



## **Audit Committee**

### **Notice of Meeting & Agenda 23 July 2020**

**City of Bunbury**  
4 Stephen Street  
Bunbury WA 6230  
Western Australia  
*Correspondence to:*  
Post Office Box 21  
Bunbury WA 6231



## **Audit Committee Terms of Reference**

*The duties and responsibilities of the committee will be:*

- a) *Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits and matters related to financial management;*
- b) *Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;*
- c) *Liaise with the CEO to ensure that the local government does everything in its power to:*
  - *assist the auditor to conduct the audit and carry out his or her other duties under the Local Government Act 1995; and*
  - *ensure that audits are conducted successfully and expeditiously;*
- d) *Examine the reports of the auditor after receiving a report from the CEO on the matters to:*
  - *determine if any matters raised require action to be taken by the local government; and*
  - *oversee the implementation of any action so determined in respect of those matters;*
- e) *Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;*
- f) *Review the scope of the internal audit plan and program and its effectiveness;*
- g) *Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or the CEO;*
- h) *Review the level of resources allocated to internal audit and the scope of its authority;*
- i) *Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;*
- j) *Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;*
- k) *Review the local government's draft annual financial report, focusing on:*
  - *accounting policies and practices;*
  - *changes to accounting policies and practices;*
  - *the process used in making significant accounting estimates;*
  - *significant adjustments to the financial report (if any) arising from the audit process;*
  - *compliance with accounting standards and other reporting requirements; and*
  - *significant variances from prior years;*
- l) *Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;*
- m) *Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;*
- n) *Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council;*
- o) *Review the annual Compliance Audit Return and report to the council the results of that review,*
- p) *Having regard to the culture and capability of the organisation, consider the CEO's reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews;*
- q) *Monitor and advise the CEO when the CEO is carrying out functions in relation to a review of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance;*
- r) *Oversee the implementation of any action required following receipt of the review of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance;*
- s) *Monitor and advise the CEO when the CEO is carrying out functions in relation to a review of the appropriateness and effectiveness of the financial management systems and procedures;*
- t) *Oversee the implementation of any action required following receipt of a review of the appropriateness and effectiveness of the financial management systems and procedures.*

## Acknowledgement of Country

We acknowledge the Traditional Custodians of this land, the Wardandi Noongar people, and pay our respects to Elders past, present and future.

## Audit Committee - Notice of Meeting

Dear Committee Members

The next meeting of the Audit Committee will be held in the Ocean Room, City of Bunbury Administration Building, 2-4 Stephen Street, Bunbury on **Thursday, 23 July 2020** at 10.00am.

Signed:

**Greg Golinski**  
**Manager Governance**

### Agenda 5 March 2020

Members of the public to note that recommendations made by this committee are not final and will be subject to adoption (or otherwise) at a future meeting of the Bunbury City Council.

#### Committee Members:

Member Name	Representing
Mayor Gary Brennan	City of Bunbury
Cr Jaysen Miguel (Presiding Member)	City of Bunbury
Cr Michelle Steck	City of Bunbury
Cr Cheryl Kozisek	City of Bunbury
Mr Stephen Foster	Community Member
Mr John Barratt	Community Member

#### Support Staff/Visitors:

Name	Title
Mr Greg Golinski	Manager Governance
Mr Mal Osborne	Chief Executive Officer
Mr David Ransom	Manager Finance
Mr Jordan Hunt	Internal Audit and Business Improvement Officer
Mr Dave Chandler	Director Strategy and Organisational Performance

**1. Declaration of Opening**

The Presiding Member to declare the meeting open.

**2. Disclaimer**

Not applicable to this committee.

**3. Announcements from the Presiding Member**

**4. Attendances**

**4.1 Apologies**

Mr John Barratt is an apology.

**4.2 Approved Leave of Absence**

**5. Declaration of Interest**

IMPORTANT: Committee members to complete a “Disclosure of Interest” form for each item on the agenda in which they wish to disclose a financial/proximity/impartiality interest. They should give the form to the Presiding Member <u>before</u> the meeting commences. After the meeting, the form is to be forwarded to the Administration Services Section for inclusion in the Corporate Financial Disclosures Register.
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**6. Public Question Time**

Not applicable to this committee.

**7. Confirmation of Minutes**

Committee Decision:                      Moved \_\_\_\_\_                      Seconded \_\_\_\_\_

The minutes of the Audit Committee Meeting held on 5 March 2020 are confirmed as a true and accurate record.

CARRIED/LOST

**8. Presentations**

Nil

**9. Method of Dealing with Agenda Business**

**10. Reports**

**10.1 Employee Leave Balances**

<b>File Ref:</b>	COB/2718		
<b>Applicant/Proponent:</b>	Internal		
<b>Responsible Officer:</b>	Jordan Hunt, Internal Auditor		
<b>Responsible Manager:</b>	Odetta Robertson, Manager People and Safety		
<b>Executive:</b>	Mal Osborne, Chief Executive Officer		
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy	<input type="checkbox"/> Review	
	<input type="checkbox"/> Executive/Strategic	<input type="checkbox"/> Quasi-Judicial	
	<input type="checkbox"/> Legislative	<input checked="" type="checkbox"/> Information Purposes	
<b>Attachments:</b>	Appendix 1: Employee Leave Balances		

**Summary**

The purpose of this report is to provide the Audit Committee with information relating to Annual Leave Accruals for City staff.

**Executive Recommendation**

That the Audit Committee receive the update.

*Voting Requirement: Simple Majority*

**Strategic Relevance**

Theme 4                      Our City  
 Goal                          Civic leadership, partnerships and sound governance in delivering with and for the community  
 Objective 4.4              A skilled organisation, which exercises responsible asset stewardship, sound financial management, and exemplary customer service

**Regional Impact Statement**

N/A

**Background**

The CEO has previously been requested by the Committee to provide a recurring report concerning accrued staff leave. This was requested on the basis of the risk presented to the City in carrying excessive leave liabilities.

This report fulfils this requirement.

**Council Policy Compliance**

N/A

**Legislative Compliance**

N/A

**Officer Comments**

The attached report (Appendix 1) detail the City’s leave liabilities as at 30 June 2020. Note that the figures represent liabilities in excess of annual entitlements (4 or 5 weeks depending on the Officer) and also liabilities in excess of 8 weeks, which is defined by Fair Work Australia as being “excessive”.

**Analysis of Financial and Budget Implications**

N/A

**Community Consultation**

N/A

**Councillor/Officer Consultation**

N/A

**Applicant Consultation**

N/A

**Timeline: Council Decision Implementation**

N/A

## 10.2 COVID 19 Update

<b>File Ref:</b>	
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Jordan Hunt, Internal Auditor
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance
<b>Executive:</b>	Dave Chandler, Director Strategy and Organisational Performance
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <span style="margin-left: 150px;"><input type="checkbox"/> Review</span> <input type="checkbox"/> Executive/Strategic <span style="margin-left: 100px;"><input type="checkbox"/> Quasi-Judicial</span> <input type="checkbox"/> Legislative <span style="margin-left: 100px;"><input checked="" type="checkbox"/> Information Purposes</span>
<b>Attachments:</b>	Nil

### Summary

The purpose of this report is to provide an update to the Audit Committee regarding the City’s response to the COVID-19 pandemic since the previous Audit Committee meeting held on 5 March 2020.

### Executive Recommendation

The Audit Committee note the information provided in this report.

*Voting Requirement: Simple Majority*

### Strategic Relevance

Theme 4	Our City
Goal	Civic leadership, partnerships and sound governance in delivering with and for the community
Objective 4.4	A skilled organisation, which exercises responsible asset stewardship, sound financial management, and exemplary customer service

### Regional Impact Statement

N/A

### Background

COVID-19 is a disease caused by a new form of coronavirus and was first reported in December 2019 in Wuhan City, China. The World Health Organization (WHO) announced COVID-19 as a pandemic on the 30<sup>th</sup> of January 2020. The coronavirus is highly contagious and as such has had a severe impact throughout the world’s economies, communications, travel and supply chains. The Health response to the COVID-19 pandemic placed unprecedented financial uncertainty on Government, businesses, not-for-profit organisations and the wider community.

To respond to the ever-evolving challenges of the COVID-19 pandemic, the City of Bunbury has had to be proactive and agile in its operations and decision making. To achieve this, Council received several briefings as well as formal reports for decision such as the City’s recovery plan and amendments to its existing delegation to the CEO. Involving the Audit Committee during this period has not been practical



given the situations rapid rate of change and the requirement to include all Elected Members in decision making.

This report has been prepared to update the independent members of the Audit Committee regarding the City of Bunbury's response to COVID-19.

### **Council Policy Compliance**

N/A

### **Legislative Compliance**

N/A

### **Officer Comments**

The City of Bunbury formed the Emergency Coordination Team on 16 March 2020. The team comprised City officers across several departments and levels whose responsibility was to determine the organisation's approach to managing the COVID-19 pandemic.

The Emergency Coordination Team prepared the City of Bunbury Relief and Recovery Plan – COVID-19 from which several reports and decisions were required to be taken to Council.

The following reports were provided to Council for noting and decision making;

#### COVID-19 – A City of Bunbury Response

31/03/2020

The purpose of this report was to allow Council to consider a Relief and Recovery plan that incorporates key actions to provide support to residents, businesses and employees. The plan involved setting the FY21 budget on a zero rate rise and zero increase to fees and charges basis along with easing the organisations processes regarding accounts receivable collection. Further to this Council made amendments to its existing delegation to the CEO (1.1.16 Defer, Grant Discounts, Waive or Write Off Debts), which will enable the City to make timely decisions in the context of its COVID-19 response.

#### Proposed Council Policy: COVID-19 Financial Hardship

14/04/2020

The purpose of this report was for Council to adopt a new policy entitled COVID-19 Financial Hardship. The purpose of the policy gives effect to the City's commitment to support the whole community to meet the unprecedented challenges arising from the COVID19 pandemic, recognising that these challenges have and will continue to result in financial hardship for much of the community. The Policy's intent is to ensure that the City offers a fair, equitable, consistent and dignified support to ratepayers suffering hardship, while treating all members of the community with respect and understanding at this difficult time.

#### City of Bunbury Relief and Recovery Plan – COVID-19

14/04/2020

The purpose of the report was to inform Council of the content of the City of Bunbury Relief and Recovery Plan – COVID-19 as prepared by the City’s Emergency Coordination Team. The Plan details appropriate actions for a three-stage response to the COVID-19 pandemic, summarising:

1. Those measures that have already been enacted (Stage 1);
2. Immediate measures to be actioned between the time of decision and 30 June 2020 (stage 2);  
and
3. Actions and measures to be considered as part of the long-term recovery from the COVID-19 pandemic, from 2020/21 onwards (stage 3).

Local Recovery Coordination Working Group – Minutes and Recommendation of Grant Funding Program 26/05/2020

The City of Bunbury formed the Local Recovery Coordination Working Group consisting of Elected Members, Executives and key City officers. The mission of the group is to minimise the impacts of the COVID-19 pandemic upon the community, both economically and socially.

At the meeting held on 14 May 2020 the group recommended that Council allocate \$100,000 towards the proposed ‘Bunbury Small Business Support Program’ and ‘Bunbury Business and Industry Organisation Support Program’ and to roll them out to eligible organisations.

The objectives of both programs are to allow organisations to:

- Adapt their business operations to retain staff
- Provide much needed goods and services that are in short supply
- Better position themselves to plan for recovery
- Increase their digital and e-commerce capabilities
- Increase their knowledge, develop new skills, knowledge and build resilience

In addition to the summary of key reports and decisions provided to Council during the COVID-19 pandemic, the CEO and Director Strategy and Organisational Performance will provide a verbal update to the City’s final budget position. At time of writing, the City’s 2020/21 budget is still under development.

**Analysis of Financial and Budget Implications**

N/A

**Community Consultation**

N/A

**Councillor/Officer Consultation**

N/A

**Timeline: Council Decision Implementation**

N/A

### 10.3 Audit Findings Database

<b>File Ref:</b>	
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Jordan Hunt, Internal Auditor
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance
<b>Executive:</b>	Dave Chandler, Director Strategy and Organisational Performance
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input checked="" type="checkbox"/> Information Purposes
<b>Attachments:</b>	Appendix 2: CONFIDENTIAL Audit Findings Database

#### Summary

The City of Bunbury has established a database and follow-up process to monitor and ensure that management's actions to audit findings (both internal and external) have been effectively implemented.

The database (as presented at Appendix 2) is presented to the Audit Committee for information and discussion as necessary.

#### Executive Recommendation

The Committee note the information provided in this report.

*Voting Requirement: Simple Majority*

#### Strategic Relevance

Theme 4	Our City
Goal	Civic leadership, partnerships and sound governance in delivering with and for the community
Objective 4.4	A skilled organisation, which exercises responsible asset stewardship, sound financial management, and exemplary customer service

#### Regional Impact Statement

N/A

#### Background

The International Standards for the Professional Practice of Internal Auditing requires the Internal Audit Coordinator to establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not acting.

Appendix 2 has been developed to capture audit findings from all engagements, both internal and external.

#### Council Policy Compliance

N/A

**Legislative Compliance**

*The International Standards for the Professional Practice of Internal Auditing 2500.A1*

**Officer Comments**

The Internal Audit Coordinator will be responsible for capturing the audit findings and monitoring the implementation of management’s agreed actions. An updated database will be provided to the Audit Committee at each meeting for consideration.

**Analysis of Financial and Budget Implications**

N/A

**Community Consultation**

N/A

**Councillor/Officer Consultation**

N/A

**Applicant Consultation**

N/A

**Timeline: Council Decision Implementation**

N/A

#### 10.4 Interim Audit Findings

<b>File Ref:</b>	
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Jordan Hunt, Internal Auditor
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance
<b>Executive:</b>	Dave Chandler, Director Strategy and Organisational Performance
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input checked="" type="checkbox"/> Information Purposes
<b>Attachments:</b>	Appendix 3: CONFIDENTIAL Interim Audit Findings

#### Summary

AMD Chartered Accountants have completed the interim audit for the year ending 30 June 2020 on behalf of the Office of the Auditor General. The purpose of this report is to provide the Audit Committee with the interim audit results as expressed in the attached management letter.

#### Executive Recommendation

The Committee note the information provided in this report.

*Voting Requirement: Simple Majority*

#### Strategic Relevance

Theme 4	Our City
Goal	Civic leadership, partnerships and sound governance in delivering with and for the community
Objective 4.4	A skilled organisation, which exercises responsible asset stewardship, sound financial management, and exemplary customer service

#### Regional Impact Statement

N/A

#### Background

The focus of the interim audit was to evaluate the City of Bunbury’s overall control environment, but not for expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to the OAG’s audit of the annual financial report.

#### Council Policy Compliance

City of Bunbury Risk Management Framework

- Council Policy Risk Management
- City of Bunbury Risk Management Strategy
- City of Bunbury Risk Management Plan

City of Bunbury Compliance Framework

- Corporate Guideline: Legislative Compliance

City of Bunbury Internal Control Framework

- Corporate Guideline: Internal Control

**Legislative Compliance**

Regulation 17 of the *Local Government (Audit) Regulations 1996*

***r.17. CEO to review certain systems and procedures***

- (1) *The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to –  
  
(a) risk management; and  
(b) internal control; and  
(c) legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review **not less than once in every 3 financial years.***
- (3) *The CEO is to report to the audit committee the results of that review.*

**Officer Comments**

The attached management letter (Appendix 3) contains a listing of deficiencies in internal control and other matters that were identified during the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that the OAG have concluded are of enough importance to merit being reported to management.

**Analysis of Financial and Budget Implications**

N/A

**Community Consultation**

N/A

**Councillor/Officer Consultation**

N/A

**Applicant Consultation**

N/A

**Timeline: Council Decision Implementation**

N/A

**10.5 Internal Audit – Volunteer Management**

<b>File Ref:</b>	
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Jordan Hunt, Internal Auditor
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance
<b>Executive:</b>	Dave Chandler, Director Strategy and Organisational Performance
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input checked="" type="checkbox"/> Information Purposes
<b>Attachments:</b>	Appendix 4: CONFIDENTIAL Draft IA Report Volunteer Management

**Summary**

Internal audit has completed a review of the City of Bunbury’s volunteer management controls. The internal audit report summarises the findings identified during the review. This purpose of this report is to communicate how the City of Bunbury plans to address the findings going forward.

**Executive Recommendation**

That the Committee:

1. Note the information within the report and the recommendations agreed to by Management;
2. Note that these recommendations will be included in the City’s Audit Findings Database that is presented to the Committee at each meeting.

*Voting Requirement: Simple Majority*

**Strategic Relevance**

Theme 4	Our City
Goal	Civic leadership, partnerships and sound governance in delivering with and for the community
Objective 4.4	A skilled organisation, which exercises responsible asset stewardship, sound financial management, and exemplary customer service

**Regional Impact Statement**

N/A

**Background**

The review has been undertaken to assess the adequacy of the processes and controls in place for volunteer management at the City of Bunbury. The audit covered a review of the control framework in place for volunteer management including recruitment, on-boarding, records management and process governance.

**Council Policy Compliance**



City of Bunbury Risk Management Framework

- Council Policy Risk Management
- City of Bunbury Risk Management Strategy
- City of Bunbury Risk Management Plan

City of Bunbury Compliance Framework

- Corporate Guideline: Legislative Compliance

City of Bunbury Internal Control Framework

- Corporate Guideline: Internal Control

**Legislative Compliance**

Regulation 17 of the *Local Government (Audit) Regulations 1996*

***r.17. CEO to review certain systems and procedures***

- (1) *The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to –  
  
(a) risk management; and  
(b) internal control; and  
(c) legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review **not less than once in every 3 financial years.***
- (3) *The CEO is to report to the audit committee the results of that review.*

**Officer Comments**

Refer to the attached internal audit report (Appendix 4) which summarises the scope and approach of the review, the findings identified during the review, and how the City of Bunbury plans to address them.

**Analysis of Financial and Budget Implications**

N/A

**Community Consultation**

N/A

**Councillor/Officer Consultation**

N/A

**Timeline: Council Decision Implementation**

N/A

## 10.6 Internal Audit Framework

<b>File Ref:</b>	
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Jordan Hunt, Internal Auditor
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance
<b>Executive:</b>	Dave Chandler, Director Strategy and Organisational Performance
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input checked="" type="checkbox"/> Information Purposes
<b>Attachments:</b>	Appendix 5: Draft IA Activity Charter Appendix 6: Draft IA Plan FY21

### Summary

The purpose of this report is for the Audit Committee to review and endorse the Internal Audit Charter and Annual Internal Audit Plan for FY21.

### Executive Recommendation

That the Audit Committee recommend that Council endorse as presented the:

- Internal Audit Charter, and
- FY21 Annual Internal Audit Plan.

*Voting Requirement: Simple Majority*

### Strategic Relevance

Theme 4	Our City
Goal	Civic leadership, partnerships and sound governance in delivering with and for the community
Objective 4.4	A skilled organisation, which exercises responsible asset stewardship, sound financial management, and exemplary customer service

### Regional Impact Statement

N/A

### Background

The purpose of the internal audit function is to provide independent, objective assurance and consulting services designed to add value and improve the City of Bunbury’s operations. It helps the City of Bunbury accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit Coordinator is required to report to senior management and the Audit Committee annually on the internal audit function’s purpose, authority, and responsibility, by way of review of the Internal Audit Charter.

The Internal Audit Coordinator is also required to submit annually to senior management and the Audit Committee an annual internal audit plan which sets out the internal audit function's proposed internal audit specifications for the fiscal year.

### **Council Policy Compliance**

City of Bunbury Risk Management Framework

- Council Policy Risk Management
- City of Bunbury Risk Management Strategy
- City of Bunbury Risk Management Plan

City of Bunbury Compliance Framework

- Corporate Guideline: Legislative Compliance

City of Bunbury Internal Control Framework

- Corporate Guideline: Internal Control

### **Legislative Compliance**

Regulation 17 of the *Local Government (Audit) Regulations 1996*

#### ***r.17. CEO to review certain systems and procedures***

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –  
  
(a) risk management; and  
(b) internal control; and  
(c) legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review **not less than once in every 3 financial years.***
- (3) *The CEO is to report to the audit committee the results of that review.*

### **Officer Comments**

The following components of the internal audit framework are required to be reviewed and endorsed annually by senior management and the Audit Committee.

#### Internal Audit Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including its authority to access records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

No changes have been made to the Internal Audit Charter for FY21.

Annual Internal Audit Plan

The Annual Internal Audit Plan is derived from the Strategic Internal Audit Plan and sets out the internal audit function's proposed internal audit specifications for FY21.

In response to the impacts of the COVID-19 pandemic at the City of Bunbury, internal audit suspended internal audit work during the fourth quarter of FY20 to provide business units the breathing space to deal with the crisis. As such, several performance reviews that were planned to be completed in FY20 have carried over into FY21.

**Analysis of Financial and Budget Implications**

N/A

**Community Consultation**

N/A

**Councillor/Officer Consultation**

N/A

**Applicant Consultation**

N/A

**Timeline: Council Decision Implementation**

N/A

**11. Questions from Members**

**11.1 Response to Previous Questions from Members taken on Notice**

Nil

**11.2 Committee Discussion and Questions from Members**

**12. Urgent Business**

Nil

**13. Date of Next Meeting**

TBC pending timing of annual financial audit and availability of OAG/AMD.

**14. Close of Meeting**

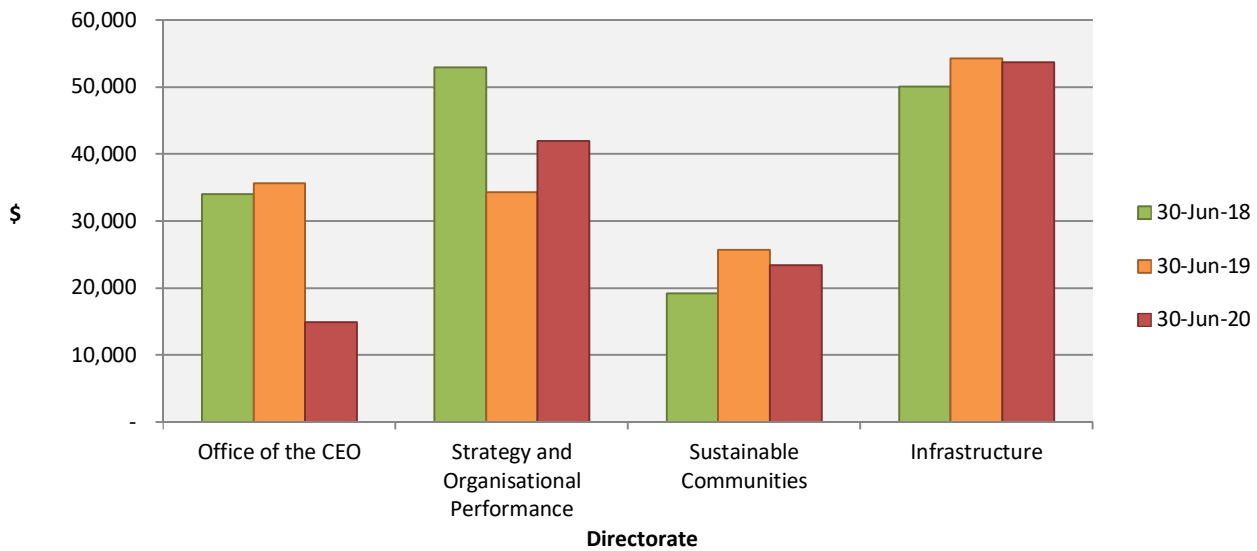
The Presiding Member closed the meeting at \_\_\_\_ am.

**Annual Leave Liability in excess of Annual Entitlements Available**

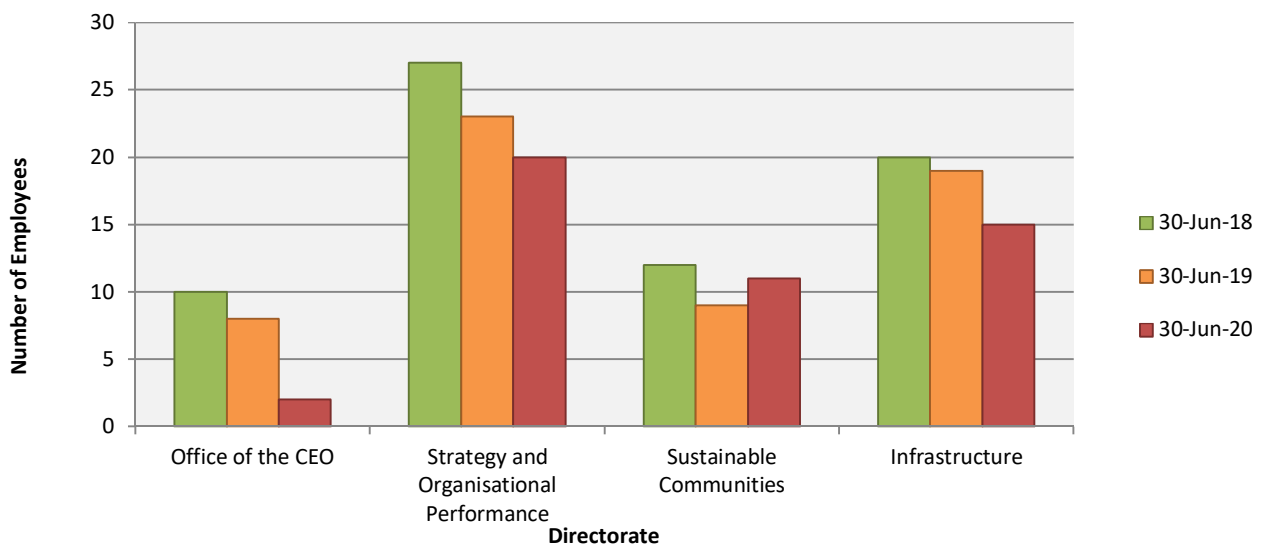
*(In excess of either 4 or 5 weeks)*

DIRECTORATE	Number of Employees		Liability		Number of Employees		Liability	
	30-Jun-18	30-Jun-18	30-Jun-19	30-Jun-19	30-Jun-20	30-Jun-20	30-Jun-20	30-Jun-20
Office of the CEO	10	33,996	8	35,634	2	14,939		
Strategy and Organisational Performance	27	52,915	23	34,318	20	41,980		
Sustainable Communities	12	19,251	9	25,736	11	23,446		
Infrastructure	20	50,052	19	54,321	15	53,744		
	<b>69</b>	<b>156,214</b>	<b>59</b>	<b>150,009</b>	<b>48</b>	<b>134,109</b>		
<b>Total Annual Leave Liability</b>		<b>1,879,016</b>		<b>1,930,712</b>		<b>1,880,575</b>		
<b>% of Annual Leave excess of Annual Leave entitlements</b>		<b>8%</b>		<b>8%</b>		<b>7%</b>		

**Excess Annual Leave Liability by Directorate**



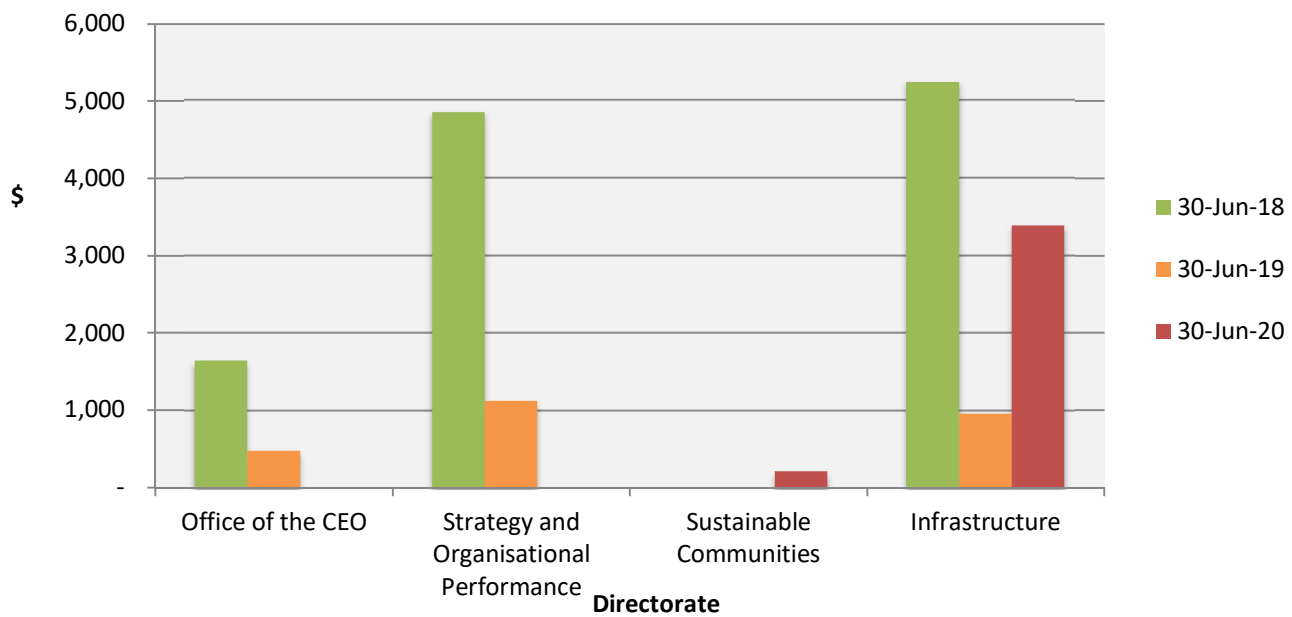
**Number of Employees with an excess over Annual Leave Entitlement**



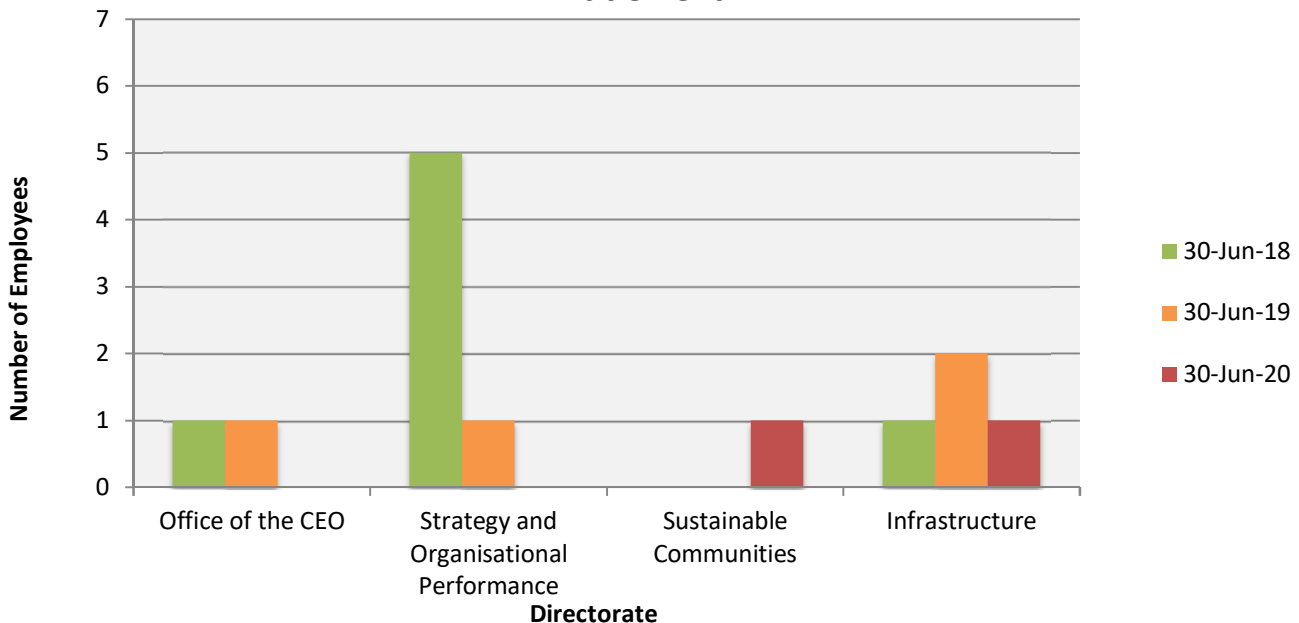
## Annual Leave Liability in excess of 8 weeks

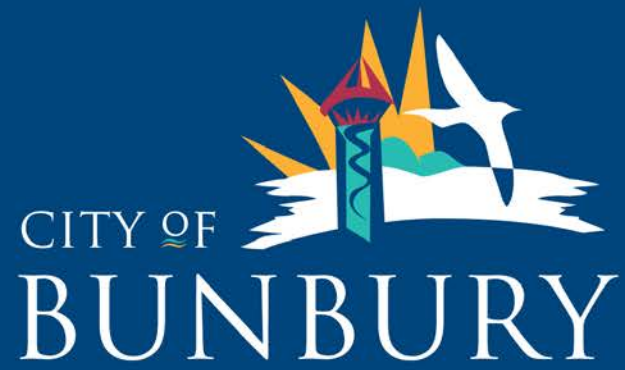
DIRECTORIATE	Number of Employees		Liability		Number of Employees		Liability	
	30-Jun-18	30-Jun-18	30-Jun-19	30-Jun-19	30-Jun-20	30-Jun-20	30-Jun-20	30-Jun-20
Office of the CEO	1	1,638	1	468	0	0	0	0
Strategy and Organisational Performance	5	4,850	1	1,119	0	0	0	0
Sustainable Communities	0	0	0	0	1	206	1	206
Infrastructure	1	5,243	2	949	1	3,391	1	3,391
	<b>7</b>	<b>11,731</b>	<b>4</b>	<b>2,536</b>	<b>2</b>	<b>3,597</b>	<b>2</b>	<b>3,597</b>
<b>Total Annual Leave Liability</b>		<b>1,879,016</b>		<b>1,930,712</b>		<b>1,880,575</b>		<b>1,880,575</b>

### Excess Annual Leave Liability over 8 weeks by Directorate



### Number of Employees with excess Annual Leave over 8 weeks Entitlement





Internal Audit  
Charter





## **PURPOSE:**

The purpose of the internal audit function is to provide independent, objective assurance and consulting services designed to add value and improve the City of Bunbury's operations. It helps the City of Bunbury accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## **RESPONSIBILITY:**

The responsibility of the internal audit function is to determine whether the governance, risk management and control processes of the City of Bunbury, as designed and represented by management, are adequate and functioning in a manner to provide a reasonable level of confidence that:

- Significant key risks are appropriately identified and managed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and protected adequately;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the City of Bunbury's control process; and
- Significant legislative or regulatory issues impacting the City of Bunbury are recognised and addressed properly.

Opportunity for improving management control, profitability, and the image of the City of Bunbury may be identified during audits. They will be communicated to the appropriate level of management.

The internal audit function will apply and uphold the principles of integrity, objectivity, confidentiality, and competence as required by the Institute of Internal Auditor's Code of Ethics.

## **PROFESSIONALISM:**

The internal audit function will govern itself by adherence to the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes the principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit function's performance.

The internal audit function will adhere to City of Bunbury relevant policies and procedures and the internal audit function's standard operating procedures manual.

## **AUTHORITY:**

The internal audit function, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of City of Bunbury records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit function in fulfilling its roles and responsibilities. The internal audit function will also have free and unrestricted access to the Audit Committee.

## **ORGANISATION:**

The Internal Audit and Business Improvement Coordinator will report functionally, through the Chief Executive Officer to the Audit Committee and administratively (i.e. day to day operations) to the Manager of Governance.

The Audit Committee will:

- Receive the Internal Audit Charter;
- Receive the Internal Audit Standard Operating Procedures Manual;
- Receive the Strategic Internal Audit Plan;
- Receive the Annual Internal Audit Plan;
- Make recommendations to council regarding the internal audit budget and resourcing;
- Receive communications from the Internal Audit and Business Improvement Coordinator on the internal audit activity's performance relative to its plan and other matters;
- Make appropriate inquiries of the Chief Executive Officer to determine whether there are inappropriate scope or resource limitations.

## **INDEPENDENCE AND OBJECTIVITY:**

The internal audit function will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgement.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interest or by others in forming judgements.

The Internal Audit and Business Improvement Coordinator will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit function.

## **INTERNAL AUDIT PLAN:**

The Internal Audit Coordinator will submit to senior management and the Audit Committee a Strategic Internal Audit Plan on a four yearly basis and an Annual Internal Audit Plan each fiscal year for review and approval. The Strategic Internal Audit Plan will consist of a work schedule covering four years that is based on the results of strategic, organisation-wide risk assessments. The Annual Internal Audit Plan will be derived from the Strategic Internal Audit Plan and set out the Audit Program for the coming fiscal year. The Internal Audit and Business Improvement Coordinator will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

The Strategic Internal Audit Plan and Annual Internal Audit Plan will be developed based on the prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. The Internal Audit and Business Improvement Coordinator will review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved Internal Audit Plan will be communicated to senior management and the Audit Committee through periodic activity reports.

## **REPORTING AND MONITORING:**

A written report will be prepared and issued by the Internal Audit and Business Improvement Coordinator following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee.

The Internal Audit Report may include management's response and corrective action taken or to be taken in regards to the specific findings and recommendations. Management's response whether included in the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and explanation for any corrective action that will not be implemented.

The internal audit function will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Internal Audit and Business Improvement Coordinator will report to senior management and the Audit Committee annually on the internal audit function's purpose, authority, and responsibility, by way of review of this Internal Audit Charter. The Internal Audit and Business Improvement Coordinator will report to senior management and the Audit Committee quarterly on the internal audit function's performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:**

The internal audit function will maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include an evaluation of the internal audit function's conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether the internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit function and identifies opportunities for improvement.

The Internal Audit and Business Improvement Coordinator will communicate to senior management and the Audit Committee on the internal audit function's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

# INTERNAL AUDIT ACTIVITY CHARTER

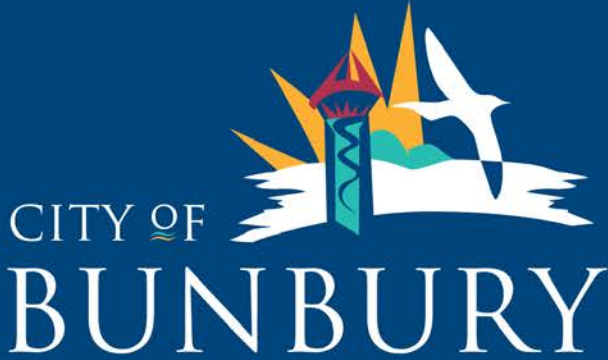
Approved this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
Internal Audit and Business Improvement Coordinator

\_\_\_\_\_  
Chair of Audit Committee

\_\_\_\_\_  
Chief Executive Officer

Document Control					
<b>Document Responsibilities:</b>					
<b>Owner:</b>	Internal Audit and Business Improvement Coordinator	<b>Owner Business Unit:</b>	Governance		
<b>Reviewer:</b>	Manager Governance	<b>Decision Maker:</b>	Council		
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Annual Internal Audit Plan  
FY21



## Contents

Introduction.....	3
Annual Internal Audit Plan: FY21 .....	3
COVID-19 Impact .....	3
Resource Requirements .....	4
Internal Audit Work Program .....	4
Appendix 1: Strategic Themes and Risks .....	7

## Introduction

The Annual Internal Audit Plan is derived from the Strategic Internal Audit Plan and sets out the internal audit function's proposed internal audit specifications for FY21. In FY21, ten performance reviews are planned to be completed, three of which have been carried over from the FY20 annual plan due to the impact of COVID-19.

For each audit listed, the audit specifications have been outlined, which includes the objective of the audit and the issues intended to be examined.

## Annual Internal Audit Plan: FY21

#	Internal Audit Area	Management Area	Consolidate Enhance Consult	Last Internal Audit	Q 1	Q 2	Q 3	Q 4	Strategic Theme
<b>Infrastructure</b>									
1	Asset Management and Maintenance	Asset Planning	Consolidate	N/A			✓		Our City
2	Vendor Panel (post implementation review)	Works Administration	Consolidate	FY20				✓	Our City
3	Contract Management	Works Administration	Enhance	N/A				✓	Our City
<b>Strategy and Organisational Performance</b>									
4	Financial Management (P2P)**	Finance	Consolidate	N/A	✓				Our City
5	HR / Payroll**	People and Safety	Enhance	N/A	✓				Our City
6	Volunteer Management**	People and Safety	Enhance	N/A	✓				Our Community and Culture
7	Safety Management	People and Safety	Consolidate	N/A				✓	Our City
8	Records Management	Information, Communication and Technology	Consolidate	N/A		✓			Our City
9	Financial Management (R2R)	Finance	Consolidate	N/A			✓		Our City
10	Information Technology*	Information, Communication and Technology	Enhance	N/A		✓			Our City

\* Performance review to be undertaken by external service provider

\*\* Performance reviews suspended during FY20 due to the impact of COVID-19

## COVID-19 Impact

COVID-19 is a disease caused by a new form of coronavirus and was first reported in December 2019 in Wuhan City, China. On the 30<sup>th</sup> of January 2020 The World Health Organization (WHO) announced COVID-19 as a pandemic. The coronavirus is highly contagious and as such has had a severe impact throughout the world as economies, communications, travel and supply chains are more connected than ever before.

In response to the impacts of the COVID-19 pandemic at the City of Bunbury, internal audit suspended internal audit work during the fourth quarter of FY20 to provide business units the breathing space to deal with the crisis. As such, several performance reviews that were planned to be completed in FY20 have carried over into FY21 as identified in the table above. While internal audit activity is suspended, resources have been reallocated to assist the executive leadership team in delivering higher priority projects.



The timeframe for which the City of Bunbury’s operations will return to business as usual remains unclear. As such, the timing of the reviews identified in the table above are subject to change.

## Resource Requirements

Staffing consists of one Internal Auditor. In addition, a budgeted amount has been set aside for the use of contractors to conduct assurance activities and service level reviews of a specialist nature.

## Internal Audit Work Program

<p><b>Human Resources / Payroll</b> July 2020</p>	<p><b>Objective:</b> To review the control environment and procedures in place over the Human Resource Management function including payroll; recruitment; training and development; and records management.</p> <p><b>Issue:</b> The City of Bunbury’s employees are the most crucial component in driving success in relation to its strategic goals and objectives. In order to get the best out of its people a high functioning human resource management department is critical.</p> <p>The City of Bunbury’s employee costs in 2018 were \$24.2 million and were the most significant category of expenditure outside of capital. Given the magnitude of expenditure and importance of the City’s employees in driving organisational success it is important that the HR function is operating effectively.</p>
<p><b>Volunteer Management</b> July 2021</p>	<p><b>Objective:</b> The objective of the review is to assess the effectiveness of the City of Bunbury’s processes when engaging and managing a volunteer.</p> <p><b>Issue:</b> City of Bunbury volunteers help in the Bunbury Heritage Centre and Museum, Bunbury Regional Art Gallery, Bunbury Visitor Centre and Bunbury Wildlife Park filling a variety of roles and responsibilities. Volunteers also assist the City in hosting such events as the Christmas in the City and Sky Fest Australia Day celebrations.</p> <p>Whilst volunteers won’t have a formal contract with the City of Bunbury it remains crucial that the processes around the on-boarding and management of the City’s volunteers are robust and effective to ensure individuals act and work in accordance with the City’s values and procedures.</p>
<p><b>Safety Management</b> April 2021</p>	<p><b>Objective:</b> To assess the City of Bunbury’s compliance with Workplace Health and Safety legislation and standards in respect to management commitment; planning; consultation and reporting; hazard management; and training.</p> <p><b>Issue:</b> The City of Bunbury has a responsibility, underpinned by law, to provide a safe working environment for its employees. In 2020 the City of Bunbury’s OSH management system was subject to the triennial LGIS audit. The purpose of this internal review is to ensure all LGIS recommendations have been appropriately implemented and are operating as intended.</p>
<p><b>Asset Management and Maintenance</b> January 2021</p>	<p><b>Objective:</b> The objective of the audit is to evaluate and test the adequacy and effectiveness of the processes associated with the internal control components of City of Bunbury’s asset management.</p> <p><b>Issue:</b> As Bunbury’s population grows and the residential density increases so does the demand on the City’s infrastructure. As the City continues to promote itself as a destination to live, invest and visit it must be prepared for the impact that this will have on its asset network. The City of Bunbury has an infrastructure network with a replacement cost of \$676 million. Given the significant value of the City of Bunbury’s asset base and on-going renewal costs it is crucial that the organisation’s asset management processes and controls are operating effectively.</p>

<p><b>Vendor Panel (post implementation) May 2021</b></p>	<p><b>Objective:</b> To review the consistency at which Vendor Panel is utilised for procurement purposes as required by the City of Bunbury's Procurement Council Policy.</p> <p><b>Issue:</b> Internal control frameworks and practices within the City of Bunbury should assure that procurement activities satisfy the entity's business needs and are suitably authorised, in line with policies and procedures, and consistent with the principles of value for money, open and fair competition, accountability, risk management, probity and transparency.</p> <p>Vendor Panel simplifies the RFX sourcing process, making it easier for operational buyers to do the right thing, and gives the purchasing officer improved transparency and control. The procurement internal review performed in FY20 identified Inconsistencies in the way Vendor Panel was applied across the organisation which resulted in reduced process and policy compliance along with incomplete data for reporting and monitoring purposes.</p>
<p><b>Contract Management June 2021</b></p>	<p><b>Objective:</b> To review the framework and control environment in place over contract management to determine if adequately designed, effectively implemented and aligns with industry best practice.</p> <p><b>Issue:</b> In 2019 the City of Bunbury procured goods and services worth \$19 million and purchased fixed assets worth \$15 million. A significant portion of these procurements involving contracts.</p> <p>Procurement contracts vary in complexity, value, duration and risk, but all benefit from a strong approach to contract management. Robust contract management processes centred around the principles of probity, accountability and transparency help to ensure that contracting is effective, meets the standards expected by the community and provides good value for money for the ratepayer.</p>
<p><b>Financial Management (P2P) August 2021</b></p>	<p><b>Objective:</b> To review the framework and control environment in place over corporate credit cards, accounts payable and budget management processes to determine if adequately designed, effectively implemented and align with industry best practice.</p> <p><b>Issue:</b> The City of Bunbury's budgeted expenditure for 2019-20 is \$83.6 million. This comprises of \$28.1million of capital works, \$53.2 million worth of operating expenditure (excluding depreciation) and \$2.3 million for debt reduction. The City's expenditure is funded from the following sources of revenue: \$39.6 million from general rates, \$18.4 million from operating revenues (grants, fees and charges etc.), \$0.8 million from unspent grants previously received, \$2.9 million from the disposal of assets, \$5.2 million transferred from cash reserves, \$2.0 million from new loan borrowings, \$10.3 million from capital grants, \$3.4 million in carried forward project funds, and \$1.0 million from 2018-19 surplus funds. Considering such large cash flows, it is important that the City's financial management processes are designed and operating effectively to ensure the City of Bunbury manages its finances in an ethical and transparent manner and utilises its monetary assets to provide value to its stakeholders.</p>
<p><b>Records Management October 2020</b></p>	<p><b>Objective:</b> To determine if the City of Bunbury effectively manages its records to promote accountable and transparent decision making.</p> <p><b>Issue:</b> Records can take many forms including letters, memos, emails, photos, videos, recordings and social media posts. They are important because they are the corporate knowledge of an organisation, independent of staff turnover. They may also form important evidence in legal proceedings or have priceless value as an historic record. Most importantly, records and good recordkeeping practice promote accountable and transparent decision making.</p> <p>The State Records Act 2000 (the Act) sets the framework for records management of state and local government entities. Under the Act, the State Records Commission is required to produce standards and principles. The Act also requires all government entities, including LGs, to develop a recordkeeping plan (RKP) outlining how they will comply with the standards and principles.</p>

**Financial Management (R2R)**  
**March 2021**

**Objective:**

To review the framework and control environment in place over the City of Bunbury's revenue to receivables processes to determine if adequately designed, effectively implemented and align with industry best practice.

**Issue:**

In FY20 the City of Bunbury earned \$56.8 million in revenue. This comprised of \$38.3 million of rates revenue, \$2.6 million of grants and subsidies, \$12.8 million of fees and charges, \$1 million of contributions, reimbursements and donations, \$1.5 million of interest earnings with the balance made up of other sundry income. Considering such large cash flows, it is important that the City's financial management processes are designed and operating effectively to ensure appropriate charges are levied and cash flows are effectively managed through timely collection of accounts receivable balances.

**Information Technology**  
**October 2020**

**Objective:**

Review key controls over change management; data integrity; and user access and permissions to assess the effectiveness of controls.

**Issue:**

Information Technology ("IT") environments continue to increase in complexity with ever greater reliance on the information produced by IT systems and processes. It is crucial to ensure systems are:

- Developed, configured, and implemented to achieve management's objectives;
- Changes to programmes and related infrastructure components are requested, prioritised, performed, tested, and implemented in accordance with management's objectives;
- Transactions are processed completely and accurately, and that processing problems are identified and resolved completely and accurately to maintain the integrity of financial data; and
- Only authorised access is granted to programmes and data upon authentication of a user's identity.

## Appendix 1: Strategic Themes and Risks

The strategic objectives below are those documented within the Strategic Community Plan 2018 – 2028.

Objective	Cross reference to internal audit plan
Our City	HR / Payroll Safety Management Asset Management and Maintenance Vendor Panel (Post Implementation Review) Financial Management (P2P) Records Management Financial Management (R2R) Information Technology
Our Community and Culture	Volunteer Management
Our Places and Spaces	NA
Our Economy	NA

The risks included in the table below are those reported within the Operational Risk Register and Strategic Internal Audit Plan's Assurance Map.

Risk (Risk rating)	Cross reference to internal audit plan
Unauthorised access to, release of or misuse and loss of information <i>(High)</i>	HR / Payroll Records Management Information Technology Contract Management
Disruption to delivery of information necessary for business operations <i>(Medium)</i>	Financial Management (P2P) Financial Management (R2R) HR / Payroll Records Management Information Technology
Non delivery of budgeted projects (including delayed delivery) <i>(Medium)</i>	Vendor Panel (Post Implementation Review) Contract Management
Public Officer accepts benefits for favourable outcome <i>(Medium)</i>	Financial Management (P2P) Vendor Panel (Post Implementation Review) Contract Management
Theft and/or misappropriation of assets <i>(Medium)</i>	Financial Management (P2P) HR / Payroll Vendor Panel (Post Implementation Review) Asset Management and Maintenance Contract Management
Incident at event that has received approval <i>(Medium)</i>	Financial Management (P2P) Safety Management Asset Management and Maintenance
Issue motivated person/s take control of part of a City-owned facility <i>(Medium)</i>	HR / Payroll Safety Management
Assault of worker in the conduct of duties <i>(Medium)</i>	HR / Payroll Safety Management
Any person injured undertaking city approved activities <i>(Medium)</i>	HR / Payroll Safety Management
At fault damage to non-council property <i>(Medium)</i>	HR / Payroll Safety Management Asset Management and Maintenance
At fault vehicle/plant accident <i>(Medium)</i>	HR / Payroll Safety Management Asset Management and Maintenance

<b>Major Asset Failure (mechanical/ structural/ natural/environmental/ ICT)</b> <i>(Medium)</i>	Asset Management and Maintenance Information Technology Contract Management
<b>Worker exposed to unbonded asbestos material</b> <i>(Medium)</i>	HR / Payroll Safety Management
<b>At fault contamination (ie chemical spill, dust)</b> <i>(Medium)</i>	HR / Payroll Safety Management Asset Management and Maintenance
<b>Disruption to waste collection operations</b> <i>(Low)</i>	HR / Payroll Safety Management Asset Management and Maintenance Contract Management
<b>Disruption to waste disposal operations</b> <i>(Low)</i>	HR / Payroll Safety Management Asset Management and Maintenance
<b>Explosion at a bulk fuel facility (Fuel facility not controlled and operated by the City)</b> <i>(Low)</i>	Safety Management Asset Management and Maintenance
<b>Establishment wrongly prosecuted</b> <i>(Low)</i>	HR / Payroll
<b>Unprovoked assault by a city employee during conduct of duties</b> <i>(Low)</i>	HR / Payroll Safety Management
<b>Project delivers asset/services not fit for purpose</b> <i>(Low)</i>	Asset Management and Maintenance Contract Management

<b>Document Control</b>					
<b>Document Responsibilities:</b>					
<b>Owner:</b>	Internal Audit Coordinator	<b>Owner Business Unit:</b>	Governance		
<b>Reviewer:</b>	Manager Governance	<b>Decision Maker:</b>	Council		
<b>Document Management:</b>					
<b>Adoption Details</b>		<b>Review Frequency:</b>	Annual	<b>Next Due:</b>	2021
<b>Review Version</b>	<b>Decision Reference:</b>	<b>Synopsis:</b>			
Version 1.0					