



## **Audit Committee**

### **Notice of Meeting & Agenda 25 June 2024**

**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.*

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## Acknowledgement of Country

We acknowledge the traditional owners of the land, the Noongar Wardandi people and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal community and their cultures; and to Elders past, present and emerging.

## 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 **Tuesday, 25 June 2024** at 11.30am.

Signed:

**Alan Ferris**

**Chief Executive Officer**

### Agenda 25 June 2024

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 Jaysen Miguel	City of Bunbury
Cr Gabi Ghasseb (Presiding Member)	City of Bunbury
Cr Marina Quain	City of Bunbury
Cr Michelle Steck	City of Bunbury
Mr John Barratt	Independent Member
Mr Stuart Eaton	Independent Member

#### *Support Staff/Visitors:*

Name	Title
Mr Greg Golinski	Manager Governance
Mr Alan Ferris	Chief Executive Officer
Mrs Karin Strachan	Director Corporate and Community Services
Mr David Ransom	Manager Finance
Mrs Delise Fynn	Internal Auditor

**1. Declaration of Opening**

**2. Disclaimer**

Not applicable to this committee.

**3. Announcements from the Presiding Member**

**4. Attendances**

**4.1 Apologies**

**4.2 Approved Leave of Absence**

Cr Quain is on 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 before 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.

**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 30 May 2024 are confirmed as a true and accurate record.

CARRIED/LOST

**8. Presentations**

Nil

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

## 10. Reports

### 10.1 *Managing Employee Leave Balances*

<b>File Ref:</b>	COB/6329
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Odetta Robertson, Manager People and Safety
<b>Responsible Manager:</b>	Odetta Robertson, Manager People and Safety
<b>Executive:</b>	Karin Strachan, Director Corporate and Community
<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>	Nil

#### Summary

The purpose of this report is to furnish the Audit Committee (the Committee) with an update concerning the management of excess annual leave for City staff.

#### Executive Recommendation

That the Audit Committee note the information provided within the report.

*Voting Requirement: Simple Majority*

#### Strategic Relevance

Pillar	Performance
Aspiration	Leading with purpose and robust governance
Outcome 13	A leading local government
Objective 13.1	Provide strong, accountable leadership and governance

#### Regional Impact Statement

N/A

#### Background

At its meeting held in February 2024, the Committee requested that the CEO provide a report detailing the City's approach around how excess annual leave is managed.

#### Council Policy Compliance

There are no Council policies relating to this report.

#### Legislative Compliance

N/A

### **Officer Comments**

Historically, leave balances for City staff were managed through manual processes. Prior to the implementation of HRIS, the payroll officer would generate monthly reports highlighting staff with excessive leave balances. These reports would be emailed to Directors and Managers for action. Based on this information, leave plans were formulated and maintained as leaders were tasked with reducing leave balances.

With the introduction of HRIS, the manual distribution of leave balance reports became unnecessary as line managers gained real-time access to their staff's leave balances.

To ensure effective management of leave balances the following controls are proposed:

- *Training Session to achieve better awareness and skills development* – The Senior Business Partner will develop a short session for Business Partners to deliver to their leaders. This session will focus on leave balances within the payroll system and emphasise the importance of managing leave effectively.
- *Incorporation into Meeting Templates* – Business Partners will include “Leave Balance Checks” in their leader meeting templates with a reminder to review leave balances regularly.
- *Monthly Report Development* – The Payroll Officer will create a report from the payroll system and distribute this to Managers/ Directors on a monthly basis. This report will highlight any excessive leave balances, enabling proactive management by leadership.

The Manager and the Senior Business Partner will conduct a review of this process in six months' time to refine and amend as necessary, ensuring the effective management of leave balances going forward.

### **Analysis of Financial and Budget Implications**

Nil

### **Community Consultation**

N/A

### **Councillor/Officer Consultation**

This matter is presented to the Committee for information.

### **Applicant Consultation**

N/A

### **Timeline: Council Decision Implementation**

This matter is presented to the Committee for information only.



## 10.2 Strategic and Annual Internal Audit Plans

<b>File Ref:</b>	COB/4914; COB/4748
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Delise Fynn, Internal Auditor
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance and Integrated Planning
<b>Executive:</b>	Karin Strachan, Director Corporate and Community
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input checked="" type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input type="checkbox"/> Information Purposes
<b>Attachments:</b>	Appendix 1: FY25-F28 Strategic Internal Audit Plan Appendix 2: FY25 Annual Internal Audit Plan Appendix 3: Draft Scope Annual Project Report Audit

### Summary

The Internal Audit Charter requires the Internal Auditor to 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.

It also requires that the Internal Auditor communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

The intention of this report is to inform the Committee of:

- adjustments made to the Strategic Internal Audit Plan due to the vacancy of the Internal Auditor position during FY24; and
- the Internal Audit Plan for FY25.

The Committee will note the inclusion of annual Project Report Audit for each financial year commencing 2024 as agreed to by the CEO at the last meeting of the Committee. To this extent a draft scope for this review is also provided to enable the internal audit function to progress this in a timely manner (see Appendix 3).

Note that scopes of work are not normally provided to the Committee for endorsement prior to implementation, however given that the request for this piece of work resulted from a motion on notice that was ultimately withdrawn on the basis that it would be included administratively in the audit plan, it is considered appropriate in this instance to have the Committee receive the scope.

### Executive Recommendation

That the Audit Committee:

1. Receives the FY25-F28 Strategic Internal Audit Plan as at Appendix 1.
2. Receives the FY25 Annual Internal Audit Plan as at Appendix 2.
3. Receives the scope of work for the Annual Project Report Audit as at Appendix 3.

*Voting Requirement: Simple Majority*

### Strategic Relevance

Pillar: Performance  
 Aspiration: Leading with performance and robust governance.  
 Outcome: A leading local government.  
 Objective: Enhance and protect the City of Bunbury’s value by providing risk-based and objective assurance, advise and insight.

**Regional Impact Statement**

N/A

**Background**

The Strategic Internal Audit Plan outlines the areas of focus of the internal audit function for a four-year period FY25 to FY28. The plan is reviewed annually to ensure it remains relevant and effective. Due to resource and organisational changes the following adjustments have been made to the Strategic Internal Audit Plan.

Internal Audit Area	Management Area	Scheduled Audit Date	Rescheduled Audit Date
IT General Information System Controls	Information Communication and Technology	FY25	FY26
Contract Management	Finance	FY24	FY25
Financial Management (Financial Close & Reporting)	Finance	FY24	FY25
Financial Management (Receivables & Revenue)	Finance	FY24	FY25
Lease Management	Economic Growth	FY23	FY25
Risk Management	Governance & Integrated Planning	FY25	FY26
Project Management	Governance & Integrated Planning	FY24	FY25
Strategy	Governance & Integrated Planning	FY25	FY26
Development Assessment	City Growth	FY25	FY26
Environmental Health	Community Wellbeing	FY24	FY26
Asset Management & Maintenance	Projects & Asset Management/Infrastructure Maintenance Services	FY23	FY25

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 FY25.

### **Council Policy Compliance**

- City of Bunbury Risk Management Framework
- City of Bunbury Compliance Framework
- City of Bunbury Internal Control Framework

### **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 documents at appendices 1-3 are presented to the Audit Committee for noting and input as necessary.

### **Analysis of Financial and Budget Implications**

N/A

### **Community Consultation**

N/A

### **Councillor/Officer Consultation**

The report is presented to the Audit Committee for information.

### **Applicant Consultation**

N/A

### **Timeline: Council Decision Implementation**

N/A

**10.3 Risk Management Overview and Appetite Statement**

<b>File Ref:</b>	COB/6329
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Jordan Hunt, Team Leader Integrated Planning
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance and Integrated Planning
<b>Executive:</b>	Karin Strachan, Director Corporate and Communities
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input checked="" type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input type="checkbox"/> Information Purposes
<b>Attachments:</b>	Appendix 4: Draft Risk Appetite Statement Appendix 5: Sample Risk Management Report

**Summary**

The purpose of this Report is for the Audit Committee to:

1. Consider and recommend to Council the Risk Appetite Statement.
2. Receive an update as to the current status of the City’s Enterprise Risk Management Service.

**Executive Recommendation**

That the Audit Committee:

1. Note the update in relation to the status of the City’s Enterprise Risk Management Service; and
2. Recommends that Council endorse the Draft Risk Appetite Statement as presented at Appendix 4, noting that the Risk Tolerance Measures, once determined, will be returned to Council for consideration via the Audit Committee.

*Voting Requirement: Simple Majority*

**Strategic Relevance**

Pillar: Performance  
 Aspiration: Leading with purpose and robust governance.  
 Outcome 13: A leading local government.  
 Objective 13.1: Provide strong, accountable leadership and governance.

**Regional Impact Statement**

Nil

**Background**

This Enterprise Risk Management (ERM) report provides an overview of the City of Bunbury's progress in implementing Risk Management as a service against plan. The report also provides further details of the key activities completed and in progress such as the revised risk appetite statement, development of the Pulse Risk Management software system, and assessment of the organisation's strategic and operational risks.

A review of the City's Risk Appetite Statement (RAS) has been completed and is included as an attachment to this report (see Appendix 4). The RAS has been developed based on the City's Opportunity and Risk Matrix as developed by the Executive in collaboration with Councillors.

The RAS details the types and levels of risk the organisation is willing to accept in pursuit of its objectives. The core of the statement includes specific risk categories and the corresponding appetite levels for each, expressed in qualitative terms, being high, moderate, or low as well as quantitative metrics. The quantitative metrics allow the City to monitor how effectively the organisation is in applying the guidance provided by the statement.

The tolerances set within the statement have been initially determined by the Risk Board and will be subject to review at least annually. The risk tolerance measures are all yet to be determined as they are dependent on the risk tolerances being endorsed first. The measures will be initially identified by the Risk Board following Council endorsement of the risk tolerances, after which they will be provided to the Audit Committee for consideration.

### **Council Policy Compliance**

Risk Management Council Policy  
Risk Management Framework

### **Legislative Compliance**

The Enterprise Risk Management service is developed in the context of Regulation 17 of the *Local Government (Audit) Regulations 1996*.

### **Officer Comments**

Progress against plan is detailed below:

Phase	Key Deliverables	Timeframe	Status
Phase 1: Establishment of the Enterprise Risk Management service	Development of Framework and Operational Risk Register, identification of Risk Owners, development of Risk Reporting Template (ELT), identification of Risk Team requirements (training, space).	March '23 - Jun '23	Completed

Phase	Key Deliverables	Timeframe	Status
Phase 2: Establishment of the organisational risk approach	Development of process maps, trigger maps, Escalation Framework, and organisational tools & templates.	Jul '23 - Sept '23	In progress (Ongoing development, review and refinement of tools and templates occurring to suit Pulse solution)
Phase 3: Prepare for the implementation of Pulse Software	Identification of user needs, requirements and training, input of system information and update processes in line with software.	Oct '23 - Dec '23	In progress (Pulse solution has been built and is being utilised by the Risk Team as administrators. Role of system to users in progress)
Phase 4: Embedding of Enterprise Risk service and Pulse Software	Internal communications plan and engagement to effectively initiate the embedding of the Enterprise Risk Management service within the organisation.	Jan '24 - Jun '24	In progress (The City has commenced embedding ERM throughout the organisation. The Risk Team is working with Risk Owners to assess risks, capture control information, and learn the Pulse system.
Phase 5: Establishment of Control Assurance Program (BAU)	Schedule, engagement plan and approach for continual improvement of risk controls	Jul '24 - Dec '24	Not started

**Phase 2 Update:**

Having now established the Risk Board and completed the review of the Risk Appetite statement, the focus of the Risk Team has shifted to the processes for identifying and assessing risks across the business as well as for monitoring and reporting risks in a standardised manner.

Progress is underway in developing the identification and assessment processes and tools of the risk management framework. The team is currently developing a comprehensive risk assessment template designed for staff use. The template is automated through SharePoint and facilitates the identification and evaluation of potential risks across various operations. Once completed by staff, the risk team will review these assessments to ensure accuracy and completeness. This process ensures that all relevant information is appropriately incorporated into the risk register, fostering a more thorough and organised approach to risk management.

The City of Bunbury has made significant progress in developing its monitoring and reporting processes for risk management, ensuring comprehensive oversight and accountability. One of the key advancements includes the development of standardised risk management reports tailored to meet the specific requirements of both the risk board and the audit committee. These reports provide consistent, clear, and detailed insights into risk exposure and mitigation strategies, facilitating more informed decision-making. Additionally, the standardised format ensures that all relevant stakeholders receive uniform information, thereby enhancing transparency and coherence in the organisation's risk management practices. An example/sample of the Audit Committee risk management report that will be provided to the Committee in future is included as an attachment to this agenda report (see Appendix 5).

**Phase 3 Update:**

The Pulse Risk Management solution is a platform designed to enhance the City's risk identification, assessment, and mitigation capabilities. The system facilitates real-time monitoring, reporting, and analysis of risks, ensuring a proactive and data-driven approach to risk management. The design and build phase of the software has been completed, with the training and onboarding of staff now the focus of the team.

The organisation has made commendable progress towards embedding Risk Management as a service within its operations. The integration of the Pulse Risk Management software system, alignment of the risk appetite statement, review of risk registers, and establishment of the Risk Board contribute to a sustainable and proactive approach to enterprise risk management.

**Analysis of Financial and Budget Implications**

Nil

**Community Consultation**

Nil

**Elected Member/Officer Consultation**

This matter is presented to Council by the Audit Committee for consideration.

**Applicant Consultation**

N/A

**Timeline: Council Decision Implementation**

Not applicable

**10.4 Artificial Intelligence (AI) Plan**

<b>File Ref:</b>	COB/6329		
<b>Applicant/Proponent:</b>	Elijah Glass – Manager Information Services		
<b>Responsible Officer:</b>	Elijah Glass – Manager Information Services		
<b>Responsible Manager:</b>	Elijah Glass – Manager Information Services		
<b>Executive:</b>	Karin Strachan – 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 6: City of Bunbury AI Plan		

**Summary**

The City of Bunbury continues to make significant progress in Digital Innovation. With the recent acceleration in Artificial Intelligence (AI) the City has developed an AI plan to allow for adoption of the new technology.

**Executive Recommendation**

That the Audit Committee note the City of Bunbury AI Plan.

*Voting Requirement: Simple Majority*

**Strategic Relevance**

Pillar	Reputation
Aspiration	Performance: Leading with purpose and robust governance.
Outcome 13	A leading local government
Objective 13.3	Effectively manage the City’s resources

**Regional Impact Statement**

Prioritising the adoption of new technologies including AI allow for increased efficiency in the use of City resources and daily operations, which ultimately leads to improved services for the community.

**Background**

In February 2024 the Audit Committee noted the increased impact of AI globally. It was queried what was being done in the space and the need for a clear plan and guidelines.

**Council Policy Compliance**

Not applicable



**Legislative Compliance**

Not applicable

**Officer Comments**

The City has developed an AI Plan (see Appendix 6) which will allow for the continued implementation of AI tools to staff across the organisation. In conjunction with the recently adopted AI Management Policy, it outlines how this is to be done in a safe and ethical manner. Furthermore, the plan is focused on providing staff with training and understanding, which will facilitate the skills required for staff to remain up to date within a changing global environment.

The outstanding skills and confidence of the data and digital team continue to accelerate the City towards being a leading local government through timely innovation.

**Analysis of Financial and Budget Implications**

None

**Community Consultation**

Not applicable

**Councillor/Officer Consultation**

This matter is presented to the Audit Committee for information.

**Applicant Consultation**

Not applicable

**Timeline: Council Decision Implementation**

Not applicable

**10.5 Internal Control Framework**

<b>File Ref:</b>	COB/6639
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Delise Fynn, Internal Auditor
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance & Integrated Planning
<b>Executive:</b>	Karin Strachan, Director Corporate and Community
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input checked="" type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input type="checkbox"/> Information Purposes
<b>Attachments:</b>	Appendix 7: Draft Internal Control Framework

**Summary**

An internal control framework has been established for the development of procedures to collectively ensure that financial and non-financial activities of Council are conducted in a proper manner. Through this framework, the City’s Council and management can obtain reasonable assurance regarding the achievement of objectives in relation to:

- Effectiveness and efficiency of financial and operational performance goals;
- Internal and external financial and non-financial reporting; and
- Compliance with relevant laws and regulations.

This will be done by identifying risks that will prevent these goals and objectives from being achieved, and then identify what effective controls are required to mitigate identified risks.

**Executive Recommendation**

That the Audit Committee request that Council endorse the draft Internal Control Framework as presented at Appendix 7.

*Voting Requirement: Simple Majority*

**Strategic Relevance**

Pillar: Performance  
Aspiration: Leading with purpose and robust governance.  
Outcome 13: A leading local government.  
Objective 13.1: Provide strong, accountable leadership and governance.

**Regional Impact Statement**

N/A

## **Background**

The *Local Government (Audit) Regulations 1996* (Regulation 17) requires the following:

1. *The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to:*
  - a. *risk management;*
  - b. *internal control; and*
  - c. *legislative compliance.*
2. *The review may relate to any or all 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 no less than once every 3 financial years (with effect 28 June 2018).*
3. *The CEO is to report to the audit committee the results of that review.*

During reporting for the above in FY20 and FY23, the development of an internal control framework for the City of Bunbury was identified as an area of improvement. Both reports were endorsed by the audit committee on 5 March 2020 and 13 June 2023, respectively.

In response to a finding raised in the Regulation 17 review reports, an internal control framework has been developed. The details of the existing Internal Control Management policy have been included in the framework and will therefore be revoked.

The aim of the internal control framework is to guide management in developing procedures that will collectively achieve the City’s goals and objectives. This is done by identifying risks that will prevent these goals and objectives being achieved, and then identify what effective controls are required to mitigate identified risks.

## **Council Policy Compliance**

The existing Management Policy on Internal Control will be revoked pending the endorsement of the Internal Control Framework.

## **Legislative Compliance**

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

## **Officer Comments**

It is requested that the Audit Committee endorse the Internal Control Framework as provided at Appendix 7.

This Internal Control Framework is based on a pro-active risk management approach that includes regular review and identification of the risks that exist within the City. As part of the framework, an effective Risk Management Framework, which is an integral part of the framework, is maintained.

An effective internal control environment focuses on the following key areas to provide reasonable assurance over Council's activities:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

**Analysis of Financial and Budget Implications**

N/A

**Community Consultation**

N/A

**Councillor/Officer Consultation**

The Framework is presented to the Audit Committee for consideration.

**Applicant Consultation**

This matter is presented to the Audit Committee for consideration.

**Timeline: Council Decision Implementation**

Immediately following decision by Council.

**10.6 Payroll Audit Report**

<b>File Ref:</b>	COB/6353		
<b>Applicant/Proponent:</b>	Internal Audit		
<b>Responsible Officer:</b>	Delise Fynn, Internal Auditor		
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance & Integrated Planning		
<b>Executive:</b>	Karin Strachan, Director Corporate and Community		
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy	<input type="checkbox"/> Review	
	<input checked="" type="checkbox"/> Executive/Strategic	<input type="checkbox"/> Quasi-Judicial	
	<input type="checkbox"/> Legislative	<input type="checkbox"/> Information Purposes	
<b>Attachments:</b>	CONFIDENTIAL Appendix 8: Payroll Internal Audit Report		

**Summary**

Internal audit has completed a review of the City of Bunbury’s payroll 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 has addressed the findings.

A copy of the confidential Internal Audit Report is at Appendix 8.

**Executive Recommendation**

That the Committee:

1. Note the information within the Internal Audit Report at Confidential Appendix 8; and
2. Endorse the recommendations made within the report at Appendix 8, noting these will be included in the City’s Audit Findings Database.

*Voting Requirement: Simple Majority*

**Strategic Relevance**

Pillar: Performance  
 Aspiration: Leading with purpose and robust governance.  
 Outcome 13: A leading local government.  
 Objective 13.1: Provide strong, accountable leadership and governance.

**Regional Impact Statement**

N/A

## **Background**

The Payroll audit was conducted under terms of the approved Internal Audit Plan for FY23/24.

Employee costs for the 2022/23 financial year were \$32 million and the most significant category of expenditure. Given the magnitude of expenditure and importance of the City's employees in driving organisational success, it is important that the Payroll process is operating effectively.

In November 2022, the City of Bunbury's payroll system was moved from Authority to Aurion. As a result, this payroll review has been planned with the key intention of ensuring employees are not only being paid correctly, but also that no issues arose with the transfer of information and entitlements between the old and new systems.

## **Council Policy Compliance**

Nil

## **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 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 payroll audit assessed the key controls pertaining to the payroll process particularly ensuring that employees are paid correctly and that no issues arose from the transfer of information and entitlements between the Authority and Aurion system.

An analysis of the leave balance reports between Authority and Aurion was performed. Management have advised that over the past year, some of these discrepancies were recognised and corrected. A leave balance rectification audit was conducted on 22 September 2023 and 11 October 2023 and all leave has been rectified from these audits. In addition, in the last 6 months, the Payroll and Data and Digital team have been working together to rectify rule sets within the Aurion System.

A copy of the confidential Internal Audit Report is at Appendix 8.

**Analysis of Financial and Budget Implications**

Nil arising from the recommendations in this report.

**Community Consultation**

N/A

**Councillor/Officer Consultation**

This matter is presented to the Audit Committee for consideration.

**Applicant Consultation**

N/A

**Timeline: Council Decision Implementation**

Immediately following endorsement.

### 10.7 Internal Audit Database

<b>File Ref:</b>	COB/6329
<b>Applicant/Proponent:</b>	Internal Audit
<b>Responsible Officer:</b>	Delise Fynn, Internal Auditor
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance, and Integrated Planning
<b>Executive:</b>	Karin Strachan, Director Corporate Community
<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>	CONFIDENTIAL Appendix 9: Database of Audit Findings

#### 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 Confidential Appendix 9) is presented to the Audit Committee for information and discussion as necessary.

#### Executive Recommendation

That the Audit Committee note the information provided in this report.

*Voting Requirement: Simple Majority*

#### Strategic Relevance

Pillar: Performance  
Aspiration: Leading with purpose and robust governance.  
Outcome 13: A leading local government.  
Objective 13.1: Provide strong, accountable leadership and governance.

#### 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.

Confidential Appendix 9 has been developed to capture audit findings from all engagements, both internal and external.



**Council Policy Compliance**

N/A

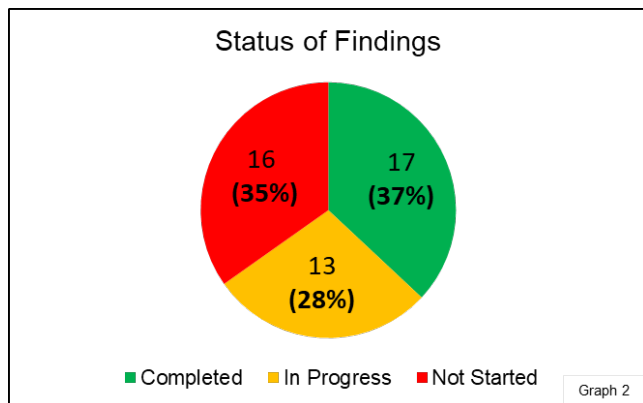
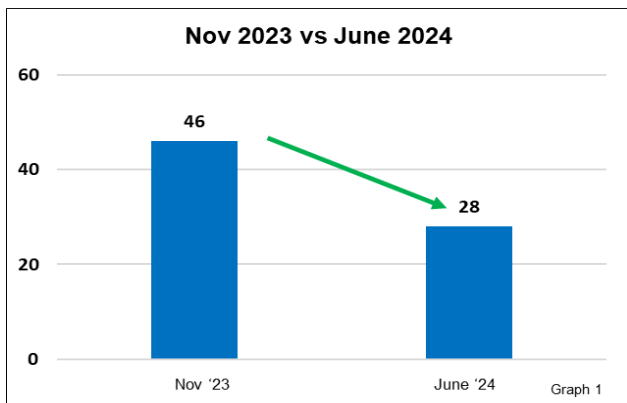
**Legislative Compliance**

The *International Standards for the Professional Practice of Internal Auditing 2500.A1*  
Management Policy: Internal Control

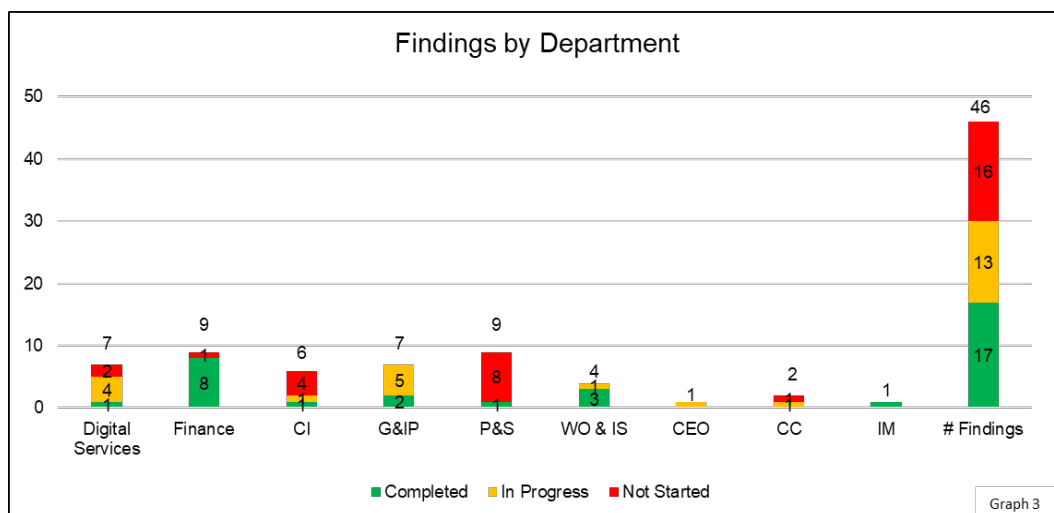
**Officer Comments**

Of the 46 unresolved findings reported at the November 2023 Audit Committee, 17 have been completed (graph 1), 13 are in progress and 16 have not been addressed (graph 2). Reasons for the findings not yet addressed include:

- Financial considerations.
- Insufficient resources at present.
- Task cannot proceed until other tasks are completed.



Graph 3 shows the number and status of findings per department. The database of findings is also attached for more detail.



*Abbreviations:*

- CI – Corporate Information
- P&S – People and Safety
- WO & IS – Waste Operations & Infrastructure Services
- CC – Community Connection
- G&IP – Governance & Integrated Planning
- IMS – Infrastructure Maintenance Services

**Analysis of Financial and Budget Implications**

Any financial implications arising from the implementation of the recommendations will be considered independently in implementing the relevant aspects of each recommendation.

**Community Consultation**

N/A

**Councillor/Officer Consultation**

N/A

**Applicant Consultation**

N/A

**Timeline: Council Decision Implementation**

N/A

**10.8 Interim Audit Results for the Year Ending 30 June 2024**

<b>File Ref:</b>	COB/5457	
<b>Applicant/Proponent:</b>	Internal	
<b>Responsible Officer:</b>	David Ransom, Manager Finance	
<b>Responsible Manager:</b>	David Ransom, Manager Finance	
<b>Executive:</b>	Karin Strachan, Director Corporate and Community	
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Executive/Strategic <input checked="" type="checkbox"/> Legislative	<input type="checkbox"/> Review <input type="checkbox"/> Quasi-Judicial <input checked="" type="checkbox"/> Information Purposes
<b>Attachments:</b>	CONFIDENTIAL Appendix 10: Interim Audit Results for the year ending 30 June 2024	

**Summary**

The Officer of the Auditor General (OAG) completed the City’s Interim Audit in March 2024 for the year ending 30 June 2024. The Interim Audit found that in two instances the manual journal entries were not appropriately reviewed. The final audit will be undertaken in October 2024.

**Executive Recommendation**

That the Audit Committee note the Office of the Audit General finding as part of the interim audit for the year ending 30 June 2024.

*Voting Requirement: Simple Majority required*

**Strategic Relevance**

Pillar: Performance  
 Aspiration: Leading with purpose and robust governance  
 Outcome 13: A leading local government  
 Objective 13.3: Effectively manage the City’s resources

**Regional Impact Statement**

N/A

**Background**

In March 2024, Moore Australia, on behalf of the Office of the Auditor General conducted the Interim Audit for the year ending 30 June 2024. A management letter has been issued following the interim audit with one finding identified, as attached at Confidential Appendix 10.

### **Council Policy Compliance**

Nil

### **Legislative Compliance**

The Interim Audit is completed as part of the Annual Audit required under Section 7.2 of the Local Government Act 1995 that requires the accounts and annual financial report to be audited.

Regulation 5(1) of the Local Government (Financial Management) Regulations 1996 outlines the Chief Executive Officer's duties as to financial management.

### **Officer Comments**

The interim audit found that in two instances (out of 14 tested) manual journal entries were reviewed by a more junior staff member than the preparer. The OAG recommends that a more senior officer than the preparer authorises all journal entries.

Finance staff have been reminded of this requirement and this is now being complied with.

### **Analysis of Financial and Budget Implications**

Nil

### **Community Consultation**

Nil

### **Councillor/Officer Consultation**

This matter is presented to the Committee for consideration.

### **Applicant Consultation**

N/A

### **Timeline: Council Decision Implementation**

N/A as the matter is for noting.

**10.9 Update on the Ocean Pool Project**

<b>File Ref:</b>	COB/6329	
<b>Applicant/Proponent:</b>	Internal	
<b>Responsible Officer:</b>	Alan Ferris, Chief Executive Officer	
<b>Responsible Manager:</b>	Alan Ferris, Chief Executive Officer	
<b>Executive:</b>	Alan Ferris, Chief Executive Officer	
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Legislative	<input type="checkbox"/> Review <input type="checkbox"/> Quasi-Judicial <input checked="" type="checkbox"/> Information Purposes
<b>Attachments:</b>	Nil	

**Summary**

Individual members of the Audit Committee have requested an item be placed on this agenda to facilitate discussion around the Ocean Pool project. This follows a confidential memo that was provided to Elected Members and Audit Committee members previously.

**Executive Recommendation**

That the Audit Committee note the information.

*Voting Requirement: Simple Majority required*

**Strategic Relevance**

Pillar: Performance  
 Aspiration: Leading with purpose and robust governance  
 Outcome 13: A leading local government  
 Objective 13.3: Effectively manage the City’s resources

**Regional Impact Statement**

N/A

**Background**

Individual members of the Audit Committee have requested an item be placed on this agenda to facilitate discussion around the Ocean Pool project. This follows a confidential memo that was provided to Elected Members and Audit Committee members previously.

**Council Policy Compliance**

Nil

**Legislative Compliance**

Nil

**Officer Comments**

An update on the Engagement process on the Ocean pool project has been sent via email to all Council members and all members of the Audit and Risk Committee. The next step is to consult with GKB to determine any concerns regarding the proposed positioning of the pool. Based on the feedback from GKB a review of the costs will be performed to further inform the Business case. At this point a report will be put to Council, seeking direction from Council with regards to next steps.

**Analysis of Financial and Budget Implications**

Nil

**Community Consultation**

Nil

**Councillor/Officer Consultation**

This matter is presented to the Committee for information.

**Applicant Consultation**

N/A

**Timeline: Council Decision Implementation**

N/A as the matter is for noting.

**11. Applications for Leave of Absence**

Nil

**12. Motions of which previous notice has been given**

**13. Questions from Members**

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

Nil

**13.2 *Questions from Members***

**14. New business of an urgent nature**

Nil

**15. Matters for which the meeting may be closed**

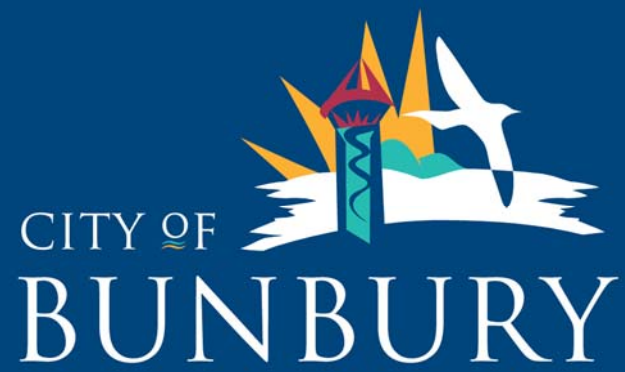
Nil

**16. Date of next meeting**

TBC – late September/early October

**17. Close of Meeting**

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



Strategic Internal Audit Plan  
FY25 to F28





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## Executive Summary

### Introduction

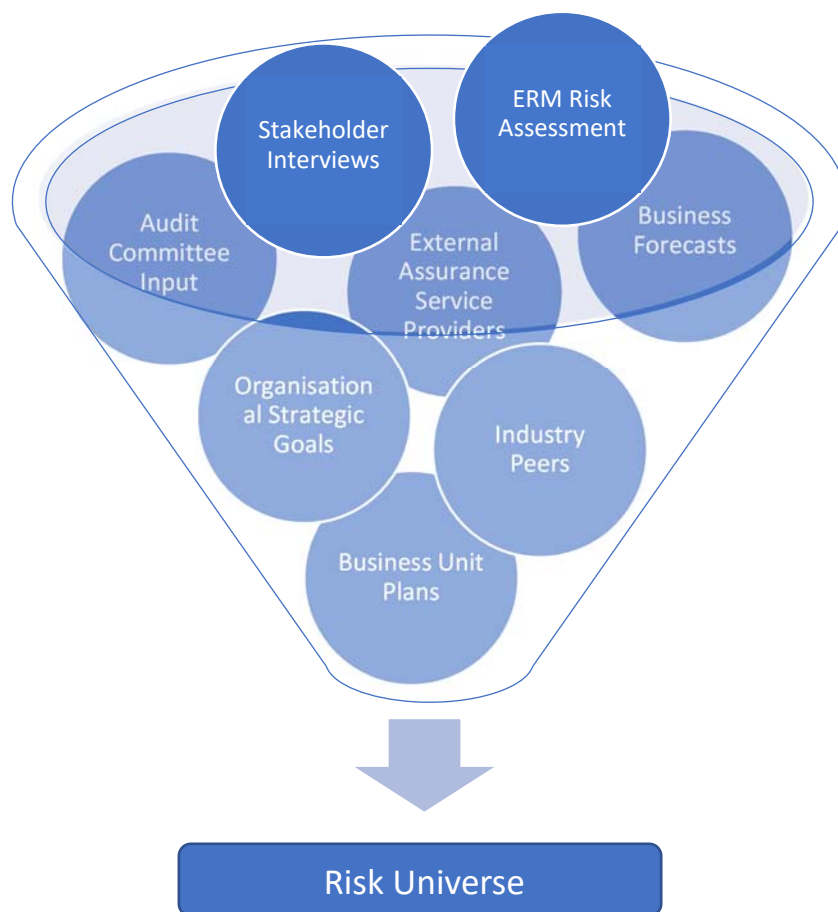
Internal audit is a key component of effective governance within the City of Bunbury. The purpose of the internal audit function is to provide independent, objective assurance and consulting services designed to add value and improve the City of Bunbury's operations.

This Strategic Internal Audit Plan outlines the areas of focus of the internal audit function for the four-year period FY23 to FY26. This four-year plan will be refreshed annually to ensure it remains relevant and effective.

### Planning Approach

The scope of the Strategic Internal Audit Plan is driven by the results of an ongoing organisation-wide risk assessment process. The risk assessment results identify the areas of highest risk as well as control systems which the entity is most reliant on. This information is then used to determine the most effective Strategic Internal Audit Plan.

#### *Information Gathering – Data Collection*



## Focus of Activity

The Strategic Internal Audit Plan incorporates a combination of financial reporting control internal audits along with those of an operational or strategic nature. The internal audit programs are aligned with the City of Bunbury's strategic themes to assist the City in achieving its objectives through a systematic and disciplined approach.

					
<b>ASPIRATION</b>	<b>People</b>	<b>Planet</b>	<b>Place</b>	<b>Prosperity</b>	<b>Performance</b>
	A safe, healthy and connected community.	A healthy and sustainable ecosystem.	An integrated, vibrant and well planned City.	A strong and diversified economy.	Leading with purpose and robust governance.
<b>DESIRED OUTCOMES</b>	<ol style="list-style-type: none"> <li>1. A safe community.</li> <li>2. A growing hub of culture and creativity.</li> <li>3. A healthy and active community.</li> <li>4. A compassionate and inclusive community.</li> </ol>	<ol style="list-style-type: none"> <li>5. A natural environment that is cared for and preserved.</li> <li>6. An aware and resilient community equipped to respond to natural disasters and emergencies.</li> </ol>	<ol style="list-style-type: none"> <li>7. A community with high quality urban design and housing diversity.</li> <li>8. A place with attractive and welcoming community spaces, where people want to live.</li> <li>9. A city that is easy to get around safely and sustainably.</li> </ol>	<ol style="list-style-type: none"> <li>10. The premier city of regional Western Australia.</li> <li>11. A strong, resilient and diverse economic hub for the South West.</li> <li>12. A unique and desirable destination within the South West region.</li> </ol>	<ol style="list-style-type: none"> <li>13. A leading local government.</li> <li>14. A well-informed community that is deeply engaged in decision making.</li> </ol>

Prior to the commencement of each financial year, the Internal Auditor will draft the Annual Internal Audit Plan along with making any required amendments to this four-year plan to be approved by the audit committee.

Additionally, the internal audit function will consider the use of data analytics on applicable internal audits during fieldwork and scoping.

## Assurance Map

As part of developing the Strategic Internal Audit Plan, the planned assurance activities have been mapped to the City of Bunbury's operational risks. Refer to [Appendix B](#) for the Assurance Map.

The Assurance Map considers the key risks to the City of Bunbury in achieving its objectives and performance expectations, and assurance activities which are to be conducted over the operation of controls that apply to those risks.

### Strategic Internal Audit Plan Categories

The City of Bunbury's Strategic Internal Audit Plan includes different types of audits, these can be categorised as follows:

- **Strategic:** Internal audits focused on improving the City of Bunbury's performance through efficiency gains, process improvements, monetary savings, and / or delivering future value through consideration of strategy implications.
- **Operational:** Internal audits focused on considering current financial and non-financial risks, controls, compliance, and governance in core areas of the business where the City of Bunbury has established processes.
- **Compliance:** To provide comfort that contractual or legislative / regulatory obligations are being met.
- **Consultation:** Advisory activities intended to add value and improve an organisation's operations performed at the request of the CEO, Executive Leadership Team, or management.

Refer to [Appendix A](#) for the Strategic Internal Audit Plan: FY25 - FY28. The plan set out has taken into consideration the current 'Shine Implementation Schedule' to ensure an appropriate number of resources and staff are available to assist in the internal audit procedures.

### Performance Indicators

For management and the audit committee to measure the internal audit function's performance the following performance indicators have been proposed.

Performance Indicator	Target
Percentage of audit work delivered by qualified staff	100%
Annual plan to be submitted by April each year	April of each year
Follow-ups to be performed quarterly.	Quarterly
Issue draft reports within 15 days of field work being completed	15 working days
Issue of final report within 10 working days of management responses	10 working days
Recommendations made compared with recommendations accepted	80%
Internal audit attendance at audit committee meetings	100%

## Appendix A – Strategic Internal Audit Plan: FY25 - FY28

#	Internal Audit Area	Management Area	Audit Type	Last Internal Audit	FY25	FY26	F27	F28	Strategic Theme
1	Regulation 17 Review (Full)	Chief Executive Leadership	Compliance	FY23		✓			Performance
2	Regulation 17 Review (Segments)	Chief Executive Leadership	Compliance	FY23	✓		✓	✓	Performance
3	IT General Information System Controls*	Digital Services	Operational	N/A		✓		✓	Performance
4	IT Security*	Digital Services	Operational	N/A		✓		✓	Performance
5	Contract Management	Finance	Operational	N/A	✓		✓		Performance
6	Financial Management (Financial Close and Reporting) *	Finance	Operational	N/A	✓		✓		Performance
7	Financial Management (Payables, Expenditure and Payments) *	Finance	Operational	N/A		✓		✓	Performance
8	Financial Management (Receivables and Revenue) *	Finance	Operational	N/A	✓		✓		Performance
9	Lease Management	Finance	Operational	N/A	✓		✓		Performance
10	Procurement	Finance	Operational	FY20	✓		✓		Performance
11	Records Management*	Governance	Operational	N/A		✓		✓	Performance
12	Risk Management	Governance	Strategic	N/A		✓		✓	Performance
13	HR / Payroll*	People & Safety	Operational	FY20		✓			Performance
14	Safety Management*	People & Safety	Consolidate	N/A		✓			Performance

15	Project Management	Strategy Performance and Communications	Strategic	N/A	✓		✓		All
16	Strategy	Strategy Performance and Communications	Strategic	N/A		✓		✓	Performance
17	Development Assessment	City Growth	Strategic	N/A		✓		✓	Prosperity
18	Environmental Health	Community Wellbeing	Strategic	N/A			✓		Planet
19	Rangers & Emergency Management	Community Wellbeing	Operational	N/A		✓		✓	Planet
20	Asset Management & Maintenance	Projects & Asset Management / Infrastructure Maintenance Services	Operational	N/A	✓		✓		All
21	Fleet Management	Waste Operations and Infrastructure Business Services	Operational	N/A		✓			Performance
22	Fraud & Corruption	Pervasive	Operational	FY20		✓		✓	Performance
23	Compliance Audit Return	Governance	Compliance	FY24	✓	✓	✓	✓	Performance
24	Internal FMS Review	Pervasive	Compliance	FY20		✓	✓	✓	Performance
25	Follow Up (Previous Year Findings)	Pervasive	All	FY24	✓	✓	✓	✓	All
26	Annual Project Report	Strategy Performance and Communications	Strategic	N/A	✓	✓	✓	✓	All
27	Audit of Council Resolution Register	Pervasive	All	N/A	✓	✓	✓	✓	All
28	Effectiveness of Control Report	Governance	Compliance	N/A	✓	✓	✓	✓	Performance
29	Annual Internal Audit Plan	Governance	Compliance	FY24	✓	✓	✓	✓	Performance

\* Internal audit area covered on a three-year rotational basis

\*\* Completion year dependant on timing of external FMSR report

## Appendix B – Assurance Map

Internal Audit Title	Relevant risks	Highest Consequence Category	Likelihood rating 1-5	Consequence rating 1-5	Risk Rating	Low, Moderate, High or Extreme Rating
IT General Information System Controls	Instability, degradation of performance, or other failure of IT or communication system or infrastructure	Service Interruption	3	4	12	High
	Failure to effectively create and improve automated business processes	Service Interruption	3	2	6	Moderate
IT Security	The City's reputation is impacted negatively	Reputational	3	3	9	Moderate
	Misconduct	Reputational	2	4	8	Moderate
	Instability, degradation of performance, or other failure of IT or communication system or infrastructure	Service Interruption	3	4	12	High
Contract Management	The City's reputation is impacted negatively	Reputational	3	3	9	Moderate
	Negative perceptions of the City of Bunbury as a place to live, do business and visit	Reputational	3	2	6	Moderate
Financial Management	Inadequate management of external Suppliers, Contractors, Vendors and Consultants	Financial	2	3	6	Moderate
	Misconduct	Reputational	2	4	8	Moderate
	Failure to accurately levy annual rates	Financial	1	3	3	Low

Internal Audit Title	Relevant risks	Highest Consequence Category	Likelihood rating 1-5	Consequence rating 1-5	Risk Rating	Low, Moderate, High or Extreme Rating
	Failure to ensure rates are collected in a timely and efficient manner	Financial	1	3	3	Low
	Unsuccessful deployment of Smart Parking Solution	Reputational	2	2	4	Low
	Failure to manage funding or applicants to acquit funding	Reputational	3	3	9	Moderate
	Late or inaccurate financial reports	Financial	2	3	6	Moderate
Lease Management	Inadequate lease contracts over City controlled property to third parties	Financial	2	2	4	Low
	The City's reputation is impacted negatively	Reputational	3	3	9	Moderate
Procurement	Inadequate management of external Suppliers, Contractors, Vendors and Consultants	Financial	2	3	6	Moderate
Records Management	Non-compliance with State Records Act	Compliance	4	1	4	Low
	Failure to adequately capture, store, archive, retrieve, provide, or dispose of documentation	Compliance	2	2	4	Low
	Unauthorised access, release, misuse, or loss of information	Service Interruption	2	4	8	Moderate
	Disruptions to delivery of governance information necessary for business operations	Service Interruption	2	3	6	Moderate
Risk Management	Failure to adequately prepare and respond to disruption events.	Service Interruption	2	4	8	Moderate



Internal Audit Title	Relevant risks	Highest Consequence Category	Likelihood rating 1-5	Consequence rating 1-5	Risk Rating	Low, Moderate, High or Extreme Rating
	Misconduct	Reputational	2	4	8	Moderate
	Legislative Compliance requirements not delivered to required standards	Reputational	2	2	4	Low
<b>HR / Payroll</b>	Failure to effectively manage culture, change and organisational development changes	Health / People	4	4	16	High
<b>Safety Management</b>	Non-compliance with the Work Health & Safety Act, associated Regulations and Standards	Health / People	3	3	9	Moderate
	Inability to ensure the physical safety and security of staff, contractors, and visitors	Health / People	2	4	8	Moderate
	City employee assaulted while on duty	Health / People	4	2	8	Moderate
	Poor WH&S reporting culture	Health / People	3	2	6	Moderate
	Not providing a safe aquatic and gym environment within legislative requirements	Compliance	3	2	6	Moderate
	The chlorine gas installation is not operated and maintained safely	Health / People	2	4	8	Moderate
	Worker injury from working close to traffic	Health / People	1	3	3	Low
	Unsafe operation of facilities	Health / People	4	3	12	High
<b>Project Management</b>	Infrastructure project fails to deliver asset or services fit for purpose	Projects	1	4	4	Low
	Delayed or unsuccessful infrastructure project delivery	Projects	4	2	8	Moderate
	The City's reputation is impacted negatively	Reputational	3	3	9	Moderate

Internal Audit Title	Relevant risks	Highest Consequence Category	Likelihood rating 1-5	Consequence rating 1-5	Risk Rating	Low, Moderate, High or Extreme Rating
	Inadequate design, delivery and reporting of projects	Projects	3	3	9	Moderate
	Not achieving the City's project change initiatives	Projects	3	4	12	High
	Inadequate data results in inaccurate project planning priorities.	Reputational	1	3	3	Low
Strategy	The City's reputation is impacted negatively	Reputational	3	3	9	Moderate
	Negative perceptions of the City of Bunbury as a place to live, do business and visit	Reputational	3	2	6	Moderate
	Failure to deliver activities and services aligned to EDAP	Reputational	2	4	8	Moderate
	Failure to deliver statutory and strategic planning services within regulatory timeframes	Compliance	1	4	4	Low
Development Assessment	Negative perceptions of the City of Bunbury as a place to live, do business and visit	Reputational	3	2	6	Moderate
	Failure to deliver the required LG Building and Compliance services within regulatory timeframes	Compliance	3	3	9	Moderate
	Inadequate engineering guidance and technical assistance to internal and external stakeholders	Compliance	2	3	6	Moderate
	Inadequate feature surveys, Survey Setout and collect As-Constructed information from completed projects	Compliance	2	2	4	Low
	Failure to deliver planning review for Back Beach and Spencer/ Blair Precincts	Reputational	1	3	3	Low

Internal Audit Title	Relevant risks	Highest Consequence Category	Likelihood rating 1-5	Consequence rating 1-5	Risk Rating	Low, Moderate, High or Extreme Rating
	Failure to deliver statutory and strategic planning services within regulatory timeframes	Compliance	1	4	4	Low
	Failure to increase visitation numbers	Reputational	2	1	2	Low
	Unsafe operation of facilities	Health / People	4	3	12	High
Environmental health	The City's reputation is impacted negatively	Reputational	3	3	9	Moderate
	Minimise threat of Bush Fires	Environment	3	3	9	Moderate
	Inadequate prevention, identification, enforcement, and management of environmental issues	Environment	3	2	6	Moderate
	Negative perceptions of the City of Bunbury as a place to live, do business and visit	Reputational	3	2	6	Moderate
	Poor natural area planning and management	Environment	3	3	9	Moderate
	Provide incorrect legislative advice on environmental matters to internal stakeholders	Compliance	3	3	9	Moderate
	Inadequate response to climate change and sustainability	Reputational	4	2	8	Moderate
	Inadequate pest management	Environment	3	3	9	Moderate
	City at fault contamination	Compliance	5	1	5	Moderate
	Incident at establishment after receiving Compliance Certificate	Compliance	2	2	4	Low
	The City's reputation is impacted negatively	Reputational	3	3	9	Moderate

Internal Audit Title	Relevant risks	Highest Consequence Category	Likelihood rating 1-5	Consequence rating 1-5	Risk Rating	Low, Moderate, High or Extreme Rating
Rangers & Emergency Management	City employee assaulted while on duty	Health / People	4	2	8	Moderate
	Unsuccessful deployment of Smart Parking Solution	Reputational	2	2	4	Low
	Minimise threat of Bush Fires	Environment	3	3	9	Moderate
	Negative perceptions of the City of Bunbury as a place to live, do business and visit	Reputational	3	2	6	Moderate
Asset Management & Maintenance	Asset Failure (Structure)	Financial	3	4	12	High
	Asset failure injury to public	Reputational	2	3	6	Moderate
	The City's reputation is impacted negatively	Reputational	3	3	9	Moderate
	Negative perceptions of the City of Bunbury as a place to live, do business and visit	Reputational	3	2	6	Moderate
	Failure or reduction in service of infrastructure assets, plant, equipment, or machinery	Financial	4	2	8	Moderate
	Inadequate designs relating to Capital Works Improvements and Maintenance associated with City infrastructure	Compliance	2	3	6	Moderate
	Failure or reduction in service of waste vehicle and plant	Service Interruption	3	2	6	Moderate
	Asset failure injury to public	Reputational	2	3	6	Moderate

Internal Audit Title	Relevant risks	Highest Consequence Category	Likelihood rating 1-5	Consequence rating 1-5	Risk Rating	Low, Moderate, High or Extreme Rating
Fleet Management	Failure or reduction in service of waste vehicle and plant	Service Interruption	3	2	6	Moderate
	Failure to service and maintain non waste fleet corporate vehicles, small plant, plant, and machinery	Service Interruption	3	2	6	Moderate
Fraud & Corruption	Misconduct	Reputational	2	4	8	Moderate
	The City's reputation is impacted negatively	Reputational	3	3	9	Moderate
	Negative perceptions of the City of Bunbury as a place to live, do business and visit	Reputational	3	2	6	Moderate





# Internal Audit Plan

FY25

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## Introduction

The purpose of this document is to provide the City Bunbury's (CoB) Executive and Audit Committee a proposed one-year Internal Audit Plan. It should be noted that this document is not static, and the internal audit plan may be reassessed periodically to recognise CoB's changing risks, controls, and internal audit requirements.

Regular risk monitoring and communication with Managers/Risk Owners will be undertaken to keep informed of any potential changes to organisational risks profiles and facilitate the on-going alignment of Internal Audit activities with organisational objectives.






The intention of the audits detailed in the IA plan are aligned to deliver value within CoB's context of its values, culture, customer service objective and Strategic Plan. The internal audits have been selected not to enable disciplinary action but rather as opportunities in these areas to deliver value.

The annual internal audit plan has been derived from the Strategic Internal Audit Plan and sets out the internal audit functions proposed internal audit specifications for FY25. Internal audits are categorised as follows:

- **Operational:** Internal audits focused on considering current risks, controls, compliance, and governance in core areas of the business where the City of Bunbury has established processes.
- **Strategic:** Internal audits focused on improving the City of Bunbury's performance through efficiency gains, process improvements, monetary savings, and / or delivering future value through consideration of strategy implications.
- **Compliance:** To provide comfort that contractual or legislative / regulatory obligations are being met.
- **Consultation:** Advisory activities intended to add value and improve an organisation's operations performed at the request of the CEO, Executive Leadership Team, or management.

A detailed project scope document will be developed prior to the commencement of individual projects.

The FY25 annual internal audit plan has been aligned with the City of Bunbury's strategic themes to assist the City in achieving its objectives through a systematic and disciplined approach.

					
<b>ASPIRATION</b>	<b>People</b> A safe, healthy and connected community.	<b>Planet</b> A healthy and sustainable ecosystem.	<b>Place</b> An integrated, vibrant and well planned City.	<b>Prosperity</b> A strong and diversified economy.	<b>Performance</b> Leading with purpose and robust governance.
<b>DESIRED OUTCOMES</b>	<ol style="list-style-type: none"> <li>1. A safe community.</li> <li>2. A growing hub of culture and creativity.</li> <li>3. A healthy and active community.</li> <li>4. A compassionate and inclusive community.</li> </ol>	<ol style="list-style-type: none"> <li>5. A natural environment that is cared for and preserved.</li> <li>6. An aware and resilient community equipped to respond to natural disasters and emergencies.</li> </ol>	<ol style="list-style-type: none"> <li>7. A community with high quality urban design and housing diversity.</li> <li>8. A place with attractive and welcoming community spaces, where people want to live.</li> <li>9. A city that is easy to get around safely and sustainably.</li> </ol>	<ol style="list-style-type: none"> <li>10. The premier city of regional Western Australia.</li> <li>11. A strong, resilient and diverse economic hub for the South West.</li> <li>12. A unique and desirable destination within the South West region.</li> </ol>	<ol style="list-style-type: none"> <li>13. A leading local government.</li> <li>14. A well-informed community that is deeply engaged in decision making.</li> </ol>

## Annual Internal Audit Plan: FY25

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

#	Internal Audit Area	Management Area	Type	Last Audited	Q1	Q2	Q3	Q4	Strategic Theme
<b>Office of the Chief Executive Officer</b>									
1	Regulation 17 Review (Segments)	Chief Executive Leadership	Compliance	FY23	✓				Performance
<b>Strategy and Organisational Structure</b>									
2	Contract Management	Finance	Operational	N/A				✓	Performance
3	Financial Management (Financial Close and Reporting)	Finance	Operational	N/A			✓		Performance
4	Financial Management (Receivables and Revenue)	Finance	Operational	N/A		✓			Performance
5	Lease Management	Finance	Operational	N/A	✓				Performance
6	Procurement	Finance	Operational	FY20			✓		Performance
7	Project Management	Governance & Integrated Planning	Strategic	N/A		✓			Place, Prosperity & Performance

## Infrastructure

8	Asset Maintenance (Revaluation and capitalisation)	Projects & Asset Management / Infrastructure Maintenance Services	Operational	N/A			✓		Place
9	Asset Management (Register and Portable & attractive asset register)	Projects & Asset Management / Infrastructure Maintenance Services	Operational	N/A	✓				Place

## Other

10	Follow Up (Previous Year Findings)	Pervasive	Operational/ Compliance/ Strategic	F24	✓	✓	✓	✓	Performance
11	Compliance Audit Return	Governance	Compliance	FY24			✓		Performance
12	Audit of Council Resolution Register	Governance	Compliance	F23		✓		✓	Performance
13	Annual Project Report	Governance & Integrated Planning	Strategic	N/A			✓		All
14	Effectiveness of Controls Report	Governance	Strategic	N/A				✓	Performance
15	FY26 Annual Internal Audit Plan	Governance	Strategic	N/A				✓	Performance

## Resource Requirements

The IA Plan for FY24/25 includes 11 audits, quarterly follow ups on prior year findings and annual reporting that will be facilitated utilising CoBs Internal Auditor. In addition, a budgeted amount that has been set aside for the use of contractors to conduct assurance activities and service level reviews of a specialist nature.

## Internal Work Program

Contract  
Management  
April – June 2025

**Objective:**

To review the framework and control environment in place over procurement including; contract management; tender receipting; recording and evaluation procedures; training; and records management.

**Issue:**

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.

Financial  
Management  
(Receivables and  
Revenue)  
Oct – Dec 2024

**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 FY23 the City of Bunbury earned \$64.4 million in revenue. This comprised of \$43 million of rates revenue, \$3.5 million of grants and subsidies, \$13.9 million of fees and charges, \$1.9 million of contributions, reimbursements, and donations, \$0.6 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.

Financial  
Management  
(Financial Close and  
Reporting)  
Jan – Mar 2025

**Objective:**

To examine the framework and control environment governing the City of Bunbury's financial closing and reporting procedures. The objective is to assess whether these processes are suitably designed, efficiently implemented, and in line with accepted industry practices.

**Issue:**

In FY23, the City of Bunbury processed substantial amounts of financial transactions. These encompassed areas such as revenue, expenditure, assets, liabilities, and equity, among others. Given the extensive volume of these transactions and the importance of the resulting financial reports for decision-making, oversight, and disclosure requirements, it is vital that the City's financial close and reporting processes are designed and operating effectively. This will ensure accurate, timely, and compliant financial reports that reflect the true financial position and performance of the City. It is also essential that these processes align with all relevant regulatory requirements and accounting standards.

Lease Management  
July – September  
2024

**Objective:**

To examine lease policies, processes, and obligations to ensure that they are been appropriately performed and met.

**Issue:**

A particular risk has been identified on the Operational Risk Register (Draft) which notes the risk of 'Inadequate lease contracts over City controlled property to third parties. The intention of this review would not only to review the adequacy of lease contracts in this regard, but also to ensure lease obligations are being met to avoid the potential of future disputes which can become extremely costly, if not managed correctly.

Vendor Panel System  
(Post  
Implementation) &  
Procurement  
Jan – March 2025

**Objective:**

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.

**Issue:**

The City of Bunbury processes considerable amounts of financial transactions for the procurement of goods and services and purchase of fixed assets. Considering these expenditures, it is important that procurement is efficient, and that potential cost savings are realised.

Asset Management  
& Maintenance  
Jul – Sept 2024 &  
Jan – Mar 2025

**Objective:**

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.

**Issue:**

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.

Compliance Audit Return  
January to March 2025

**Objective:**

Completion of the statutory Compliance Audit Return is a requirement under the provisions of section 7.13(1)(i) of the Local Government Act 1995 and regulations 13 and 14 of the Local Government (Audit) Regulations 1996.

**Issue:**

Each year the Department of Local Government, Sport and Cultural Industries requires local governments to conduct an annual assessment of their compliance with key components of the Local Government Act 1995 (the Act) and associated Regulations. The 2024 Return is to be provided to the Department by 31 March 2025.

Project Management  
October - December 2024

**Objective:**

The objective of this review is to provide transparency to the Audit Committee around cost (budgeted and spent), timing and reporting of major projects.

**Issue:**

The City of Bunbury delivers a large and diverse range of projects each year. In F24, approximately \$24.6m was budgeted for major projects and in general, the City's projects carry more risk and complexity than operational activities therefore, close monitoring of the City's project portfolio is important to ensure project risks and issues are managed effectively and the portfolio continues to deliver on the organisation's strategic objectives.

Annual Project Report (December 2024)

**Objective:**

In response to a request from the Audit Committee, Internal Audit will submit an annual report on all projects that exceed their budget by \$100 000.

Follow Ups (Quarterly)

**Objective:**

The purpose of the follow up audits is to ensure that management has implemented the action/recommendations, from prior year audit findings, by the given deadline.

Audit of Council Resolution Register

**Objective:**

The Council Resolutions Register provides a full index of Council items and resolutions. The objective of the audit is to ensure that management has implemented the action/recommendations, given, after an audit by the given deadline.

Effectiveness of Controls Report

**Objective:**

The objective of this report is to provide an annual conclusion of the adequacy and effectiveness of the internal controls associated with the City of Bunbury's internal control components based on the combined assurance model.

## Appendix 1: Strategic Themes and Risks

The risks included in the table below are those reported within the Operational Risk Register and Strategic Internal Audit Plan's Assurance Map and have been linked to the Strategic Community Plan 2022-2032.

Internal Audit Title	Strategic Theme	Relevant risks per Strategic Internal Audit Plan
Contract Management	Performance	<ul style="list-style-type: none"> <li>The City's reputation is impacted negatively.</li> <li>Negative perceptions of the City of Bunbury as a place to live, do business, and visit</li> </ul>
Financial Management	Performance	<ul style="list-style-type: none"> <li>Inadequate management of external Suppliers, Contractors, Vendors, and Consultants</li> <li>Misconduct</li> <li>Failure to accurately levy annual rates.</li> <li>Failure to ensure rates are collected in a timely and efficient manner.</li> <li>Unsuccessful deployment of Smart Parking Solution</li> <li>Failure to manage funding or applicants to acquit funding.</li> <li>Late or inaccurate financial reports</li> </ul>
Lease Management	Performance	<ul style="list-style-type: none"> <li>Inadequate lease contracts over City controlled property to third parties.</li> <li>Negative impact over the City's reputation.</li> </ul>
Asset Management & Maintenance	Place	<ul style="list-style-type: none"> <li>Asset Failure (Structure)</li> <li>Asset failure injury to public</li> <li>The City's reputation is impacted negatively.</li> <li>Negative perceptions of the City of Bunbury as a place to live, do business and visit.</li> <li>Failure or reduction in service of infrastructure assets, plant, equipment, or machinery</li> <li>Inadequate designs relating to Capital Works Improvements and Maintenance associated with City infrastructure.</li> <li>Failure or reduction in service of waste vehicle and plant</li> </ul>
Vendor Panel System (Post Implementation) & Procurement	Performance	<ul style="list-style-type: none"> <li>Inadequate management of suppliers, contractors, vendors, and consultants.</li> <li>Non - Compliance with the requirements of the Local Government Act 1995; Local Government Act (Functions and General) Regulations 1996; City Policies and procedures in relation to procurement.</li> <li>Procure-to-pay activities are not efficient and effective.</li> <li>Purchases are made to inappropriate, unauthorized, or fraudulent vendors.</li> <li>Purchases are made to vendors who do not offer competitive prices, qualifications, or terms.</li> </ul>

**Project  
Management**

Performance  
Prosperity  
Place

- Infrastructure project fails to deliver asset or services fit for purpose.
  - Delayed or unsuccessful project delivery.
  - The City's reputation is impacted negatively.
  - Inadequate design, delivery and reporting of projects.
  - Not achieving the City's projects change initiatives.
  - Inadequate data results in inaccurate project planning priorities.
-







# Risk Appetite Statement



## City of Bunbury Risk Appetite Statement

### Introduction

The City of Bunbury is committed to achieving its objectives and delivering quality services to the community. To effectively manage risks and make informed decisions, the organisation recognises the importance of establishing a clear risk appetite.

### Definition of Risk Appetite

Risk appetite is the level of risk that the City of Bunbury is willing to accept in the pursuit of its strategic and operational objectives. It represents a balance between being proactive and innovative while maintaining responsible and sustainable practices.

Whilst the City’s Risk Appetite Statements are broad in their guidance, they offer insight to staff about:

- Risk areas where caution is required in carrying out their activities.
- Risk areas within the Delegation of Authority Policy where they should feel comfortable about embracing risk and being innovative.

As a public authority, the City has a natural, and in some cases, statutory disposition to a conservative appetite for risk. However, the City provides a large and diverse range of services to a diverse population, and to provide these services effectively, must accept some prudent level of risk.

### Key Risk Categories

- External Relationships
- Asset Management
- People / Organisation
- Finance / Commercial
- Service Quality

### Risk Tolerance Levels

Council categorises its level of risk appetite into three ratings per the below.



Risk Category	Strategic Objectives	Risk Appetite Rating	Risk Tolerance Statements	Risk Tolerance Measures			
			<i>Behaviours in line with guidance</i>	<i>Metric</i>	<i>Tolerable Range</i>	<i>Actual</i>	<i>Status</i>
External Relationships	<p><b><u>Community Engagement</u></b> Effectively inform and engage the community about local issues, facilities, services, and events. Cultivate a high community perception of the City of Bunbury as a leading local government. Listen and respond to community needs.</p>	High	<p>We are committed to transparent communication with external stakeholders, providing accurate and timely information regarding initiatives, decisions, and policies. We actively seek out feedback from a diverse range of stakeholders, ensuring that the voices of all community members are heard and considered in the decision-making processes. We strive to make external engagement opportunities accessible and inclusive to all members of the community, including marginalised or underrepresented groups.</p>	TBD			
	<p><b><u>Advocacy and Strategic Partnerships</u></b> Build awareness and recognition that Bunbury is a great place in which to live, work, study, holiday, play and invest. Attract diversified investment, industry, and businesses. Improve access to quality health and community services. Improve safety and crime prevention services. Encourage greater use of public and shared transport services.</p>		High	<p>We prioritise the interests and well-being of the community in all advocacy efforts and strategic partnerships, seeking to achieve tangible, positive outcomes that benefit residents and stakeholders. We foster collaborative relationships with external stakeholders, recognising that their involvement is essential to the success of local government initiatives and projects. We hold ourselves accountable for the outcomes of our advocacy efforts and partnerships, regularly evaluating their effectiveness and impact on the community.</p>	TBD		

Risk Category	Strategic Objectives	Risk Appetite Rating	Risk Tolerance Statements	Risk Tolerance Measures			
			<i>Behaviours in line with guidance</i>	<i>Metric</i>	<i>Tolerable Range</i>	<i>Actual</i>	<i>Status</i>
	<p><b>Community Support</b>                      Support vulnerable groups, including aged persons and those with disability.                      Promote and celebrate Noongar culture.                      Encourage participation in sport, recreation, and leisure activities.                      Improve road safety, connectivity, and traffic flow.                      Modify the physical environment to improve community safety.                      Beautify streetscapes.</p>	<b>Moderate</b>	<p>We treat all members of vulnerable groups with respect, dignity, and sensitivity, valuing their unique strengths, experiences, and contributions to our community.</p> <p>We are committed to ensuring that the services, programs, and resources we provide are accessible and inclusive to all members of vulnerable groups, including those with disabilities, language barriers, or other barriers to access.</p> <p>We collaborate with community organisations, service providers, and advocacy groups to leverage collective resources and expertise in supporting vulnerable groups within our community.</p>	TBD			

Risk Category	Strategic Objectives	Risk Appetite Rating	Risk Tolerance Statements	Risk Tolerance Measures			
			<i>Behaviours in line with guidance</i>	<i>Metric</i>	<i>Tolerable Range</i>	<i>Actual</i>	<i>Status</i>
Asset Management	<p><b><u>Environment and Sustainability</u></b> Sustainably manage, conserve, and enhance our natural habitats. Revitalise the coastline, foreshores, parks, and playgrounds. Conserve and manage water resources. Minimise risks and impacts from fires, flood, heat waves, and other natural disasters. Encourage the adoption of sustainable practices.</p>	Moderate	<p>We are committed to protecting and preserving the natural environment within our jurisdiction, recognising our responsibility as stewards of the land, air, and water for current and future generations.</p> <p>We integrate principles of sustainability into all aspects of our operations and activities, promoting resource efficiency, waste reduction, and renewable energy adoption to minimise environmental impact.</p> <p>We take proactive measures to address climate change and enhance community resilience to its impacts, implementing climate mitigation and adaptation strategies that reduce greenhouse gas emissions and build adaptive capacity.</p>	TBD			
	<p><b><u>Community Infrastructure</u></b> Improve community infrastructure and facilities. Maintain quality community assets.</p>		Moderate	<p>We adopt a lifecycle approach to asset management, considering the entire lifespan of assets from acquisition to disposal and incorporating strategies for maintenance, renewal, and replacement to optimise asset performance and longevity.</p> <p>We prioritise investments in asset maintenance and renewal to prevent deterioration and extend the useful life of public assets, minimizing the need for costly repairs or replacements in the future.</p>	TBD		

Risk Category	Strategic Objectives	Risk Appetite Rating	Risk Tolerance Statements	Risk Tolerance Measures			
			<i>Behaviours in line with guidance</i>	<i>Metric</i>	<i>Tolerable Range</i>	<i>Actual</i>	<i>Status</i>
People / Organisation	<p><b>Workplace Health and Safety</b> Provide a safe work environment for staff, contractors, volunteers, and visitors.</p> <p>Provide an environment that supports workforce wellbeing.</p>	Low	<p>Be responsive to the wellbeing challenges of our people and provide support where possible.</p> <p>No tolerance for any circumstances that could lead to the death or serious injury of our staff, contractors, volunteers, or visitors.</p> <p>Be committed to keeping our staff safe while they are in our employment, improving their working conditions, their education on safety practices and their understanding of our collective responsibility to stay safe and monitor safety performance.</p>	TBD			
	<p><b>Culture and Productivity</b> Provide strong, accountable leadership and governance.</p> <p>Provide a culture of respect, understanding, and constructive behaviour.</p> <p>Provide clear roles, expectations, and accountability for staff.</p> <p>Provide an inclusive workplace, that allows for a diversity of people.</p>		Low	<p>We actively seek opportunities to collaborate across departments and disciplines, recognising that teamwork is essential to achieving our collective goals and objectives.</p> <p>We communicate openly and transparently with colleagues, supervisors, and stakeholders, sharing information, feedback, and updates in a timely and respectful manner.</p> <p>We hold ourselves and each other accountable for our actions, outcomes, and commitments, taking responsibility for our actions.</p>	TBD		

Risk Category	Strategic Objectives	Risk Appetite Rating	Risk Tolerance Statements	Risk Tolerance Measures			
			<i>Behaviours in line with guidance</i>	<i>Metric</i>	<i>Tolerable Range</i>	<i>Actual</i>	<i>Status</i>
	<p><b>Process and Strategy</b> Provide a jointly created clear vision for the organisation and community. Provide transparency around why, how, and when we do things.</p>	Low	<p>We prioritise initiatives and allocate resources in accordance with strategic priorities, seeking opportunities to maximise impact and value for the community.</p> <p>We base our decisions on reliable data, evidence, and analysis, leveraging quantitative and qualitative information to inform strategic planning, policy development, and resource allocation.</p> <p>We optimise processes and workflows to enhance efficiency and effectiveness, eliminating unnecessary bureaucracy, duplication of effort, and inefficiencies that impede progress and productivity.</p>	TBD			
<b>Financial / Commercial</b>	<p><b>Financial Management</b> Effectively manage the City's resources Transparent budget process that aligns with Integrated Strategic Planning Framework Diversified revenue base Delivering optimal return on community investment</p>	Low	<p>We prioritise long-term financial sustainability, balancing short-term needs with the need to maintain financial health and resilience for future generations.</p> <p>We develop and implement comprehensive budgeting and planning processes that align with organisational goals, and community needs, prioritising investments that deliver value and support the achievement of strategic objectives.</p> <p>We conduct ourselves with honesty, integrity, and ethical behaviour in all financial transactions and interactions, avoiding conflicts of interest and ensuring that personal or political interests do not influence financial decision-making.</p>	TBD			



Risk Category	Strategic Objectives	Risk Appetite Rating	Risk Tolerance Statements	Risk Tolerance Measures				
			<i>Behaviours in line with guidance</i>	<i>Metric</i>	<i>Tolerable Range</i>	<i>Actual</i>	<i>Status</i>	
	<p><b><u>Economic Development</u></b>                      Support local business innovation and success.                      Develop and promote a competitive tourism offer to attract more visitors.                      Promote responsible planning and development.                      Grow participation in arts, culture, and community events.</p>	Moderate	<p>We actively promote the local government as a desirable destination for businesses and investors, showcasing our competitive advantages, infrastructure, workforce, and quality of life amenities.</p> <p>We work to retain and expand existing businesses through targeted support, incentives, and assistance programs that address their needs and challenges, fostering long-term relationships and partnerships.</p> <p>We invest in critical infrastructure projects and site development efforts that enhance connectivity, accessibility, and competitiveness, making the local government an attractive location for businesses to locate, expand, and grow.</p>	TBD				

Risk Category	Strategic Objectives	Risk Appetite Rating	Risk Tolerance Statements	Risk Tolerance Measures			
			<i>Behaviours in line with guidance</i>	<i>Metric</i>	<i>Tolerable Range</i>	<i>Actual</i>	<i>Status</i>
<b>Service Delivery</b>	<b>Customer Experience</b> Adopt innovations to improve business efficiencies and the customer experience.	High	<p>We deliver services with a commitment to excellence, maintaining high standards of quality, accuracy, and reliability in all interactions and transactions with residents and stakeholders.</p> <p>We listen actively to feedback and input from the community, incorporating it into service design and delivery to ensure that services are responsive to the diverse needs of our constituents.</p> <p>We respond promptly to inquiries, requests, and service needs from residents and stakeholders, acknowledging receipt and providing updates on progress or resolution in a timely manner.</p> <p>We establish clear service standards and performance metrics to measure and monitor response times, ensuring that service delivery remains efficient and responsive to community needs.</p> <p>We ensure that services are accessible to all residents, including those with disabilities, language barriers, or other accessibility needs, by providing multiple channels of access and accommodation options.</p>	TBD			



# Internal Audit Review – Project Management Detailed Scope

## Introduction:

The City of Bunbury delivers a large and diverse range of projects each year. In F23/24, approximately \$24.6m was budgeted for major projects and in general, the City's projects carry more risk and complexity than operational activities therefore, close monitoring of the City's project portfolio is important to ensure project risks and issues are managed effectively and the portfolio continues to deliver on the organisation's strategic objectives.

Internal control frameworks and practices within the City of Bunbury should assure that procurement activities around projects 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.

The objective of this review is to provide transparency to the Management and the Audit Committee around cost (budgeted and spent), timing and reporting of major projects.

## Scope and Approach

### Scope

The internal audit will review and undertake testing on a sample of major projects. Samples will be selected in accordance with the City's Internal Audit Standard Operating Procedures Manual. The review will include the following:

Focus Area	Controls
Policy	<ul style="list-style-type: none"> <li>Regularly policy reviews to assess if value thresholds and quote requirements reflect current need.</li> <li>Policies are clear about when and how to apply exemptions</li> </ul>
Training	<ul style="list-style-type: none"> <li>Provide all staff involved in the procurement process with training in relevant policy and processes.</li> <li>Training emphasises personal accountability and how probity and transparency relate to procurement.</li> <li>Provide staff with refresher training.</li> </ul>

Focus Area	Controls
Tendering	<ul style="list-style-type: none"> <li>• That business requirements were determined prior to engaging suppliers.</li> <li>• Staff use the right purchasing method, as required by their own policies and the Regulations.</li> <li>• That the use of exemptions was justified and documented</li> <li>• That tenders were advertised, opened, assessed, and recorded in line with the Regulations.</li> <li>• Documentation was retained to support open, fair and transparent decisions, and show that processes have been followed.</li> <li>• That a Tenders Register was maintained in line with Regulations</li> </ul>
Conflict of interest	<ul style="list-style-type: none"> <li>• That tender evaluation panel members provide positive assurance declarations.</li> <li>• That declarations were retained and there was a record of how they were assessed and how any conflicts were addressed.</li> </ul>
Purchase orders and approvals	<ul style="list-style-type: none"> <li>• That purchase orders were raised for the full expected amount of the procurement.</li> <li>• Purchase orders were approved by staff with appropriate authority.</li> <li>• Internal approvals were obtained before goods and services were purchased</li> </ul>
Segregation of duties	<ul style="list-style-type: none"> <li>• Appropriate segregation of duties across the procurement process</li> </ul>
Reviewing invoices and payments	<ul style="list-style-type: none"> <li>• Any differences between invoice charges and quoted or contracted rates had been reviewed and appropriately justified.</li> <li>• Goods and services were received and approved by staff with appropriate authority.</li> <li>• That there were strong controls around payment of suppliers and access to bank accounts</li> <li>• Documentation was retained to support open, fair and transparent decisions, and show that processes have been followed</li> </ul>
Project Analysis and Reporting	<ul style="list-style-type: none"> <li>• Project costs and progress is tracked including projects which exceed their initial budget by \$100,000 noting the following:               <ol style="list-style-type: none"> <li>i) Original project budget;</li> <li>ii) Original budgeted own source funds;</li> <li>iii) Final actual expenditure including the excess over budget; and</li> <li>iv) Final actual own source funds and the nature of those funds.</li> </ol> </li> <li>• Cost and progress should be reported routinely oversight bodies.</li> <li>• Project delays or issues are reported as they arise.</li> </ul>

Focus Area	Controls
	<ul style="list-style-type: none"> <li>• Changes to the project scope should be managed and controlled.</li> <li>• Action is taken if the project deviates from plan.</li> <li>• Post project review to identify both positive and negative experiences with a view of continuous improvement.</li> </ul>

The above procedures covers off on all risks identified within the Operational Risk Register relating to project management as per [Appendix B](#).

### Approach

The internal audit approach will involve a combination of document review, data analysis, and interviews with relevant staff members. The internal audit function will collect records from various sources as listed in the [Resources and Timing](#) section.

Samples will be selected in line with the Institute of Internal Auditors Australia standards.

### Key Deliverables

At the completion of the internal audit field work, an internal audit report will be presented to management.

14 days after the exit meeting a formal draft report will be issued to the manager responsible for the audited area for their response. All management responses which appear in the audit report must fall within one of three categories:

- Accepted;
- Rejected; or
- Partially accepted.

The response should then concisely detail the action management intends to take in response to the recommendation, stating who will take action (responsible officer) and when it will be completed.



## Resources and Timing

This review will be undertaken by the Internal Auditor, beginning October 2024 with completion of fieldwork expected by November 2024.

Internal Audit Area	Key Contact
Finance	Team Leader Procurement: Jane Parsons
	Senior Finance Officer: Michelle Ivy
Project Analysis and Reporting	Team Leader Intergrated Planning: Jordan Hunt
	Senior Project Officer: Kristina Knight
	Project Officer: Bonnie McClurg

**Note:** Other key contacts may include owners of the projects and will only be determined when samples are selected.

## Limitations

None specifically noted.

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

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Greg Golinski  
Manager Strategy and Integrated Planning

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Karin Strachan  
Director Strategy and Organisational Performance

## Appendix A: Risk Classification Tables

City of Bunbury Measures of Consequence								
Rating (Level)	Compliance	Environment	Financial	Health / People	Property	Reputational	Service Interruption	Projects
Insignificant (1)	No noticeable regulatory or statutory impact	Contained, reversible impact managed by on-site response	Less than \$50,000	Near miss. Minor first aid injuries	Inconsequential damage	Unsubstantiated, low impact, low profile or 'no news' item	No material service interruption <3 hours	<5% deviation in projects outputs (Time, Cost, Scope and Quality) or funding
Minor (2)	Some temporary non-compliances	Contained, reversible impact managed by internal response	\$50,001 - \$250,000	Medical-type injuries	Localised damage rectified by routine internal procedures	Substantiated, low impact, low news item	Short-term temporary interruption – backlog cleared <1 day	5-15% deviation in project outputs (Time, Cost, Scope and Quality) or funding
Moderate (3)	Short term non-compliance but with significant regulatory requirements	Contained reversible impact managed by internal & external agencies	\$250,000 - \$1.0Mil	Lost-time physical or mental injury <30 days Multiple staff morale problems	Localised damage requiring internal & external resources to rectify	Substantiated, public embarrassment, moderate impact, moderate news profile	Medium-term temporary interruption – backlog cleared by additional resources <1 week	15-25% deviation in project outputs (Time, Cost, Scope and Quality) or funding
Major (4)	Non-compliance results in termination of services or imposed penalties	Uncontained, reversible impact managed by a coordinated response from external agencies	\$1.0Mil - \$5Mil	Lost-time physical or mental injury >30 days Widespread staff morale problems	Significant and/or widespread damage requiring internal & external resources to rectify	Substantiated, public embarrassment, high impact, high news profile, third party actions	Prolonged interruption of services – additional resources required; performance affected <1 month	25-50% deviation in project outputs (Time, Cost, Scope and Quality) or funding
Catastrophic (5)	Non-compliance results in litigation, criminal charges, significant damages and/or penalties	Uncontained, irreversible impact	More than \$5Mil	Fatality, permanent disability City no longer an employer of choice Loss of key staff	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Indeterminate prolonged interruption of services – non-performance >1 month	More than 50% deviation in project outputs (Time, Cost, Scope and Quality) or funding

Likelihood	City of Bunbury Measures of Likelihood		
	Description	In the past	Control Effectiveness
RARE (1)	The event may only occur in exceptional circumstances (>5% chance)	Less than once in 15 years	Controls are very strong and operating as intended. There is no scope for improvement.
UNLIKELY (2)	The event could occur at some time (<10% chance)	Once in 10 years	Controls are strong and operating as intended
POSSIBLE (3)	The event should occur at some time (20% chance)	Once in 3 years	Controls are operating as intended, but there is scope for improvement
LIKELY (4)	The event will probably occur in most circumstances (>50% chance)	Once per year	Controls are operating however, inadequacies exist
ALMOST CERTAIN (5)	The event is expected to occur in most circumstances (>90% chance)	More than once per year	Controls are weak, do not exist, or are not being complied with.

Consequence	Insignificant	Minor	Moderate	Major	Catastrophic
Level of Risk	1	2	3	4	5
RARE (1)	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)
UNLIKELY (2)	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
POSSIBLE (3)	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
LIKELY (4)	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
ALMOST CERTAIN (5)	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)



## Appendix B: Project Management Assurance Map

Internal Audit Title	Relevant risks	Highest Consequence Category	Likelihood rating 1-5	Consequence rating 1-5	Risk Rating	Low, Moderate, High or Extreme Rating
<b>Project Management</b>	Delayed or unsuccessful infrastructure project delivery	Projects	4	2	8	Moderate
	The City's reputation is impacted negatively	Reputational	3	3	9	Moderate
	Inadequate design, delivery and reporting of projects	Projects	3	3	9	Moderate
	Not achieving the City's project change initiatives	Projects	3	4	12	High
	Inadequate data results in inaccurate project planning priorities.	Reputational	1	3	3	Low



SAMPLE

# Audit Committee Report

Q4 2024

## Audit Committee Report

### Strategic Risks

Risk Category	Risk	Risk Description	Risk Area	Residual Risk
<b>Asset Management</b>	Cyber Security	City of Bunbury's business is disrupted due to cyber breach.	Office of the CEO	High
	Climate Change Impacts	Effects of climate change negatively affects the City's assets and liabilities.	Office of the CEO	Extreme
	Going Concern	The organisation is unable to meet its obligations and continue its business for the foreseeable future.	Office of the CEO	Moderate
	CoB Identity/Brand	Lack of clear identity and brand positioning does not attract opportunities for the City.	Office of the CEO	Moderate
<b>External Relationships</b>	Community Expectations	City of Bunbury unable to meet the increasing expectations of the community.	Office of the CEO	Moderate
	Attracting Investors	City of Bunbury unable to attract investors and private/public partnerships to advance strategic priorities.	Office of the CEO	Moderate
	Advocacy Impact	City of Bunbury's advocacy efforts do not deliver the impact or the ability to influence required to advance strategic priorities.	Office of the CEO	Moderate
<b>Finance/Commercial</b>	Funding Access	Inability to access capital to support asset renewal and growth opportunities.	Office of the CEO	Moderate
	Cash Reserves	Declining cash reserves expose the City to financial limitations.	Office of the CEO	Moderate
	Balance Sheet Structure	Structure of the City's balance sheet limits future opportunities.	Office of the CEO	Low
	Industry Diversification	Lack of diversification of industry hampers growth and to-servicing sustainability.	Office of the CEO	Low
<b>People/Organisation</b>	Organisation Structure	Organisation structure is not fit for purpose to support the delivery of its strategic objectives	Office of the CEO	Moderate
	Executive Team Performance	Poor performance of the executive team in delivering strategy and leading people.	Office of the CEO	Moderate

Risk Category	Risk	Risk Description	Risk Area	Residual Risk
<b>Service Quality</b>	Community Social Challenges	Community social challenges negatively impacts the City's attractiveness for people to live and work within.	Office of the CEO	High
	New Technology	Missed opportunities to improve service delivery through a lack of uptake of new technologies.	Office of the CEO	Moderate
	Transport Options	Lack of transport options serving the City restricts activation and growth opportunities.	Office of the CEO	High
	Amalgamation	Amalgamation with other council(s) does not deliver increased service delivery or cost efficiency to the community.	Office of the CEO	Moderate

SAMPLE

**Inherent Risk Matrix**

	Low	Minor	Moderate	Major	Extreme	Not yet assessed
Rare	0	0	0	0	1	68
Unlikely	1	0	0	0	0	
Moderate	0	1	0	2	0	
Likely	1	2	3	2	4	
Almost Certain	0	0	1	12	8	

**Extreme Inherent Risks**

Risk Code	Risk Description	Risk Owner	Category	Inherent Risk	Residual Risk	Mitigation Strategy	Comment
<b>AM2</b>	Asset Renewal – Inability to renew assets in acceptable timeframe	Manager Finance	Asset Management	Extreme	Extreme		
<b>FC6</b>	Budget Delivery – Inability to deliver the approved budget.	Manager Finance	Finance / Commercial	Extreme	Extreme		

**Residual Risk Matrix**

	Low	Minor	Moderate	Major	Extreme	Not yet assessed
Rare	0	0	0	0	1	68
Unlikely	6	8	6	3	0	
Moderate	4		7	2	0	
Likely	0	1	0	0	1	
Almost Certain	0	0		2	0	

**Extreme Residual Risks**

Risk Code	Risk Description	Risk Owner	Category	Inherent Risk	Residual Risk	Mitigation Strategy	Comment
<b>AM2</b>	Asset Renewal – Inability to renew assets in acceptable timeframe.	Manager Finance	Asset Management	Extreme	Extreme		
<b>FC6</b>	Budget Delivery – Inability to deliver the approved budget.	Manager Finance	Finance / Commercial	Extreme	Extreme		

**Risks Above Tolerance**

Risk Area	Risk Name	Inherent Risk	Mitigation Strategy	Measured Likelihood	Measured Consequence	Residual	Target	Comment

**SAMPLE**



# ARTIFICIAL INTELLIGENCE (AI) PLAN

Version 1.0

March 2024





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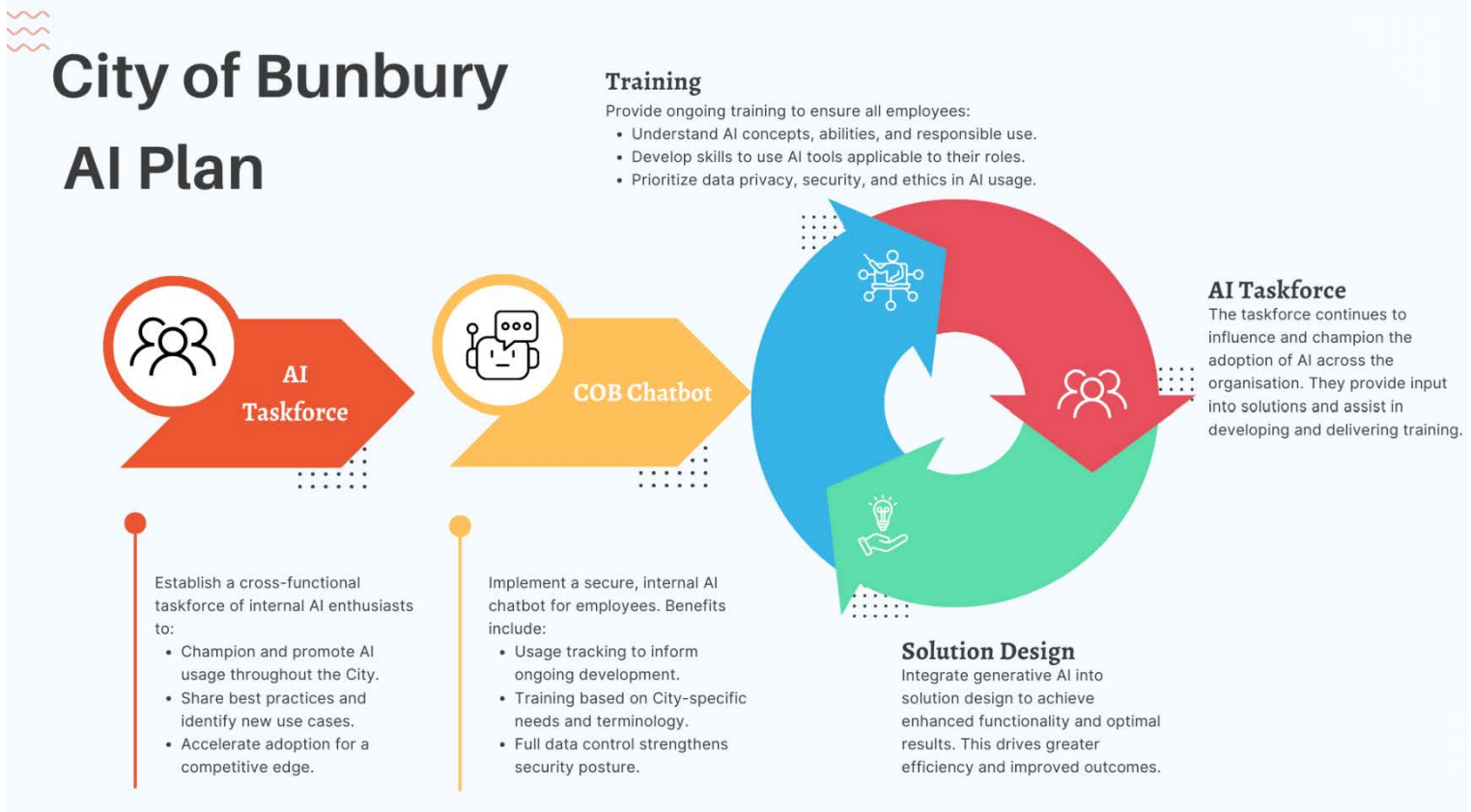
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## 1.Executive Summary

The concept of Artificial Intelligence (AI) is new and daunting to many. At the City we are striving to utilise AI as a tool for staff to do their jobs more efficiently for all to be able to focus on other important priorities. The City has established a strong Digital Team over the past 18 months, providing a centre of excellence that could help grow the organisation into one that embraces the many advantages of artificial intelligence and carefully manages the risks.



The City of Bunbury's AI Strategic Plan outlines the organisation's commitment to becoming a leading local government through the adoption of innovative technologies, including generative artificial intelligence (gen AI). The plan encompasses several key areas of focus:

- **Establish an AI Taskforce:** An AI taskforce will be established to champion the use of gen AI, promote collaboration, and increase its adoption throughout the City.
- **Organisation-wide Access to AI Chatbots:** The City will implement a custom AI chatbot for employees, offering several advantages such as tracking usage, tailoring responses to specific needs, and maintaining data sovereignty.
- **Integration of AI into Solution Architecture:** The Data and Digital team will continue to incorporate AI into solution architecture, creating more intelligent and efficient solutions that meet the evolving needs of the business.
- **Nurture a culture that embraces AI through ongoing AI skills development:** Ongoing staff training will be provided to ensure employees acquire the necessary knowledge and skills to use AI effectively and securely. The training will cover AI awareness, practical skills development, data literacy, and ethical considerations.

By implementing this AI Strategic Plan, the City of Bunbury aims to enhance employee productivity, streamline operations, and stay at the forefront of innovation in local government.

## 2. Background

The City of Bunbury has resolved to become a leading local government, and in its endeavours has established a Digital Centre of Excellence comprised of a group of innovative professionals in the Digital Services team. For the City to stay at the forefront it would be required to continuously adopt innovative approaches in the Digital space. Early 2023 saw generative AI advance significantly and the ability for it to improve business efficiencies was realised.

The Digital Services team has already commenced with incorporating AI into solutions under development, with some of these solutions even developed in-house by the team. The in-house development and application of such technology by the team is putting the City of Bunbury at the forefront in the local government industry, with other local governments keenly interested in these innovations. Additionally, an AI policy (*Management Policy: Use of AI in the Workplace*) has been developed which guides the implementation and use of AI solutions by all working at the City. The policy and this plan will be presented to the April audit and risk committee for review and adoption.

## 3. Strength, Weaknesses, Opportunities and Threats in the face of AI

Strengths	Weaknesses
<ul style="list-style-type: none"><li>Established Digital Services team</li><li>Proactive adoption of AI technologies</li><li>Comprehensive strategic plan and policy</li></ul>	<ul style="list-style-type: none"><li>Resource allocation</li><li>Change resistance</li><li>Reliance on rapidly evolving technology and laws</li></ul>
Opportunities	Threats
<ul style="list-style-type: none"><li>Benchmark for Local Governments</li><li>Improved service delivery</li><li>External partnerships and collaboration</li><li>Cross team collaboration</li></ul>	<ul style="list-style-type: none"><li>Cybersecurity attacks</li><li>Regulatory and ethical challenges</li><li>Budgetary and resource constraints</li></ul>

## 4. Key Focus Areas

### 4.1 Establish an AI Taskforce at the City

Establishing an AI taskforce is a strategic initiative aimed at fostering the adoption and responsible use of generative artificial intelligence (gen AI) within the City. This taskforce would comprise a diverse group of individuals from throughout the organisation who are already utilising gen AI in their work or personal lives. The taskforce's primary objective would be to champion the use of gen AI, promote collaboration, and increase its adoption throughout the City. The taskforce continues to influence and champion the adoption of AI across the organisation. They provide input into solutions and assist in developing and delivering training.

## 4.2. City of Bunbury Employee AI chatbot

The advent of generative AI has witnessed the surge in popularity of chatbots such as OpenAI's Chat GPT, Google's Gemini, and Microsoft's Copilot. These tools have the potential to offer significant value and enhance efficiency in a business setting. However, to optimise their benefits and ensure security, the City can greatly benefit from implementing a custom chatbot specifically designed for its employees.

There are several key advantages to having a custom chatbot within an organization:

**Metrics and control on usage:** A custom chatbot allows organizations to track and monitor its usage, providing valuable insights into employee engagement and chatbot effectiveness. This data can be leveraged to make informed decisions about chatbot enhancements and training.

**Training and priming the chatbot specific to needs:** Organisations can tailor the chatbot to address their specific requirements and industry jargon. By training and priming the chatbot with relevant data and knowledge, organisations can ensure that it provides accurate, contextual, and relevant responses to employee queries.

**Data sovereignty:** A custom chatbot allows organizations to maintain control over their data. Sensitive information can be protected, as the chatbot operates within the organization's IT infrastructure. This ensures compliance with data privacy regulations and minimizes the risk of sensitive data being shared externally.

In summary, implementing a custom AI chatbot for employees offers numerous advantages, including the ability to track usage, tailor responses to specific organizational needs, and maintain data sovereignty. By leveraging the capabilities of generative AI while addressing security and compliance considerations, organizations can unlock the full potential of these powerful tools to enhance employee productivity and streamline operations

## 4.3. Integration of Artificial Intelligence (AI) into Solution Architecture

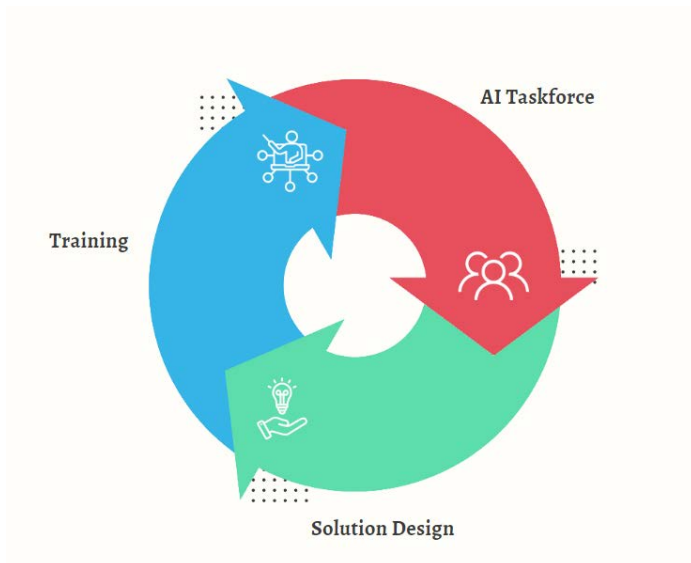
The Data and Digital team is responsible for planning, developing, and implementing digital solutions throughout the organization. With the advent of significant advancements in AI, the team has successfully incorporated AI into their solutions, leading to enhanced functionality and improved outcomes.

It is recommended that this approach be continued when architecting solutions. By incorporating AI where appropriate, the team can create more intelligent and efficient solutions that meet the evolving needs of the business and its customers.

## 4.4. Nurture a culture that embraces AI through ongoing AI skills development

In today's rapidly evolving digital landscape, artificial intelligence (AI) is transforming businesses and industries at an unprecedented pace. To stay competitive and reap the benefits of AI, it is crucial to ensure

that employees possess the necessary knowledge and skills to use it effectively and securely. This is where ongoing staff training comes into play.



Through the elements of ongoing training, the involvement of a task force and the incorporation of AI into solutions, it is envisaged that a positive culture towards embracing AI will be established at the City. By implementing a comprehensive ongoing staff training program, we aim to equip our employees with the knowledge, skills, and confidence to use AI, driving innovation and achieving organizational success effectively and responsibly.

The objectives of AI training would be the following:

- AI Awareness and Education:
  - Enhance employees' understanding of AI concepts, capabilities, and limitations.
  - Foster a culture of innovation and curiosity about AI.
- Practical AI Skills Development:
  - Train staff on how to use AI tools and technologies relevant to their roles.
  - Develop hands-on skills to integrate AI solutions into daily workflows.
- Data Literacy and Ethical Considerations:
  - Educate employees on data privacy, security, and ethical implications of using AI.
  - Instil a sense of responsibility in handling sensitive data.
- Collaboration and Problem-Solving:
  - Encourage cross-functional collaboration to leverage AI for innovative solutions.
  - Foster a mindset of continuous learning and problem-solving.

Training Methods applied will include:

- Interactive Workshops to be lead by the City's AI experts, with hands-on exercises and real-world case studies.
- Online Learning Modules that cover various aspects of AI and incorporate interactive simulations and quizzes for knowledge reinforcement.

Recognizing that AI is constantly evolving, the team will ensure that our staff training remains up-to-date and relevant. The team will also monitor emerging trends, gather feedback from employees, and regularly review and update the training curriculum.

## 5. Next Steps & Conclusion

As the City of Bunbury progresses towards becoming a leader in digital and technological innovation, our AI Strategic Plan is dynamic, evolving with emerging technologies and business needs. Regular updates will ensure that our strategy remains cutting-edge.

### Next Steps:

- Establish an AI Taskforce: To champion and foster the responsible use of generative AI within the City.
- Implement a Custom AI Chatbot: To enhance employee productivity and streamline operations with strict data privacy.
- Integrate AI into Solution Architecture: Our Data and Digital Team will enhance system intelligence and efficiency, meeting our community's evolving needs.
- Ongoing AI Skills Development: We will equip employees with the skills needed to use AI technologies effectively through comprehensive training programs.

These steps will help us enhance operational efficiencies, improve service delivery, and foster a culture of continuous improvement and innovation. By embracing these initiatives, the City of Bunbury will ensure its technological advancement is both strategic and sustainable.



# Internal Control Framework



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# 1. Introduction

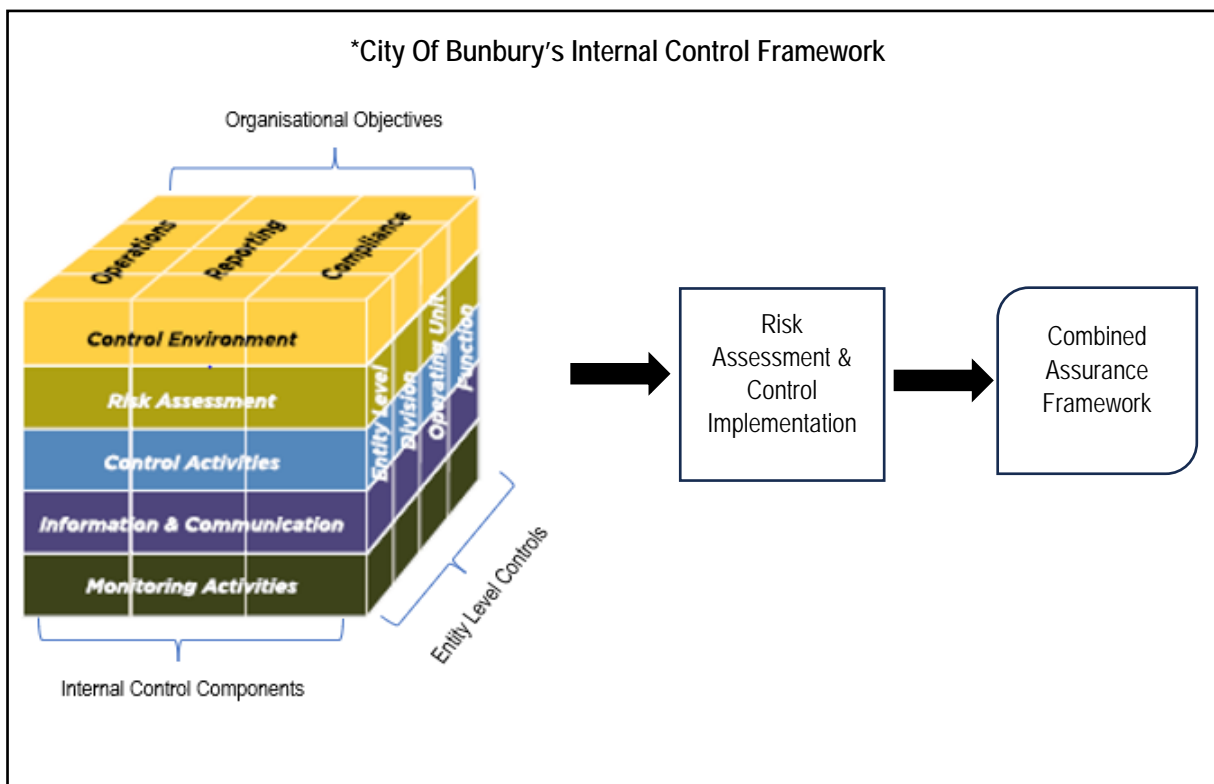
Consistent with the objectives and requirements of the *Local Government Act 1995 and Local Government (Financial Management) Regulations 1996*, Council has a responsibility to ensure that its activities are conducted in an efficient, compliant, risk effective and transparent manner.

The City of Bunbury ("the City/City's") has established an Internal Control Framework for the development of procedures to collectively ensure that financial and non-financial activities of Council are conducted in a proper manner. Through this framework, the City's Council and management can obtain reasonable assurance regarding the achievement of objectives in relation to:

- Effectiveness and efficiency of financial and operational performance goals;
- Internal and external financial and non-financial reporting; and
- Compliance with relevant laws and regulations.

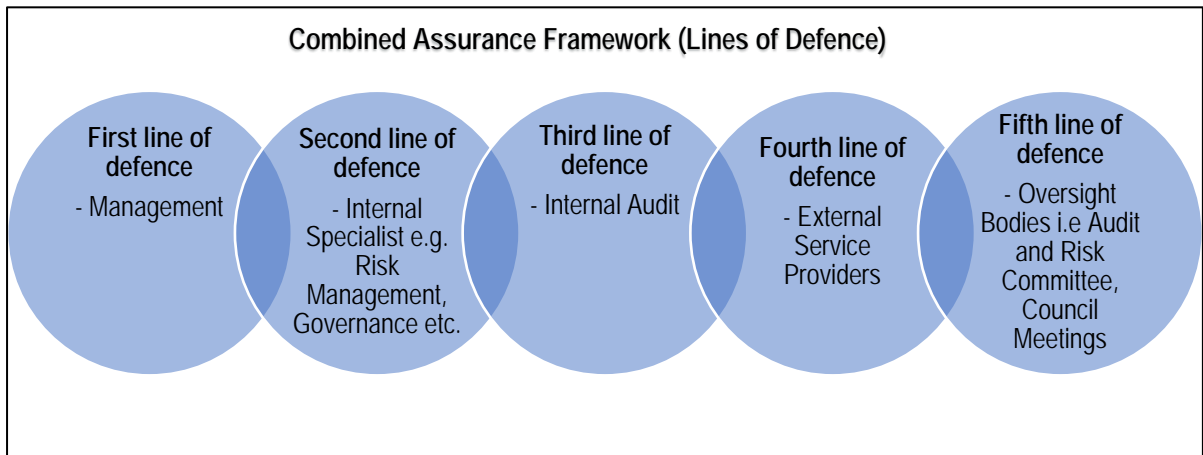
The objectives are supported by appropriately designed entity level controls which determine management's attitude towards internal controls.

The City of Bunbury Internal Control Framework (Diagram 1) is applied at every level of the organisation where management continually seeks to identify and prioritise risks followed by the implementation of appropriate preventative and detective controls to mitigate those risks. The Audit, Risk and Governance mandate is to provide reasonable assurance of this system of internal control through a Combined Assurance Model as illustrated on the next page (Diagram 2).



\*Adaptation from the COSO Integrated Control Framework

Diagram 1



*Diagram 2*

Effective risk management typically applies the five lines of defence model in a mature organisation:

- The first line of defence is the level at which management owns and monitors their risk as well as ensuring that an appropriate system of internal controls has been developed and implemented within the organisation.
- The second line of defence is the level at which specialists facilitate and oversee risk and opportunity management i.e. enterprise-wide risk management, compliance, and governance.
- The third line of defence is where internal assurance specialists provide independent assurance over the system of internal controls e.g. internal audit.
- The fourth line of defence is provided by external assurance service providers, e.g. external audit, external consultants and local government departments and any other external service providers.
- The fifth line of defence is provided by governing bodies such as Audit and Risk Committee and Council, which perform an oversight role.

## 2. Components of the Internal Control Framework

### 2.1 Control Environment

The Council and Management at all levels of the City of Bunbury demonstrate through their directives, actions, and behaviour the importance of integrity and ethical values to support the functioning of the system of internal control.

#### **Council and Management Responsibilities**

- The City's Council has ultimate responsibility for ensuring that an adequate system of internal control is established and maintained.
- A Risk Management framework has been established which complies with the requirements of AS/ISO 31000.
- Management is accountable to the Council for designing, implementing, and monitoring the process of risk management and integrating it into the day-to-day activities of the organisation.
- The City of Bunbury's Enterprise Risk Board is responsible for overseeing the adequacy and overall effectiveness of the organisations risk management function and its implementation by management.
- The Executive Leadership Team (ELT) provide oversight over the organisations material risks and controls and assist in developing and enhancing risk management practices.

#### *Control Culture*

- The City's Code of Conduct governs the conduct of all employees and adherence to the core values documented in the Strategic Community Plan. Both documents are available to all employees on the organisation's intranet.
- The City's induction programme educates new employees on the ethics, values, and the culture of the City.
- The City adopts a Combined Assurance Model to ensure that the effectiveness of internal controls is tested in an effective and efficient manner.
- Public Interest Disclosures Framework is available to all employees and demonstrates the City's commitment to maintaining an ethical and effective control culture.

## 2.2 Risk Assessment

In line with the City's Enterprise Risk Management methodology, risk assessment reviews are performed using approved strategic and functional/operational risk registers. The risk reviews will cover all aspects of the risk management process to:

- Ensure that controls are effective and efficient in design and operation.
- Obtain further information to improve risk assessments.
- Analyse and learn from risk events and near misses, changes, trends, successes, and failures.
- Detecting change in the external and internal context of the City including changes to risk criteria
- Identifying emerging risks

Risk registers will be updated and assessed on a quarterly basis and will summarise the significant risks faced by the organisation, considering the likelihood of occurrence, the potential impact, related mitigating factors and compensating controls. The monitoring function will remain active between reporting cycles.

The City's risk appetite statement provides guidance on how to make decisions that balance risk and reward. It stipulates the amount of risk the City is willing to accept and reasonably manage in pursuit of the City's long-term objectives. With this guidance, management have developed and implemented appropriate risk response strategies in relation to the organisation's major risks and the adequacy and effectiveness of these strategies are reviewed on an on-going basis.

Internal audits are also conducted to assess the status of internal controls, including controls to minimise the risk of fraud.

*Note: Reference can be made to the Risk Management Framework for more detail*

## 2.3 Control Activities

Executive Management ensure that appropriate control activities are in place at every level within the organisation. These include:

- Presentations and performance reports to the Enterprise Risk Board, Audit Committee and Council to enable them to review the City's progress towards their targets.
- Remote working protocols & physical and logical access controls to City premises and information systems.
- Approvals and authorisations – A organisational and functional “levels of authority” is in place to ensure that transactions are approved by the relevant level of authority.
- Verifications and reconciliation – Various financial and operational reconciliations are performed on a regular basis and are reported to the appropriate levels of management.
- Activity and analytic controls – Managers receive and reviews standard performance and exception reports on a weekly, fortnightly, or monthly basis, e.g. budget reports, spending, health, and safety etc.
- Assessment and control reviews of the City's information systems e.g. Threat and Vulnerability Assessment, Information Security Maturity Assessment, IT General Control and Application Control Reviews.
- Policies and procedures that address organisational risks and provide detailed guidelines for carrying out activities include:
  - Structure of Council
  - Reconciliations and verifications.
  - Physical asset controls and regular revaluation.
  - Financial accounting procedures including segregation of duties.
  - Information technology controls.
  - Budgeting and reporting procedures.
  - Record and data security.
  - Risk assessments.
  - Compliance management (Attain Software).

## 2.4 Information and Communication

The City has established effective communication channels of information flow upward, downward and across the organisation to ensure that the necessary information reaches the appropriate people. This process ensures that information flows upward so that the Council and Executive Management are aware of the risks and operating performance of the various companies within the City. Information flowing downward through the organisation ensures that the City's objectives, strategies, targets as well as policies and procedures are communicated to lower-level management and functional/operational personnel.

## 2.5 Monitoring Activities

Management systems and internal activities need to be monitored to assess the quality of their performance over time. This will include:

- Audit Committee performing a review and monitoring role.
- Review of risk management, internal control and legislative compliance undertaken by the CEO.
- An internal audit program that regularly reviews and monitors the City's activities.
- A risk register that is monitored with risks having a rating of extreme or high being reviewed on a regular basis to ensure that relevant treatment plans are implemented and work effectively.
- Reviewing the adequacy and implementation of Council's Strategic Community Plan including the Asset Management Plan, Integrated Financial Plan, Corporate Business Plan, and annual budget.
- Regular monitoring of the Strategic Community Plan Key Priority Areas and objectives to ensure desired outcomes are being achieved.
- Reviewing documents that are provided to the community for accuracy and completeness, including Council policies, budget review, annual financial statements, and the annual report.
- Insurance/property risk management reviews undertaken annually by LGIS.
- Reviewing, assessing, and reporting on controls as part of the financial management systems review.
- Completion of an annual Compliance Audit Return.

The combined assurance approach co-ordinates the efforts of management, internal assurance providers (including internal audit) and external assurance providers in a manner that ensures collaboration and assists in bringing about a holistic view of the City's risk profile and assurance activities. The key assurance providers to the City include:

- Management including Risk Management and Governance.
- Internal Assurance providers
  - Internal Audit
- External Assurance providers
  - External Audit
  - Government Departments

All key assurance providers develop annual audit plans and results of control deficiencies are communicated to the appropriate personnel, levels of management and Committees on a regular basis.

### 3. Limitations of Internal Control

While it is recognised that this framework may provide reasonable assurance that Council and City's operations are efficiently and effectively managed and that all resources are properly deployed, limitations do exist. These limitations may include:

- Controls are designed for routine transactions – abnormal or non-routine transactions may bypass control mechanisms.
- The internal control system is operated by people, so there is potential for human error, poor judgement, lack of knowledge or misunderstanding of instructions and bias.
- People may act together in collusion to undermine the system of internal control.
- The ability of management, employees and/or third parties to circumvent the internal control system through collusion.
- External events beyond the organisations control.

The purpose of internal control is to provide reasonable assurance that the irregularities are prevented. If they occur, that they can be detected and corrected and that internal risks faced by Council are to acceptable levels.



## 4. Roles & Responsibilities

Roles	Responsibilities
Council	<ul style="list-style-type: none"> <li>▪ Council retains ultimate responsibility for internal control.</li> <li>▪ Establish and maintain an Audit Committee as per the <i>Local Government Act 1995</i>.</li> <li>▪ Receive and note the triennial review in accordance with Reg 17(c), Local Government (Audit) Regulation 1996 and make decisions when required.</li> <li>▪ Attend risk awareness training sessions as organised by the City.</li> <li>▪ Undertake ongoing monitoring and review of risk management by receiving and noting reports from the Audit Committee, receiving regular updates via the Councillor Portal, and attending Strategic Briefing Sessions</li> </ul> <p><b>External Accountability</b></p> <ul style="list-style-type: none"> <li>▪ Council, along with the CEO, are ultimately accountable for incidents/events (realisations of risks) that occur where the management of the risk has been found to be ineffective</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>▪ Endorse the Internal Control Framework</li> <li>▪ Review the effectiveness of the City's approach to corporate governance matters including internal control.</li> <li>▪ Assess the Reg 17 review of risk management appropriateness and effectiveness.</li> <li>▪ Maintain oversight of all matters that relate to the conduct of audits (internal and external) by receiving and endorsing the internal audit framework documents and internal audits as presented.</li> </ul>
Enterprise Risk Board	<ul style="list-style-type: none"> <li>▪ Escalate indicators of risk discussed with ELT, with ultimate responsibility sitting with the CEO.</li> <li>▪ Determine the strategic and enterprise approach to risk by considering the context of the City and best practice principles of ISO 31000 -2018 risk management.</li> <li>▪ Show commitment and leadership to the organisation by actively communicating ELT's support of the risk management service through the City's communication channels, thereby driving risk culture for the organisation.</li> </ul>

Roles	Responsibilities
Chief Executive Officer	<ul style="list-style-type: none"> <li>▪ Drives the risk culture for the organisation and is accountable to Council for effective and appropriate corporate governance of the organisation in accordance with legislative requirements.</li> <li>▪ Provide support for the development and implementation of appropriate systems to achieve accountability and integrity.</li> <li>▪ Oversee and monitor the strategic and enterprise risk registers.</li> <li>▪ Report to the Audit Committee on internal control effectiveness and appropriateness.</li> <li>▪ Communicate necessary risk information to and from Council and Audit Committee.</li> <li>▪ Report via the triennial review in accordance with Reg17(c) of the Local Government (Audit) Regulation 1996 to the Audit Committee on risk management effectiveness and appropriateness.</li> </ul> <p><b>External Accountability</b></p> <p>The CEO, along with Council, are ultimately accountable for incidents/events (realisation of risks) that occur where the management of the risk has been found to be ineffective.</p>
The Executive (CEO/Directors)	<ul style="list-style-type: none"> <li>▪ Endorse the Internal Control Framework</li> <li>▪ Commit to demonstrate professional behaviour consistent with roles and values, and operate in an environment of openness, probity, and accountability.</li> <li>▪ Oversight of adequate internal controls and their implementation, evaluation, and revisions on an ongoing basis.</li> <li>▪ Promote a best practice approach in support of effective business practices and properly functioning controls.</li> <li>▪ Incorporate risk management into strategic and business planning.</li> <li>▪ Show commitment and leadership by actively promoting risk management to build a risk culture.</li> <li>▪ Build risk management capability within the City by supporting employee's attendance at training sessions and/or as members of user groups.</li> </ul>

Roles	Responsibilities
Managers	<ul style="list-style-type: none"> <li>▪ Ensure that the City's Internal Control Framework is applied to the internal controls within their area of responsibility showing commitment to drive a risk aware culture.</li> <li>▪ Development an adequate system of internal control and their implementation, evaluation, and revision on an ongoing basis in respect to all their area of responsibility to ensure as far as reasonable that: <ul style="list-style-type: none"> <li>○ Financial records and other relevant databases completely and accurately reflect the actual operational activities and the timely preparation of reports.</li> <li>○ Assets are safeguarded from unauthorised use or disposal.</li> <li>○ Irregularities are prevented, or detected and corrected if they occur.</li> <li>○ Legislative compliance is maintained.</li> </ul> </li> <li>▪ Be aware of and understand the most significant risks of the organisation by actively reading provided risk reports.</li> <li>▪ Build risk management capability within their department by attending and participating in and/or supporting employee's attendance at training sessions and/or as members of user groups.</li> <li>▪ Incorporate risk management into business planning and strategy development by</li> <li>▪ Regularly monitor risk as part of a standing agenda item for manager and/or team meetings to discuss: <ul style="list-style-type: none"> <li>○ Any new or emerging risks</li> <li>○ Any potential issue that can impact the likelihood and/or consequence of a risk.</li> <li>○ Monitor and review existing risks.</li> </ul> </li> <li>▪ Control effectiveness</li> </ul>
Team Leaders	<ul style="list-style-type: none"> <li>▪ Show commitment to risk management to drive a risk culture.</li> <li>▪ Build risk management capability within their team by attending and participating in and/or supporting employee's attendance at training sessions and/or as members of user groups.</li> <li>▪ Assist in the assessment of control effectiveness as per the process in the risk management framework.</li> <li>▪ Regularly monitor risk as a part of a standing agenda item for the team meetings to discuss: <ul style="list-style-type: none"> <li>○ Any new or emerging risks</li> <li>○ Any potential issue that can impact the likelihood and/or consequence of a risk.</li> <li>○ Monitor and review existing risks</li> </ul> </li> </ul>

Roles	Responsibilities
Internal Audit	<ul style="list-style-type: none"> <li>▪ Coordinate and lead independent audits and assessments to determine the effectiveness of internal controls and processes and recommend appropriate improvements.</li> <li>▪ Provide advice and guidance to customers and stakeholders on appropriate internal controls to safeguard the City's assets in accordance with relevant legislation and standards as well as policies and procedures.</li> </ul>
Team Integrated Planning	<ul style="list-style-type: none"> <li>▪ Keep up to date with developments in risk management by monitoring the environment, researching new and emerging potential risks, and signing up for regular updates from leading practitioners.</li> <li>▪ Overall coordination of the City's risk exposure by overseeing the implementation of an effective risk management framework</li> <li>▪ Work in liaison with Governance and Internal Audit functions to ensure the City is meeting its governance, internal control, and legislative compliance requirements.</li> <li>▪ Build a risk aware culture within the City through the creation of risk management processes documented in the risk management framework.</li> <li>▪ Coordinate the reporting of identified strategic and operational risks.</li> <li>▪ Oversee the management and administration of organisational risks registers and system.</li> <li>▪ Facilitate risks management training as required.</li> <li>▪ Lead and support the capabilities of control owners in developing and monitoring relevant risk strategies and plans.</li> <li>▪ Provide risk management support and advice to leaders to embed change.</li> <li>▪ Coordinate the assembly of the City's Business Continuity Plan and disaster recovery processes.</li> <li>▪ Oversee the compilation of risk reports as per the reporting schedule.</li> </ul>

Roles	Responsibilities
Enterprise Risk Management Officer	<ul style="list-style-type: none"> <li>▪ Build and champion a risk aware culture across the City through coordinating the process of identifying and assessing risks.</li> <li>▪ Facilitate the identification and reporting of strategic and operational risks across the organisation through the management of the City's risk register.</li> <li>▪ Provide reports as identified in the risk management framework.</li> <li>▪ Using the risk management framework processes, develop a training package to assist workers to identify and assess risk using the processes outlined in the risk management framework.</li> <li>▪ Work in liaison with the Governance and Internal Audit functions to ensure the City meets its governance, internal control, and legislative compliance requirements.</li> <li>▪ Keep up to date with developments in risk management and sign up for regular updates with leading practitioners.</li> <li>▪ Manage and administer organisational risk registers and system.</li> <li>▪ Provide risk management support and advice for leadership in implementing risk identification, monitoring, and controls.</li> <li>▪ Provide risk management support and advice to leadership to embed the change.</li> </ul>
Risk Owners	<ul style="list-style-type: none"> <li>▪ Monitor the environment to identify if there are any indicators the risk owned by them might eventuate, escalating to the attention of Enterprise Risk Board via the process outlined in the risk management framework.</li> <li>▪ Embrace ownership and management of the City's operational risks by making decisions on the acceptance of risks on behalf of the City.</li> <li>▪ Analyse and discuss emerging risks, issues, and trends at least every six months, as per the process outlined in the risk management framework.</li> <li>▪ Document decisions and actions arising from risk-related matters, as per the process outlined in the risk management framework.</li> </ul> <p><b>Internal Accountabilities</b></p> <ul style="list-style-type: none"> <li>▪ Coordinate and be accountable to the CEO for the management of risks assigned to them, by receiving assurance that controls are effective and that treatments are completed</li> </ul>
Control Owners	<ul style="list-style-type: none"> <li>▪ Ensure the controls they are responsible for are effective via assurance and performance measurement as per the process documented in the risk management framework.</li> <li>▪ Report to the Risk Owner on the status of the control and ongoing status of the risk treatment as per the process outlined in the risk management framework.</li> </ul> <p><b>Internal Accountabilities</b></p> <ul style="list-style-type: none"> <li>▪ Effective oversight and management of the control.</li> </ul>

Roles	Responsibilities
Employees	<ul style="list-style-type: none"> <li>▪ Conducting their duties in accordance with the Management Policy and processes for internal control.</li> <li>▪ Reporting to Management instances where they consider that internal control processes are inadequate or are not being met.</li> <li>▪ Contribute to the improvement or implementation of treatment strategies where appropriate as directed by their line manager.</li> <li>▪ Actively participate in the identification of potential risks in their workplace and report them to their line manager.</li> <li>▪ Embed risk management culture within work areas by applying risk management practices by: <ul style="list-style-type: none"> <li>○ Following procedures outlined in the risk management framework.</li> <li>○ Following procedures outlined in the Safety Management Plan</li> <li>○ Completing JSAs/SWMS/task assessments</li> <li>○ Attending risk meetings</li> <li>○ Attending risk management training</li> </ul> </li> </ul>

## 5. Compliance Requirements

### Legislation

- *Local Government Act 1995*
- *Local Government (Financial Management) Regulations 1996*
- *Local Government (Audit) Regulations 1996*

### Industry

- *WA Local Government Accounting Manual*
- *Local Government Integrated Planning and Reporting Framework and Guidelines*
- *AS/NZS ISO 31000:2009 Risk Management Principles*
- *COSO (Committee of Sponsoring Organisations of the Treadway Commission) – Internal Control integrated Framework 2013*

### Organisation

- *City of Bunbury Policy – Risk Management*
- *City of Bunbury Risk Management Framework*
- *City of Bunbury Framework – Public Interest Disclosure*
- *City of Bunbury Code of Conduct*

