common understanding of the principles for managing risk; understanding the need to escalate risk issues as they arise; and the importance of informing both internal and external stakeholders in a timely manner.	3

Element 7: Shared risk (Including Strategic, Enterprise, Departmental or Major Project Risk)	
Fundamental	Maturity Score 1-5
There are no formal arrangements in place to discuss and understand shared risks between the City and other external entities or stakeholders.	3
Developed	
The City's risk management policy defines shared risk.	3
The City's risk management framework reflects the requirement to consider shared risk in supporting guidance and documentation.	4
Informal arrangements are in place to discuss and understand shared risks between the City and other external entities.	3
Systematic	
The City's risk management framework provides guidance on how to identify, assess, communicate and contribute to the management of shared risk.	4
Formal governance arrangements are in place to discuss and understand shared risks between the City and other external entities.	4

Integrated	
Senior executive champion shared risk behaviours by demonstrating a collaborative approach to managing shared risk.	3
There is a common understanding of accountabilities and responsibilities for managing shared risk within the City.	3
Advanced	
The culture of the City is one where identifying and managing shared risk is considered important.	3
Where the City shares risk with another LG or organisation there are agreed governance arrangements in place to discuss, understand and effectively manage both current and emerging shared risks.	4
Optimal	
The concept of shared risk, and the arrangements for managing it, is reflected in the City's governance framework and business processes.	3
The City has established mechanisms and protocols for recording, monitoring and reporting on managing shared risk.	4

Element 8: Capability	
Fundamental	Maturity Score 1-5
There are a limited number of resources available for the management of risk. Primary resources include the allocation of staff to support the implementation of the City's risk framework and a budget to manage specific risks.	3
Key individuals, including senior executive, the Council and risk personnel are provided limited training to understand and execute their risk management responsibilities.	3
There is an informal process in place to exchange risk information between the senior executive and the Council with individual branches or business units.	4
Developed	
The role of implementing the City's risk management framework is shared with other responsibilities such as audit, security or facilities management.	3
Staff are able to develop their level of risk management skills through access to regular training.	4
Risk information is disseminated and shared across the City informally.	3
Systematic	
Staff responsible for implementing the City's risk management framework are dedicated resources to the risk management function, with a well-developed understanding of the City and its operations.	3
Levels of risk competence have been identified for each level of the City and there is support for the ongoing development of risk management skills appropriate for each level.	4
There is an effective flow of information through the City with a structured approach to the provision of information to senior executive and the Council that consolidates all risk data.	3
Risk information is stored in a centralised repository and accessible to key staff.	4
Integrated	
The risk manager or risk management team is responsible for assisting branches or business units to identify and evaluate risk, ensuring a consistent and structured approach is applied.	4
Management regards the resourcing of risk as important therefore the City has a consistent approach to identifying and developing risk management skills internally.	3
Risk information is stored in a centralised repository that is accessible by all staff and provides access to real time data.	4
Advanced	
The City's operational budget reflects the cost of managing key risks.	3
There is a culture of knowledge sharing with the cost of managing risk appreciated at all levels.	3

Risk Management Information Systems are used to undertake data analysis and inform organisational decisions. This includes historical data such as near misses and loss events as well as predictive data that includes the identification of new and emerging risks and the potential costs of these risks.	4
Optimal	
Risk resources are allocated based on detailed analysis supported by data on current, future and emerging risks.	4
The ongoing costs associated with the implementation of the City's risk management framework, such as risk treatment, resourcing, education and communication, are identified and managed within an City's operational budget.	3
The City demonstrates an understanding of the need to build risk capability through the effective allocation and use of risk resources. This is achieved by focusing on priority areas for improvement, addressing underlying issues, and utilising the skill of existing resources.	3

Element 9: Continuous improvement	
Fundamental	Maturity Score 1-5
There is limited oversight of the effectiveness of the City's risk management framework.	4
The reporting and consideration of risk issues is performed in an uncoordinated manner.	4
Developed	
Reviews of the effectiveness of the City's risk management framework are undertaken on an ad-hoc basis by the internal audit function.	4
Accountability for the oversight of key risks is unclear.	4
Systematic	
Reviews on the performance elements of the City's risk management framework are completed. Results are reported to senior management and the City's Council so that review and monitoring plans are established for future periods in select functions.	3
Regular reviews and evaluation of all material risks are undertaken in the City.	3
Reporting of risk occurs on a regular basis enabling the consideration of key issues in a timely manner by the senior executive and Council.	4
The risk management framework includes a process by which individuals certify the performance of their responsibilities.	3
Reporting formats have been agreed and are tailored to the target audience.	4
Integrated	
Scheduling of risk review and monitoring plans occurs across all branches and business units.	4
Risk reporting to the senior executive and the Council includes the use of qualitative and quantitative criteria to assess performance against risk appetite and tolerance levels.	3
Regular reviews of compliance with the risk framework are undertaken by internal audit.	3
Ongoing oversight and monitoring of the risk function occurs on a regular basis to identify opportunities for improvement in the framework and processes of the City.	3
Advanced	
The City's risk management framework contains validation and assurance processes on a real-time basis with performance considered by senior executive.	3
Risk processes are assessed on a regular basis by an independent party.	3
Review and monitoring plans are established for future periods across all functions. These plans are independently monitored to determine progress and outcomes.	3
The Council and senior executive discuss and agree target maturity levels for each critical component of risk management and a conscious decision is made about the allocation of risk management resources and the necessary investments to achieve an agreed future vision.	2
Optimal	
Comprehensive data collection supports continuous review, monitoring and learning from outcomes (e.g. internal audit, near misses, loss event data and independent reviews).	3
The management of risk is reflected in branch and business unit budgets, with the cost of risk being identified and managed effectively. The City considers the cost of managing risk at all	3

<p>levels and reports on this to the senior executive and Council on a regular basis. As a result, the allocation of resources for managing risk is considered in the City's operating budget. This includes the treatment of key risks and the costing of opportunities for improved processes or additional programmes as a result of the identification of opportunities from the risk management process.</p>	
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Audit Committee Action Items

19 April 2022

Title	Item/ References	Action	Item# or Date Completed	Committee Decision
Compliance Audit Return	AC115	2. REPORT to Council the results of the Audit Committee review of the Compliance Audit Return 2021, at the Ordinary Meeting of Council on 29 March 2022.	Council Report CCS 677 – 29 March 2022	<p>Council Decision</p> <p>1. RECEIVE the Audit Committee report on the Compliance Audit Return for the period 1 January 2021 to 31 December 2021;</p> <p>2. ADOPT the Compliance Audit Return 2021 for the period 1 January 2021 to 31 December 2021; and</p> <p>3. NOTE that the Compliance Audit Return for the period 1 January 2021 to 31 December 2021 will be submitted to the Department of Local Government, Sport and Cultural Industries.</p>
Fraud and Corruption Control Plan	AC118	3. REQUIRE progress updates on implementation of the proposed management actions at the next Audit Committee Meeting.	Deferred to next Audit Committee Meeting	
General Business		An informal meeting is to be scheduled for a Cyber security/BCM overview for members of the Audit committee who wish to attend. Manager ICT services, D Duff to present on the risks related to data backup systems and proposed changes.		

5 FRAUD CONTROL – STANDING ITEM – Deferred to next meeting

6 GENERAL BUSINESS LATE ITEM

7 MEETING CLOSURE