# Agenda

# Audit, Risk and Improvement Committee Meeting

6:00PM Monday 18 May 2026
Council Chambers (Level 1), Civic Centre,
23 Dundebar Road, Wanneroo

wanneroo.wa.gov.au

City of Wanneroo

| Title: | Audit, Risk and Improvement Committee |
|---|---|

## Purpose and Role

i. The purpose of the Audit, Risk and Improvement Committee ("Committee") is to support the Council in fulfilling its governance and independent oversight responsibilities in relation to:

a. Systems of internal controls and risk management,
b. Processes for monitoring compliance with laws and regulations,
c. Financial and performance reporting, and
d. Internal and external audit functions and ethical accountability.

ii. The Committee operates in accordance with the provisions of the *Local Government Act 1995 (the Act)*, *Local Government (Audit) Regulations 1996* and *Local Government (Administration) Regulations 1996* but is not responsible for the management of the above functions.

## 1. Aims & Functions

1.1 Reports from the Committee will assist Council in discharging its legislative responsibilities and provide oversight of the City's affairs, determining the City's policies and overseeing the allocation of the City's finances and resources. The Committee will ensure openness in the City's financial reporting and will liaise with the Chief Executive Officer ("CEO") to ensure the effective and efficient management of the City's financial accounting systems and compliance with legislation.

1.2 The Committee facilitates:

i. The enhancement of the credibility and objectivity of internal and external financial reporting;
ii. Effective management of enterprise risks and the protection of Council assets;
iii. Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
iv. Regular review of reports on the internal audit function and the Strategic Internal Audit Plan;
v. The provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council;
vi. Addressing issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of these Terms of Reference; and
vii. Seeking information or obtaining expert advice through the CEO on matters of concern within the scope of these Terms of Reference following authorisation from Council.

**1.3 Outsourced Internal Audit Service Provider (Internal Auditor)**

To recommend to Council the person or persons to be appointed as the City's Internal Auditor.

**1.4 Internal Audit**

i. Provide guidance and assistance to Council in carrying out functions of the City in relation to internal audits.
ii. Discuss with Internal Audit Function (In-house Internal Audit Team and Outsourced Internal Audit Service Provider) and management other topics that should be included in the internal audit charter.
iii. Review and recommend the Internal Audit Charter to Council for endorsement.
iv. Ensure the Internal Audit Function has unrestricted access to, and communicates and interacts directly with the Committee, including regular and direct communication without senior management present as the need arises.
v. Assess the internal audit plan to ensure that it comprehensively covers risks that may threaten the achievement of strategic objectives.
vi. Review and recommend the City's risk-based internal audit plan to Council for endorsement.

vii. Review the scope of the audit plan and program and its effectiveness.
viii. Review the appropriateness of special internal audit assignments undertaken by internal auditor at the request of Council or CEO unless the circulation of these assignments is prohibited by law from further circulation.
ix. Review the level of resources allocated to internal audit and the scope of its authority.
x. Review internal audit reports, monitor and oversee management's implementation progress of the internal audit review recommendations through the City's Internal Audit Log reported to the Committee on a biannual basis.
xi. Review the annual Internal Audit review of Compliance Audit Return and report to Council the results of that review.
xii. Review and consider the CEO's triennial reviews as stipulated in:
    a. Regulation 17 of the *Local Government (Audit) Regulations 1996* on the appropriateness and effectiveness of the City's systems and procedures regarding risk management, internal control and legislative compliance; and report to Council for endorsement; and
    b. Regulation 5 of the *Local Government (Financial Management) Regulation 1996* on the appropriateness and effectiveness of the City's systems and procedures in regard to financial management and report the results to Council for endorsement.
xiii. Review of all internal audit reports and the adequacy of Management's responses to internal audit recommendations.
xiv. Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), and with Council's own standards.
xv. Make appropriate enquiries of management and Internal Audit Function to determine whether scope or resource limitations are appropriate.
xvi. Receive communications from in-house internal audit team about Internal Audit Function's:
    a. performance relative to its plan, and
    b. quality assurance and improvement program including results of external assessments conducted at least once every five years.
xvii. Monitor and review the quality of internal audit services delivered and compliance with the Institute of Internal Auditor's (IIA) Global Internal Audit Standards (Standards) as outlined in the Internal Audit Charter.

**1.5 External Audit**

i. The Auditor General of Western Australia (Auditor General) is mandated to be the external auditor and the Committee should therefore develop and recommend to Council the agreement between the Council and the Auditor General. The agreement is to include:
    a. the objectives of the audit;
    b. the scope of the audit;
    c. a plan of the audit;
    d. details of the remuneration and expenses to be paid to the auditor; and
    e. the method to be used by the local government to communicate with, and supply information to, the auditor.
ii. Accept responsibility for the annual external audit.
iii. Meet with the external auditor at least once in each year, without management being present and recommend to Council on the matters discussed and outcome of those discussions.
iv. Liaise with the CEO to ensure that the City does everything in its power to:
    a. assist the auditor to conduct the audit and carry out his or her other duties under the Act; ensure that audits are conducted successfully and expeditiously; and
    b. examine the reports of the auditor after receiving a report from the CEO on the matters and determine if any matters raised require action to be taken by the City.
v. 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 six months after the last report prepared by the auditor is received, whichever is the latest in time.
vi. Review the City's draft annual financial report, focusing on:
    a. Accounting policies and practices;
    b. Changes to accounting policies and practices;
    c. The process used in making significant accounting estimates;
    d. Significant adjustments to the financial report (if any) arising from the audit process;
    e. Compliance with accounting standards and other reporting requirements; and
    f. Significant variances from prior years.

vii. Consider and recommend adoption of the annual financial report to Council, and to review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed.
viii. Discuss the external audit plan including proposed audit strategies and how they might relate to identified risk areas.
ix. Extend a standing invitation to the external auditor to attend Committee meetings as required to discuss the external audit plan, draft and final financial statements and the management letter.

**1.6 Fraud, Misconduct and Corruption as per the Integrity Framework**

i. Oversight of risk management, including fraud, misconduct and corruption control.
ii. Review the City's Risk Management Framework for identifying, monitoring and managing business risk, including risks associated with fraud, misconduct and corruption.
iii. Review the Strategic Internal Audit Plan annually to ensure it covers fraud, misconduct and corruption risks.
iv. Review summary reports from management on all actual frauds, thefts and breaches of laws and ensuring these are reported to the accountable authority and/or relevant authorities.

**1.7 Risk Management**

The Committee oversees the City's system of risk management and internal controls. It's responsibilities include, but not limited to:

i. Reviewing and overseeing progress and updates on all Strategic Risks biannually and significant risk exposures and controls issues, including fraud risks, governance issues and other necessary matters.
ii. Overseeing the management of Risks rated extreme and high on a quarterly basis.
iii. Reviewing whether the City has an effective Risk Management Framework and is in line with Council's risk appetite and processes.
iv. Monitoring changes in government strategies, the economic and business environment and other trends and factors related to the City's risk profile.
v. Considering the impact of organisational culture on risk management and internal controls.
vi. Liaising with other committees on matters relating to risk management, fraud and internal control.
vii. Considering the adequacy and effectiveness of internal controls and the risk management framework, but not limited to:
    a. Reviewing management's response to risks, including IT risks.
    b. Reviewing management reports on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions.

**1.8 Corporate Reporting**

i. To oversee progress on the delivery of the Council Plan quarterly.
ii. To consider and oversee the Contract Status Report biannually.
iii. To consider and provide oversight of the Purchasing Policy (Section 5.7.2) Chief Executive Officer Exemption approvals biannually.

## 2. Membership:

2.1 Members shall conduct their duties and make recommendations in a manner that upholds the principles of impartiality and independence all times.

2.2 Council determines by absolute majority the membership of the Committee considering the nature, size, scale, diversity and complexity of the City's activities and systems. The Committee as a whole will have a broad range of skills and experience relevant to the operations of the Council:

i. at least one member with financial qualifications and experience with an understanding of accounting and auditing standards in the public sector/local government environment,
ii. skills and experience relevant to discharging responsibilities, including experience in business, financial and legal compliance, risk management, and
iii. local government background and experience as applicable.

2.3 The membership of the Committee must comprise the following roles, with a minimum of three Members:

i. Two external independent members,
ii. Other Committee Members (Members) meaning the majority to be Elected Members with one position to be occupied by the Mayor.)
iii. The CEO and the City's employees are not Members.

2.4 The Members should keep themselves informed and demonstrate they have the skills and experience to effectively discharge their responsibilities as detailed in these Terms of Reference. Members are expected to:

i. understand the legal and regulatory obligations of the Council,
ii. understand the City's governance arrangements that support achievement of the strategies and objectives,
iii. exercise due care, diligence and skill when performing their duties,
iv. adhere to the City's Council Member, Committee Member and Candidate Code of Conduct and demonstrate behaviours which reflect the City's desired culture,
v. be aware of contemporary and relevant issues impacting the public sector/local government, and
vi. only use information provided to the committee to carry out their responsibilities, unless expressly agreed by the Council.

2.5 Tenure of membership of the Committee will be in accordance with section 5.11 of the Act.

**2.6 External Independent Members**

i. The two External Independent Members (Independent Member/s) must have senior business, financial management or requisite knowledge and skills to benefit the Committee. All recommendations to appoint an independent member must be made by the Committee to Council.

ii. Current serving Elected Members of other local governments will not be considered as members of the Committee.

**2.7 Appointments:**

i. The appointments follow a structured and transparent process to ensure impartiality and alignment with legislative requirements. Expressions of interest for appointment of any Independent Member shall be publicly advertised by Council. Appointment of any Independent Member will be for a maximum period of two years. An external independent member is not to be a City staff or Council Member.

ii. Where new Members are appointed to the Committee after an election or appointment, the City will conduct an induction at the first meeting following the appointment, to help support the skills and experience of the Committee Members.

**2.8 Termination and Resignation:**

i. Council must give written notice to any Member that Council proposes to remove them from the Committee at any time before their term expires, and must provide them the opportunity to make a deputation at the relevant Agenda Briefing or Council Meeting as applicable.
ii. A member can resign from the Committee by providing written notice to the Presiding Member at any time before their term expires.

**2.9 Fees:**

i. An External Independent Member appointed in accordance with the Terms of Reference is to be paid a per meeting fee up to the maximum fee determined from time to time by the Salaries and Allowances Tribunal and approved by Council.

## 3. Presiding and Deputy Presiding:

3.1 The Presiding Member and Deputy Presiding Member who must be Members of the Committee, are to be elected by Council in accordance with the Act.

3.2 The Presiding Member will preside at all meetings.

3.3 In the absence of the Presiding Member, the Deputy Presiding Member will preside over the meeting, and in their absence, a person is to be elected by the Committee to preside over the meeting.

3.4 The Presiding Member is responsible for the proper conduct of the Committee.

## 4. Meeting Procedure:

### 4.1 Procedure

i. The Committee shall meet on a regular basis at least quarterly and as required.
ii. All meeting dates are advised to Council and Committee Members via the City's Corporate calendar invitation.
iii. An agenda will be circulated to the Members in accordance with the Act prior to each meeting.
iv. Minutes of all meetings will be kept in accordance with the Act.
v. Copies of all agendas and minutes will be kept on the City's electronic record keeping system, and hard copies are filed in the Elected Members reading room.
vi. All agenda and minute documentation to be generated through the City's applicable software reporting system.
vii. The Presiding Member and CEO may invite members of management, internal and external auditors or others to attend meetings as observers and/or to provide pertinent information and/or answer queries of the Committee.
viii. Committee recommendations have no effect unless they have been made by simple majority. A simple majority is not less than half of the votes of Members present at the meeting.
ix. All Members have one vote. The Presiding Member will have the casting vote and simple majority will prevail.
x. An officer from the Office of the Auditor General (**OAG**) will be invited to attend up to three committee meetings in a calendar year as an observer. This was requested and declared carried by the Committee at its meeting on 19 September 2023.

### 4.2 Quorum:

i. As prescribed in section 5.19 of the Act, the quorum for a meeting shall be at least 50% of the number of offices of the Committee, whether vacant or not.
ii. The CEO or his/her nominee is to attend all Committee meetings to provide advice and guidance to the Committee.

### 4.3 Independence and Conflict of Interest

i. The Committee must remain independent from management but will be administratively supported by the City.
ii. At the start of each Committee meeting, members are required to declare any known conflicts of interest that may apply to specific matters on the meeting agenda. Committee Members should have regard to the Council Member, Committee Member and Candidate Code of Conduct when considering what disclosures may be required.
iii. It is the Committee Members responsibility to excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s) depending on the nature of the interest declared.

iv. Details of any interests declared by Members, and actions taken to manage the conflicts, should be appropriately recorded in the meeting minutes and the Register of Conflicts of Interest.

## 5. Authority of Establishment

5.1 The Committee is established under ss. 5.8 and 7.1A of the *Local Government Act 1995*.

5.2 The Committee is a formally established committee of the Council and is responsible to the Council.

5.3 The Committee reports to Council and provides appropriate advice and recommendations in accordance with these Terms of Reference to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

## 6. Delegated Authority:

6.1 The Committee does not have:

i. Any delegated authority;

ii. Executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility; and

iii. Any management functions and cannot involve itself in management processes or procedures

| Administration Use Only | | | |
|---|---|---|---|
| **Date of Council Establishment of Group:** | GS06-11/05: July 2008 | | |
| **Council Minute – Ref:** | CE21-12/25 | | |
| **Terms of Reference - HPE Ref:** | 19/265363(v4) | | |
| **HPE Container – Ref:** | 7312* | | |
| **Operational Procedures - HPE Ref:** | N/A | | |
| **Last Review Date:** | November 2025 | **Next Review Date:** | November 2027 |

# M E M B E R S H I P

**Members:**

| | |
|---|---|
| LINDA AITKEN, JP | **Mayor** |
| JAMES ROWE, JP | South Ward |
| EMAN SEIF, JP | South Ward |
| JORDAN WRIGHT, JP | Central Ward (*Leave of Absence*) |
| PAUL MILES | Central-East Ward |
| BRONWYN SMITH | North-East Ward |
| ALEX FIGG | North Ward |
| PHILLIP DRABER | Independent Member (*Presiding Member*) |
| SHONA ZULSDORF | Independent Member (*Deputy Presiding Member*) |

Notice is given that the next Audit, Risk and Improvement Committee Meeting will be held in the Council Chambers (Level 1), Civic Centre, 23 Dundebar Road, Wanneroo on **Monday 18 May, 2026** commencing at **6:00PM**.

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# A G E N D A

*We wish to acknowledge the Traditional Custodians of the land we are meeting on, the Whadjuk people. We would like to pay respect to the Elders of the Noongar nation, past, present and future, who have walked and cared for the land and we acknowledge and respect their continuing culture and the contributions made to the life of this City and this region.*

*Meetings to be conducted in accordance with the City of Wanneroo Standing Orders Local Law 2021*

*Meetings of committees of Council convened under Section 5.8 of the Local Government Act 1995 (the **Act**) are subject (in part) to the City of Wanneroo Standing Orders Local Law 2021 (the **Standing Orders**). For the avoidance of doubt and in accordance with clause 9.6 of the Standing Orders, a committee's presiding person may determine that a committee meeting will be conducted in full compliance with the Standing Orders including those sections which are not explicitly stated to apply to committee meetings, this determination to be effected by a declaration by the presiding person at the opening of the meeting.*

*As Presiding Member of the Audit, Risk and Improvement Committee and in accordance with clause 9.6 of the City of Wanneroo Standing Orders Local Law 2021 I declare that all provisions of the Standing Orders will apply to the conduct of this meeting.*

## Item 1 Attendances

## Item 2 Apologies and Leave of Absence

Cr Jordan Wright (*Leave of Absence*)

## Item 3 Confirmation of Minutes

That the minutes of Audit, Risk and Improvement Committee Meeting held on 30 March 2026 be confirmed.

## Item 4 Reports

**Declarations of Interest by Committee Members to be recorded here, including the nature and extent of the interest. Declaration of Interest forms to be completed and handed to the Chief Executive Officer.**

## 4.1 Consideration of the Provision of Statutory Audit Services and the Audit Planning Report

| | |
|---|---|
| File Ref: | 56097 – 26/127178 |
| Responsible Officer: | Acting Director Corporate Strategy & Performance |
| Attachments: | 1 |

### Issue

To consider the provision of Statutory Audit Services of the Financial Report for the year ending 30 June 2026.

### Background

Under the *Local Government Amendment (Auditing) Act 2017*, the Office of Auditor General (**OAG**) is responsible for the auditing of Western Australian Local Government's Annual Financial Report.

The City of Wanneroo (the **City**) has been advised that KPMG will be undertaking this work on behalf of the OAG. Prior to undertaking audit work for the year, KPMG has prepared an Audit Planning Report (**APR**) in consultation with OAG.

## Detail

The Audit Plan for the year ending 30 June 2026 is attached as **Attachment 1**.

There was a pre planning meeting held on 13 April 2026 between the OAG, KPMG and the City representatives. During the meeting proposed audit timeline was discussed and agreed.

As per the proposed audit timeline the OAG - Audited Financial Report, Audit Opinion and Audit Findings Report will be presented to A&R Committee on 30 November 2026.

The proposed adoption of Audited Annual Financial Report and Auditors Findings Report by Council will be on 15 December 2026.

The Annual General Meeting date to be confirmed.

## Consultation

The OAG and KPMG.

## Comment

Administration is comfortable with the approach taken by KPMG and the OAG, as outlined in the APR, and is of the opinion that this will meet the City's audit requirements. The draft audit opinion on the Financial Report is expected to be provided to the City by 3 November 2026, and those will be presented to Audit and Risk Committee on 30 November 2026. The final signed Financial Report and the audit report will be presented to Council at the Ordinary Council Meeting on 15 December 2026. The date of Electors Annual General Meeting to be confirmed.

## Statutory Compliance

The audits will be completed in accordance with the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996.*

## Strategic Implications

The proposal aligns with the following objective within the Council Plan 2025 – 2035:

*5 ~ A Well-Governed and Managed City*

*5.1 - Lead with clear decisions and strong advocacy*

## Risk Appetite Statement

In pursuit of strategic objective goal 5, we will accept a Medium level of risk as the City balances the capacity of the community to fund services through robust cost-benefit analysis and pursues evidence-based decision making to be effective stewards of the Council and City for future generations.

## Risk Management Considerations

| RISK TITLE | | RISK RATING |
|---|---|---|
| **Level 1 Strategic Risk** | 1.0 Financial Sustainability | Medium |
| **Level 2 Corporate Risk** | 1.4 Financial Management | Medium |
| **ACCOUNTABILITY** | | **ACTION PLANNING OPTION** |
| Director Corporate Strategy & Performance | | Manage |

The above risk relating to the issue contained within this report has been identified and considered within the City's Corporate risk register. Action plans have been developed to manage this risk to support existing management systems.

In pursuing growth under the Economic objectives of the existing Strategic Community Plan, Council should consider the following risk appetite statements:

Local Jobs

*"The City is prepared to accept a high level of financial risk provided that the City implements a risk management strategy to manage any risk exposure."*

Strategic Growth

*"The City will accept a moderate level of financial risk for facilitating industry development and growth.*

*Any strategic objective including ongoing planning, funding and capital investment to develop infrastructure strategic assets carries financial risks."*

## Policy Implications

Nil

## Financial Implications

Nil

## Voting Requirements

Simple Majority

## Recommendation

**That the Audit, Risk and Improvement Committee RECEIVES the Audit Plan for the year ending 30 June 2026 as per Attachment 1.**

*Attachments:*

1⇩. *Attachment 1 - City of Wanneroo - Audit Plan 2025-26 26/150437*


KPMG
OAG
Office of the Auditor General
City of Wanneroo
Audit Plan
For the year ending 30 June 2026
—
24 April 2026

**City of Wanneroo**

Dundebar Road

Wanneroo WA 6065

**Private and confidential**

24 April 2026

To the Audit and Risk Committee

We have been engaged to audit the financial statements of the City of Wanneroo (the "Council") for the year ending 30 June 2026, prepared in accordance with Australian Auditing Standards and the Local Government Act 1995.

We provide this report to you in advance of our meeting on 18 May 2026 to allow you sufficient time to consider our audit plan and formulate your questions. This should provide a good platform for our discussions when we meet, where we will be pleased to elaborate further on matters covered in this report.

We look forward to your cooperation over the course of our audit.

Yours sincerely

**Punitha Perumal**
Director
OAG

**John Ward**
Audit Engagement Partner
KPMG Australia

## Auditor responsibilities

The OAG are responsible for performing an audit in accordance with Australian Auditing Standards, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. KPMG has been contracted by the Office of the Auditor General ("OAG") to perform the audit of the City. The contract requires KPMG to use their audit approach and methodology.

## Responsibilities of management and those charged with governance

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Management is responsible for preparing the financial statements in accordance with the Local Government Act 1995 and Australian Accounting Standards that are free from material misstatement, whether due to fraud or error. Management is also responsible for providing us with access to all information relevant to the preparation of the financial statements, any additional information requested and unrestricted access to persons within the entity.

## Purpose of this report

This Audit Plan reports matters that Australian Auditing Standards, including Australian Standards on Quality Management, the APES 110 Code of Ethics for Professional Accountants (including Independence Standards), and applicable laws and regulations require us to communicate to you, including an overview of the planned scope and timing of our audit; the form, timing and expected general content of our communications; and matters relating to auditor independence.

Near the completion of our audit, we will report other matters that applicable standards and laws and regulations require us to communicate to you in our Audit Findings, including significant matters arising during the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process.

**Limitations and restrictions on distribution**

The contents of this report relate only to the matters that have come to our attention and that we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all relevant matters and may be subject to change. The Australian Auditing Standards do not require us to design procedures for the purpose of identifying supplementary matters to communicate to you.

This report is intended solely for the information of those charged with governance of the Council and is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

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01

# Planned scope and timing of the audit

Audit Plan

# Key changes

We highlight below the key change with respect to the entity and its environment that we consider relevant when planning our audit.

| Topic | Key change | Impact on our audit |
|---|---|---|
| **Entity** | • Changes in key finance team, including the Director Corporate Strategy & Performance, Chief Financial Officer and Coordinator - Financial and Strategic Accounting | • Represents a significant change in key management responsible for financial reporting, which may have potential impact on the control environment, continuity, and oversight during the transition period. |
| **Financial reporting** | • Infrastructure assets are required by policy to be fair valued in the 2026 financial year | • The City will engage a valuation specialist. Our audit procedures will assess the revaluation. Refer to details on page 7. |

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# Identified risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, the business, the industry and the wider environment in which the City of Wanneroo operates.

We also use our regular meetings with senior management to update our understanding.

We will remain alert throughout the audit cycle to factors that may change our risk assessment or that may give rise to risks of material misstatement that were not present at the time we planned our audit.

Where changed or new risks are identified, we will adjust our audit approach accordingly and communicate this to you.

| Audit risks | Change in risk year on year | Risk due to: | | Comment |
|---|---|---|---|---|
| | | Error | Fraud | |
| Infrastructure assets – existence and valuation | ↑ | ✓ | | Higher risk on valuation due to external revaluations required for 30 June 2026. |
| Property, plant and equipment – existence and valuation | ↔ | ✓ | | |
| Revenue recognition | ↔ | ✓ | | |
| Employee costs, provisions and procurement | ↔ | ✓ | | |
| Cash and term deposits | ↔ | ✓ | | |
| Management override of controls | ↔ | ✓ | ✓ | |

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# Identified risks

## Infrastructure Assets – existence and valuation

Risk of error

### Areas of audit focus

- Significant volume of individual assets
- Revaluation required in 2026

### Rationale for our risk assessment

- Complexity, subjectivity, estimation uncertainty
- Large-scale and varied in nature

### Planned response

- Obtain and assess the external valuer's report, including key valuation assumptions and data and the valuation method utilised.
- Assess the valuer's competence, experience, and independence.
- Test the completeness and accuracy of asset data provided to the valuer.
- On a sample basis, select assets for sighting noting their existence and physical condition.
- Test a sample of asset additions and disposals to supporting documentation.
- Perform substantive analytical procedures over depreciation expense.
- Assess the completeness of capital WIP, and for a sample selected, ensure the asset is appropriately classified as WIP or has been transferred to Infrastructure Assets.
- Assess appropriateness and accounting treatment of significant gifted assets during the period.
- Assess depreciation policy for the various asset classes and assess the reasonableness of rates used.
- Assess the existence and valuation of infrastructure assets by testing whether assets recorded exist and whether fair value measurement are determined in accordance with applicable Australian Accounting Standards for not-for-profit public sector entities, including appropriate assumptions for replacement cost, asset condition and remining useful life.

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# Identified risks

## Property, plant and equipment – existence and valuation

Risk of error

### Areas of audit focus

- Significant volume of individual assets

### Rationale for our risk assessment

- Complexity, subjectivity, estimation uncertainty
- Large-scale and physically dispersed

### Planned response

- Assess management's impairment indicator considerations for property, plant & equipment.
- On a sample basis, select assets for sighting noting their existence and physical condition (if the additions during the year is material).
- Test a sample of asset additions and disposals to supporting documentation.
- Perform substantive analytical procedures over depreciation expense.
- Assess appropriateness of asset classification, specifically regarding investment properties.
- Assess the completeness of capital WIP, and for a sample selected, ensure the asset is appropriately classified as WIP or has been transferred to Infrastructure Assets.
- Review depreciation policy for the various asset classes and assess the reasonableness of rates used.

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# Identified risks

## Revenue Recognition

Risk of error

### Areas of audit focus

- High volume of transactions that management are required to process accurately
- Potential recognition risk due to non-compliance with AASB 15 and AASB 1058

### Rationale for our risk assessment

- High value; Multiple sources
- High volume and automated process

### Planned response

**Test of controls**

- City approval of rates and charges for FY26.

**Substantive procedures**

- Consider the Council's rates policy in place.
- Assessment of Landgate's General Valuation of the Gross Rental Values (GRV's) of properties within the City.
- Perform substantive analytical procedures over rates revenue for the period taking into consideration the approved rate charges and the number of properties within the City area.
- Agree a sample of fees and charges to supporting documents, focus testing on the financial year end to ensure revenue is recorded in the correct period.
- Vouch developer contributions to agreements and other supporting documentation.
- Vouch grants to relevant grant agreement and bank and consider reasonableness of recognition in accordance with AASB 15 or AASB 1058

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# Identified risks

## Employee costs, provisions and procurement

Risk of error

### Areas of audit focus

- High volume of transactions that management are required to process accurately

### Rationale for our risk assessment

- Heightened area of focus for stakeholders

### Planned response

**Test of controls**

- Review and approval of pay run payments.
- Authorisation of payments in line with Delegation of Authority.
- Authorisation of purchase orders in line with the City's Procurement Policy

**Substantive procedures**

- Obtain and re-perform the reconciliation of the payroll report and trial balance as at 30 June 2026, including related payroll liabilities.
- Substantive analytical procedures to be performed over payroll expenses, annual leave and long service leave provisions as at 30 June 2026.
- Evaluating key estimates and assumptions applied in determining the employee benefits provisions.
- Assess financial report disclosures and supporting documentation for related parties and key management personnel disclosures.
- On a sample basis for expenditure, agree payments made to supporting documentation and sight authorisation for such payments to ensure in line with the Delegation of Authority levels.
- Assess a sample of new contracts awarded during the year to ensure the City's Procurement Policy was followed (quotations, request for tender, etc.).
- Perform search for unrecorded liabilities at year end.

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# Identified risks

## Cash, cash equivalents and term deposits

Risk of error

### Areas of audit focus

- High volume of transactions of significant value
- Significant value of term deposits
- Cash and cash equivalents may not be completely identified and recorded
- Cash equivalents may not be appropriately classified

### Rationale for our risk assessment

- High value; Existence and Completeness
- Classification and Disclosure

### Planned response

**Test of controls**

- Preparation and review of monthly bank reconciliations

**Substantive procedures**

- On a sample basis, vouch term deposits to confirmations and consider appropriateness of classification.
- Circularize independent bank confirmations at year end.
- Assess the year end bank reconciliation and agree to bank confirmations.
- On a sample basis, verifying that the transfers to and from reserves have been appropriately approved.
- Consider appropriateness of transfers to and from reserve accounts and its movements.
- Assess the disclosure of cash and cash equivalents, including restricted cash, in the financial report for reasonableness, including the accurate disclosure of any current and non-current balances, and restrictions.

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# Identified risks

## Management override of controls

Risk of fraud

### Areas of audit focus

- Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent. financial statements by overriding controls that otherwise appear to be operating effectively

### Rationale for our risk assessment

- Override established controls
- Estimates and judgements

### Planned response

- Assess accounting estimates for bias by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the business rationale for significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.
- Identify and test relevant controls over journal entries and post-closing adjustments.
- Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- Identify journal entries and other adjustments with characteristics that make them susceptible to fraud using KPMG Clara Journal Entry Analysis and test the appropriateness of these entries and adjustments.

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# Materiality

We summarise below how we apply the concept of materiality in the context of our audit.

| Action | Description |
|---|---|
| **Determine materiality** | We determine materiality for the financial statements as a whole at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users taken on the basis of the council's financial statements.<br>Determining materiality is a matter of professional judgement, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.<br>If we identify specific financial statement items for which misstatements of lesser amounts than materiality could reasonably be expected to influence users, then we use a lower materiality level or levels for these items. |
| **Revise materiality** | We reassess materiality throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially. |
| **Plan and perform the audit** | We design our audit procedures to detect misstatements at a level less than materiality in individual accounts and disclosures. We do this to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. |
| **Evaluate the effects of misstatements** | We use materiality to evaluate the effect of:<br>• identified misstatements on our audit; and<br>• uncorrected misstatements, if any, on the financial statements and in forming our opinion.<br>We accumulate and report identified misstatements unless they are clearly trivial. We communicate uncorrected audit misstatements, including errors and omissions in disclosure, and the effect that they may have individually or in aggregate on our opinion. |

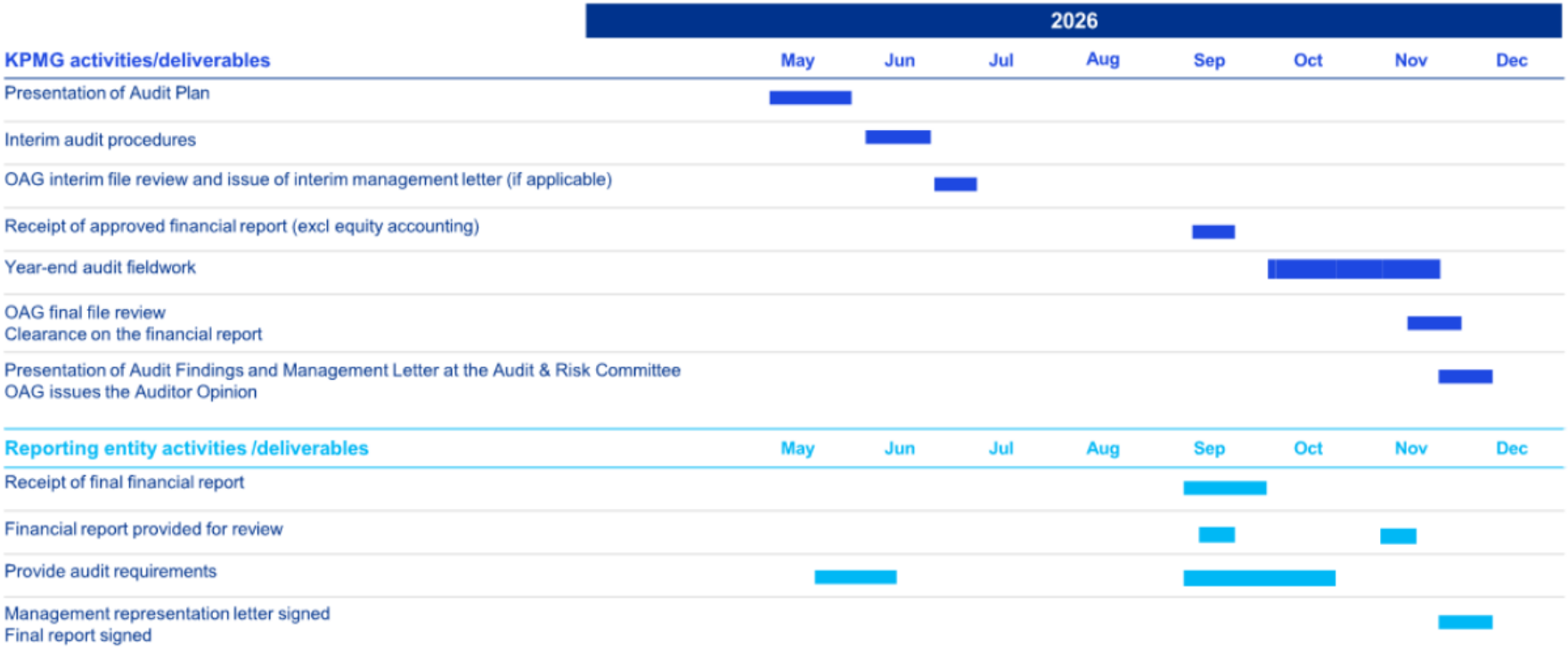
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# Audit Timetable

Communicating with and reporting to the City, with no surprises, underpins the quality of our audit. There are two main elements: the formal audit report, and ongoing communications. Two-way communication with management is a key aspect of our reporting and service delivery. We stress the importance of keeping you informed of issues arising throughout the audit and of understanding your views.




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# 02

# Ethics and independence

Audit Plan

# Ethics and independence

As a firm, we are committed to being – and being seen to be – independent. We have strict rules and protocols to maintain our independence that meet IESBA Code and the APES 110 Code.

When assessing our independence, we consider matters that may have a bearing on our integrity, independence and objectivity, including the following.

- Relationships between KPMG and the City of Wanneroo
- Permissibility of non-audit services
- Approval of audit and non-audit fee arrangements, when applicable
- Personal independence, including relationships and investments
- Post-employment relationships of KPMG personnel with the City of Wanneroo
- Partner rotation
- Contingent fees in relation to non-audit services
- Overdue fees
- Gifts and hospitality




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# Ethics and independence

We confirm that, as at the date of this report:

- any identified threats to our independence have been eliminated or reduced to an acceptable level, having considered actions taken or proposed, and safeguards applied as set out above.
- the engagement team and others in the firm, as appropriate, the firm are independent of the City of Wanneroo in accordance with the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") together with the ethical requirements that are relevant to audits of the financial statements of public interest entities. We have fulfilled our ethical responsibilities in accordance with the Code. We will continue to monitor our independence on an on-going basis and will confirm our independence at the time of signing our audit report in conjunction with signing a s307C declaration.

If we make any further significant judgements relating to independence matters, then we will communicate these to you.

The Code requires us to communicate to you any breaches of the independence requirements of the Code.

On the rare instance of a significant breach of the Code, we will report our conclusions to you on the actions to be taken, or already taken within three working days. We will report less significant breaches in the Year-end Board Report to the Audit & Risk Committee.

No such breaches have been identified since the date of our last report.

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03
Audit Quality
Audit Plan

# Our commitment to delivering Audit Quality

KPMG is committed to fulfilling our public interest role in providing robust audit and assurance quality that benefits investors and other stakeholders. Businesses are integrating technology in new ways, shifting geopolitics and economic uncertainty have displaced norms, and businesses are responding to societal threats such as climate challenges.

The pace and scale of change only strengthens our resolve to ensure the quality, consistency and adaptability of our audit services are fit for this new future. Audit quality is KPMG's fundamental priority.

Quality, transparency and trust are deeply interconnected, particularly at KPMG. Transparency involves being open, honest, and clear about business practices, decisions and performance. This openness helps build trust by allowing stakeholders to see and understand the firm's operations and commitments. Our profession remains under an unprecedented spotlight, with heightened community awareness and expectations on integrity, confidentiality and trust. In response, KPMG has taken additional steps over the last 18 months to build on the industry-leading governance model we developed over the past decade, to sharpen our focus on transparency and accountability, and ensure we deliver on our quality commitments.

## Leaders in quality and transparency:




Our commitment to audit quality is our Firm's fundamental priority and is reflected in our Global Audit Quality Framework which underpins how we deliver quality and consistency in our audits.

Our transparency report outlines how we drive audit quality, our systems of quality control and how we are working to improve it.

Click here to read our 2025 Transparency Report.

## We believe transparency contributes to building trust in several ways:

### Enhanced Governance & Accountability

By publicly disclosing executive partner renumeration and our Partnership Agreement, KPMG demonstrates a commitment to accountability, integrity and ethical governance.

### Audit Quality & Assurance

KPMG's investment in audit quality, including the use of advanced technology and rigorous training for audit teams, is detailed in our transparency report.

### Independent Oversight

Increasing the number of independent directors on the Board brings external perspectives and challenges, ensuring KPMG meets stakeholder expectations and maintains high ethical standards.

### Voluntary Disclosures

KPMG's Transparency and Impact reports include voluntary disclosures on progress against public commitments in areas such as governance, people, planet, and prosperity. We are committed to making a positive impact and being held accountable for outcomes.

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04
Communications
Audit Plan

# Required communications

Australian Standards on Quality Management and Auditing include requirements to communicate certain matters to those charged with governance, which we summarise here.

We will communicate significant matters that arise over the course of our audit to you on a timely basis and present a summary of these significant matters and our conclusions in our audit findings report.

| Matters we will communicate | Audit plan | Audit findings |
|---|---|---|
| Our responsibilities, and those of management and those charged with governance | ✓ | |
| Planned scope and timing of our audit | ✓ | |
| Events or conditions that may cast significant doubt on the City's ability to continue as a going concern | ✓ | ✓ |
| Planned work to be performed on components of the group and the planned nature of our involvement in the work performed by component auditors | ✓ | |
| Our planned use of the work of internal audit and our use of auditor's specialists | ✓ | |
| Expected form, timing and general content of our communications | ✓ | |
| Matters related to our independence | ✓ | ✓ |
| Changes to the planned scope and timing of our audit | ✓ | ✓ |
| Significant difficulties, if any, encountered during the audit | | ✓ |
| Significant findings from the audit, including uncorrected audit misstatements and significant control deficiencies | | ✓ |
| Significant matters discussed or subject to correspondence with management, and written representations we are requesting | | ✓ |
| Circumstances that affect the form and content of our auditor's report | | ✓ |
| Any other matters we consider relevant to those charged with governance | | ✓ |

✓ Communicated in our audit plan ✓ Expected to be communicated in our audit findings, if applicable

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05
Appendix
Audit Plan

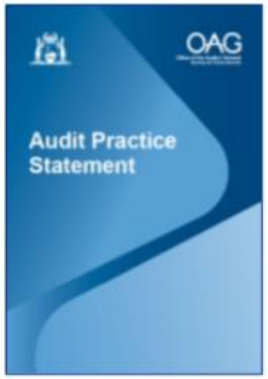
# OAG Reports Recently Tabled in Parliament

The OAG have recently tabled in Parliament the following reports which you may wish to review as the recommendations may have relevance to your entity. All reports are available from the OAG website – www.audit.wa.gov.au




## Local Government 2025 Information Systems Audit

The objective of the general computer controls (GCCs) audits is to determine whether computer controls effectively support the confidentiality, integrity, and availability of information systems across Local government entities. The OAG reported 333 general computer control weaknesses to 68 entities. Majority of weaknesses (60% were unresolved issues from prior years.



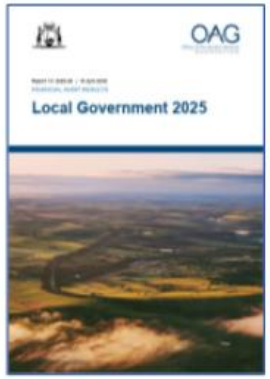

## Audit Practice Statement 2025

The Audit Practice Statement offers a concise summary of why we audit, who we audit and how we audit. It also includes information on our ethical standards and commitment to audit quality. The statement was updated to reflect our new Strategic Plan 2025-30, including independence as a core value.




## Local government management of gifts and benefits

The audit assessed if local government entities are effectively managing gifts and benefits.




## Financial Audit Results 2025

This report reflects a new initiative to provide timely and relevant information to Parliament and other relevant stakeholders on the status of local government entities that did not meet the statutory reporting deadline of 31 December 2025. This report lists the nine local governments entities that did not meet the deadline, and the reasons identified by auditors for these delays.

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## 4.2 Enterprise Risk Management Framework

File Ref: 2286V02 – 26/20917
Responsible Officer: Chief Executive Officer
Attachments: 3

### Issue

To consider the updated Draft Enterprise Risk Management Framework (**Risk Framework**) and recommend to Council for endorsement.

### Background

The purpose of this Framework is to equip the City's people with clear guidance, practical processes, and effective tools to support the implementation of the Enterprise Risk Management Policy (the **Policy**).

While the Policy sets out the City's commitments, risk appetite, and accountability arrangements, this Framework explains how those commitments are applied in practice across the organisation, translating policy intent into day-to-day operational delivery.

The current Framework as set out in **Attachment 1**, was last presented to Audit, Risk and Improvement Committee (the **Committee**) on 28 May 2024 and endorsed by Council on 18 June 2024. On 24 March 2026, Council approved the extension to the review date of the Framework to 30 June 2026.

### Detail

The comprehensive review of the Framework:

- supports the implementation of the Enterprise Risk Management Policy, which is scheduled to be endorsed by the Policy Review Committee in June 2026. Within the Policy, it defines the City's risk management objectives, scope, risk appetite, and governance arrangements.

- supports the City's compliance with Regulation 17 of the *Local Government (Audit) Regulations 1996*, which requires the CEO to review at least every three years the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control and legislative compliance, and report the results to the Audit, Risk and Improvements (**ARIC**).

- is an administrative document that reflect changes in operational practice, provided alignment with the Policy and the Council-endorsed risk appetite is maintained. The Committee is responsible for oversight of its ongoing suitability and alignment with better practice.

### Consultation

The Framework has undergone a comprehensive review and refresh to ensure it is contemporary, cohesive, and aligned with organisational needs and best practice.

Engagement in respect to the updated Framework has been undertaken with all relevant stakeholders including Executive Leadership Team, Management, Risk Team and External Consultant.

## Comment

The City's risk management approach aligns with Australian Standard *AS ISO 31000:2018 Risk Management – Guidelines*. This Framework applies the principles, framework and process elements of that Standard in a manner tailored to the City's context and operations.

This Framework describes:

- the City's approach to objective-centric risk management;
- how Council's Risk Appetite is applied in operational decision-making;
- the three tiers of risk and how each operates;
- the end-to-end risk assessment process from identification through to treatment;
- operational roles and responsibilities for risk management;
- risk recording, reporting and escalation requirements;
- how risk management integrates with the City's planning, project and decision-making processes; and
- capability, culture and continuous improvement expectations.

The updated draft Framework in Tracked Changes is set out in **Attachment 2** and the Clean version as set out in **Attachment 3.**

Listed in the table below are table of contents for the current framework and the updated framework.

| **Current Risk Management Framework Table of Contents** | **Proposed Enterprise Risk Management Framework Table of Contents** |
|---|---|
| • Introduction<br>• Objectives/Purpose<br>• Governance<br>• Statutory Compliance<br>• Industry Best Practice<br>• Benefits of an Integrated Approach to Risk Management<br>• Risk Management Framework Integration with Internal Control Guidelines – Risk Based Approach<br>• Structured and Comprehensive<br>• Customised, Inclusive and Dynamic<br>  o The 3 Tiers of Risk<br>• Best Available Information<br>  o Risk Management Policy<br>  o Risk Appetite and Tolerance<br>  o Risk Assessment Criteria<br>• Human and Cultural Factors<br>  o Risk Recording and Reporting<br>• Tools<br>  o Risk Registers<br>  o Hazard, Risk & Issue – Whats the Difference?<br>  o Training and Support<br>• Continual Improvement<br>  o Risk Improvement | 1. Foreword<br>2. Introduction<br>  2.1 Purpose<br>  2.2 Relationship to the Policy<br>  2.3 Risk Context<br>  2.4 Governance and Statutory Context<br>  2.5 Alignment<br>  2.6 Structure<br>3. Goals and Objectives<br>4. Risk Management Approach<br>  4.1 Objective-Centric Risk Management<br>  4.2 This Risk Management Process<br>  4.3 Proportionality<br>5. Risk Appetite – Administration Guidance<br>  5.1 Overview<br>  5.2 Using Risk Appetite in Decision-Making |

| Current Risk Management Framework Table of Contents | Proposed Enterprise Risk Management Framework Table of Contents |
|---|---|
| ○ Assurance Coverage – Internal Control<br>• Business Continuity Planning and Crisis Management Planning<br>○ Crisis Management<br>○ Business Continuity Management | 5.3 Risk Appetite and Risk Acceptance Criteria<br>6. Three Tiers of Risk<br>6.1 Why Three Tiers<br>6.2 Strategic Risk (Level 1)<br>6.3 Corporate Risk (Level 2)<br>6.4 Operational Risk (Level 3)<br>6.5 Escalation Between Tiers<br>7. Risk Assessment Process<br>7.1 Establishing Context<br>7.2 Risk Identification<br>7.3 Risk Analysis<br>7.4 Risk Evaluation<br>7.5 Risk Treatment<br>7.6 Risk Management Framework Integration with Internal Control Guidelines – Risk Based Approach Ongoing Monitoring<br>8. Governance, Roles and Responsibilities<br>9. Risk Recording and Reporting<br>9.1 Enterprise Risk Register<br>9.2 Supporting Risk Register<br>9.3 Risk Reporting Principles<br>9.4 Key Risk Indicators<br>9.5 Work Health and Safety Reporting<br>9.6 Escalation Reporting<br>9.7 Risk Considerations in Decision-Making Reporting<br>10. Integration with City Processes<br>10.1 Integrated Planning and Reporting<br>10.2 Project Management<br>10.3 Procurement and Contract Management<br>10.4 Decision-Making<br>10.5 Business Continuity and Crisis Management |

| Current Risk Management Framework Table of Contents | Proposed Enterprise Risk Management Framework Table of Contents |
|---|---|
| | 10.6 Change Management<br>10.7 Compliance Management<br>10.8 Internal Audit<br>10.9 Insurance<br>10.10 People and Capability<br>10.11 Emergency Management<br>10.12 Environmental Management<br>10.13 Fraud, Misconduct and Corruption<br>10.14 Assurance Mapping<br>11. Capability and Culture<br>11.1 Risk Culture<br>11.2 Training and Awareness<br>11.3 Continuous Improvement<br>11.4 Assurance<br>12. Evaluation and Review<br>13. Appendices<br>13.1 Appendix A: Council Risk Appetite and Administration Guidance<br>13.2 Appendix B: Definitions<br>13.3 Appendix C: Related Documents<br>13.4 Appendix D: References |

## Statutory Compliance

Implementation of Risk Management at the Strategic and Operational levels will assist the City to integrate effective systems and processes for managing risk in line with the requirements of the *Local Government (Audit) Regulations 1996.*

## Strategic Implications

The proposal aligns with the following objective within the Council Plan 2025 – 2035:

*5 ~ A Well-Governed and Managed City*

*5.1 - Lead with clear decisions and strong advocacy*

## Risk Appetite Statement

In pursuit of strategic objective goal 5, we will accept a Medium level of risk as the City balances the capacity of the community to fund services through robust cost-benefit analysis and pursues evidence-based decision making to be effective stewards of the Council and City for future generations.

## Risk Management Considerations

| RISK TITLE | | RISK RATING |
|---|---|---|
| **Level 1 Strategic Risk** | 9.0 Ineffective Governance | Medium |
| **Level 2 Corporate Risk** | 9.6 Risk Management | Medium |
| **ACCOUNTABILITY** | | **ACTION PLANNING OPTION** |
| General Counsel | | Manage |

## Policy Implications

Nil

## Financial Implications

Nil

## Voting Requirements

Simple Majority

## Recommendation

**That the Audit, Risk and Improvement Committee:**

1. **RECEIVES and ACCEPTS the City's Draft Enterprise Risk Management Framework – Tracked Changes as set out in Attachment 2; and**

2. **RECOMMENDS Council to ENDORSE the City's Updated Enterprise Risk Management Framework – Clean version as set out in Attachment 3 to be used internally.**

| **These attachments are confidential and distributed under a separate cover to all Council Members.** |
|---|
| *Attachment 1: Current Risk Management Framework* |
| *Attachment 2: Draft - Enterprise Risk Management Framework - Tracked Changes* |
| *Attachment 3: Updated Enterprise Risk Management Framework - Clean Version* |

*Attachments:*

| | | |
|---|---|---|
| *1.* | *Attachment 1: Current Risk Management Framework* | *Confidential* |
| *2.* | *Attachment 2: Draft - Enterprise Risk Management Framework - Tracked Changes* | *Confidential* |
| *3.* | *Attachment 3: Updated Enterprise Risk Management Framework - Clean Version* | *Confidential* |

## 4.3 Risk Appetite Statement, and Risk Assessment Criteria and Matrix

File Ref: 9454V013 – 26/95401
Responsible Officer: Chief Executive Officer
Attachments: 5

### Issue

To consider the City of Wanneroo's (the **City**) updated Risk Appetite Statements (**RAS**) and updated Risk Assessment Criteria and Matrix and recommend to Council for endorsement.

### Background

Council is responsible for establishing the RAS, the current RAS is set out in **Attachment 1,** which reflects the community's values and the City's ambitions. The RAS is a key guiding document to effectively managing the City's risks and outlines the amount and type of risk the City is willing to accept in pursuit of its objectives.

The external risk consultant facilitated two RAS workshop sessions with Council on 29 June 2025 and 19 August 2025. The feedback from the two sessions with Council Members was used to develop the draft RAS, which was then used to develop the Administration Guidance document as set out in **Attachment 3**, through nine facilitated workshops across the organisation, validated by the Executive Leadership Team (**ELT**), with independent process assurance to ensure rigorous, implementable guidance.

The Administration Guidance translates the Council's Risk Appetite into practical operational guidance creating a clear line of sight between strategic governance and the daily decision-making process for Administration.

The Administration Guidance sets out to:

- Validate the translation – to ensure strategic intent is accurately reflected in operational practice.
- Test for alignment – to confirm that operational boundaries support, rather than constrain, desired outcomes.
- Bring it to life - visualise concrete examples of what acceptable and unacceptable risks look like in practice.
- Enable informed endorsement – to provide confidence that the Risk Appetite framework will work effectively across all levels of the organisation.

The RAS and Administration Guidance were further workshopped with Councillors at the Concept Forum held on 21 April 2026.

### Detail

1. Risk Appetite Statement

Council reached consensus on the Risk Appetite, defining our willingness to take or avoid risk across 14 Risk categories. The approach taken was:

- Council reached a consensus on risk appetite across 14 risk categories,
- Administration developed operational guardrails to test that consensus, and
- We validated that the framework was appropriate before seeking formal endorsement

The table below sets out the Risk Appetite Levels:

| | |
|---|---|
| **Conservative** | Demonstrate conservative, cautious and safe risk-taking reducing both Likelihood and Impact.<br>Mitigate exposure to risks even when potential benefits and rewards are higher accepting that some rewards will not be achieved.<br>Stronger control environment required. Residual risk expected to be managed to low levels. |
| **Balanced** | Seek to balance and equalise risk and reward. Often referred to as 'As low as reasonably possible' (**ALARP**).<br>A balanced control environment is required to compromise between exploring opportunity whilst minimising risk.<br>Risks are expected to be managed to moderate levels balancing against potential rewards. |
| **Opportunistic** | Proactively seeking higher risk non-exploitive opportunities and innovation.<br>Be willing to accept that there will be a greater degree of volatility and uncertainty in the pursuit of higher rewards. Controls are in place to manage risk but they enable the ability to achieve more rewards.<br>Risks are expected to be managed to moderate-high levels if potential rewards are greater. |

The Risk Administration Guidance identifies 14 Risk Categories, to measure the Risk Appetite Statement against the Guidelines:

- Reputation
- Community
- Culture
- Governance – Council
- Governance – Administration
- Financial Sustainability
- Legal
- Compliance
- Health, Safety & Wellbeing
- Local Environment
- Assets
- Services
- Projects
- Business System

The current RAS is set out as **Attachment 1** with the revised RAS as set out in **Attachment 2** to be adopted by Council**.**

2. Risk Assessment Criteria and Matrix

A risk assessment criteria and matrix is a structured analytical tool used to evaluate and prioritise risks by mapping the likelihood of an event against the severity of its potential consequences. Its primary objective is to support consistent, transparent, and evidence-based decision-making by enabling organisations to identify, compare, and rank risks according to the relative significance.

The City's Risk Assessment aligns with the 14 Risk Categories and applies the following consequence criteria within the matrix:

- Low – Some impact to a Service Unit that could be managed within a couple months.
- Minor- Negligible impact on the Cities objectives but impacts to multiple Services Units / a Directorate that could be managed within 6-12 months.
- Moderate - Impact on the Cities objectives or impacts to multiple Services Units / multiple Directorates of up to a year.
- Major - Key objectives of the City would be impacted and may take one to two years to address.
- Catastrophic - Survival of the City as it exists is unlikely, most of the objectives could not be achieved as planned.

The Risk Assessment Criteria and Matrix has been reviewed with feedback received already incorporated in **Attachment 5** which will be presented for Council's adoption. The current Risk Assessment Criteria and Matrix is set out in **Attachment 4**.

## Consultation

The City engaged an external Risk consultant from Wilks Advisory who assisted with the development of the City's Risk Appetite Statements and Risk Assessment Criteria and Matrix.

Engagement in respect of the proposed Administration Guidance to the Risk Appetite Statements, and risk assessment criteria and Matrix have been undertaken with contribution from all relevant internal stakeholders, Management, Executive Leadership Team, Risk Team, Committee Members, Councillors and external consultants.

## Comment

The Risk Appetite Statements, together with the Risk Assessment Criteria and Matrix, have been reviewed and expanded to strengthen clarity, consistency and decision-making guidance for Council Members and the Administration.

The Administration Guidance will be used to guide administration decision making, and the risk assessment criteria and matrix will be used across the City for risk assessments based on likelihood and consequences.

## Statutory Compliance

Nil

## Strategic Implications

The proposal aligns with the following objective within the Council Plan 2025 – 2035:

*5 ~ A Well-Governed and Managed City*

*5.1 - Lead with clear decisions and strong advocacy*

## Risk Appetite Statement

In pursuit of strategic objective goal 5, we will accept a Medium level of risk as the City balances the capacity of the community to fund services through robust cost-benefit analysis and pursues evidence-based decision making to be effective stewards of the Council and City for future generations.

## Risk Management Considerations

| RISK TITLE | | RISK RATING |
|---|---|---|
| **Level 1 Strategic Risk** | 9.0 Ineffective Governance | Medium |
| **Level 2 Corporate Risk** | 9.6 Risk Management | Medium |
| **ACCOUNTABILITY** | | **ACTION PLANNING OPTION** |
| General Counsel | | Manage |

## Policy Implications

The City's existing Enterprise Risk Management Policy will be review and presented to Audit, Risk and Improvement Committee and thereafter to Council for adoption.

## Financial Implications

Nil

## Voting Requirements

Simple Majority

## Recommendation

**That the Audit, Risk and Improvement Committee:**

1. **RECEIVES and ACCEPTS the City's revised Risk Appetite Statements as set out in Attachment 2;**

2. **RECOMMENDS Council ADOPTS the City's revised Risk Appetite Statements as set out in Attachment 2;**

3. **RECEIVES and ACCEPTS the City's revised Risk Assessment Criteria and Matrix as set out in Attachment 5; and**

4. **RECOMMENDS Council ADOPTS the City's revised Risk Assessment Criteria and Matrix as set out in Attachment 5.**

| **These attachments are confidential and distributed under a separate cover to all Council Members.** |
|---|
| *Attachment 3: Administration Guidance to the Risk Appetite Statements* |
| *Attachment 4: Current Risk Assessment Criteria Matrix* |
| *Attachment 5: Draft Risk Assessment Criteria and Matrix* |

*Attachments:*

| | | |
|---|---|---|
| *1⇩.* | *Attachment 1: Current Risk Appetite Statement* | *21/252348* |
| *2⇩.* | *Attachment 2: Draft Risk Appetite Statement* | *26/120922* |
| *3.* | *Attachment 3: Administration Guidance to the Risk Appetite Statements* | *Confidential* |
| *4.* | *Attachment 4: Current Risk Assessment Criteria Matrix* | *Confidential* |
| *5.* | *Attachment 5: Draft Risk Assessment Criteria and Matrix* | *Confidential* |

# RISK APPETITE STATEMENT - 2022

**Vision** A welcoming community, connected through local opportunities

**Purpose** To create a strong community with local opportunities to participate, be active, feel secure, contribute and belong

| Strategic Objective | Strategic Community Plan Context | Potential Strategic Risk Link | Council Risk Context |
|---|---|---|---|
| **Goal 1**<br>**An inclusive and accessible City with places and spaces that embrace all** | In 2031, Wanneroo will be an exciting City where people feel included, valued and welcomed, with unique places and spaces appreciated and actively used by all. Wanneroo will be recognised and known for its variety of lifestyle choices and strong focus on the health and wellbeing of the people who live there. Age and ability will be no barrier, with accessible facilities and activities available to all who want to participate in recreation or by taking a journey of learning and discovery. Wanneroo will be a City where people have opportunities to come together, interact and connect with others at cultural, educational, social and sporting events, strengthening the sense of community and belonging. | ST-G09 LTFP<br><br>ST-S23 Stakeholder Relationships<br><br>ST-S26 Resilient & Productive Communities | **In pursuit of strategic objective goal 1, we will accept a Medium level of risk. The recent pandemic has challenged our previous event delivery, place activation and community connection processes, and the City accepts that meeting community expectations in a more restrictive environment needs flexibility and innovation if community connection is to develop and grow in contrast to social and individual isolation.**<br><br>The City places a high priority on the importance of promoting, protecting and activating local areas including the beaches, bush land and open spaces to meet community expectations. As such, community engagement and community-led initiatives and ownership are an important focus in addition to building capacity for communities to be involved in inclusive place activations.<br><br>The City seeks to pursue initiatives that activate distinctive places and supports improvements made to local amenities that retain or complement natural landscapes within the built environment. Driven by the need to engage and provide flexible facilities, public spaces and programs for all, and a range of choices for people to actively learn and discover, the City will use the relevant data and information to accept a greater risk whilst still meeting public safety and health requirements. |
| **Goal 2**<br>**A City that celebrates rich cultural histories, where people can visit and enjoy unique experiences** | In 2031, Wanneroo will be a City with a strong cultural and historical identity that respects and celebrates the Aboriginal and global cultures that form its distinctive community. Places and spaces are enhanced by various art forms, developed by creative local people to provide engaging experiences that represent the City's varied cultures and heritage. Wanneroo will be a tourism destination of choice, with stunning natural attractions, significant Aboriginal and other heritage sites, and exceptional experiences for families and adventure seekers to actively explore or relax and unwind. | ST-G09 LTFP<br><br>ST-S26 Resilient & Productive Communities | **In pursuit of strategic objective goal 2, we will accept a Medium level of risk. The City accepts this is required to protect priority cultural places, create 'unique' experiences and embrace the cultural diversity of our heritage in a way that is inclusive but challenges convention and historical thinking.**<br><br>The City acknowledges that success cannot be achieved in isolation and requires grant funding or additional funding and a collaborative approach, working with the community, government agencies and the broader business community to achieve outcomes that reflect cultural trends, community requirements and provide opportunities for people to enjoy unique experiences. |
| **Goal 3**<br>**A vibrant, innovative City with local opportunities for work, business and investment** | In 2031, Wanneroo will be a City with a strong local economy where businesses, entrepreneurs and industries grow and thrive. Wanneroo will be seen as a great location to do business and invest, offering employment and skills development opportunities to local people so that they prosper. There will be strong business networks with enhanced collaboration and partnership working across private and public sectors, allowing local innovation to accelerate in the best business hubs in the region. | ST-G09 LTFP<br><br>ST-S12 Economic Growth<br><br>ST-S23 Stakeholder Relationships | **In pursuit of strategic objective goal 3, we will accept a Medium level of risk, extended to High in the areas of where there may be Governance, Community / Reputation & Financial / Commercial impacts. For the City to realise a future role as a self-sustainable, vibrant and viable business and corporate centre, the City recognises higher risk will be required to attract investors, build a contemporary environment which ensures regulation is efficient but effective and realise a higher return on investment for the City. It is recognised that land acquisitions, environmental development and management processes and community support could all be challenged in the short term to realise the future successful offset of longer-term strategic risk.**<br><br>The City is keen to develop strong economic hubs for growth and employment within the region and acknowledges that development initiatives require planning, due diligence, consultation and funding. To achieve the growth that will lead to jobs and investment, the City needs to work strategically with partners including investors to promote a clear vision and have the appetite to remove red tape where possible and appropriate. |
| **Goal 4**<br>**A sustainable City that balances the relationship between urban growth and the environment** | In 2031, Wanneroo will be a City of natural beauty and variety appreciated by all, contributing to the overall sense of belonging people in the area have. The natural landscape is respected for its importance to future generations, with the growth and development of the City being balanced with the protection of the natural environment and social values. Wanneroo will be a place where natural resources are valued, and used effectively within the City's strong circular economy. It will be a City that addresses climate change, ensuring responsible planning to manage any future impacts and reducing the City's contribution to climate change. | ST-G09 LTFP<br><br>ST-S06 Climate Change<br><br>ST-S23 Stakeholder Relationships<br><br>ST-S05 Water Availability | **In pursuit of strategic objective goal 4, we will accept a Medium level of risk. The nature of the City being 'pro-growth' means that commercial opportunities will be explored in areas identified for development, potentially challenging perceptions of the City as an environmental steward.**<br><br>The City is a 'pro-growth' council and acknowledges that in this rapidly changing environment, there is growing awareness, expectation and requirements that natural resources are conserved, alternative energy and water sources considered in planning and waste minimised, This is reflected in the heavily regulated 'development' environment, and the City strives to ensure stakeholders and interested parties are educated on the adaptation, intervention and mitigation strategies it undertakes. |
| **Goal 5**<br>**A well-planned, safe and resilient City that is easy to travel around and provides a connection between people and places** | In 2031, Wanneroo will be a City developed to provide for all, and one that puts community at the heart of future design in creating affordable, liveable and connected places. Wanneroo will be a City where land is put to optimum use, providing housing choice and economic opportunities. The City will be travel friendly with balanced and sustainable transport choices to move around either by foot, bicycle, bus, car or train. Wanneroo will be a place that meets the expectations of the community by creating an exciting environment for people to live, work and recreate. Wanneroo will be a safe and secure City, allowing the people in the community to develop and thrive in a supportive and inspiring environment that builds local connection and shared experiences. | ST-G09 LTFP<br><br>ST-S04 Integrated Infrastructure & Utility Planning<br><br>ST-S26 Resilient & Productive Communities | **In pursuit of strategic objective goal 5, we will accept a Medium level of risk, extended to High in the areas of Community / Reputation & Financial / Commercial impacts. Shifting transport modes and usage in the City may require short term pain for longer term gain as the City supports the development, maintenance and connection of alternatives to car use (*e.g. cycle ways*) and the supporting infrastructure.**<br><br>The City acknowledges that to develop strong economic hubs and modes of sustainable transport changes (e.g. electric vehicles), it will need to promote Wanneroo as a place to visit, live and invest. This requires risk-based decision making to ensure funding and capital investment is made available to develop essential infrastructure. The benefits associated with these opportunities will outweigh the cost implications and will continue to deliver strong economic hubs and town centres, meeting the City's demographics and community expectations. |

| Risk Appetite Scale | | | |
|---|---|---|---|
| ALARP* | Risk must be reduced to as low as reasonably practical (ALARP*), with no appetite for accepting any increased level of risk. No tolerance for any breaches of controls or standards *Principle Notion (TBC) | MEDIUM | Medium levels of risk are accepted subject to there being a full understanding of the potential benefits and risk, the required authorisation is obtained and the controls are fully in place and satisfactory |
| LOW | Some acceptance of low risks in this area however no appetite for substantive risks at any time | HIGH | Higher levels of risk are accepted subject to there being a full understanding of the potential benefits and risk, the required authorisation is obtained and the controls are fully in place and satisfactory |

## RISK APPETITE STATEMENT - 2022

| Strategic Objective | Strategic Community Plan Context | Potential Strategic Risk Link | Council Risk Context |
|---|---|---|---|
| **Goal 6**<br>**A future focused City that advocates, engages and partners to progress the priorities of the community** | In 2031, Wanneroo will be a City where all people have the opportunity to be heard and engaged with future development and decision making in the area. The City will be recognised for its approach to working with others, having developed meaningful relationships that benefit communities. Wanneroo will be a place where people feel informed about what is available to them and where communication is the main driver for interaction and participation, tailored to meet the needs of all people to increase the feeling of inclusion. | ST-G09 LTFP<br><br>ST-S23 Stakeholder Relationships<br><br>ST-S26 Resilient & Productive Communities | **In pursuit of strategic objective goal 6, we will accept a Medium level of risk extended to High in the areas of Community / Reputation, Financial / Commercial & Management Systems / Operations impacts. This is required to address legacy ways of operating, support investment in the technology changes needed to deliver digital democracy, citizen engagement and involvement and move to more data-driven decision-making which may not align with Community sentiment or expectation.**<br><br>The City acknowledges that in order to provide high quality and accessible services to the community, it needs to be agile, consider partnership arrangements and understand the needs of the community to lead and remove obstructions. The City seeks innovative initiatives and/or activities that will strengthen its ability to provide uninterrupted essential services to the community. |
| **Goal 7**<br>**A well-governed and managed City that makes informed decisions, provides strong community leadership and values customer focused services** | In 2031, Wanneroo will be a City that has a clear and shared future. It will be a City with open and informed decision-making, where all people have the opportunity to participate in issues that are important to them. Wanneroo will be a place reliably managed by those governing and will empower community leaders to assist in the development of the City's future. The City will be a place where regulations and rules are clear, understandable and responsive to ensure they meet the needs of the community. All people will be able to access data, information and services when they are needed. | ST-G09 LTFP<br><br>ST-S23 Stakeholder Relationships<br><br>ST-S25 Legislative Reform or Changes | **In pursuit of strategic objective goal 7, we will accept a Medium level of risk as the City balances the capacity of the community to fund services through robust cost-benefit analysis and pursues evidence-based decision making to be effective stewards of the Council and City for future generations**.<br><br>The City places a high priority on the importance of maintaining good governance and will seek to reduce to ALARP any acts or omissions by any party that jeopardises this. The City ensures effective systems and processes are developed and applied to realise its values and achieve good governance, but seeks to reduce unnecessary red-tape and bureaucracy whilst meeting all obligations. Decisions are aligned to policy to ensure compliance. |

**Summary**

| Goal | Environment | Health & Safety | Management Systems / Operations | Financial / Commercial | Community / Reputation | Compliance |
|---|---|---|---|---|---|---|
| 1 | ALARP | ALARP | Medium | Medium | Medium | Medium |
| 2 | ALARP | ALARP | Medium | Medium | Medium | Medium |
| 3 | ALARP | ALARP | Medium | High | High | Medium |
| 4 | ALARP | ALARP | Medium | Medium | Medium | Medium |
| 5 | ALARP | ALARP | Medium | High | High | Medium |
| 6 | ALARP | ALARP | High | High | High | Medium |
| 7 | ALARP | ALARP | Medium | Medium | Medium | ALARP (Medium) |

| Risk Appetite Scale | | | |
|---|---|---|---|
| **ALARP*** | Risk must be reduced to as low as reasonably practical (ALARP*), with no appetite for accepting any increased level of risk. No tolerance for any breaches of controls or standards *Principle Notion (TBC) | **MEDIUM** | Medium levels of risk are accepted subject to there being a full understanding of the potential benefits and risk, the required authorisation is obtained and the controls are fully in place and satisfactory |
| **LOW** | Some acceptance of low risks in this area however no appetite for substantive risks at any time | **HIGH** | Higher levels of risk are accepted subject to there being a full understanding of the potential benefits and risk, the required authorisation is obtained and the controls are fully in place and satisfactory |

# Risk Appetite Statement

## Reputation

**Conservative**

The City prioritises the long-term trust of its Community and key stakeholders.
The City is willing to accept media and public scrutiny where decisions have been made through sound decision making processes.

## Community

**Opportunistic**

The City currently has a higher appetite to pursue opportunities that increase neighbourhood activities, safety, connectivity, relationships, liveability and create a thriving local economy.
Balance will be found in community engagement processes. We have no appetite for services or infrastructure that work against a safe City.

## Culture

**Balanced**

The City is dedicated to fostering a positive, inclusive, accountable and high-performing culture that supports the well-being and development of our employees. We recognise the importance of our people and culture in achieving our strategic objectives. We have no appetite for toxic, negative or dysfunctional behaviours.

## Governance – Council

**Conservative**

The City will ensure fit-for-purpose transparency and accountability processes assure stakeholders that the City is governed appropriately.
Priority is to achieve the outcomes of the Council Plan.
We have no appetite for poor transparency or unethical decisions.

## Financial Sustainability

**Balanced**

We prioritise value for the City ensuring strong financial controls are in place to optimise responsible spending, our Council Plan outcomes and long-term financial sustainability.
We never have any appetite for fraud or financial misconduct. We currently will consider tolerating more financial risk to support our growth objectives.

## Legal

**Conservative**

We do not take risks interpreting regulatory or contractual compliance obligations, we will err on the conservative side. We will be more balanced deciding when to commence legal action when the possible outcome impacts our Community as a whole. We will be opportunistic in negotiating agreements that benefit our Community as a whole.

## Compliance

**Balanced**

We do not take risks that could result in illegal activities or result in regulatory or internal policy non-compliance. We will take a balanced approach to procedural compliance were policy or regulatory intent is still met. As a regulator we will work to find an appropriate balance between enforcement activities and outcomes for our community.

## Governance – Administration

**Conservative**

The City will ensure fit-for-purpose transparency and management processes assure stakeholders that the City is administered appropriately.
Priority is to achieve the outcomes of the Council Plan. We have no appetite for poor management or unethical decisions.

## Health, Safety & Wellbeing

**Conservative**

We do not take uncontrolled risks that will compromise the health, safety and wellbeing of:

- Members of the public when using City-managed facilities, services or interacting with our operations.
- Our volunteers, staff, contractors and elected members.

The City will accept some risk in initiatives that improve the organisation's safety culture.

## Local Environment

**Balanced**

The City is committed to the protection and restoration of its natural environment, biodiversity and to minimising environmental impacts. We prioritise sustainable development that supports economic growth while ensuring responsible environmental stewardship and respectful treatment of heritage while balancing the interests of all stakeholders.

## Assets

**Opportunistic**

The City is currently taking an opportunistic approach to Assets whilst ensuring long-term viability. We design, operate and maintain Assets to defined standards and maturity levels. We have no appetite for critical infrastructure assets failures or unmanageable safety risks.

## Services

**Conservative**

The City will deliver sustainable and inclusive statutory and discretionary services aligned with our Council Plan, legislative requirements, community needs and our long-term financial capability. We will take a more balanced approach to discretionary services. We will be opportunistic in processes to improve our services but have no appetite for any services that pose unnecessary harm.

**Conservative** — Demonstrate conservative, cautious and safe risk-taking reducing both Likelihood and Impact. Mitigate exposure to risks even when potential benefits and rewards are higher accepting that some rewards will not be achieved.

**Balanced** — Seek to balance and equalise risk and reward. Often referred to as 'As low as reasonably possible' (ALARP). A balanced control environment is required to compromise between exploring opportunity whilst minimising risk. Risks are expected to be managed to moderate levels balancing against potential rewards.

**Opportunistic** — Proactively seeking higher risk non-exploitive opportunities and innovation. Be willing to accept that there will be a greater degree of volatility and uncertainty in the pursuit of higher rewards. Controls are in place to manage risk but they enable the ability to achieve more rewards. Risks are expected to be managed to moderate-high levels if potential rewards are greater.

## Projects

**Opportunistic**

The City must find an appropriate balance between the planning, scope, time, cost and quality of its project portfolio through applying fit-for-purpose controls.
We have no appetite for critical project failures through mis-management or project outcomes that cause irreversible harm.

## Business Systems

**Balanced**

The City invests in proven business systems (people, process and technologies) that support the outcomes defined in our Council Plan whilst protecting against threats to our Data. We prioritise the integrity of our information and have no appetite for unsafe cyber practices. We will consider accepting more risk in projects that modernise our technology or adoption of it.

## 4.4 Enterprise Risk Management Policy

File Ref: 9454V014 – 26/148256
Responsible Officer: Chief Executive Officer
Attachments: 3

### Issue

To consider the updated Enterprise Risk Management Policy (**Risk Policy**) and recommend to the Policy Review Committee for adoption.

### Background

The Risk Policy enables the City to confidently pursue its objectives by embedding a systematic, organisation-wide approach to identifying and managing opportunities and risks. The Policy applies across all City activities, functions, service delivery, and decision-making, operating within Council's Risk Appetite and aligning with Australian Standard *AS ISO 31000:2018 Risk Management – Guidelines*.

The current Risk Policy as set out in **Attachment 1** was last presented to the Audit, Risk and Improvement Committee (the **Committee**) on 27 September 2022 and adopted by Council on 11 October 2022.

### Detail

The Administration has undertaken an extensive review of the Policy to align more closely with ISO 31000, Council's Risk Appetite Statements, Risk Assessment Criteria and Matrix, and Enterprise Risk Management Framework. These documents will be presented to the Committee on 18 May 2026 separate from this policy.

The purpose of the Risk Policy is to ensure:

- Our decisions are aligned with our objectives;
- Our risk foundation is well established; and
- We are building organisational resilience.

The mark-up version of the draft Risk Policy is detailed in **Attachment 2,** with the clean version as set out in **Attachment 3**.

### Consultation

The City engaged an external Risk Consultant who assisted with the Risk Policy review. Engagement in respect to the proposed Risk Policy has been undertaken with all relevant stakeholders including Executive Leadership Team, Management, and External Consultant.

### Comment

The Risk Policy has been reviewed and aligned with the ISO 31000, Risk Appetite Statements, Risk Assessment Criteria and Matrix and Enterprise Risk Management Framework.

The draft Risk Policy clearly details the separation between governance intent (Risk Policy) and delivery mechanisms (Enterprise Risk Management Framework) shifting the document from a procedural, compliance-oriented policy to a strategic, intent-led governance instrument.

## Statutory Compliance

Nil

## Strategic Implications

The proposal aligns with the following objective within the Council Plan 2025 – 2035:

*5 ~ A Well-Governed and Managed City*

*5.1 - Lead with clear decisions and strong advocacy*

## Risk Appetite Statement

In pursuit of strategic objective goal 5, we will accept a Medium level of risk as the City balances the capacity of the community to fund services through robust cost-benefit analysis and pursues evidence-based decision making to be effective stewards of the Council and City for future generations.

## Risk Management Considerations

| RISK TITLE | | RISK RATING |
|---|---|---|
| **Level 1 Strategic Risk** | 9.0 Ineffective Governance | Medium |
| **Level 2 Corporate Risk** | 9.6 Risk Management | Medium |
| **ACCOUNTABILITY** | | **ACTION PLANNING OPTION** |
| General Counsel | | Manage |

## Policy Implications

Nil

## Financial Implications

Nil

## Voting Requirements

Simple Majority

## Recommendation

**That the Audit, Risk and Improvement Committee:**

1. **RECEIVES and ACCEPTS the City's draft Enterprise Risk Management Policy in Tracked Changes as set out in Attachment 2; and**
2. **RECOMMENDS the Policy Review Committee ADOPTS the updated Enterprise Risk Management Policy Clean Version as set out in Attachment 3.**

*Attachments:*

| | | |
|---|---|---|
| 1⇩. | *Attachment 1: Current Enterprise Risk Management Policy* | *15/491180[v2]* |
| 2⇩. | *Attachment 2: Draft- Enterprise Risk Management Policy - Tracked Changes* | *26/169443* |
| 3⇩. | *Attachment 3: Draft - Enterprise Risk Management Policy - Clean Version* | *15/491180[v3]* |

City of Wanneroo

Council Policy

# ENTERPRISE RISK MANAGEMENT

| | |
|---|---|
| **Responsible Directorate:** | *Office of the Chief Executive Officer* |
| **Responsible Service Unit:** | *Governance and Legal* |
| **Contact Person:** | *Executive Manager Governance and Legal* |
| **Date of Approval:** | *11 October 2022* |
| **Council Resolution No:** | *CE02-10/22* |

## 1. POLICY STATEMENT

This Policy documents the City of Wanneroo's (the City) commitment to identifying, analysing, assessing and managing risks across the organisation that may impact on the City achieving its business objectives.

## 2. OBJECTIVE AND PURPOSE

The objective of this Policy is to ensure that the City applies and embeds a systematic risk management approach across the City in relation to all activities, functions, service delivery and decision-making.

This Policy aligns with the Australian Standard (AS) ISO 31000:2018 Risk Management – Guidelines.

An approved, robust and consistently applied risk assessment criteria will be used in the assessment of risks, and Council will review and consider the Strategic risk profile of the City at least bi-annually.

The City will actively anticipate and manage their risks, taking advantage of opportunities and containing potential hazards in line with the City's risk tolerance. The risks facing the City change frequently and the City will proactively:

- Utilise experience through knowledge sharing;
- Deal with ambiguity, uncertainty and increasing complexity;
- Prioritise, make decisions and implement solutions on a timely basis;
- Recognise and act on opportunities as they occur;
- Ensure optimised results in spite of a changing business environment; and,
- Ensure risk management is part of governance and leadership, and is fundamental to how the City is managed, operates and makes decision across all levels.

City of Wanneroo

Council Policy

## 3. KEY DEFINITIONS

| | |
|---|---|
| *Audit and Risk Committee* | A Committee of Council established in accordance with the requirements of the Act, to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management, internal and external audit functions and ethical accountability. |
| *Corporate Risk* | Risk impacting or affecting more than one directorate which eventuates from inadequate of failed internal processes, people and systems, or from external events. |
| *Internal Control* | Process, effected by the CEO, the Executive and Employees, designed to provide reasonable assurance regarding the achievement of the City's objectives relating to operations. Reporting and compliance |
| *Operational Risk* | Risk managed at Service Unit level by the Manager resulting from inadequate or failed internal processes, people and systems, or from external events. |
| *Risk Appetite* | ISO Guide 73:2009 Risk management vocabulary defines risk appetite as "the amount and type of risk that an organisation is prepared to pursue, retain or take also known measured as residual risk". For example, the total impact of risk an organisation is prepared to accept in the pursuit of its strategic objectives. |
| *Risk Assessment Criteria* | A matrix that is used during risk assessment to define the tolerance level of risk by considering the category of consequence severity against the likelihood. |
| *Risk Management* | AS ISO 31000:2018 defines risk as "effect of uncertainty on objectives". A risk is often specified in terms of an event or circumstance and the consequences that flow from it. |
| *Risk Management Framework* | AS ISO 31000:2018 defines a risk management framework as a "set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization". |
| *Risk Management Manual* | An operational document intended to guide the Administration in applying the Risk Management tools and methodology. |
| *Risk Tolerance* | ISO Guide 73:2009 Risk management vocabulary defines risk tolerance as an Organisation's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives. For example, the total impact of risk an organisation is prepared to accept and tolerate in the pursuit of its strategic objectives. |

City of Wanneroo

Council Policy

| | |
|---|---|
| *Strategic Risk* | The effect of uncertainty that may impact the achievement of the City's Strategic Community Plan. These risks are aligned against the Strategic Community Plan objectives to assist with integrating the risk dimension within integrated planning. |

## 4. SCOPE

The City is one of the largest and fastest growing local governments in Western Australia providing infrastructure and services to the community under the auspices of the Local Government Act 1995.

## 5. IMPLICATIONS (Strategic, Financial, Human Resources)

This Policy aligns with the City's Internal Control Guidelines and both assist with reporting to the Audit and Risk Committee on the appropriateness and effectiveness of systems and procedures implemented in relation to internal control and assist in the review and reporting requirements under *Regulation 17 of the Local Government (Audit) Regulations 1996*. Decision making and policy positions are developed considering all relevant and pertaining information including the risks to achieving outcomes.

## 6. IMPLEMENTATION

The City's Enterprise Risk Management team will manage and monitor the implementation of the Risk Management Policy. Administration will progress the work required to ensure that risk management processes are appropriately embedded into operational activities to enable appropriate risk reporting to the Audit and Risk Committee and, if applicable, to Council.

## 7. RISK APPETITE

Council determines the City's risk appetite to achieve the strategic objectives and will review in line with a review of the City's Strategic risks.

Council's risk appetite is captured within separate Risk Appetite Statements **(RAS).**

Council endorses the City's **RAS** which Administration will then contextualise through application of the Risk Assessment Criteria.

The City's Enterprise Risk Management procedures define the processes for identifying, analysing, assessing and proactively managing those risks in accordance with the Risk Acceptance and Reporting Criteria as detailed below (this tool forms part of the Risk Assessment Criteria).

City of Wanneroo

Council Policy

### 7.1 Risk Tolerance - Acceptance and Reporting Criteria

| Risk Rating | Criteria for Acceptance | Responsibility | Monitoring | Reporting* |
|---|---|---|---|---|
| **Low** | Risk is acceptable with Satisfactory Controls Assessment rating.<br>Manage by routine documentation. | Operational Leader (OL) | Annual risk review by OL | Annually to Manager |
| **Medium** | Risk is acceptable with Satisfactory Controls Assessment rating.<br>Review to ensure that appropriate treatment and controls are in place. | Manager | Quarterly risk review by Manager | Six monthly to Executive Leadership Team (ELT) |
| **High** | Risk is only acceptable with Optimised Controls Assessment rating and documented treatment plan.<br>Assess risk and manage to an As Low As Reasonably Practicable (ALARP) level. | Director / CEO | Quarterly risk review by Director / CEO | Quarterly to ELT, Audit & Risk Committee & Council |
| **Extreme** | Risk is unacceptable with instantaneous/immediate reporting.<br>Undertake an ALARP** assessment and consider transfer of risk or risk avoidance options. | CEO / Council | Continually by CEO | Immediate notification to Elected Members.<br>Monthly Immediate reporting to ELT.<br>Subsequent reporting to Audit & Risk Committee and Council Meeting |

*NOTE: All Strategic risks, regardless of their risk rating, will be reported to Audit & Risk Committee and Council

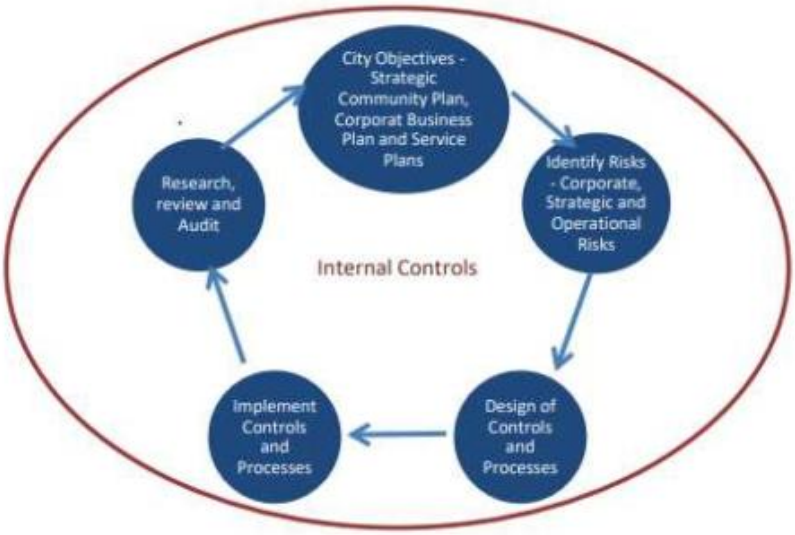
**Note: ALARP – As low as reasonably practicable

City of Wanneroo

Council Policy

### 7.2 Enterprise Risk Management Framework integration with Internal Control Guidelines – Risk Based Approach

The design, monitoring and review of internal controls should consider a risk based approach whereby the selection and appropriation of resources is prioritised to obtaining assurance of the processes and systems implemented to mitigate identified risks. The diagram below depicts a simplistic relationship of how objectives, risk, control and assurance interrelate.




## 8. AUTHORITIES AND ACCOUNTABILITIES

In accordance with section 2.7 of the Local Government Act Council governs the City's affairs, is responsible for the performance of the City's functions, and determines the City's policies.

The Audit and Risk Committee oversees and monitors the effectiveness of enterprise risk management and internal audit activities in accordance with the Terms of Reference.

The Chief Executive Officer is responsible for leading and establishing a risk management environment that ensures effective reporting of risk.

Directors lead and manage their respective Directorate by undertaking the planning, directing and leading of work by managers or other direct reports. Assists in ensuring systems are in place that enables accountable decision making and reporting of risk across the directorate.

## 9. ROLES AND RESPONSIBILITIES

**Council**

Council determines the risk appetite appropriate to achieve the City's Strategic objectives and will be reviewed at least once every three years in line with the City's Strategic Risks.

Council is engaged/involved in the review of the City's Strategic Risks and endorses the City's Strategic Risk profile.

Council approves the City's Risk Assessment Criteria.

**Audit and Risk Committee**

The Audit and Risk Committee reviews the City's Strategic Risks, including the mitigation strategies and refers them to Council for endorsement.

**Chief Executive Officer (CEO)**

The CEO is responsible for reviewing and managing Strategic and Corporate risks and, furthermore, from time to time, request ad-hoc internal audits or other reviews on extreme and high rated risks identified to timely verify the controls implemented to mitigate or reduce these risks to an acceptable level and to report on any remaining control deficiencies to the Audit and Risk Committee in a timely manner.

**Executive Leadership Team (ELT)**

The Executive Leadership Team is accountable for identifying, analysing, assessing, reviewing and managing Corporate risks and will receive and review reports on the City's responses to managing risks.

**All Employees / Contractors / Consultants**

Every employee within the City is recognised as having a role in risk management; this involves vigilance in the identification and ongoing management of risks and participating in the risk management process.

## 10. DISPUTE RESOLUTION (if applicable)

All disputes in regard to this policy will be referred to the Executive Manager Governance and Legal in the first instance. In the event that an agreement cannot be reached, the matter will be submitted to the CEO for a ruling.

## 11. EVALUATION AND REVIEW

The Policy will be reviewed every 3 years in accordance with the requirements of this Policy.

Regular performance reporting on the effectiveness of the City's systems and controls in relation to management of risks will be presented to the Audit and Risk Committee.

City of Wanneroo

Council Policy

## 12. RELATED DOCUMENTS

*Risk Management Manual*

*Risk Assessment Criteria*

*Crisis Management Plan*

*Business Continuity Plans*

*Pandemic Plan*

*Risk Appetite Statements*

## 13. REFERENCES

**Local Government (Audit) Regulations Amendment**

*Local Government (Audit) Regulations 1996* clause 17 states:

*"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 at least once every 3 calendar years.*

*(3) The CEO is to report to the audit committee the results of that review."*

In addition to the requirement for the CEO to prepare a report as outlined in clause 17, the Regulation also stipulates an additional responsibility for the Audit Committee as detailed in clause 16(c) which states:

"*(c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*

*(i) report to the council the results of that review; and*

*(ii) give a copy of the CEO's report to the council."*

## 14. RESPONSIBILITY FOR IMPLEMENTATION

Executive Manager Legal and Governance

City of Wanneroo

Council Policy

## REVISION HISTORY

| Version | Next Review | Record No. |
|---|---|---|
| 8 October 2013 – CS04-10/13 | October 2015 | 13/176693 |
| July 2019 | July 2022 | 15/491180 |
| October 2022 | October 2025 | 15/491180 |

City of Wanneroo

Council Policy

# ENTERPRISE RISK MANAGEMENT

| | |
|---|---|
| **Responsible Directorate:** | *Office of the Chief Executive Officer* |
| **Responsible Service Unit:** | *Legal and Governance ~~and Legal~~* |
| **~~Contact Person:~~** | *~~Executive Manager Governance and Legal~~* |
| **Date of Approval:** | *15 June 2026~~11 October 2022~~ ~~TBC~~* |
| **Council Resolution No:** | *~~CE02-10/22~~ TBC~~TBC~~* |

## 1. POLICY STATEMENT

~~This Policy documents the City of Wanneroo's (the City) commitment to identifying, analysing, assessing and managing risks across the organisation that may impact on the City achieving its business objectives.~~

The City of Wanneroo ("the City") is committed to building a risk-aware culture that supports confident risk informed decision-making and sustainable value creation. This Policy achieves this by:

- **Aligning decisions with our objectives** – Providing guidance that connects risk and opportunity management to the City's Vision, Purpose, Values, Strategic Goals, and Priorities ("the City's objectives").
- **Establishing our risk foundation** – Council defines the City's risk context and appetite, that Management integrates into the ~~organisations~~organisation's operations through an Enterprise Risk Management Framework ("the Framework").
- **Building organisational resilience** – Ensuring the City is prepared and equipped to respond effectively to foreseeable risk events.

~~Policy~~

## 2. OBJECTIVE AND PURPOSE

~~The objective of this~~ This Enterprise Risk Management Policy ("the P~~p~~olicy") enables the City to confidently pursue its objectives by embedding a systematic, organisation-wide approach to identifying and managing opportunities and risks. The P~~p~~olicy applies across all City activities, functions, service delivery, and decision-making, operating within Council's Risk

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Appetite and aligning with Australian Standard *AS ISO 31000:2018 Risk Management – Guidelines*.

This approach empowers the organisation to make informed decisions, protect value, and create opportunities that advance the City's purpose and strategic goals.

To remain responsive and effective, the Ppolicy, the Framework, supporting processes, and records are regularly reviewed and updated to reflect the City's evolving internal and external environment.

~~is to ensure that the City applies and embeds a systematic risk management approach across the City in relation to all activities, functions, service delivery and decision-making.~~

~~This Policy aligns with the Australian Standard (AS) ISO 31000:2018 Risk Management – Guidelines.~~

~~An approved, robust and consistently applied risk assessment criteria will be used in the assessment of risks, and Council will review and consider the Strategic risk profile of the City at least bi-annually.~~

~~The City will actively anticipate and manage their risks, taking advantage of opportunities and containing potential hazards in line with the City's risk tolerance. The risks facing the City change frequently and the City will proactively:~~

- ~~Utilise experience through knowledge sharing;~~
- ~~Deal with ambiguity, uncertainty and increasing complexity;~~
- ~~Prioritise, make decisions and implement solutions on a timely basis;~~
- ~~Recognise and act on opportunities as they occur;~~
- ~~Ensure optimised results in spite of a changing business environment; and,~~
- ~~Ensure risk management is part of governance and leadership, and is fundamental to how the City is managed, operates and makes decision across all levels.~~

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## 3. KEY DEFINITIONS

The following definitions are drawn from the relevant ISO Standards, tThe City's Council Plan and Corporate Business Plan.

| | |
|---|---|
| *Audit,t and Risk and Improvements Committee (ARIC)* | A Committee of Council established in accordance with the requirements of the Act, to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management, internal and external audit functions and ethical accountability. |
| *Control* | A measure that maintains and/or modifies *risk*. |
| *Corporate Risk (Level 2)* | Risk impacting or affecting more than one directorate which eventuates from inadequate of failed internal processes, people and systems, or from external events.Risk that affects multiple directorates or the organisation as a whole, arising from internal factors (processes, people, systems) or external events. These risks require coordinated, enterprise-level management. |
| *Enterprise Risk Management Framework~~Internal Control~~* | The set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.~~A measure that maintains and/or modifies *risk*.~~<br>~~Process, effected by the CEO, the Executive and Employees, designed to provide reasonable assurance regarding the achievement of the City's objectives relating to operations.~~<br>~~Reporting and compliance~~ |
| *Objectives* | The City's high-level objectives are determined in the Council and Corporate Business Plans as the City's Vision, Purpose, Values, Strategic goals and priorities. Operational objectives are defined further in supporting plans (e.g. Service Unit Plans, Long Term Financial Plan, Asset Management Plans, etc.) |
| *Operational Risk (Level 3)* | Risk managed at Service Unit level by the Manager, ~~resulting from inadequate or failed internal processes, people and systems, or from external events.~~ |
| *Risk* | The effect of uncertainty on the City's objectives. |
| *Risk Appetite* | ~~ISO Guide 73:2009 Risk management vocabulary defines risk appetite as "the~~ The amount and type of risk that an organisation is ~~prepared~~ willing to pursue , or retain ~~or take also known measured as residual risk". For example, the total impact of risk an organisation is prepared to accept in the pursuit of its strategic objectives.~~ |

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|---|---|
| *Risk Assessment Criteria* | A matrix that is used during risk assessment to define the tolerance level of risk by considering the category of consequence severity against the likelihood. |
| *Risk Management* | Coordinated activities to direct and control an organisation with regard to *risk*.~~AS ISO 31000:2018 defines risk as "effect of uncertainty on objectives". A risk is often specified in terms of an event or circumstance and the consequences that flow from it.~~ |
| ~~*Risk Management Framework*~~ | ~~AS ISO 31000:2018 defines a risk management framework as a~~The ~~"set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.".~~ |
| ~~*Risk Management Manual*~~ | ~~An operational document intended to guide the Administration in applying the Risk Management tools and methodology.~~ |
| *Risk Tolerance* | ~~ISO Guide 73:2009 Risk management vocabulary defines risk tolerance as an~~ An ~~O~~organisation~~'s~~ or stakeholder's, readiness to bear ~~the~~ a *risk* after risk treatment in order to achieve its objectives". ~~For example, the total impact of risk an organisation is prepared to accept and tolerate in the pursuit of its strategic objectives.~~ |
| *Stakeholder* | A person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity. |
| *Strategic Risk (Level 1)* | ~~The effect of uncertainty that may~~Risk that may impact the achievement of the City's ~~City's Strategic~~Council Plan ~~Community Plan~~. These risks are aligned against the Strategic Community Plan objectives to assist with integrating the risk dimension within integrated planning. |

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## ~~3.~~4. SCOPE

~~The City is one of the largest and fastest growing local governments in Western Australia providing infrastructure and services to the community under the auspices of the Local Government Act 1995.~~

This Policy applies to all City of Wanneroo activities, operations, and decision-making, including services, infrastructure, partnerships, contracts, and programs delivered under the *Local Government Act 1995.*

It applies to all Elected Members, staff, contractors, volunteers, and partners acting on behalf of the City.

## ~~4.~~5. IMPLICATIONS (Strategic, Financial, Human Resources)

This Policy aligns with the City's ~~Internal Control Guidelines~~ Enterprise Risk Management Framework ~~to support~~ and supports reporting to ~~and both assist with reporting to~~ the ~~Audit and Risk Committee~~ARIC, ensuring ~~RIC on the~~ the appropriate~~ness ness~~ and effective~~nness ess~~ of ~~internal control systems and procedures, and fulfils implemented in relation to internal control and assist in the review and~~ the reporting requirements under *Regulation 17 of the Local Government (Audit) Regulations 1996.*

Effective risk management enables informed decision-making and supports the development of policy positions by systematically considering risks and opportunities relevant to achieving the City's objectives. This approach protects organisational value, optimises resource allocation, and enhances the City's capability to deliver its objectives. ~~Decision making and policy positions are developed considering all relevant and pertaining information including the risks to achieving outcomes~~.

## ~~5.~~6. IMPLEMENTATION

The CEO will ensure the Framework is fit-for-purpose, resourced appropriately and implemented across the organisation.~~City's Enterprise Risk Management team will manage and monitor the implementation of the Risk Management Policy.~~

Risk ownership is established at three levels across the organisation: Council owns Strategic Risks (Level 1), the Executive owns Corporate Risks (Level 2), and Business Units own Operational Risks (Level 3). A Risk team will support risk owners at all levels to effectively identify, assess, and manage risks through:

- Providing guidance, tools, and training to build risk management capability.
- Facilitating risk identification, assessment, and treatment planning.
- Developing and implementing controls commensurate with the City's risk appetite through its integrated planning framework.
- Supporting the maintenance of strategic, corporate, and operational risk registers.
- Coordinating corporate risk reporting and consolidation.
- Advising Council and the ARIC on strategic risks.
- Continuously improving risk management practices across the organisation.

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- ~~Administration will progress the work required to ensure that risk management processes are appropriately embedded into operational activities to enable appropriate risk reporting to the Audit and Risk Committee and, if applicable, to Council.~~

## ~~6.~~7. RISK APPETITE

Council establishes the City's risk appetite across 14 key elements through Risk Appetite Statements that define the amount and type of risk the City is willing to accept in pursuing its objectives. Council reviews these statements alongside the City's Risk Context, see Appendix 1, and Strategic Risk assessments to maintain alignment with the City's strategic goals and priorities. A high-level summary of the risk appetite can be found in Appendix 2 and the complete risk appetite is documented in 26/40866*. ~~<doc ref>.~~

~~Council's risk appetite informs the development of the Risk Assessment Criteria (see section 7.1), which enables consistent evaluation of risks across the organisation by defining consequence categories, likelihood ratings, and risk acceptance thresholds.~~

The Administration translates Council's Risk Appetite Statements into operational guidance that interprets Council's appetite for day-to-day decision-making. This guidance is integrated into the Administration's planning, operational, and decision-making processes to ensure activities remain within Council's defined boundaries.

Council's risk appetite informs the development of the Risk Acceptance Criteria (see Appendix 3), which enables consistent evaluation and reporting of risks across the organisation by defining consequence categories, likelihood ratings, and risk acceptance thresholds.

~~The Enterprise Risk Management team supports both Council and the Administration by:~~

- ~~Facilitating the development and review of Risk Appetite Statements and Risk Assessment Criteria.~~
- ~~Assisting the Administration to translate appetite into practical operational guidance.~~
- ~~Providing tools for consistent risk evaluation.~~
- ~~Monitoring alignment between decisions and Council's risk appetite.~~
- ~~Reporting risks that exceed appetite thresholds to the Audit and Risk Committee.~~

~~7. This three-tiered approach ensures Council's strategic intent flows through to operational practice across the organisation.~~

~~Council determines the City's risk appetite to achieve the strategic objectives and will review in line with a review of the City's Strategic risks.~~
~~Council's risk appetite is captured within separate Risk Appetite Statements (RAS).~~

City of Wanneroo

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~~Council endorses the City's RAS which Administration will then contextualise through application of the Risk Assessment Criteria.~~

~~The City's Enterprise Risk Management procedures define the processes for identifying, analysing, assessing and proactively managing those risks in accordance with the Risk Acceptance and Reporting Criteria as detailed below (this tool forms part of the Risk Assessment Criteria).~~

## Risk Tolerance - Acceptance and Reporting Criteria

| Risk Rating | Criteria for Acceptance | Responsibility | Monitoring | Reporting * |
|---|---|---|---|---|
| Low | Risk is acceptable with Satisfactory Controls Assessment rating. Manage by routine documentation. | Operational Leader (OL) | Annual risk review by OL | Annually to Manager |
| Medium | Risk is acceptable with Satisfactory Controls Assessment rating. Review to | Manager | Quarterly | Six monthly to Ex |

| | | | | |
|---|---|---|---|---|
| | ensure that appropriate treatment and controls are in place. | | yr isk rev iew by Man age r | ec uti ve Le ad er shi p Te a m (E LT ) |
| H i g h | Risk is only acceptable with Optimised Controls Assessment rating and documented treatment plan. Assess risk and manage to an As Low As Reasonably Practicable (ALARP) level. | D i r e c t o r / C E O | Q u a r t e r l y r i s k r e v i e w b y D i r e c | Qu art erl y to EL T, Au dit & Ri sk Co m mit te e & Co un cil |

| | | | | |
|---|---|---|---|---|
| | | | tor/CEO | |
| Extreme | Risk is unacceptable with instantaneous/immediate reporting. Undertake an ALARP** assessment and consider transfer of risk or risk avoidance options. | CEO/Council | Continually by CEO | Immediate notification to Elected Members. Monthly Immediate reporting to ELT. Subseq |

| | | | | |
|---|---|---|---|---|
| | | | | ue nt re po rti ng to Au dit & Ri sk Co m mit te e an d Co un cil M ee tin g |

)TE: All Strategic risks, regardless of their risk rating, will be reported to Audit & Risk Committee
l Council
ote: ALARP – As low as reasonably practicable

### 7.2 Enterprise Risk Management Framework integration with Internal Control Guidelines – Risk Based Approach

The design, monitoring and review of internal controls should consider a risk based approach whereby the selection and appropriation of resources is prioritised to obtaining assurance of the processes and systems implemented to mitigate identified risks. The diagram below depicts a simplistic relationship of how objectives, risk, control and assurance interrelate.




## 8. AUTHORITIES AND ACCOUNTABILITIES

In accordance with section 2.7 of the *Local Government Act 1995,* Council governs the City's affairs, is responsible for the performance of the City's functions, and determines the City's Council level policies.

The ~~Audit and Risk Committee~~ARIC provides independent oversight ~~oversees~~ and monitorings of the effectiveness of the City's ~~enterprise~~ risk management and internal audit activities in accordance with the Terms of Reference.

The Chief Executive Officer is responsible for leading and establishing a risk management environment that ensures effective management and reporting of risk through the Framework.

Directors are accountable for risk management within their respective Directorates. This includes ensuring systems and processes are in place that enable sound decision-making, appropriate escalation of risks, and effective reporting of risks across their Directorate.

~~Directors lead and manage their respective Directorate by undertaking the planning, directing and leading of work by managers or other direct reports. Assists in ensuring systems are in place that enables accountable decision making and reporting of risk across the directorate.~~

Managers are accountable for identifying, assessing, and managing operational risks within their Service Units, and for ensuring their teams understand and apply risk management principles in day-to-day activities.

## 9. POLICY ROLES AND RESPONSIBILITIES

### 9.1 Council

- Establishes the City's risk appetite through Risk Appetite Statements to guide pursuit of the City's Strategic objectives.
- Reviews risk appetite at least once every three years, aligned with Strategic Risk reviews.
- Approves the Risk Policy, and Risk Assessment Criteria.
- Reviews and endorses the City's Strategic Risk profile.
- Receives reports on Strategic risks, Extreme or High rated risks exceeding appetite thresholds.
- Receives reports on significant Risk Events or Near Misses.

~~**9.2 Council determines the risk appetite appropriate to achieve the City's Strategic objectives and will be reviewed at least once every three years in line with the City's Strategic Risks.**~~

~~**Council is engaged/involved in the review of the City's Strategic Risks and endorses the City's Strategic Risk profile.**~~

~~**Council approves the City's Risk Assessment Criteria.**~~

**Audit, ~~and~~ Risk and Improvements Committee**

- Reviewing and overseeing progress and updates on all Strategic Risks biannually and significant risk exposures and controls issues, including fraud risks, governance issues and other necessary matters.
- Overseeing the management of Strategic and Corporate Risks rated extreme and high on a quarterly basis.
- Reviewing whether the City has an effective Enterprise Risk Management Framework and is in line with Council's risk appetite and processes.
- Considering the adequacy and effectiveness of internal controls and the Enterprise R~~r~~isk M~~m~~anagement F~~f~~ramework, but not limited to:
- Reviewing management's response to risks, including IT risks.
- Reviewing management reports on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions.
- Monitoring changes in government strategies, the economic and business environment and other trends and factors related to the City's risk profile.
- Considering the impact of organisational culture on risk management and internal controls.
- Liaising with other committees on matters relating to risk management, fraud and internal control. Oversight of risk management, including fraud, misconduct and corruption control.

- Review the City's Enterprise Risk Management Framework for identifying, monitoring and managing business risk, including risks associated with fraud, misconduct and corruption.
- 
- Review the Strategic Internal Audit Plan annually to ensure it covers fraud, misconduct and corruption risks.
- 
- Review summary reports from management on all actual frauds, thefts and breaches of laws and ensuring these are reported to the accountable authority and/or relevant authorities.~~The Audit and Risk Committee reviews the City's Strategic Risks, including the mitigation strategies and refers them to Council for endorsement.~~
- 

### 9.3 Chief Executive Officer (CEO)

- Reviews and manages Strategic and Corporate Risks.
- Requests internal audits or reviews of extreme and high-rated risks to verify control effectiveness.
- Reports significant control deficiencies, extreme or high rated risks, significant risk events and near misses to the ARIC in a timely manner.
- Ensures resources are allocated to maintain effective risk management practices.~~The CEO is responsible for reviewing and managing Strategic and Corporate risks and, furthermore, from time to time, request ad-hoc internal audits or other reviews on extreme and high rated risks identified to timely verify the controls implemented to mitigate or reduce these risks to an acceptable level and to report on any remaining control deficiencies to the Audit and Risk Committee in a timely manner.~~

~~Executive Leadership Team (ELT)~~

~~The Executive Leadership Team is accountable for identifying, analysing, assessing, reviewing and managing Corporate risks and will receive and review reports on the City's responses to managing risks.~~

~~All Employees / Contractors / Consultants~~

~~Every employee within the City is recognised as having a role in risk management; this involves vigilance in the identification and ongoing management of risks and participating in the risk management process.~~

- 

## 10. DISPUTE RESOLUTION (if applicable)

All disputes in regard to this policy will be referred to ~~the Executive Manager Governance~~ General Counsel ~~and Legal~~ in the first instance. In the event that an agreement cannot be reached, the matter will be submitted to the CEO for a ruling.

## 11. EVALUATION AND REVIEW

The Policy will be reviewed every 3 years ~~in accordance with the requirements of this Poli~~ or

as needed if there is a substantialcy change in the internal or external risk context of the organisation or a material risk event occur.

Regular performance reporting on the effectiveness of the City's systems and controls in relation to management of risks will be presented to the Audit and Risk CommitteeARIC.

## 12. RELATED DOCUMENTS

Business Continuity Management Policy
Business Continuity Plans
Business Resilience Management Framework
Crisis Management Plan
Enterprise Risk Management Framework
Pandemic Plan
Risk Appetite Statements

Risk Management ManualFramework
Risk Assessment Criteria
Crisis Management Plan
Business Continuity Plans
Pandemic PlanRisk Appetite Statements

## 13. REFERENCES

*Local Government (Audit) Regulations Amendment*
*L*Local Government (Audit) Regulations 1996, Regulation 17 *clause 17 states:"17. CEO to review certain systems and procedures*
*The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –*
*risk management; and*
*internal control; and*
*legislative compliance*
*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 at least once every 3 calendar years.*
*The CEO is to report to the audit committee the results of that review."*

*In addition to the requirement for the CEO to prepare a report as outlined in clause 17, the Regulation also stipulates an additional responsibility for the Audit Committee as detailed in clause 16(c) which states:*
*"(c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*
*report to the council the results of that review; and*
*give a copy of the CEO's report to the council."*

## 14. RESPONSIBILITY FOR IMPLEMENTATION

Executive Manager Legal and GovernanceGeneral Counsel

City of Wanneroo

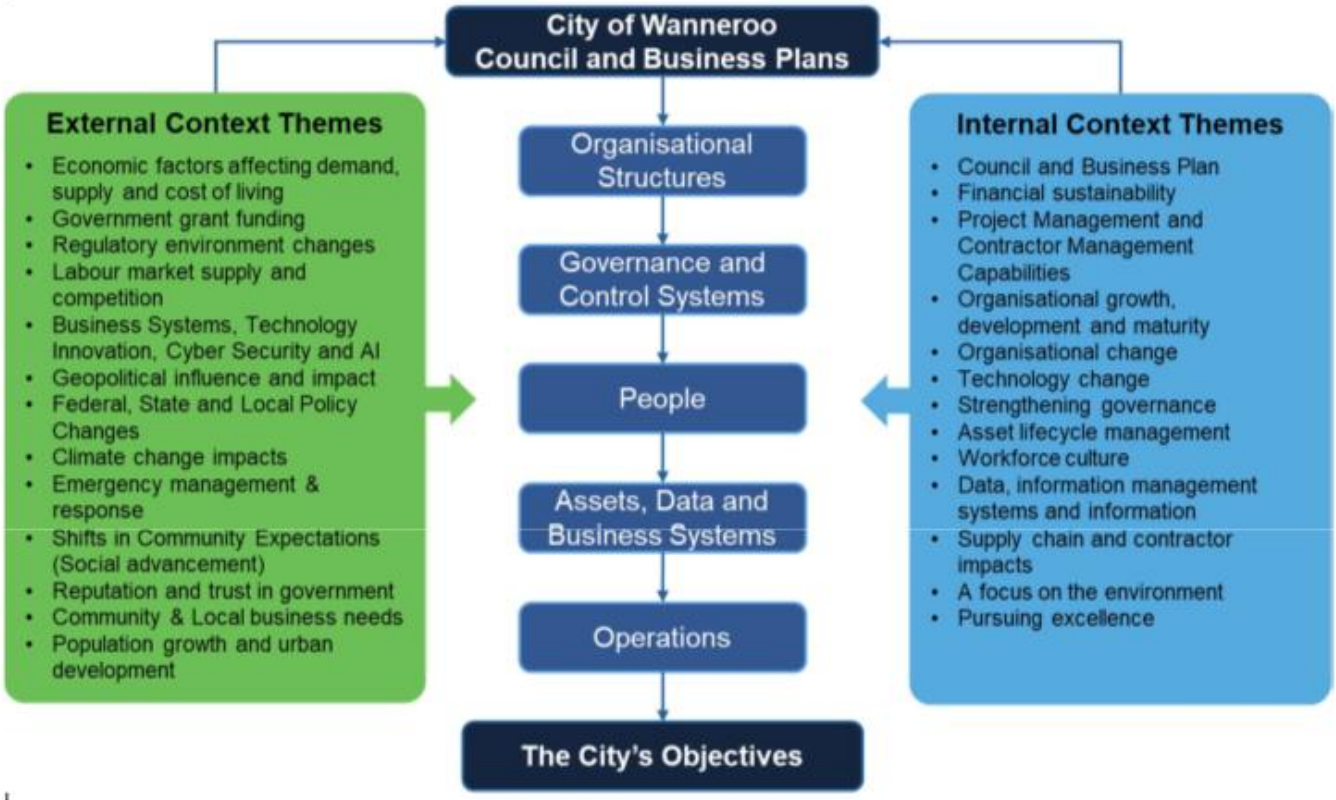
Council Policy

## 15. REVISION HISTORY

| Version | Next Review | Record No. |
|---|---|---|
| 8 October 2013 – CS04-10/13 | October 2015 | 13/176693 |
| July 2019 | July 2022 | 15/491180 |
| October 2022 | October 2025 | 15/491180 |
| ~~April 2026~~June 2026 | ~~April~~ June 2029 | |

## 16. APPENDIX 1: RISK CONTEXT

The City is a Statutory Authority and has a risk context that is unique to its objectives, internal and external operating environments. The following reflects the City's external and internal risk context and the effect they have on the City's strategies, and operational elements.



## 17. APPENDIX 2: RISK APPETITE STATEMENTSUMMARY

### Reputation
**Conservative**

The City prioritises the long-term trust of its Community and key stakeholders.
The City is willing to accept media and public scrutiny where decisions have been made through sound decision making processes.

### Community
**Opportunistic**

The City currently has a higher appetite to pursue opportunities that increase neighbourhood activities, safety, connectivity, relationships, liveability and create a thriving local economy.
Balance will be found in community engagement processes. We have no appetite for services or infrastructure that work against a safe City.

### Culture
**Balanced**

The City is dedicated to fostering a positive, inclusive, accountable and high-performing culture that supports the well-being and development of our employees. We recognise the importance of our people and culture in achieving our strategic objectives. We have no appetite for toxic, negative or dysfunctional behaviours.

### Governance – Council
**Conservative**

The City will ensure fit-for-purpose transparency and accountability processes assure stakeholders that the City is governed appropriately.
Priority is to achieve the outcomes of the Council Plan.
We have no appetite for poor transparency or unethical decisions.

### Financial Sustainability
**Balanced**

We prioritise value for the City ensuring strong financial controls are in place to optimise responsible spending, our Council Plan outcomes and long-term financial sustainability.
We never have any appetite for fraud or financial misconduct. We currently will consider tolerating more financial risk to support our growth objectives.

### Legal
**Conservative**

We do not take risks interpreting regulatory or contractual compliance obligations, we will err on the conservative side. We will be more balanced deciding when to commence legal action when the possible outcome impacts our Community as a whole. We will be opportunistic in negotiating agreements that benefit our Community as a whole.

### Compliance
**Balanced**

We do not take risks that could result in illegal activities or result in regulatory or internal policy non-compliance. We will take a balanced approach to procedural compliance were policy or regulatory intent is still met. As a regulator we will work to find an appropriate balance between enforcement activities and outcomes for our community.

### Governance – Administration
**Conservative**

The City will ensure fit-for-purpose transparency and management processes assure stakeholders that the City is administered appropriately.
Priority is to achieve the outcomes of the Council Plan. We have no appetite for poor management or unethical decisions.

### Health, Safety & Wellbeing
**Conservative**

We do not take uncontrolled risks that will compromise the health, safety and wellbeing of:
- Members of the public when using City-managed facilities, services or interacting with our operations.
- Our volunteers, staff, contractors and elected members.

The City will accept some risk in initiatives that improve the organisation's safety culture.

### Local Environment
**Balanced**

The City is committed to the protection and restoration of its natural environment, biodiversity and to minimising environmental impacts. We prioritise sustainable development that supports economic growth while ensuring responsible environmental stewardship and respectful treatment of heritage while balancing the interests of all stakeholders.

### Assets
**Opportunistic**

The City is currently taking an opportunistic approach to Assets whilst ensuring long-term viability. We design, operate and maintain Assets to defined standards and maturity levels. We have no appetite for critical infrastructure assets failures or unmanageable safety risks.

### Services
**Conservative**

The City will deliver sustainable and inclusive statutory and discretionary services aligned with our Council Plan, legislative requirements, community needs and our long-term financial capability. We will take a more balanced approach to discretionary services. We will be opportunistic in processes to improve our services but have no appetite for any services that pose unnecessary harm.

**Conservative** — Demonstrate conservative, cautious and safe risk-taking reducing both Likelihood and Impact. Mitigate exposure to risks even when potential benefits and rewards are higher accepting that some rewards will not be achieved.

**Balanced** — Seek to balance and equalise risk and reward. Often referred to as 'As low as reasonably possible' (ALARP). A balanced control environment is required to compromise between exploring opportunity whilst minimising risk. Risks are expected to be managed to moderate levels balancing against potential rewards.

**Opportunistic** — Proactively seeking higher risk non-exploitive opportunities and innovation. Be willing to accept that there will be a greater degree of volatility and uncertainty in the pursuit of higher rewards. Controls are in place to manage risk but they enable the ability to achieve more rewards. Risks are expected to be managed to moderate-high levels if potential rewards are greater.

### Projects
**Opportunistic**

The City must find an appropriate balance between the planning, scope, time, cost and quality of its project portfolio through applying fit-for-purpose controls.
We have no appetite for critical project failures through mis-management or project outcomes that cause irreversible harm.

### Business Systems
**Balanced**

The City invests in proven business systems (people, process and technologies) that support the outcomes defined in our Council Plan whilst protecting against threats to our Data. We prioritise the integrity of our information and have no appetite for unsafe cyber practices. We will consider accepting more risk in projects that modernise our technology or adoption of it.

## 18. APPENDIX 3: RISK ACCEPTANCE CRITERIA

| | Risk Acceptance and Responsibility Criteria | | | | |
|---|---|---|---|---|---|
| **Rating** | **Risk Type** | **Criteria for Acceptance** | **Responsibility** | **Monitoring** | **Reporting** |
| **Low 1 - 4** | **All risks** (except WHS / Project risks) | **Acceptable - No immediate concern** Risk acceptable with adequate controls, managed by procedures and subject to bi-annual risk review and reporting. | Service Unit (SU) Manager | Biannual annual risk review by SU Manager and Executive Leadership Team (ELT) | Bi-Annual risk review to Executive Leadership Team (ELT) Annual risk review to ARIC & Council |
| | **Work Heath Safety (WHS) Risks** | **Acceptable - No immediate concern** Risk acceptable with adequate controls, managed by routine procedures and subject to annual reporting | Leader | Annual reporting | |
| | **Project Risk** | **Acceptable - No Immediate concern** Risk acceptable with suitable risk response strategy. Risk response action managed by ad hoc monitoring | Project Manager | Ad hoc monitoring | |
| **Medium 5 - 9** | **All risks** (except WHS / Project risks) | **Monitor - Needs periodic monitoring** Risk acceptable with adequate controls, managed by procedures and subject to bi-annual risk review and reporting. | Service Unit (SU) Manager / Director | Biannual annual risk review by SU Manager and Executive Leadership Team (ELT) | Bi-Annual risk review to Executive Leadership Team (ELT) Annual risk review to ARIC & Council |
| | **Work Heath Safety (WHS) Risks** | **Monitor - Needs periodic monitoring** Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring. | Leader | Semi-annual monitoring | Leader |
| | **Project Risk** | **Monitor - Needs periodic monitoring** Risk acceptable with suitable risk response strategy. Risk response action managed by periodic monitoring | Project Manager | Periodic monitoring | |
| **High 10 - 16** | **All risks** (except WHS / Project risks) | **Monitor - Needs regular monitoring** Assess risk and manage to an As Low As Reasonably Practicable (*ALARP) level. Risk acceptable with appropriate controls, managed by senior management and Director and subject to quarterly monitoring | Director / CEO | Quarterly monitoring by ELT | Six monthly to ARIC & Council (Briefing Note) |
| | **Work Heath Safety (WHS) Risks** | **Monitor – Needs regular monitoring** Risk acceptable with excellent control, managed by senior management – executive and subject to quarterly monitoring | Operational Manager | Quarterly monitoring | Senior management – Executive |
| | **Project Risks** | **Monitor - Needs Regular Monitoring** Risk concerns with suitable risk response strategy. Risk response action managed by regular monitoring | Leader | Regular monitoring | |
| **Extreme 17 - 25** | **All risks** (except WHS / Project risks) | **Risk is unacceptable with instantaneous/immediate reporting.** Undertake an *ALARP (as low as reasonably practical) assessment and consider transfer of risk or risk avoidance options. | CEO / Council | Continually by CEO | Immediate notification to Council Monthly Immediate reporting to ELT Subsequent reporting to ARIC and Council Meeting |
| | **Work Heath Safety (WHS) Risks** | **Needs Regular Monitoring** Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring. | Director | Continuous monitoring | |
| | **Project Risks** | **Needs Active Management** Risk concerns with suitable risk response strategy. Risk response action agreed with leader and subject to continuous monitoring | Sponsor | Continuous monitoring | |

* Note: All Strategic risks, regardless of their risk rating, will be reported to ARIC and Council

** Note: ALARP – As low as reasonably practicable

Council Policy

# ENTERPRISE RISK MANAGEMENT

| | |
|---|---|
| **Responsible Directorate:** | *Office of the Chief Executive Officer* |
| **Responsible Service Unit:** | *Legal and Governance* |
| **Date of Approval:** | *15 June 2026* |
| **Council Resolution No:** | *TBC* |

## 1. POLICY STATEMENT

The City of Wanneroo ("the City") is committed to building a risk-aware culture that supports confident risk informed decision-making and sustainable value creation. This Policy achieves this by:

- **Aligning decisions with our objectives** – Providing guidance that connects risk and opportunity management to the City's Vision, Purpose, Values, Strategic Goals, and Priorities ("the City's objectives").
- **Establishing our risk foundation** – Council defines the City's risk context and appetite, that Management integrates into the organisation's operations through an Enterprise Risk Management Framework ("the Framework").
- **Building organisational resilience** – Ensuring the City is prepared and equipped to respond effectively to foreseeable risk events.

## 2. OBJECTIVE AND PURPOSE

This Enterprise Risk Management Policy ("the Policy") enables the City to confidently pursue its objectives by embedding a systematic, organisation-wide approach to identifying and managing opportunities and risks. The Policy applies across all City activities, functions, service delivery, and decision-making, operating within Council's Risk Appetite and aligning with Australian Standard *AS ISO 31000:2018 Risk Management – Guidelines*.

This approach empowers the organisation to make informed decisions, protect value, and create opportunities that advance the City's purpose and strategic goals.

To remain responsive and effective, the Policy, the Framework, supporting processes, and records are regularly reviewed and updated to reflect the City's evolving internal and external environment.

City of Wanneroo

Council Policy

## 3. KEY DEFINITIONS

The following definitions are drawn from the relevant ISO Standards, the City's Council Plan and Corporate Business Plan.

| | |
|---|---|
| *Audit, Risk and Improvements Committee (ARIC)* | A Committee of Council established in accordance with the requirements of the Act, to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management, internal and external audit functions and ethical accountability. |
| *Control* | A measure that maintains and/or modifies *risk*. |
| *Corporate Risk (Level 2)* | Risk that affects multiple directorates or the organisation as a whole, arising from internal factors (processes, people, systems) or external events. These risks require coordinated, enterprise-level management. |
| *Enterprise Risk Management Framework* | The set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation. |
| *Objectives* | The City's high-level objectives are determined in the Council and Corporate Business Plans as the City's Vision, Purpose, Values, Strategic goals and priorities. Operational objectives are defined further in supporting plans (e.g. Service Unit Plans, Long Term Financial Plan, Asset Management Plans, etc.) |
| *Operational Risk (Level 3)* | Risk managed at Service Unit level by the Manager. |
| *Risk* | The effect of uncertainty on the City's objectives. |
| *Risk Appetite* | The amount and type of risk that an organisation is willing to pursue or retain. |
| *Risk Assessment Criteria* | A matrix that is used during risk assessment to define the tolerance level of risk by considering the category of consequence severity against the likelihood. |
| *Risk Management* | Coordinated activities to direct and control an organisation with regard to *risk*. |
| *Risk Tolerance* | An organisation, or stakeholder's, readiness to bear a *risk* after risk treatment in order to achieve its objectives". |
| *Stakeholder* | A person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity. |
| *Strategic Risk (Level 1)* | Risk that may impact the achievement of the City's Council Plan. These risks are aligned against the Strategic Community Plan objectives to assist with integrating the risk dimension within integrated planning. |

City of Wanneroo

Council Policy

## 4. SCOPE

This Policy applies to all City of Wanneroo activities, operations, and decision-making, including services, infrastructure, partnerships, contracts, and programs delivered under the *Local Government Act 1995.*

It applies to all Elected Members, staff, contractors, volunteers, and partners acting on behalf of the City.

## 5. IMPLICATIONS (Strategic, Financial, Human Resources)

This Policy aligns with the City's Enterprise Risk Management Framework and supports reporting to the ARIC, ensuring the appropriateness and effectiveness of the reporting requirements under *Regulation 17 of the Local Government (Audit) Regulations 1996.*

Effective risk management enables informed decision-making and supports the development of policy positions by systematically considering risks and opportunities relevant to achieving the City's objectives. This approach protects organisational value, optimises resource allocation, and enhances the City's capability to deliver its objectives. .

## 6. IMPLEMENTATION

The CEO will ensure the Framework is fit-for-purpose, resourced appropriately and implemented across the organisation.

Risk ownership is established at three levels across the organisation: Council owns Strategic Risks (Level 1), the Executive owns Corporate Risks (Level 2), and Business Units own Operational Risks (Level 3). A Risk team will support risk owners at all levels to effectively identify, assess, and manage risks through:

- Providing guidance, tools, and training to build risk management capability.
- Facilitating risk identification, assessment, and treatment planning.
- Developing and implementing controls commensurate with the City's risk appetite through its integrated planning framework.
- Supporting the maintenance of strategic, corporate, and operational risk registers.
- Coordinating corporate risk reporting and consolidation.
- Advising Council and the ARIC on strategic risks.
- Continuously improving risk management practices across the organisation.

## 7. RISK APPETITE

Council establishes the City's risk appetite across 14 key elements through Risk Appetite Statements that define the amount and type of risk the City is willing to accept in pursuing its objectives. Council reviews these statements alongside the City's Risk Context, see Appendix 1, and Strategic Risk assessments to maintain alignment with the City's strategic

goals and priorities. A high-level summary of the risk appetite can be found in Appendix 2 and the complete risk appetite is documented in 26/40866*.

The Administration translates Council's Risk Appetite Statements into operational guidance that interprets Council's appetite for day-to-day decision-making. This guidance is integrated into the Administration's planning, operational, and decision-making processes to ensure activities remain within Council's defined boundaries.

Council's risk appetite informs the development of the Risk Acceptance Criteria (see Appendix 3), which enables consistent evaluation and reporting of risks across the organisation by defining consequence categories, likelihood ratings, and risk acceptance thresholds.

## 8. AUTHORITIES AND ACCOUNTABILITIES

In accordance with section 2.7 of the *Local Government Act 1995*, Council governs the City's affairs, is responsible for the performance of the City's functions, and determines the Council level policies.

The ARIC provides independent oversight and monitoring of the effectiveness of the City's risk management and internal audit activities in accordance with the Terms of Reference.

The Chief Executive Officer is responsible for leading and establishing a risk management environment that ensures effective management and reporting of risk through the Framework.

Directors are accountable for risk management within their respective Directorates. This includes ensuring systems and processes are in place that enable sound decision-making, appropriate escalation of risks, and effective reporting of risks across their Directorate.

Managers are accountable for identifying, assessing, and managing operational risks within their Service Units, and for ensuring their teams understand and apply risk management principles in day-to-day activities.

## 9. ROLES AND RESPONSIBILITIES

### 9.1 Council

- Establishes the City's risk appetite through Risk Appetite Statements to guide pursuit of the City's Strategic objectives.
- Reviews risk appetite at least once every three years, aligned with Strategic Risk reviews.
- Approves the Risk Policy, and Risk Assessment Criteria.
- Reviews and endorses the City's Strategic Risk profile.
- Receives reports on Strategic risks, Extreme or High rated risks exceeding appetite thresholds.
- Receives reports on significant Risk Events or Near Misses.

City of Wanneroo

Council Policy

### 9.2 Audit, Risk and Improvements Committee

- Reviewing and overseeing progress and updates on all Strategic Risks biannually and significant risk exposures and controls issues, including fraud risks, governance issues and other necessary matters.
- Overseeing the management of Strategic and Corporate Risks rated extreme and high on a quarterly basis.
- Reviewing whether the City has an effective Enterprise Risk Management Framework and is in line with Council's risk appetite and processes.
- Considering the adequacy and effectiveness of internal controls and the Enterprise Risk Management Framework, but not limited to:
- Reviewing management's response to risks, including IT risks.
- Reviewing management reports on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions.
- Monitoring changes in government strategies, the economic and business environment and other trends and factors related to the City's risk profile.
- Considering the impact of organisational culture on risk management and internal controls.
- Liaising with other committees on matters relating to risk management, fraud and internal control. Oversight of risk management, including fraud, misconduct and corruption control.
- Review the City's Enterprise Risk Management Framework for identifying, monitoring and managing business risk, including risks associated with fraud, misconduct and corruption.
- Review the Strategic Internal Audit Plan annually to ensure it covers fraud, misconduct and corruption risks.
- Review summary reports from management on all actual frauds, thefts and breaches of laws and ensuring these are reported to the accountable authority and/or relevant authorities.

### 9.3 Chief Executive Officer (CEO)

- Reviews and manages Strategic and Corporate Risks.
- Requests internal audits or reviews of extreme and high-rated risks to verify control effectiveness.
- Reports significant control deficiencies, extreme or high rated risks, significant risk events and near misses to the ARIC in a timely manner.
- Ensures resources are allocated to maintain effective risk management practices.

## 10. DISPUTE RESOLUTION (if applicable)

All disputes in regard to this policy will be referred to General Counsel in the first instance. In the event that an agreement cannot be reached, the matter will be submitted to the CEO for a ruling.

City of Wanneroo

Council Policy

## 11. EVALUATION AND REVIEW

The Policy will be reviewed every 3 years or as needed if there is a substantial change in the internal or external risk context of the organisation or a material risk event occur.

Regular performance reporting on the effectiveness of the City's systems and controls in relation to management of risks will be presented to the ARIC.

## 12. RELATED DOCUMENTS

Business Continuity Management Policy
Business Continuity Plans
Business Resilience Management Framework
Crisis Management Plan
Enterprise Risk Management Framework
Pandemic Plan
Risk Appetite Statement
Risk Assessment Criteria

## 13. REFERENCES

*Local Government (Audit) Regulations 1996, Regulation 17*

## 14. RESPONSIBILITY FOR IMPLEMENTATION

General Counsel

## 15. REVISION HISTORY

| Version | Next Review | Record No. |
|---|---|---|
| 8 October 2013 – CS04-10/13 | October 2015 | 13/176693 |
| July 2019 | July 2022 | 15/491180 |
| October 2022 | October 2025 | 15/491180 |
| June 2026 | June 2029 | |

## 16. APPENDIX 1: RISK CONTEXT

The City is a Statutory Authority and has a risk context that is unique to its objectives, internal and external operating environments. The following reflects the City's external and internal risk context and the effect they have on the City's strategies, and operational elements.



## 17. APPENDIX 2: RISK APPETITE STATEMENT

### Reputation
**Conservative**

The City prioritises the long-term trust of its Community and key stakeholders.
The City is willing to accept media and public scrutiny where decisions have been made through sound decision making processes.

### Community
**Opportunistic**

The City currently has a higher appetite to pursue opportunities that increase neighbourhood activities, safety, connectivity, relationships, liveability and create a thriving local economy.
Balance will be found in community engagement processes. We have no appetite for services or infrastructure that work against a safe City.

### Culture
**Balanced**

The City is dedicated to fostering a positive, inclusive, accountable and high-performing culture that supports the well-being and development of our employees. We recognise the importance of our people and culture in achieving our strategic objectives. We have no appetite for toxic, negative or dysfunctional behaviours.

### Governance – Council
**Conservative**

The City will ensure fit-for-purpose transparency and accountability processes assure stakeholders that the City is governed appropriately.
Priority is to achieve the outcomes of the Council Plan.
We have no appetite for poor transparency or unethical decisions.

### Financial Sustainability
**Balanced**

We prioritise value for the City ensuring strong financial controls are in place to optimise responsible spending, our Council Plan outcomes and long-term financial sustainability.
We never have any appetite for fraud or financial misconduct. We currently will consider tolerating more financial risk to support our growth objectives.

### Legal
**Conservative**

We do not take risks interpreting regulatory or contractual compliance obligations, we will err on the conservative side. We will be more balanced deciding when to commence legal action when the possible outcome impacts our Community as a whole. We will be opportunistic in negotiating agreements that benefit our Community as a whole.

### Compliance
**Balanced**

We do not take risks that could result in illegal activities or result in regulatory or internal policy non-compliance. We will take a balanced approach to procedural compliance were policy or regulatory intent is still met. As a regulator we will work to find an appropriate balance between enforcement activities and outcomes for our community.

### Governance – Administration
**Conservative**

The City will ensure fit-for-purpose transparency and management processes assure stakeholders that the City is administered appropriately.
Priority is to achieve the outcomes of the Council Plan. We have no appetite for poor management or unethical decisions.

### Health, Safety & Wellbeing
**Conservative**

We do not take uncontrolled risks that will compromise the health, safety and wellbeing of:
- Members of the public when using City-managed facilities, services or interacting with our operations.
- Our volunteers, staff, contractors and elected members.

The City will accept some risk in initiatives that improve the organisation's safety culture.

### Local Environment
**Balanced**

The City is committed to the protection and restoration of its natural environment, biodiversity and to minimising environmental impacts. We prioritise sustainable development that supports economic growth while ensuring responsible environmental stewardship and respectful treatment of heritage while balancing the interests of all stakeholders.

### Assets
**Opportunistic**

The City is currently taking an opportunistic approach to Assets whilst ensuring long-term viability. We design, operate and maintain Assets to defined standards and maturity levels. We have no appetite for critical infrastructure assets failures or unmanageable safety risks.

### Services
**Conservative**

The City will deliver sustainable and inclusive statutory and discretionary services aligned with our Council Plan, legislative requirements, community needs and our long-term financial capability. We will take a more balanced approach to discretionary services. We will be opportunistic in processes to improve our services but have no appetite for any services that pose unnecessary harm.

**Conservative** — Demonstrate conservative, cautious and safe risk-taking reducing both Likelihood and Impact. Mitigate exposure to risks even when potential benefits and rewards are higher accepting that some rewards will not be achieved.

**Balanced** — Seek to balance and equalise risk and reward. Often referred to as 'As low as reasonably possible' (ALARP). A balanced control environment is required to compromise between exploring opportunity whilst minimising risk. Risks are expected to be managed to moderate levels balancing against potential rewards.

**Opportunistic** — Proactively seeking higher risk non-exploitive opportunities and innovation. Be willing to accept that there will be a greater degree of volatility and uncertainty in the pursuit of higher rewards. Controls are in place to manage risk but they enable the ability to achieve more rewards. Risks are expected to be managed to moderate-high levels if potential rewards are greater.

### Projects
**Opportunistic**

The City must find an appropriate balance between the planning, scope, time, cost and quality of its project portfolio through applying fit-for-purpose controls.
We have no appetite for critical project failures through mis-management or project outcomes that cause irreversible harm.

### Business Systems
**Balanced**

The City invests in proven business systems (people, process and technologies) that support the outcomes defined in our Council Plan whilst protecting against threats to our Data. We prioritise the integrity of our information and have no appetite for unsafe cyber practices. We will consider accepting more risk in projects that modernise our technology or adoption of it.

## 18. APPENDIX 3: RISK ACCEPTANCE CRITERIA

| | Risk Acceptance and Responsibility Criteria | | | | |
|---|---|---|---|---|---|
| **Rating** | **Risk Type** | **Criteria for Acceptance** | **Responsibility** | **Monitoring** | **Reporting** |
| **Low 1 - 4** | **All risks** (except WHS / Project risks) | **Acceptable - No immediate concern** Risk acceptable with adequate controls, managed by procedures and subject to bi-annual risk review and reporting. | Service Unit (SU) Manager | Biannual annual risk review by SU Manager and Executive Leadership Team (ELT) | Bi-Annual risk review to Executive Leadership Team (ELT) Annual risk review to ARIC & Council |
| | **Work Heath Safety (WHS) Risks** | **Acceptable - No immediate concern** Risk acceptable with adequate controls, managed by routine procedures and subject to annual reporting | Leader | Annual reporting | |
| | **Project Risk** | **Acceptable - No Immediate concern** Risk acceptable with suitable risk response strategy. Risk response action managed by ad hoc monitoring | Project Manager | Ad hoc monitoring | |
| **Medium 5 - 9** | **All risks** (except WHS / Project risks) | **Monitor - Needs periodic monitoring** Risk acceptable with adequate controls, managed by procedures and subject to bi-annual risk review and reporting. | Service Unit (SU) Manager / Director | Biannual annual risk review by SU Manager and Executive Leadership Team (ELT) | Bi-Annual risk review to Executive Leadership Team (ELT) Annual risk review to ARIC & Council |
| | **Work Heath Safety (WHS) Risks** | **Monitor - Needs periodic monitoring** Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring. | Leader | Semi-annual monitoring | Leader |
| | **Project Risk** | **Monitor - Needs periodic monitoring** Risk acceptable with suitable risk response strategy. Risk response action managed by periodic monitoring | Project Manager | Periodic monitoring | |
| **High 10 - 16** | **All risks** (except WHS / Project risks) | **Monitor - Needs regular monitoring**- Assess risk and manage to an As Low As Reasonably Practicable (*ALARP) level. Risk acceptable with appropriate controls, managed by senior management and Director and subject to quarterly monitoring | Director / CEO | Quarterly monitoring by ELT | Six monthly to ARIC & Council (Briefing Note) |
| | **Work Heath Safety (WHS) Risks** | **Monitor – Needs regular monitoring** Risk acceptable with excellent control, managed by senior management – executive and subject to quarterly monitoring | Operational Manager | Quarterly monitoring | Senior management – Executive |
| | **Project Risks** | **Monitor - Needs Regular Monitoring** Risk concerns with suitable risk response strategy. Risk response action managed by regular monitoring | Leader | Regular monitoring | |
| **Extreme 17 - 25** | **All risks** (except WHS / Project risks) | **Risk is unacceptable with instantaneous/immediate reporting.** Undertake an *ALARP (as low as reasonably practical) assessment and consider transfer of risk or risk avoidance options. | CEO / Council | Continually by CEO | Immediate notification to Council Monthly Immediate reporting to ELT Subsequent reporting to ARIC and Council Meeting |
| | **Work Heath Safety (WHS) Risks** | **Needs Regular Monitoring** Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring. | Director | Continuous monitoring | |
| | **Project Risks** | **Needs Active Management** Risk concerns with suitable risk response strategy. Risk response action agreed with leader and subject to continuous monitoring | Sponsor | Continuous monitoring | |

* Note: All Strategic risks, regardless of their risk rating, will be reported to ARIC and Council

** Note: ALARP – As low as reasonably practicable

## 4.5 Update to the Audit, Risk and Improvement Committee Terms of Reference

File Ref: 7312V009 – 26/95073
Responsible Officer: Chief Executive Officer
Attachments: 4

### Issue

To consider the updated Audit, Risk and Improvement Committee (the **Committee**) Terms of Reference (**ToR**) and recommends to Council for endorsement.

### Background

The Committee is a formally established committee of the City of Wanneroo's (the **City**) Council in accordance with the *Local Government Act 1995* (the **Act**), s. 5.8 and s. 7.1A.

The existing ToR was developed in accordance with the *Local Government (Audit) Regulations 1996* and the Model Terms of Reference included within the Local Government Operational Guidelines – Number 09 (revised September 2013) issued by the Department of Local Government, Industry Regulation and Safety (**DLGIRS**).

The Committee's ToR was last reported to the Committee on 17 November 2025 and endorsed by Council on 16 December 2025.

### Detail

The ToR has been reviewed and updated to incorporate amendments from the Local Government reforms (**Reforms**), the Office of the Auditor General's (**OAG**) Better Practice Guidance 2020 as outlined in **Attachment 1** and the Essential Conditions of the Global Internal Audit Standards (**standards**) that were released by the Institute of Internal Auditors (**IIA**) in 2024 to enhance and improve governance and oversight.

The current Audit and Risk Committee Terms of Reference is set out in **Attachment 2**. As a result of our review, the ToR has been updated with changes set out in the Draft Audit, Risk and Improvement Committee Terms of Reference 2026 – Tracked Changes **Attachment 3** and the Updated Audit, Risk and Improvement Committee Terms of Reference 2026 – Clean Version as set out in **Attachment 4**.

The main updates to the ToR are summarised below.

1. Aims and Functions
   - 1.4 Internal Audit
     - xii. Amended (a) Regulation 17 requirement to include financial management component and removal of internal control component
       Removed (b) as Regulation 5 of the Local Government (Financial Management) Regulation 1996 is now merged with Regulation 17 in (a) above.

   - 1.6 Risk Management, Fraud and Internal Control
     Merged 1.6, previously Fraud, Misconduct and Corruption as per the Integrity Framework with 1.7 Risk Management as it is a component of the City's enterprise risk profile and also to avoid duplication.

   - 1.7 Corporate Reporting
     Removed (i) from this section as this is now reported to the CEO Performance Review Committee by the CEO as an update on the CEO KPIs.

Point (i) previously ii, added Unexecuted Lease Report following the Committee meeting on 28 March 2023 to provide details of approved leases that are not yet executed to the Audit & Risk Committee at future meetings.

2. Membership
2.3 and 2.11 updated members of the committee.

2.7 Added Tenure section.

3. Added Deputy of the Presiding to this section and the role of Deputy of the Presiding Member and when the presiding member is unavailable.

4. (ii) Added "The Committee meetings are now open to the public, except where confidential matters as defined in section 5.23 of the Act require closure", and updated (vi).

## Consultation

The revised ToR has been reviewed in consultation with key stakeholders across the City and Corporate Governance who have engaged Western Australian Local Government Association and DLGIRS.

## Comment

The review of the ToR which is conducted every two years or as required provides opportunity to consider the structure and operations of the Committee to further enhance the oversight and scrutiny of the City's operations.

## Statutory Compliance

The ToR has been reviewed to incorporate amendments from the Local Government Reforms to the Act.

## Strategic Implications

The proposal aligns with the following objective within the Council Plan 2025 – 2035:

*5 ~ A Well-Governed and Managed City*

*5.1 - Lead with clear decisions and strong advocacy*

## Risk Appetite Statement

In pursuit of strategic objective goal 5, we will accept a Medium level of risk as the City balances the capacity of the community to fund services through robust cost-benefit analysis and pursues evidence-based decision making to be effective stewards of the Council and City for future generations.

## Risk Management Considerations

| RISK TITLE | | RISK RATING |
|---|---|---|
| **Level 1 Strategic Risk** | 9.0 Ineffective Governance | Medium |
| **Level 2 Corporate Risk** | 9.1 Compliance Framework | Medium |
| **ACCOUNTABILITY** | | **ACTION PLANNING OPTION** |
| General Counsel | | Manage |

| RISK TITLE | | RISK RATING |
|---|---|---|
| **Level 1 Strategic Risk** | 9.0 Ineffective Governance | Medium |
| **Level 2 Corporate Risk** | 9.6 Risk Management | Medium |
| **ACCOUNTABILITY** | | **ACTION PLANNING OPTION** |
| General Counsel | | Manage |

## Policy Implications

Nil

## Financial Implications

Nil

## Voting Requirements

Simple Majority

## Recommendation

**That the Audit, Risk and Improvement Committee:**

1. **RECEIVES and ACCEPTS the Draft Audit, Risk and Improvement Committee Terms of Reference 2026 – Tracked Changes as set out in Attachment 3; and**

2. **RECOMMENDS Council to ENDORSE the Updated Audit, Risk and Improvement Committee Terms of Reference 2026 – Clean Version as set out in Attachment 4.**

*Attachments:*

| | | |
|---|---|---|
| 1 | *Attachment 1: OAG - Western Australian Public Sector Audit Committees - Better Practice Guide* | *25/433567* |
| 2 | *Attachment 2: Current Audit and Risk Committee Terms of Reference 2025* | *19/265363[v4]* |
| 3 | *Attachment 3: Draft Audit, Risk and Improvement Committee Terms of Reference 2026 - Tracked Changes* | *26/156960* |
| 4 | *Attachment 4: Updated Audit, Risk and Improvement Committee Terms of Reference 2026 - Clean Version* | *19/265363[v5]* |

Western Australian
Auditor General's Report



# Western Australian Public Sector Audit Committees – Better Practice Guide

Report 26: 2019-20
25 June 2020

Office of the Auditor General
Western Australia

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

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

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

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

# Western Australian Public Sector Audit Committees – Better Practice Guide

Report 26: 2019-20
June 2020

**THE PRESIDENT**
**LEGISLATIVE COUNCIL**

**THE SPEAKER**
**LEGISLATIVE ASSEMBLY**

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

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

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

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

CAROLINE SPENCER
AUDITOR GENERAL
25 June 2020

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# Auditor General's overview



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

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

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

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

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

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

# Part 1: Introduction

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

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




Source: OAG

**Figure 1: Scope of audit committee oversight responsibilities**

## 1.1 About this guide

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

The guide consists of six parts:

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

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

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

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

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

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

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

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

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

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

## 1.2 Who should use this guide

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

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

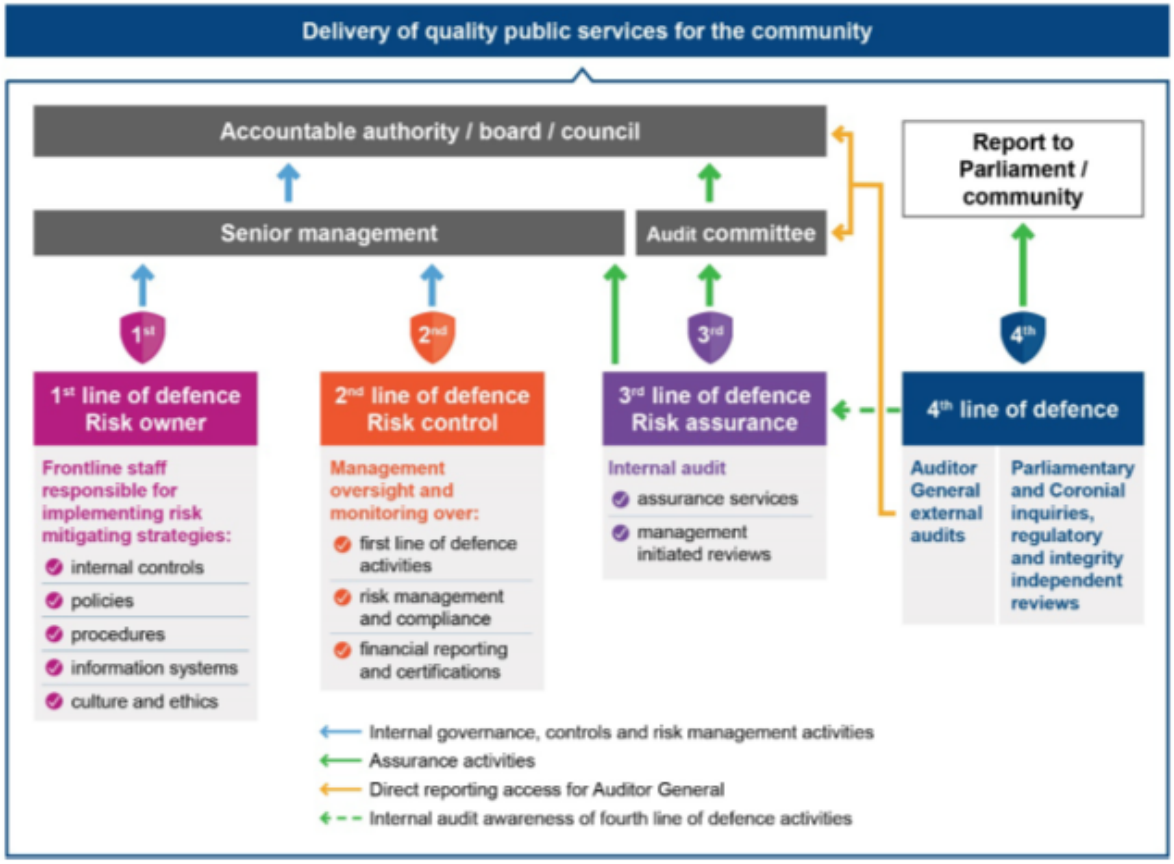
## 1.3 Lines of defence model

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

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

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

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




Source: OAG

**Figure 2: WA public sector four lines of defence model**

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

## 1.4 Acknowledgements

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

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

# Part 2: Key challenges to building effective audit committees

## 2.1 Establishing and maintaining effective relationships between the three governance parties

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




Source: OAG

**Figure 3: Relationships between the three governance parties**

### Roles and responsibilities of governance parties

*Accountable Authority* is responsible for establishing an effective audit committee and internal audit function[1] which is suitable for the entity. The accountable authority relies on the audit committee to provide independent oversight over the governance of financial and non-financial activities.

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

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

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

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

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

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

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

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

## Key aspects for effective relationships between the governance parties

### *Supporting the independence of the CAE*

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

### *The audit committee needs to receive and request the right information*

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

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

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

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

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

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

Source: OAG

**Figure 4: Examples of effective relationships between the governance parties**

## 2.2 Getting the right balance of skills and experience

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

### Independence is key

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

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

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

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

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

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

### Collective expertise that is relevant to the entity

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

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

### Leadership and interpersonal skills

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

### The committee needs at least three members

There is no specific number of members for a strong effective audit committee. However, audit committees should have at least 3 members[2]. In determining the appropriate number of members, the accountable authority should consider what skills and experience is required based on the nature of the entity and its operations. Too few members may mean the committee does not have the extent of experience and knowledge to make informed decisions, and too many members may hinder robust discussion and debate.

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

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

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

## 2.3 Enabling robust discussions at audit committee meetings

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

### Merely providing data/information versus delivering clear messages

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

### Having the courage to challenge

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

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

### "Show me, don't tell me"

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

### Having open discussions

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

## 2.4 Being aware of all assurance activities

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

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

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

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

### Using the fourth line of defence

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

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

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

### Understanding important financial reporting matters

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

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

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

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

*Reporting a significant control matter to the audit committee*

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

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

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

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

Source: OAG

**Figure 5: Advising the audit committee of significant control matters**

### Sharing information between the lines of defence

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

Management, in both the first and second lines of defence, frequently organise reviews and audits to assess maturity of their environment and identify business improvement opportunities. It is important that these activities are captured and shared with the CAE to help inform assurance mapping and allow for consolidated reporting of assurance activities to the audit committee. Visibility by the audit committee on management-initiated reviews helps to understand areas of risk management concern for management, systemic issues requiring improvement, and allows monitoring to ensure that internal auditors are not being used excessively by management and thus impairing their independence.

## 2.5 Seeking assurance on organisational culture

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

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




Source: OAG

**Figure 6: Factors that contribute to a healthy organisational culture**

## Internal audit is in a good position to assess culture

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

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

Do you know your culture indicators? They include:

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

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

- give internal audit a clear mandate to audit entity culture and include the requirement in the internal audit charter
- set the right tone and demonstrate expected behaviours among others by practicing, measuring and assessing the culture of compliance with policies, procedures and controls
- understand the entity's culture risks including signs of negative leadership styles (autocratic, narcissistic, secretive, hypocritical, deflecting)
- observe culture indicators while performing internal audits
- have candid discussions on culture matters, e.g. being comfortable to talk about 'gut feel' and subjective judgements
- use a mapping tool to understand and assess the entity's culture and identify improvement opportunities. An example of such a tool is The Cultural Web[4].

## Reporting culture to audit committees

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

[3] *Organisational Culture: Evolving Approaches to Embedding and Assurance*, the Chartered Institute of Internal Auditors UK.
[4] *The Cultural Web* is a tool used to map the culture of organisation, developed by Gerry Johnson and Kevan Scholes.

culture involves looking at soft indicators based on subjective judgements. To assist with this, internal audit can use metrics to support culture reporting. These are included in Figure 7[5].

*Objective metrics*

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

*Subjective metrics*

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

Source: Institute of Internal Auditors Australia

**Figure 7: Metrics for auditing culture**

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

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

# Part 3: Principles for better practice audit committees

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

**1. Membership: Members have the right experience and leadership skills to be trusted independent advisors.**

**1.1 Members are independent:**
- The audit committee has an independent external Chair.
- Members are independent from the day-to-day management of the entity. This may not always be possible, but we recommend that the majority of members are independent of management.
- The Director General, CFO or CEO are not members of the audit committee. However, they may attend meetings as observers or advisors.

**1.2 The Committee has the right number of members:**
- The committee consists of at least 3 members.
- For entities with boards/councils, the audit committee acts as a sub-committee and is not the entire board/council. We recommend a maximum of 5 members.

**1.3 Members have the right skills and experience:**
- All audit committee members and the CAE are formally appointed by the accountable authority.
- As a collective group, members have the right skills, experience and knowledge to competently perform their duties. At a minimum, the committee should comprise of members with financial, risk management and relevant industry or public sector experience.
- The independent Chair should have the right interpersonal and leadership skills to effectively run the committee. An understanding of financial and other reporting requirements is also important. For State entities, the Chair should have membership in a professional accounting body or the IIA, or appropriate financial experience.

**1.4 Membership terms are appropriate:**
- Members are appointed for a minimum term of at least 3 years. To ensure that the committee has fresh insight and perspective, we would not recommend exceeding a term of around 6 years.
- The accountable authority can terminate committee members for poor performance.
- Appointments are staggered where possible to ensure continuity and clear succession for the audit committee Chair.

**1.5 Members receive a formal induction:**
- The entity has a formal induction process for members that includes an information briefing, site visits (where relevant) and discussions with the CAE and accountable authority, including around the applicable legislative framework, probity, transparency and accountability obligations and expectations.
- The Chair meets with new members to provide an overview of the committee and outline member expectations.

**1.6 The committee has access to external auditors:**
- The committee requests an external auditor to attend meetings as an observer.

**1.7 The Committee can seek advice when needed:**
- The audit committee charter allows the committee to obtain expert advice when needed.
- The committee uses existing expertise within the entity to provide briefings on emerging risks, issues or matters which can help improve the member's understanding of the entity.

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

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

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

**2.2 Audit committee roles and responsibilities allow for comprehensive oversight:**

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

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

- The audit committee and accountable authority formally approve the audit committee charter.
- The audit committee review and update the audit committee charter annually.
- The CAE monitors changes in practice (e.g. changes in the Institute of Internal Auditors' Professional Practice Framework (IPPF)) or other legislative or regulatory changes and suggest amendments to the committee as appropriate.

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

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

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

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

**2.6 The committee does not make management decisions:**

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

**3. Professional practices: The audit committee conducts itself professionally to provide independent, sound and valuable advice to the accountable authority.**

**3.1 Conflicts of interest are considered and managed:**

- Potential new members are required to declare any actual or perceived conflicts of interest.
- Processes for declaring and managing conflicts of interest are included in the audit committee charter and the service agreement (where relevant) for audit committee members.
- Members declare any conflicts of interest at the start of each meeting.

**3.2 Meetings are regularly scheduled and include private sessions with important stakeholders:**

- The audit committee meets at least four times a year, with capacity to meet at other times when necessary to perform a function (such as reviewing the financial statements and key performance indicators).
- The CAE regularly meets with the audit committee privately to discuss issues, management attitudes and risks.
- During the financial audit exit meeting with the OAG, the audit committee has a closed-door session with the auditors without management present. This provides a frank and open opportunity for the auditors to discuss how the audit went, whether they received the information they needed and whether there are any concerns with management behaviour that the committee should be aware of.
- The audit committee schedules private meetings with the accountable authority from time to time.

**3.3 Key activities are scheduled in a forward work plan:**

- Key activities of the audit committee are planned and scheduled in a forward work plan.
- CAEs monitor the forward work plan to determine what information and support the audit committee might need.

**3.4 Members attend all meetings where possible:**

- Meetings are scheduled in advance to facilitate 100% attendance of audit committee members.

**3.5 Members share responsibility and act independently:**

- Audit committee members function as a collective advisory group and share responsibilities equally.
- All members maintain their independent stance at all times, even if they are not independent of management.

**4. Performance and accountability: The audit committee is aligned with the entity's strategic outcomes and is accountable for its performance.**

**4.1 The audit committee has mechanisms to assess its performance:**

- The charter outlines expectations of the audit committee and includes processes to monitor and measure performance. These can include an annual self-assessment and regular independent reviews of the audit committee.

**4.2 Meeting minutes are prepared and distributed to members quickly:**

- Meeting minutes are distributed to members within the agreed timeline in the audit committee charter. A 2-week timeframe is commonly used in practice.

**4.3 Attendance is monitored:**

- The CAE or secretariat monitors attendance by audit committee members and implements alternative measures (e.g. virtual meetings) where necessary.
- The charter clearly outlines the minimum number of members for a quorum. The CAE or secretariat actively monitor whether there will be a quorum and reschedule the meeting if necessary.

**4.4 Action items are followed-up and addressed promptly:**

- Any action items arising from audit committee meetings are recorded and promptly distributed to the responsible officer for actioning.
- The implementation of action items is monitored and evidenced.
- The audit committee papers include a standing agenda item on the status of action items. There should be enough information in the papers to allow the audit committee to understand the nature of actions taken to date and the real reasons for any delays.

**4.5 The committee has unrestricted access to the governing body and senior management:**

- The audit committee charter allows the audit committee to access the Board, Council, CEO and senior management where necessary to discuss important matters.

**4.6 Annual self-assessment by members:**

- The audit committee performs an annual self-assessment to ensure it is operating effectively.
- The committee seeks feedback from observers from time-to-time to inform this assessment.

**4.7 Periodic, independent assessment of committee performance:**

- There is an independent assessment of the audit committee periodically (e.g. every 3 to 5 years) in conjunction with the independent assessment of the internal audit function.

**4.8 The committee models the values and desired culture of the entity:**

- The audit committee demonstrates the right tone and culture for the entity. For example, holding management to account for delays in implementing actions is one way to set a good tone within the entity.
- Committee members adhere to the entity's code of conduct. For example, members keep information confidential and conduct themselves in a professional and respectful manner.

**4.9 Activities are aligned to the strategic mission of the entity:**

- The committee understands the entity's strategic plan and direction and reflects on this when discussing the internal audit plan or risks.

| 5. Entity relationships: The audit committee is a trusted, independent partner. | |
|---|---|
| **5.1 There are regular meetings to build and maintain effective relationships:**<br>• The audit committee Chair regularly meets with the accountable authority.<br>• The accountable authority sees the audit committee as a strategic partner and communicates with the Chair openly.<br>• The accountable authority shares important information about issues or risks openly with the audit committee, and meets with the committee at least annually.<br>**5.2 The committee obtains information from executive management:**<br>• The audit committee receives regular briefings from executive management on key matters related to their operations. For example, information on significant projects, long outstanding audit recommendations or emerging risks.<br>• Senior management use the collective experience and wisdom of the audit committee to guide their actions on important matters. | **5.3 The committee uses expert advice where necessary:**<br>• The audit committee accesses external expert advice when needed to support their deliberations. For example, the audit committee may wish to obtain independent legal advice to help them understand a significant issue raised in an internal audit report.<br>**5.4 Entity staff are aware of the audit committee and internal audit:**<br>• Information on the audit committee's role, functions and responsibilities, as well as the services offered by internal audit, is available on the entity's intranet.<br>• The induction process for senior executives includes a meeting with the CAE and the Chair of the audit committee. |

**6. Governance and reporting: The audit committee is governed effectively to enable transparent, objective and timely reporting.**

**6.1 There are dedicated secretariat resources:**

- The committee has sufficient secretariat support to plan and document meetings.
- The CAE oversees the secretariat in preparing agendas, meeting papers and reviewing minutes and discusses these with the Chair for approval.

**6.2 The committee maintains independence safeguards:**

- The audit committee always acts to protect the independence of the internal audit function and the CAE.

**6.3 Conflict of interest procedures are adhered to:**

- Members declare all actual, perceived and potential conflicts of interest at the start of each meeting.
- Other conflict of interest processes, such as annual declarations, are adhered to and monitored by the audit committee and CAE.

**6.4 Audit recommendations are recorded and monitored:**

- A log of outstanding audit recommendations is prepared for each audit committee meeting. This log should include the recommendations from all internal, financial and performance audits conducted within the entity.
- Agreed actions to address the recommendations are clearly articulated and reported accurately to the audit committee in the log.
- Internal audit has a framework to review and close-out audit recommendations that suits the entity's needs. This framework should be approved by the audit committee.
- Audit committee members monitor the implementation of recommendations and challenge management to ensure that actions are actually implemented.

**6.5 The accountable authority is adequately briefed:**

- The audit committee, with the assistance of the CAE, provides a briefing to the accountable authority after each meeting on key issues or risks.

**6.6 The Audit committee regularly reports on its performance:**

- The entity's annual report includes information about the audit committee and outcomes delivered during the period.

# Part 4: Guidance for audit committee fees

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

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

## Guidance for determining fees

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

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

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

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

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

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

# Part 5: Guidance for smaller entities

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

## Financial risk expertise is essential

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

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

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

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

## Smaller size does not mean smaller risk

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

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

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

## Sharing resources may help bridge gaps

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

## Roles and responsibilities must be clearly communicated during induction

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

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

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

## Getting the most from the fourth line of defence

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

## External auditors can provide valuable perspective

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

## Seeking independent assurance when one person performs many roles

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

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

## Audit recommendations need prompt action

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

## Audit committees need good support

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

# Part 6: Toolkit

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

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

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

## List of tools

1 Example audit committee charter

2 Audit committee member induction checklist

3 Meeting preparation checklist

4 Meeting agenda template

5 Characteristics of effective meetings

6 Annual work plan template

7 Audit recommendations progress report template

8 Review of the OAG audit reports template

# Tool 1 Example audit committee charter

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

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

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ENTITY NAME

## AUDIT [AND RISK ASSURANCE[6]] COMMITTEE CHARTER

### Role

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

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

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

Members of the audit committee are expected to:

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

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

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

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

## Authority

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

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

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

## Membership

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

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

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

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

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

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

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

## Responsibilities

The audit committee will be responsible for the following:

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

### *Risk management, fraud and internal control*

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

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

- ensuring risk registers consider risks that may impact whether the entity will achieve its strategic objectives
- reviewing management's response to IT risks, including cyber risks
- monitoring management responses and ensuring timely correction actions are taken by management
- understanding the process of managing insurable risks and assessing whether the department/statutory authority/council has adequate insurance cover for these risks
- assessing the effectiveness of, and compliance with, the entity's code of conduct
- assessing whether management has controls in place for non-routine types of transactions and/or any potential transactions that might carry an unacceptable degree of risk
- enquiring with management and the OAG regarding their assessment of the risk of material misstatement in the financial report due to fraud
- enquiring with management, internal auditors and the OAG about whether they are aware of any actual, suspected or alleged fraud or corruption affecting the department/statutory authority/council including the entity's response to the matters
- reviewing the department/statutory authority/council's processes and systems to detect, capture and respond to fraud risks, including preventative measures
- reviewing the business continuity planning process and be assured that material risks are identified and appropriate business continuity plans, including disaster recovery plans, are in place.

- reviewing summary reports from management on all suspected, alleged and actual frauds, thefts and breaches of laws and ensuring these are reported to the accountable authority and/or relevant authorities
- reviewing summary reports from management on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions
- liaising with other subcommittees on matters relating to risk management, fraud and internal control
- [for entities who use a shared service arrangement] reviewing comfort letters and other assurance reports regarding the effectiveness of controls managed by shared service providers on behalf of the entity.

### *Internal audit*

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

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

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

### *Compliance and ethics*

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

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

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

*Financial and performance reporting*

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

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

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

*External audit*

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

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

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

### *Other responsibilities*

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

## Administrative responsibilities

### *Meetings*

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

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

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

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

### *Secretariat*

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

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

### *Independence and conflicts of interest*

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

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

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

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

### *Audit committee performance assessment arrangements*

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

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

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

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

### *Reporting*

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

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

### *Review of charter*

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

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

| | |
|---|---|
| Endorsed: | Approved: |
| Audit committee Chair | Accountable Authority |
| [Signature] | [Signature] |
| [Date] | [Date] |

# Tool 2 Audit committee member induction checklist

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

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

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

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

# Tool 3 Meeting preparation checklist

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

## [Entity's name] Audit committee meeting

**Meeting preparation checklist**
**Meeting Date:** [insert date]

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

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

# Tool 4 Meeting agenda template

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

Source: OAG

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[Entity's Letterhead]

**[Entity's name] Audit Committee Meeting**

**[Date and time]**

**[Venue]**

**Attendees**

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

| Agenda | Owner (Insert name) | Action (Noting, Discussion, Approval) |
|---|---|---|
| 1. Welcome and apologies | | |
| 2. Confirmation of minutes | | |
| 3. Declaration of conflicts of interest by audit committee members and observers | | |
| 4. Issues brought forward from previous meeting | | |
| 5. Action items from previous meeting | | |
| 6. Reports to be tabled (refer to annual work plan)<br>• Risk management<br>• Internal control<br>• Internal audit<br>• Compliance<br>• Financial reporting<br>• Performance reporting<br>• External audit | | |

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

# Tool 5 Characteristics of effective meetings

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

Source: OAG

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

## Pre-meeting

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

## Meeting

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

# Tool 6 Annual work plan template

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

Source: OAG using information from the Australian National Audit Office

## [Entity Name] Audit Committee Annual Work Plan 202X- 202X[7],

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

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

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

| Functions, responsibilities and associated activities | Mar | Jun | Aug | Sept | Dec |
|---|---|---|---|---|---|
| Review the *Internal Audit Charter* to ensure appropriate authority, access and reporting arrangements are in place. | X | | | | |
| Review the performance of internal audit. | | | | X | |
| Advise the accountable authority on the adequacy of internal audit resources and budget to carry out responsibilities, including completion of the audit work plan. | X | | | | |
| Meet privately with the Chief Audit Executive. | X | | | | |
| Provide advice to the accountable authority on the appointment of internal audit service providers (if applicable). | | X | | | |
| **6. Financial reporting** | | | | | |
| Receive advice on changes in accounting standards, legislation, and regulations. | X | X | | X | X |
| Review progress in preparing the financial statements against the preparation plan/timetable. | X | X | | | |
| Review briefing from management on significant emerging issues, judgements and estimates impacting the financial statements. Review accounting policy papers on key matters prior to management's provision to OAG. | | X | | | X |
| Review financial management reports, where required. | X | | X | | X |
| Review of financial statements including: | | | X | | |
| • consistency with members' understanding and knowledge of the entity | | | X | | |
| • review compliance with accounting standards, *Financial Management Act 2006*, Treasurer's Instructions, *Local Government Act 1995* and relevant regulations | | | X | | |
| • review the appropriateness of accounting policies including any significant changes in policies | | | X | | |
| • review areas subject to significant judgement and/or estimates | | | X | | |
| • review significant or non-routine transactions | | | X | | |
| • review the CFO certification in relation to the quality of the financial statements, internal controls and compliance (State government entities) | | | X | | |

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

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

# Tool 7 Audit recommendations progress report template

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

Source: OAG

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(Name of Entity)

## Objective

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

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

# Tool 8 Review of OAG audit reports template

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

Source: OAG

## Objective

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

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

# Auditor General's reports

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

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

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Office of the Auditor General for
Western Australia

City of Wanneroo

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| Title: | Audit, Risk and Improvement Committee |
|---|---|

## Purpose and Role

i. The purpose of the Audit, Risk and Improvement Committee ("Committee") is to support the Council in fulfilling its governance and independent oversight responsibilities in relation to:

a. Systems of internal controls and risk management,
b. Processes for monitoring compliance with laws and regulations,
c. Financial and performance reporting, and
d. Internal and external audit functions and ethical accountability.

ii. The Committee operates in accordance with the provisions of the *Local Government Act 1995 (the Act)*, *Local Government (Audit) Regulations 1996* and *Local Government (Administration) Regulations 1996* but is not responsible for the management of the above functions.

## 1. Aims & Functions

1.1 Reports from the Committee will assist Council in discharging its legislative responsibilities and provide oversight of the City's affairs, determining the City's policies and overseeing the allocation of the City's finances and resources. The Committee will ensure openness in the City's financial reporting and will liaise with the Chief Executive Officer ("CEO") to ensure the effective and efficient management of the City's financial accounting systems and compliance with legislation.

1.2 The Committee facilitates:

i. The enhancement of the credibility and objectivity of internal and external financial reporting;
ii. Effective management of enterprise risks and the protection of Council assets;
iii. Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
iv. Regular review of reports on the internal audit function and the Strategic Internal Audit Plan;
v. The provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council;
vi. Addressing issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of these Terms of Reference; and
vii. Seeking information or obtaining expert advice through the CEO on matters of concern within the scope of these Terms of Reference following authorisation from Council.

**1.3 Outsourced Internal Audit Service Provider (Internal Auditor)**

To recommend to Council the person or persons to be appointed as the City's Internal Auditor.

**1.4 Internal Audit**

i. Provide guidance and assistance to Council in carrying out functions of the City in relation to internal audits.
ii. Discuss with Internal Audit Function (In-house Internal Audit Team and Outsourced Internal Audit Service Provider) and management other topics that should be included in the internal audit charter.
iii. Review and recommend the Internal Audit Charter to Council for endorsement.
iv. Ensure the Internal Audit Function has unrestricted access to, and communicates and interacts directly with the Committee, including regular and direct communication without senior management present as the need arises.
v. Assess the internal audit plan to ensure that it comprehensively covers risks that may threaten the achievement of strategic objectives.
vi. Review and recommend the City's risk-based internal audit plan to Council for endorsement.

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vii. Review the scope of the audit plan and program and its effectiveness.
viii. Review the appropriateness of special internal audit assignments undertaken by internal auditor at the request of Council or CEO unless the circulation of these assignments is prohibited by law from further circulation.
ix. Review the level of resources allocated to internal audit and the scope of its authority.
x. Review internal audit reports, monitor and oversee management's implementation progress of the internal audit review recommendations through the City's Internal Audit Log reported to the Committee on a biannual basis.
xi. Review the annual Internal Audit review of Compliance Audit Return and report to Council the results of that review.
xii. Review and consider the CEO's triennial reviews as stipulated in:
    a. Regulation 17 of the *Local Government (Audit) Regulations 1996* on the appropriateness and effectiveness of the City's systems and procedures regarding risk management, internal control and legislative compliance; and report to Council for endorsement; and
    b. Regulation 5 of the *Local Government (Financial Management) Regulation 1996* on the appropriateness and effectiveness of the City's systems and procedures in regard to financial management and report the results to Council for endorsement.
xiii. Review of all internal audit reports and the adequacy of Management's responses to internal audit recommendations.
xiv. Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), and with Council's own standards.
xv. Make appropriate enquiries of management and Internal Audit Function to determine whether scope or resource limitations are appropriate.
xvi. Receive communications from in-house internal audit team about Internal Audit Function's:
    a. performance relative to its plan, and
    b. quality assurance and improvement program including results of external assessments conducted at least once every five years.
xvii. Monitor and review the quality of internal audit services delivered and compliance with the Institute of Internal Auditor's (IIA) Global Internal Audit Standards (Standards) as outlined in the Internal Audit Charter.

### 1.5 External Audit

i. The Auditor General of Western Australia (Auditor General) is mandated to be the external auditor and the Committee should therefore develop and recommend to Council the agreement between the Council and the Auditor General. The agreement is to include:
    a. the objectives of the audit;
    b. the scope of the audit;
    c. a plan of the audit;
    d. details of the remuneration and expenses to be paid to the auditor; and
    e. the method to be used by the local government to communicate with, and supply information to, the auditor.
ii. Accept responsibility for the annual external audit.
iii. Meet with the external auditor at least once in each year, without management being present and recommend to Council on the matters discussed and outcome of those discussions.
iv. Liaise with the CEO to ensure that the City does everything in its power to:
    a. assist the auditor to conduct the audit and carry out his or her other duties under the Act; ensure that audits are conducted successfully and expeditiously; and
    b. examine the reports of the auditor after receiving a report from the CEO on the matters and determine if any matters raised require action to be taken by the City.
v. 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 six months after the last report prepared by the auditor is received, whichever is the latest in time.
vi. Review the City's draft annual financial report, focusing on:
    a. Accounting policies and practices;
    b. Changes to accounting policies and practices;
    c. The process used in making significant accounting estimates;
    d. Significant adjustments to the financial report (if any) arising from the audit process;
    e. Compliance with accounting standards and other reporting requirements; and
    f. Significant variances from prior years.

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vii. Consider and recommend adoption of the annual financial report to Council, and to review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed.
viii. Discuss the external audit plan including proposed audit strategies and how they might relate to identified risk areas.
ix. Extend a standing invitation to the external auditor to attend Committee meetings as required to discuss the external audit plan, draft and final financial statements and the management letter.

**1.6 Fraud, Misconduct and Corruption as per the Integrity Framework**

i. Oversight of risk management, including fraud, misconduct and corruption control.
ii. Review the City's Risk Management Framework for identifying, monitoring and managing business risk, including risks associated with fraud, misconduct and corruption.
iii. Review the Strategic Internal Audit Plan annually to ensure it covers fraud, misconduct and corruption risks.
iv. Review summary reports from management on all actual frauds, thefts and breaches of laws and ensuring these are reported to the accountable authority and/or relevant authorities.

**1.7 Risk Management**

The Committee oversees the City's system of risk management and internal controls. It's responsibilities include, but not limited to:

i. Reviewing and overseeing progress and updates on all Strategic Risks biannually and significant risk exposures and controls issues, including fraud risks, governance issues and other necessary matters.
ii. Overseeing the management of Risks rated extreme and high on a quarterly basis.
iii. Reviewing whether the City has an effective Risk Management Framework and is in line with Council's risk appetite and processes.
iv. Monitoring changes in government strategies, the economic and business environment and other trends and factors related to the City's risk profile.
v. Considering the impact of organisational culture on risk management and internal controls.
vi. Liaising with other committees on matters relating to risk management, fraud and internal control.
vii. Considering the adequacy and effectiveness of internal controls and the risk management framework, but not limited to:
    a. Reviewing management's response to risks, including IT risks.
    b. Reviewing management reports on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions.

**1.8 Corporate Reporting**

i. To oversee progress on the delivery of the Council Plan quarterly.
ii. To consider and oversee the Contract Status Report biannually.
iii. To consider and provide oversight of the Purchasing Policy (Section 5.7.2) Chief Executive Officer Exemption approvals biannually.

## 2. Membership:

2.1 Members shall conduct their duties and make recommendations in a manner that upholds the principles of impartiality and independence all times.

2.2 Council determines by absolute majority the membership of the Committee considering the nature, size, scale, diversity and complexity of the City's activities and systems. The Committee as a whole will have a broad range of skills and experience relevant to the operations of the Council:

i. at least one member with financial qualifications and experience with an understanding of accounting and auditing standards in the public sector/local government environment,
ii. skills and experience relevant to discharging responsibilities, including experience in business, financial and legal compliance, risk management, and
iii. local government background and experience as applicable.

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2.3 The membership of the Committee must comprise the following roles, with a minimum of three Members:

i. Two external independent members,
ii. Other Committee Members (Members) meaning the majority to be Elected Members with one position to be occupied by the Mayor.)
iii. The CEO and the City's employees are not Members.

2.4 The Members should keep themselves informed and demonstrate they have the skills and experience to effectively discharge their responsibilities as detailed in these Terms of Reference. Members are expected to:

i. understand the legal and regulatory obligations of the Council,
ii. understand the City's governance arrangements that support achievement of the strategies and objectives,
iii. exercise due care, diligence and skill when performing their duties,
iv. adhere to the City's Council Member, Committee Member and Candidate Code of Conduct and demonstrate behaviours which reflect the City's desired culture,
v. be aware of contemporary and relevant issues impacting the public sector/local government, and
vi. only use information provided to the committee to carry out their responsibilities, unless expressly agreed by the Council.

2.5 Tenure of membership of the Committee will be in accordance with section 5.11 of the Act.

**2.6 External Independent Members**

i. The two External Independent Members (Independent Member/s) must have senior business, financial management or requisite knowledge and skills to benefit the Committee. All recommendations to appoint an independent member must be made by the Committee to Council.

ii. Current serving Elected Members of other local governments will not be considered as members of the Committee.

**2.7 Appointments:**

i. The appointments follow a structured and transparent process to ensure impartiality and alignment with legislative requirements. Expressions of interest for appointment of any Independent Member shall be publicly advertised by Council. Appointment of any Independent Member will be for a maximum period of two years. An external independent member is not to be a City staff or Council Member.

ii. Where new Members are appointed to the Committee after an election or appointment, the City will conduct an induction at the first meeting following the appointment, to help support the skills and experience of the Committee Members.

**2.8 Termination and Resignation:**

i. Council must give written notice to any Member that Council proposes to remove them from the Committee at any time before their term expires, and must provide them the opportunity to make a deputation at the relevant Agenda Briefing or Council Meeting as applicable.
ii. A member can resign from the Committee by providing written notice to the Presiding Member at any time before their term expires.

**2.9 Fees:**

i. An External Independent Member appointed in accordance with the Terms of Reference is to be paid a per meeting fee up to the maximum fee determined from time to time by the Salaries and Allowances Tribunal and approved by Council.

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## 3. Presiding and Deputy Presiding:

3.1 The Presiding Member and Deputy Presiding Member who must be Members of the Committee, are to be elected by Council in accordance with the Act.

3.2 The Presiding Member will preside at all meetings.

3.3 In the absence of the Presiding Member, the Deputy Presiding Member will preside over the meeting, and in their absence, a person is to be elected by the Committee to preside over the meeting.

3.4 The Presiding Member is responsible for the proper conduct of the Committee.

## 4. Meeting Procedure:

### 4.1 Procedure

i. The Committee shall meet on a regular basis at least quarterly and as required.
ii. All meeting dates are advised to Council and Committee Members via the City's Corporate calendar invitation.
iii. An agenda will be circulated to the Members in accordance with the Act prior to each meeting.
iv. Minutes of all meetings will be kept in accordance with the Act.
v. Copies of all agendas and minutes will be kept on the City's electronic record keeping system, and hard copies are filed in the Elected Members reading room.
vi. All agenda and minute documentation to be generated through the City's applicable software reporting system.
vii. The Presiding Member and CEO may invite members of management, internal and external auditors or others to attend meetings as observers and/or to provide pertinent information and/or answer queries of the Committee.
viii. Committee recommendations have no effect unless they have been made by simple majority. A simple majority is not less than half of the votes of Members present at the meeting.
ix. All Members have one vote. The Presiding Member will have the casting vote and simple majority will prevail.
x. An officer from the Office of the Auditor General (**OAG**) will be invited to attend up to three committee meetings in a calendar year as an observer. This was requested and declared carried by the Committee at its meeting on 19 September 2023.

### 4.2 Quorum:

i. As prescribed in section 5.19 of the Act, the quorum for a meeting shall be at least 50% of the number of offices of the Committee, whether vacant or not.
ii. The CEO or his/her nominee is to attend all Committee meetings to provide advice and guidance to the Committee.

### 4.3 Independence and Conflict of Interest

i. The Committee must remain independent from management but will be administratively supported by the City.
ii. At the start of each Committee meeting, members are required to declare any known conflicts of interest that may apply to specific matters on the meeting agenda. Committee Members should have regard to the Council Member, Committee Member and Candidate Code of Conduct when considering what disclosures may be required.
iii. It is the Committee Members responsibility to excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s) depending on the nature of the interest declared.

City of Wanneroo

TERMS OF REFERENCE

iv. Details of any interests declared by Members, and actions taken to manage the conflicts, should be appropriately recorded in the meeting minutes and the Register of Conflicts of Interest.

## 5. Authority of Establishment

5.1 The Committee is established under ss. 5.8 and 7.1A of the *Local Government Act 1995*.

5.2 The Committee is a formally established committee of the Council and is responsible to the Council.

5.3 The Committee reports to Council and provides appropriate advice and recommendations in accordance with these Terms of Reference to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

## 6. Delegated Authority:

6.1 The Committee does not have:

i. Any delegated authority;

ii. Executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility; and

iii. Any management functions and cannot involve itself in management processes or procedures

| Administration Use Only | | | |
|---|---|---|---|
| **Date of Council Establishment of Group:** | GS06-11/05: July 2008 | | |
| **Council Minute – Ref:** | CE21-12/25 | | |
| **Terms of Reference - HPE Ref:** | 19/265363(v4) | | |
| **HPE Container – Ref:** | 7312* | | |
| **Operational Procedures - HPE Ref:** | N/A | | |
| **Last Review Date:** | November 2025 | **Next Review Date:** | November 2027 |

City of Wanneroo

TERMS OF REFERENCE

| Title: | Audit, Risk and Improvement Committee |
|---|---|

## Purpose and Role

i. The purpose of the Audit, Risk and Improvement Committee ("Committee") is to support the Council in fulfilling its governance and independent oversight responsibilities in relation to:

a. Systems of internal controls and risk management,
b. Processes for monitoring compliance with laws and regulations,
c. Financial and performance reporting, and
d. Internal and external audit functions and ethical accountability.

ii. The Committee operates in accordance with the provisions of the *Local Government Act 1995 (the **Act**)*, *Local Government (Audit) Regulations 1996* and *Local Government (Administration) Regulations 1996* but is not responsible for the management of the above functions.

## 1. Aims & Functions

**1.1** Reports from the Committee will assist Council in discharging its legislative responsibilities and provide oversight of the City's affairs, determining the City's policies and overseeing the allocation of the City's finances and resources. The Committee will ensure openness in the City's financial reporting and will liaise with the Chief Executive Officer ("**CEO**") to ensure the effective and efficient —management of the City's financial accounting systems and compliance with legislation.

**1.2** The Committee facilitates:

i. The enhancement of the credibility and objectivity of internal and external financial reporting;
ii. Effective management of enterprise risks and the protection of Council assets;
iii. Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
iv. Regular review of reports on the internal audit function and the Strategic Internal Audit Plan;
v. The provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council;
vi. Addressing issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of these Terms of Reference; and
vii. Seeking information or obtaining expert advice through the CEO on matters of concern within the scope of these Terms of Reference following authorisation from Council.

**1.3 Outsourced Internal Audit Service Provider (Internal Auditor)**

To recommend to Council the person or persons to be appointed as the City's Internal Auditor.

**1.4 Internal Audit**

i. Provide guidance and assistance to Council in carrying out functions of the City in relation to internal audits.
ii. Discuss with Internal Audit Function (In-house Internal Audit Team and Outsourced Internal Audit Service Provider) and management other topics that should be included in the internal audit charter.
iii. Review and recommend the Internal Audit Charter to Council for endorsement.
iv. Ensure the Internal Audit Function has unrestricted access to, and communicates and interacts directly with the Committee, including regular and direct communication without senior management present as the need arises.
v. Assess the internal audit plan to ensure that it comprehensively covers risks that may threaten the achievement of strategic objectives.
vi. Review and recommend the City's risk-based internal audit plan to Council for endorsement.

City of Wanneroo

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vii. Review the scope of the audit plan and program and its effectiveness.
viii. Review the appropriateness of special internal audit assignments undertaken by internal auditor at the request of Council or CEO unless the circulation of these assignments is prohibited by law from further circulation.
ix. Review the level of resources allocated to internal audit and the scope of its authority.
x. Review internal audit reports, monitor and oversee management's implementation progress of the internal audit review recommendations through the City's Internal Audit Log reported to the Committee on a biannual basis.
xi. Review the annual Internal Audit review of Compliance Audit Return and report to Council the results of that review.
xii. Review and consider the CEO's triennial reviews as stipulated in ;
a. xii. Regulation 17 of the *Local Government (Audit) Regulations 1996* on the appropriateness and effectiveness of the City's systems and procedures regarding financial management, legislative compliance and risk management, internal control and legislative compliance; and report to Council for endorsement ; and
b. Regulation 5 of the *Local Government (Financial Management) Regulation 1996* on the appropriateness and effectiveness of the City's systems and procedures in regard to financial management and report the results to Council for endorsement.
xiii. Review of all internal audit reports and the adequacy of Management's responses to internal audit recommendations.
xiv. Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), and with Council's own standards.
xv. Make appropriate enquiries of management and Internal Audit Function to determine whether scope or resource limitations are appropriate.
xvi. Receive communications from in-house internal audit team about Internal Audit Function's:
a. performance relative to its plan, and
b. quality assurance and improvement program including results of external assessments conducted at least once every five years.
xvii. Monitor and review the quality of internal audit services delivered and compliance with the Institute of Internal Auditor's (**IIA**) Global Internal Audit Standards (**Standards**) as outlined in the Internal Audit Charter.

**1.5 External Audit**

i. The Auditor General of Western Australia (Auditor General) is mandated to be the external auditor and the Committee should therefore develop and recommend to Council the agreement between the Council and the Auditor General. The agreement is to include:
a. the objectives of the audit;
b. the scope of the audit;
c. a plan of the audit;
d. details of the remuneration and expenses to be paid to the auditor; and
e. the method to be used by the local government to communicate with, and supply information to, the auditor.
ii. Accept responsibility for the annual external audit.
iii. Meet with the external auditor at least once in each year, without management being present and recommend to Council on the matters discussed and outcome of those discussions.
iv. Liaise with the CEO to ensure that the City does everything in its power to:
a. assist the auditor to conduct the audit and carry out his or her other duties under the Act; ensure that audits are conducted successfully and expeditiously; and
b. examine the reports of the auditor after receiving a report from the CEO on the matters and determine if any matters raised require action to be taken by the City.
v. 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 six months after the last report prepared by the auditor is received, whichever is the latest in time.
vi. Review the City's draft annual financial report, focusing on:
a. Accounting policies and practices;
b. Changes to accounting policies and practices;
c. The process used in making significant accounting estimates;
d. Significant adjustments to the financial report (if any) arising from the audit process;
e. Compliance with accounting standards and other reporting requirements; and
f. Significant variances from prior years.

19/265363*

**Commented [TM1]: Local Government (Audit) Regulations 1996**
Regulation 17:
"17. CEO to review certain systems and procedur
1) The CEO must review the appropriateness a effectiveness of the local government's system procedures in relation to the following matters–
a. financial management;
b. legislative compliance; and
c. risk management.

**Commented [TM2R1]:** In addition to the requirem for the CEO to prepare a report as outlined in Regulation 17, additional responsibility for the ARI detailed in Regulation 16.

City of Wanneroo

TERMS OF REFERENCE

vii. Consider and recommend adoption of the annual financial report to Council, and to review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed.
viii. Discuss the external audit plan including proposed audit strategies and how they might relate to identified risk areas.
ix. Extend a standing invitation to the external auditor to attend Committee meetings as required to discuss the external audit plan, draft and final financial statements and the management letter.

~~1.6 Fraud, Misconduct and Corruption as per the Integrity Framework~~

~~i. Oversight of risk management, including fraud, misconduct and corruption control.~~
~~ii.i. Review the City's Risk Management Framework for identifying, monitoring and managing business risk, including risks associated with fraud, misconduct and corruption.~~
~~iii.i. Review the Strategic Internal Audit Plan annually to ensure it covers fraud, misconduct and corruption risks.~~
~~iv.i. Review summary reports from management on all actual frauds, thefts and breaches of laws and ensuring these are reported to the accountable authority and/or relevant authorities.~~

**1.~~6~~7 Risk Management, Fraud, and Internal Control**

The Committee oversees the City's system of risk management and internal controls. It's responsibilities include, but not limited to:

i. Reviewing and overseeing progress and updates on all Strategic Risks biannually and significant risk exposures and controls issues, including fraud risks, governance issues and other necessary matters.
ii. Overseeing the management of Strategic and Corporate Risks rated extreme and high on a quarterly basis.
iii. Reviewing whether the City has an effective Risk Management Framework and is in line with Council's risk appetite and processes.
iv. Considering the adequacy and effectiveness of internal controls and the risk management framework, but not limited to:
    a. Reviewing management's response to risks, including IT risks.
    b. Reviewing management reports on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions.
~~iv.~~v. Monitoring changes in government strategies, the economic and business environment and other trends and factors related to the City's risk profile.
~~v.~~vi. Considering the impact of organisational culture on risk management and internal controls.
vii. Liaising with other committees on matters relating to risk management, fraud and internal control. Oversight of risk management, including fraud, misconduct and corruption control.
viii. Review the City's Risk Management Framework for identifying, monitoring and managing business risk, including risks associated with fraud, misconduct and corruption.
ix. Review the Strategic Internal Audit Plan annually to ensure it covers fraud, misconduct and corruption risks.
x. Review summary reports from management on all actual frauds, thefts and breaches of laws and ensuring these are reported to the accountable authority and/or relevant authorities.
~~vi. Considering the adequacy and effectiveness of internal controls and the risk management framework, but not limited to:~~
    ~~a. Reviewing management's response to risks, including IT risks.~~
    ~~b. Reviewing management reports on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions.~~

**1.~~7~~8 Corporate Reporting**

~~i. To oversee progress on the delivery of the Council Plan quarterly.~~
~~ii.~~i. To consider and oversee the Contract Status Report and Unexecuted Lease Report biannually.
~~iii.~~ii. To consider and provide oversight of the Purchasing Policy (Section 5.7.2) Chief Executive Officer Exemption approvals biannually.

19/265363*

**Commented [TM3]:** Combined with risk manager as it is a component of the City's enterprise risk pr and also to avoid duplication

**Commented [TM4]:** Moved from vii below

**Commented [TM5]:** A new process has been developed with the report going to the CEO Performance Review Committee approximately 6 after the end of the quarter and to Council within 8 weeks of the end of the quarter. The report will be presented by the CEO and will include an update CEO KPIs.

**Commented [TM6]:** At the Audit & Risk Committe meeting of 28 March 2023, Administration was requested to provide details of approved leases th not yet executed to the Audit & Risk Committee at future meetings.

City of Wanneroo

TERMS OF REFERENCE

## 2. Membership:

**2.1** Members shall conduct their duties and make recommendations in a manner that upholds the principles of impartiality and independence all times.

**2.2** Council determines by absolute majority the membership of the Committee considering the nature, size, scale, diversity and complexity of the City's activities and systems. The Committee as a whole will have a broad range of skills and experience relevant to the operations of the Council:

i. at least one member with financial qualifications and experience with an understanding of accounting and auditing standards in the public sector/local government environment,
ii. skills and experience relevant to discharging responsibilities, including experience in business, financial and legal compliance, risk management, and
iii. local government background and experience as applicable.

**2.3** The ~~membership of the~~ Committee must comprise ~~a minimum~~the following roles, ~~with a minimum~~ of ~~—~~ three ~~—~~Members appointed by Council by absolute majority.~~:~~

The membership of the Committee is to include:

~~Independent Members, including~~
i. ~~Two~~ Independent Members, including ethe Presiding Member (compulsory)~~,~~ and Deputy Presiding Member (optional);~~xternal independent members,~~
ii. The Mayor;
~~ii.~~iii. ~~Other Committee~~Council Members ~~(**Members**) meaning the majority to be Elected Members with one position to be occupied by the Mayor.~~as determined by Council.~~)~~
~~The CEO and the City's employees are not Members.~~
~~iii.~~

**2.4** The Presiding Member, Deputy Presiding Member (if appointed) and the Deputy of the Presiding Member must be independent persons and cannot be Council Members of this or any other local government.

**2.5** The Deputy of the Presiding Member (compulsory), Chief Executive Officer and the City's employees are not Members of the Committee.

**2.6** The Members should keep themselves informed and demonstrate they have the skills and experience to effectively discharge their responsibilities as detailed in these Terms of Reference. Members are expected to:

i. understand the legal and regulatory obligations of the Council,
ii. understand the City's governance arrangements that support achievement of the strategies and objectives,
iii. exercise due care, diligence and skill when performing their duties,
iv. adhere to the City's Council Member, Committee Member and Candidate Code of Conduct and demonstrate behaviours which reflect the City's desired culture,
v. be aware of contemporary and relevant issues impacting the public sector/local government, and
vi. only use information provided to the committee to carry out their responsibilities, unless expressly agreed by the Council.

**2.~~5~~7 Tenure**

i. Tenure of membership of the Committee will be in accordance with section 5.11 of the Act.

**2.~~6~~8 External Independent Members**

i. The ~~two~~ External Independent Members (Independent Member/s) must have senior business, financial management, risk management, governance or requisite knowledge and skills to benefit the Committee. All recommendations to appoint an independent member must be

City of Wanneroo

TERMS OF REFERENCE

made by the Committee to Council.

i.

ii. Current serving Elected Members of other local governments will not be considered as members of the Committee.

**2.97 Appointments:**

i. The appointments follow a structured and transparent process to ensure impartiality and alignment with legislative requirements. Expressions of interest for appointment of any Independent Member shall be publicly advertised by Council. Appointment of any Independent Member will be for a maximum period of two years. An external independent member is not to be a City employeestaff or Council Member.
ii. Where new Members are appointed to the Committee after an election or appointment, the City will conduct an induction at the first meeting following the appointment, to help support the skills and experience of the Committee Members.

**2.108 Termination and Resignation:**

i. Council must give written notice to any Member that Council proposes to remove them from the Committee at any time before their term expires, andexpires and must provide them the opportunity to make a deputation at the relevant Agenda Briefing or Council Meeting as applicable.
ii. A member can resign from the Committee by providing written notice to the Presiding Member at any time before their term expires.

**2.911 Fees:**

i. An External Independent Member appointed in accordance with the Terms of Reference is to be paid a per meeting fee up to the maximum fee determined from time to time by the Salaries and Allowances Tribunal and approved by Council. The Deputy of the Presiding Member will be entitled to meeting attendance fees and reimbursements if both the Presiding Member and Deputy Presiding Member are absent.

## 3. Presiding, Deputy of the Presiding and Deputy Presiding (optional) Members:

**3.1** The Presiding Member, Deputy of the Presiding Member and Deputy Presiding Member who must be Members of the Committee, are to be elected by Council resolution in accordance with the Act and section 2.7 Appointments (i) above.

**3.2** The Presiding Member will preside at all meetings.

**3.3** In the absence of the Presiding Member, the Deputy Presiding Member will preside over the meeting. In the absence of both the Presiding Member and Deputy Presiding Member, the Deputy of the Presiding Member will preside over the meeting. and In all their absence, a person is to be elected by the Committee to preside over the meeting.

**3.4** The Presiding Member is responsible for the proper conduct of the Committee.

## 4. Meeting Procedure:

**4.1 Procedure**

i. The Committee shall meet on a regular basis at least quarterly and as required.
ii. The Committee meetings are now open to the public, except where confidential matters as defined in section 5.23 of the Act require closure.

City of Wanneroo

TERMS OF REFERENCE

ii.iii. All meeting dates are advised to Council and Committee Members via the City's Corporate calendar invitation.
iii.iv. An agenda will be circulated to the Members in accordance with the Act prior to each meeting.
iv.v. Minutes of all meetings will be kept in accordance with the Act.
v.vi. Copies of all agendas and minutes will be kept on the City's electronic record keeping system, and ~~hard copies are filed in the Elected Members reading room~~will be available on the City's website.
vi.vii. All agenda and minute documentation to be generated through the City's applicable software reporting system.
vii.viii. The Presiding Member and CEO may invite members of management, internal and external auditors or others to attend meetings as observers and/or to provide pertinent information and/or answer queries of the Committee.
viii.ix. Committee recommendations have no effect unless they have been made by simple majority. A simple majority is not less than half of the votes of Members present at the meeting.
ix.x. All Members have one vote. The Presiding Member will have the casting vote and simple majority will prevail.
x.xi. An officer from the Office of the Auditor General (**OAG**) will be invited to attend up to three committee meetings in a calendar year as an observer. This was requested and declared carried by the Committee at its meeting on 19 September 2023.

**4.2 Quorum:**

i. As prescribed in section 5.19 of the Act, the quorum for a meeting shall be at least 50% of the number of offices of the Committee, whether vacant or not.
ii. The CEO or his/her nominee is to attend all Committee meetings to provide advice and guidance to the Committee.

**4.3 Independence and Conflict of Interest**

i. The Committee must remain independent from management but will be administratively supported by the City.
ii. At the start of each Committee meeting, members are required to declare any known conflicts of interest that may apply to specific matters on the meeting agenda. Committee Members should have regard to the Council Member, Committee Member and Candidate Code of Conduct when considering what disclosures may be required.
iii. It is the Committee Members responsibility to excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s) depending on the nature of the interest declared.
iv. Details of any interests declared by Members, and actions taken to manage the conflicts, should be appropriately recorded in the meeting minutes and the Register of Conflicts of Interest.

## 5. Authority of Establishment

**5.1** The Committee is established under ss. 5.8 and 7.1A of the *Local Government Act 1995*.

**5.2** The Committee is a formally established committee of the Council and is responsible to the Council.

**5.3** The Committee reports to Council and provides appropriate advice and recommendations in accordance with these Terms of Reference to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

## 6. Delegated Authority:

City of Wanneroo

# TERMS OF REFERENCE

**6.1** The Committee does not have:

~~i.Any delegated authority approved by Council;~~
i. Any delegated authority approved by Council;
ii. Executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility; and
~~iii.~~ Any management functions and cannot involve itself in management processes or procedures
~~iii.~~

| Administration Use Only | | | |
|---|---|---|---|
| **Date of Council Establishment of Group:** | | GS06-11/05: July 2008 | |
| **Council Minute – Ref:** | | ~~CE21-12/25~~ | |
| **Terms of Reference - HPE Ref:** | | 19/265363(v54) | |
| **HPE Container – Ref:** | | 7312* | |
| **Operational Procedures - HPE Ref:** | | N/A | |
| **Last Review Date:** | ~~November 2025~~May/June 2026 | **Next Review Date:** | ~~November 2027~~May/June 2028 |

City of Wanneroo

TERMS OF REFERENCE

| Title: | Audit, Risk and Improvement Committee |
|---|---|

## Purpose and Role

i. The purpose of the Audit, Risk and Improvement Committee ("Committee") is to support the Council in fulfilling its governance and independent oversight responsibilities in relation to:

   a. Systems of internal controls and risk management,
   b. Processes for monitoring compliance with laws and regulations,
   c. Financial and performance reporting, and
   d. Internal and external audit functions and ethical accountability.

ii. The Committee operates in accordance with the provisions of the *Local Government Act 1995 (the **Act**)*, *Local Government (Audit) Regulations 1996* and *Local Government (Administration) Regulations 1996* but is not responsible for the management of the above functions.

## 1. Aims & Functions

**1.1** Reports from the Committee will assist Council in discharging its legislative responsibilities and provide oversight of the City's affairs, determining the City's policies and overseeing the allocation of the City's finances and resources. The Committee will ensure openness in the City's financial reporting and will liaise with the Chief Executive Officer (**CEO**) to ensure the effective and efficient management of the City's financial accounting systems and compliance with legislation.

**1.2** The Committee facilitates:

i. The enhancement of the credibility and objectivity of internal and external financial reporting;
ii. Effective management of enterprise risks and the protection of Council assets;
iii. Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
iv. Regular review of reports on the internal audit function and the Strategic Internal Audit Plan;
v. The provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council;
vi. Addressing issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of these Terms of Reference; and
vii. Seeking information or obtaining expert advice through the CEO on matters of concern within the scope of these Terms of Reference following authorisation from Council.

**1.3 Outsourced Internal Audit Service Provider (Internal Auditor)**

To recommend to Council the person or persons to be appointed as the City's Internal Auditor.

**1.4 Internal Audit**

i. Provide guidance and assistance to Council in carrying out functions of the City in relation to internal audits.
ii. Discuss with Internal Audit Function (In-house Internal Audit Team and Outsourced Internal Audit Service Provider) and management other topics that should be included in the internal audit charter.
iii. Review and recommend the Internal Audit Charter to Council for endorsement.
iv. Ensure the Internal Audit Function has unrestricted access to, and communicates and interacts directly with the Committee, including regular and direct communication without senior management present as the need arises.
v. Assess the internal audit plan to ensure that it comprehensively covers risks that may threaten the achievement of strategic objectives.
vi. Review and recommend the City's risk-based internal audit plan to Council for endorsement.
vii. Review the scope of the audit plan and program and its effectiveness.

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viii. Review the appropriateness of special internal audit assignments undertaken by internal auditor at the request of Council or CEO unless the circulation of these assignments is prohibited by law from further circulation.
ix. Review the level of resources allocated to internal audit and the scope of its authority.
x. Review internal audit reports, monitor and oversee management's implementation progress of the internal audit review recommendations through the City's Internal Audit Log reported to the Committee on a biannual basis.
xi. Review the annual Internal Audit review of Compliance Audit Return and report to Council the results of that review.
xii. Review and consider the CEO's triennial review as stipulated in Regulation 17 of the *Local Government (Audit) Regulations 1996* on the appropriateness and effectiveness of the City's systems and procedures regarding financial management, legislative compliance and risk management; and report to Council for endorsement.
xiii. Review of all internal audit reports and the adequacy of Management's responses to internal audit recommendations.
xiv. Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), and with Council's own standards.
xv. Make appropriate enquiries of management and Internal Audit Function to determine whether scope or resource limitations are appropriate.
xvi. Receive communications from in-house internal audit team about Internal Audit Function's:
    a. performance relative to its plan, and
    b. quality assurance and improvement program including results of external assessments conducted at least once every five years.
xvii. Monitor and review the quality of internal audit services delivered and compliance with the Institute of Internal Auditor's (**IIA)** Global Internal Audit Standards (**Standards**) as outlined in the Internal Audit Charter.

### 1.5 External Audit

i. The Auditor General of Western Australia (Auditor General) is mandated to be the external auditor and the Committee should therefore develop and recommend to Council the agreement between the Council and the Auditor General. The agreement is to include:
    a. the objectives of the audit;
    b. the scope of the audit;
    c. a plan of the audit;
    d. details of the remuneration and expenses to be paid to the auditor; and
    e. the method to be used by the local government to communicate with, and supply information to, the auditor.
ii. Accept responsibility for the annual external audit.
iii. Meet with the external auditor at least once in each year, without management being present and recommend to Council on the matters discussed and outcome of those discussions.
iv. Liaise with the CEO to ensure that the City does everything in its power to:
    a. assist the auditor to conduct the audit and carry out his or her other duties under the Act; ensure that audits are conducted successfully and expeditiously; and
    b. examine the reports of the auditor after receiving a report from the CEO on the matters and determine if any matters raised require action to be taken by the City.
v. 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 six months after the last report prepared by the auditor is received, whichever is the latest in time.
vi. Review the City's draft annual financial report, focusing on:
    a. Accounting policies and practices;
    b. Changes to accounting policies and practices;
    c. The process used in making significant accounting estimates;
    d. Significant adjustments to the financial report (if any) arising from the audit process;
    e. Compliance with accounting standards and other reporting requirements; and
    f. Significant variances from prior years.
vii. Consider and recommend adoption of the annual financial report to Council, and to review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed.
viii. Discuss the external audit plan including proposed audit strategies and how they might relate to identified risk areas.

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ix. Extend a standing invitation to the external auditor to attend Committee meetings as required to discuss the external audit plan, draft and final financial statements and the management letter.

**1.6 Risk Management, Fraud, and Internal Control**

The Committee oversees the City's system of risk management and internal controls. It's responsibilities include, but not limited to:

i. Reviewing and overseeing progress and updates on all Strategic Risks biannually and significant risk exposures and controls issues, including fraud risks, governance issues and other necessary matters.
ii. Overseeing the management of Strategic and Corporate Risks rated extreme and high on a quarterly basis.
iii. Reviewing whether the City has an effective Risk Management Framework and is in line with Council's risk appetite and processes.
iv. Considering the adequacy and effectiveness of internal controls and the risk management framework, but not limited to:
    a. Reviewing management's response to risks, including IT risks.
    b. Reviewing management reports on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions.
v. Monitoring changes in government strategies, the economic and business environment and other trends and factors related to the City's risk profile.
vi. Considering the impact of organisational culture on risk management and internal controls.
vii. Liaising with other committees on matters relating to risk management, fraud and internal control. Oversight of risk management, including fraud, misconduct and corruption control.
viii. Review the City's Risk Management Framework for identifying, monitoring and managing business risk, including risks associated with fraud, misconduct and corruption.
ix. Review the Strategic Internal Audit Plan annually to ensure it covers fraud, misconduct and corruption risks.
x. Review summary reports from management on all actual frauds, thefts and breaches of laws and ensuring these are reported to the accountable authority and/or relevant authorities.

**1.7 Corporate Reporting**

i. To consider and oversee the Contract Status Report and Unexecuted Lease Report biannually.
ii. To consider and provide oversight of the Purchasing Policy (Section 5.7.2) Chief Executive Officer Exemption approvals biannually.

## 2. Membership

**2.1** Members shall conduct their duties and make recommendations in a manner that upholds the principles of impartiality and independence all times.

**2.2** Council determines by absolute majority the membership of the Committee considering the nature, size, scale, diversity and complexity of the City's activities and systems. The Committee as a whole will have a broad range of skills and experience relevant to the operations of the Council:

i. at least one member with financial qualifications and experience with an understanding of accounting and auditing standards in the public sector/local government environment,
ii. skills and experience relevant to discharging responsibilities, including experience in business, financial and legal compliance, risk management, and
iii. local government background and experience as applicable.

**2.3** The Committee must comprise a minimum of three Members appointed by Council by absolute majority.

The membership of the Committee is to include:

City of Wanneroo

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i. Independent Members, including the Presiding Member (compulsory) and Deputy Presiding Member (optional);
ii. The Mayor;
iii. Council Members as determined by Council.

**2.4** The Presiding Member, Deputy Presiding Member (if appointed) and the Deputy of the Presiding Member must be independent persons and cannot be Council Members of this or any other local government.

**2.5** The Deputy of the Presiding Member (compulsory), Chief Executive Officer and the City's employees are not Members of the Committee.

**2.6** The Members should keep themselves informed and demonstrate they have the skills and experience to effectively discharge their responsibilities as detailed in these Terms of Reference. Members are expected to:
i. understand the legal and regulatory obligations of the Council,
ii. understand the City's governance arrangements that support achievement of the strategies and objectives,
iii. exercise due care, diligence and skill when performing their duties,
iv. adhere to the City's Council Member, Committee Member and Candidate Code of Conduct and demonstrate behaviours which reflect the City's desired culture,
v. be aware of contemporary and relevant issues impacting the public sector/local government, and
vi. only use information provided to the committee to carry out their responsibilities, unless expressly agreed by the Council.

**2.7 Tenure**

i. Tenure of membership of the Committee will be in accordance with section 5.11 of the Act.

**2.8 External Independent Members**

i. The External Independent Members (Independent Member/s) must have senior business, financial management, risk management, governance or requisite knowledge and skills to benefit the Committee. All recommendations to appoint an independent member must be made by the Committee to Council.

**2.9 Appointments**

i. The appointments follow a structured and transparent process to ensure impartiality and alignment with legislative requirements. Expressions of interest for appointment of any Independent Member shall be publicly advertised by Council. Appointment of any Independent Member will be for a maximum period of two years. An external independent member is not to be a City employee or Council Member.
ii. Where new Members are appointed to the Committee after an election or appointment, the City will conduct an induction at the first meeting following the appointment, to help support the skills and experience of the Committee Members.

**2.10 Termination and Resignation**

i. Council must give written notice to any Member that Council proposes to remove them from the Committee at any time before their term expires and must provide them the opportunity to make a deputation at the relevant Agenda Briefing or Council Meeting as applicable.
ii. A member can resign from the Committee by providing written notice to the Presiding Member at any time before their term expires.

**2.11 Fees**

i. An Independent Member appointed in accordance with the Terms of Reference is to be paid a per meeting fee up to the maximum fee determined from time to time by the Salaries and Allowances Tribunal and approved by Council The Deputy of the Presiding Member will be entitled to meeting attendance fees and reimbursements if both the Presiding Member and

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Deputy Presiding Member are absent.

## 3. Presiding, Deputy of the Presiding and Deputy Presiding (optional) Members:

**3.1** The Presiding Member, Deputy of the Presiding Member and Deputy Presiding Member are to be elected by Council resolution in accordance with the Act and section 2.7 Appointments (i) above.

**3.2** The Presiding Member will preside at all meetings.

**3.3** In the absence of the Presiding Member, the Deputy Presiding Member will preside over the meeting. In the absence of both the Presiding Member and Deputy Presiding Member, the Deputy of the Presiding Member will preside over the meeting. In all their absence, a person is to be elected by the Committee to preside over the meeting.

**3.4** The Presiding Member is responsible for the proper conduct of the Committee.

## 4. Meeting Procedure:

### 4.1 Procedure

i. The Committee shall meet on a regular basis at least quarterly and as required.
ii. The Committee meetings are now open to the public, except where confidential matters as defined in section 5.23 of the Act require closure.
iii. All meeting dates are advised to Council and Committee Members via the City's Corporate calendar invitation.
iv. An agenda will be circulated to the Members in accordance with the Act prior to each meeting.
v. Minutes of all meetings will be kept in accordance with the Act.
vi. Copies of all agendas and minutes will be kept on the City's electronic record keeping system, and will be available on the City's website.
vii. All agenda and minute documentation to be generated through the City's applicable software reporting system.
viii. The Presiding Member and CEO may invite members of management, internal and external auditors or others to attend meetings as observers and/or to provide pertinent information and/or answer queries of the Committee.
ix. Committee recommendations have no effect unless they have been made by simple majority. A simple majority is not less than half of the votes of Members present at the meeting.
x. All Members have one vote. The Presiding Member will have the casting vote and simple majority will prevail.
xi. An officer from the Office of the Auditor General (**OAG**) will be invited to attend up to three committee meetings in a calendar year as an observer. This was requested and declared carried by the Committee at its meeting on 19 September 2023.

### 4.2 Quorum

i. As prescribed in section 5.19 of the Act, the quorum for a meeting shall be at least 50% of the number of offices of the Committee, whether vacant or not.
ii. The CEO or his/her nominee is to attend all Committee meetings to provide advice and guidance to the Committee.

### 4.3 Independence and Conflict of Interest

i. The Committee must remain independent from management but will be administratively supported by the City.
ii. At the start of each Committee meeting, members are required to declare any known conflicts of interest that may apply to specific matters on the meeting agenda. Committee Members should have regard to the Council Member, Committee Member and Candidate Code of Conduct when considering what disclosures may be required.

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iii. It is the Committee Members responsibility to excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s) depending on the nature of the interest declared.
iv. Details of any interests declared by Members, and actions taken to manage the conflicts, should be appropriately recorded in the meeting minutes and the Register of Conflicts of Interest.

## 5. Authority of Establishment

**5.1** The Committee is established under ss. 5.8 and 7.1A of the *Local Government Act 1995.*

**5.2** The Committee is a formally established committee of the Council and is responsible to the Council.

**5.3** The Committee reports to Council and provides appropriate advice and recommendations in accordance with these Terms of Reference to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

## 6. Delegated Authority:

**6.1** The Committee does not have:
i. Any delegated authority approved by Council;
ii. Executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility; and
iii. Any management functions and cannot involve itself in management processes or procedures

| Administration Use Only | | | |
|---|---|---|---|
| **Date of Council Establishment of Group:** | | GS06-11/05: July 2008 | |
| **Council Minute – Ref:** | | | |
| **Terms of Reference - HPE Ref:** | | 19/265363(v5) | |
| **HPE Container – Ref:** | | 7312* | |
| **Operational Procedures - HPE Ref:** | | N/A | |
| **Last Review Date:** | May/June 2026 | **Next Review Date:** | May/June 2028 |

## 4.6 OAG Local Government Management of Gifts and Benefits - City Review

File Ref: 35017V004 – 26/121637
Responsible Officer: Chief Executive Officer
Attachments: 2

### Issue

To consider the City of Wanneroo's (the **City**) review report in comparison to the Better Practice Guide outlined in the Office of the Auditor General's (**OAG**) Local Government Management of Gifts and Benefits Performance Audit Report, provided by the City's In-house Internal Audit Team (**Internal Audit Team**).

### Background

The OAG completed their performance audit on the management of gifts and benefits and reported in March 2026 for the following six local government entities:

i. City of Bayswater.
ii. City of Fremantle.
iii. City of Kwinana.
iv. City of Mandurah.
v. City of Perth.
vi. Town of Cambridge.

OAG also assessed if the Department of Local Government, Industry Regulation and Safety (**LGIRS**) is actively monitoring entity compliance with gifts and benefits regulations and is providing effective guidance to the sector.

Although the City was not selected as part of this audit, the Auditor General highlighted that it is important for all entities to review the findings, recommendations and better practices in its report to ensure the City has strong controls which promote a culture of transparency, impartiality and effective management of conflicts of interest.

### Detail

The Internal Audit Team conducted a review exercise with management to review their policies, procedures and controls against the OAG's better practice guide to see how the City compares in terms of what OAG expects to see and identify improvement opportunities.

Respective Service Unit Managers provided detailed policies, processes and controls for the issue, use, cancellation and oversight of gifts and benefits the City currently has in place.

### Consultation

In conducting this review, we reviewed requested information, policies, procedures, verified management comments and conducted meetings with Corporate Governance Team to discuss responses and processes.

### Comment

Details of management responses to each key elements are outlined in the OAG Management of Gifts and Benefits – City Review as set out in Attachment 1 and the OAG Report - Local Government Management of Gifts and Benefits as set out in **Attachment 2**.

**Summary of Improvement Opportunities:**

During this review, management identified seven improvements in the current processes. Internal Audit recommends that management clearly document their oversight processes for managing gifts and benefits.

The improvements identified will be captured in accordance with the City's processes for monitoring and reporting.

## Statutory Compliance

Nil

## Strategic Implications

The proposal aligns with the following objective within the Council Plan 2025 – 2035:

*5 ~ A Well-Governed and Managed City*

*5.1 - Lead with clear decisions and strong advocacy*

## Risk Appetite Statement

In pursuit of strategic objective goal 5, we will accept a Medium level of risk as the City balances the capacity of the community to fund services through robust cost-benefit analysis and pursues evidence-based decision making to be effective stewards of the Council and City for future generations.

## Risk Management Considerations

| RISK TITLE | | RISK RATING |
|---|---|---|
| **Level 1 Strategic Risk** | 9.0 Ineffective Governance | Medium |
| **Level 2 Corporate Risk** | 9.5 Fraud & Mis Conduct | Medium |
| **ACCOUNTABILITY** | | **ACTION PLANNING OPTION** |
| General Counsel | | Manage |

## Policy Implications

Nil

## Financial Implications

Nil

## Voting Requirements

Simple Majority

## Recommendation

**That the Audit, Risk and Improvement Committee RECEIVES and ACCEPTS the Internal Review Report entitled "OAG Management of Gifts and Benefits – City Review" provided by the City's in-house Internal Audit Team as detailed in Attachment 1.**

*Attachments:*

| | | |
|---|---|---|
| *1.* | *Attachment 1: OAG Management of Gifts and Benefits - City Review* | *26/121606* |
| *2.* | *Attachment 2: OAG Report - Local Government Management of Gifts and Benefits* | *26/101684* |

City Review

# OAG Local Government Management of Gifts and Benefits: Report March 2026

The Office of the Auditor General (OAG) completed its performance audit on the management of gifts and benefits and reported in March 2026. Although the City of Wanneroo (the City) was not selected as part of this audit, the Auditor General highlighted that it is important for all entities to review the findings, recommendations and better practices in its report to ensure the City has strong controls which promote a culture of transparency, impartiality and effective management of conflicts of interest.

**Assessment:**

The Internal Audit Team conducted a review exercise with management to review their policies, procedures and controls against the OAG's better practice guide to see how the City compares in terms of what OAG expects to see and identify improvement opportunities.

Respective Service Unit Managers provided detailed policies, processes and key controls for each key elements and expected outcomes.

Internal Audit provided verification of management comments and assist management identify process improvements.

**Improvement Opportunities:**

During this review, management identified seven (7) improvements in the current processes that will be captured and monitored as per the City's monitoring processes.

Table 1:

| Key elements | Outcome | What we expect to see | City of Wanneroo Comments |
|---|---|---|---|
| Policies and procedures | Comprehensive, approved and up-to-date policies and procedures to provide all local government staff with guidance on their obligations | i. clear and easy to understand policy and procedures that detail prohibited gifts | i. The City's 'Gifts and Benefits Policy' details what constitutes a prohibited gift and incorporates the Prohibited Gift provisions of the *Local Government (Administration) Regulations 1996*. The 'Gifts and Benefits Management Procedure' provides further information on prohibited gifts, actions required when relinquishing prohibited gifts, monitoring potential prohibited gifts, conflicts of interest relating to the acceptance of prohibited gifts, and guiding examples. People & Culture will be updating it again, due 30 June 2026, to detail the updated prohibited gift threshold. |
| | | ii. code of conduct signed at start of employment and annually thereafter | ii. The City's 'Employee Code of Conduct', updated in May 2025, has a section dedicated to Gifts and Benefits. The Code provides a space at the bottom of the document for signing by employees. During contract acceptance, People & Culture ensure that commencing employees read, understand and agree to the Code of Conduct. Staff are required to complete the Code of conduct online training module every 2 years. |
| | | iii. clear and specific definitions of gifts and benefits to aid in decision-making and limit ambiguity, providing examples relevant to entity operations | iii. The 'Gifts and Benefits Policy' provides clear and legislatively consistent definitions of 'Gift' and 'Benefit' under section '10. Key Definitions' and provides definitions for particular types of gifts throughout – i.e. 'symbolic gifts', 'door prizes', 'pre-approved and CEO approved events' and gifts defined as 'legislative exceptions'. The 'Gifts and Benefits Management Procedure' defines 'Gift' in section '5. Key Definitions'. It also contains a section dedicated to providing examples of situations and answers to these situations relevant to the City's operations. This can be found under section '4. Examples' |
| | | iv. set out overarching entity expectations reinforcing policy, procedures and code of conduct messages | iv. Upon commencement of employment at the City, new starters are required to complete online training on the City of Wanneroo Code of Conduct. This training details, establishes and instils expectations around Gifts and Benefits from employment commencement, pulling information from the 'Employee Code of Conduct', the 'Gifts and Benefits Policy' and the 'Gifts and Benefits Management Procedure.' The City's 'Integrity Framework' further enforces expectations around the Code of Conduct and compliance, and how these expectations are to be set. |
| | | | v. The 'Contracts and Procurement Statement of Business Ethics' ensures that gifts and benefits received in situations involving procurement and |

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| | | v. management of gifts and benefits considered in the context of ethical conduct, impartiality, honesty, transparency and accountability<br><br>vi. evidence of periodic review. | contracting are done so in a way that ensures transparency and impartiality. Further to this, the 'Contract Management Corporate Guideline' highlights to employees the importance of identification and appropriately managed conflicts of interest arising from gift and benefit receipts, and requires that gifts be declined, returned or declared. The 'Gifts and Benefits Policy' explains the management of gifts and benefits, requiring employees not to seek or accept gifts, unless they fall into a recognised category – in which case, they must be declared. The 'Gifts and Benefits Management Procedure' then ensures that relinquishment and declaration of the gifts and completion of the form is done so reasonably and appropriately – within 10 days of acceptance<br>vi. All policies and procedures have a revision section at the end of the document detailing when the document is next required to be reviewed. The Governance team record this and send reminders to Leaders when policy and procedure reviews are coming up, due and overdue. The 'Gifts and Benefits Policy' was last reviewed in January 2025 and is next due for review in January 2028. |
| Declaration of all gifts and benefits | Consistent expectations | vii. all gifts and benefits are declared regardless of value or acceptance<br><br>viii. standardised declaration forms, ensuring consistency of information recorded and decision-making process | vii. The Gifts & Benefits Policy at 5.2 states that Gifts must be declared pursuant to 3.3 – Disclosing Gifts in the Management Procedure. This advises that where Gifts are able to be accepted in accordance with the Policy, they must be declared within 10 working days of acceptance. Further to this, the City's 'Integrity Framework' explains at 5.3.8 that gifts and benefits must be declared regardless of whether they were declined or accepted. The City's Administration tracks all gift declarations on the 'Gift Declaration Spreadsheet from 11 February 2022.' The spreadsheet shows that gifts of a range of values are declared and input. This is required to ensure tracking of the value of gifts from a single donor over a year. It also shows that accepted and declined gifts have been declared. The extent to which declined gifts are actually declared is difficult to gauge.<br>viii. The City's 'Employee Declaration of Gifts Form', 'Council Member Disclosure of Gifts Form', 'Chief Executive Officer Disclosure of Gift Form', and 'Request for CEO Approved Event Form' provide consistent and detail-encouraged approaches to recording gifts. Specifically, the forms request information regarding any previous gifts received by the |

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| | | ix. consider whether the receipt of gifts and benefits results in a conflict of interest that needs to be identified and managed<br>x. gift registers should detail where there are nil returns to ensure they provide transparency and date of update of registers should be evident | same donor, to assist in tracking any potential patterns and conflicts of interest. They also require input of gift outcome, and if relinquished, to where.<br>ix. The City's 'Gift and Benefits Management Procedure' contains a provision: '3.5 Conflict of Interest Relating to Acceptance of Prohibited Gifts' which explains acceptance of gifts may create the perception of conflict of interest, and a declaration of interest must therefore be made as soon as the conflict is known. The 'Conflict of Interest Management Procedure' explains that a Pecuniary interest may arise when a gift is accepted and can create a real or apparent conflict<br>x. The City's 'Gift Declaration Register Form 4' is published on the City's website to ensure transparency and is maintained by Corporate Support. It provides the dates each gift was received, with the most recent being February 2026, implying regular and responsive updates. The register is not organised by time period, and therefore does not contain detail of 'nil returns.' The City's 'Public Register of Election Gifts' is also published on the City's website. This register does detail where there are nil returns for each election. |
| Making appropriate decisions | Clear decision-making framework | xi. to minimise risk, the entity's policy position should be communicated to stakeholders, suppliers and clients – this could include sharing the statement of business ethics<br>xii. guidance to aid staff with decision-making and when the acceptance of gifts may be considered appropriate<br>xiii. guidance be clear in setting out processes for avoiding and managing conflicts of interest to consider who benefits from the acceptance of the gift or benefit<br>xiv. decisions be based on risk assessment that consider potential, perceived and actual conflicts of interest<br>xv. provide clear guidance on declaring conflicts of interest, managing (with documented mitigation strategies) and reviewing these | xi. The City's 'Contracts and Procurement Purchasing Policy' requires that all suppliers, contractors and consultants comply with the City's 'Statement of Business Ethics', which discourages conferral of gifts or benefits to City employees, and describes how gifts and benefits may create the perception of a conflict of interest<br>xii. Staff are guided to follow the 'Gift and Benefits Policy' and 'Gift and Benefits Management Procedure' when any gifts are offered.<br>xiii. See response to v. above.<br>xiv. Sections 5.5 and 5.6 of the Conflict of Interest Management Procedure explain the risks associated with the acceptance of gifts.<br>xv. The City's 'Conflict of Interest Management Procedure' steps out the process for declaring a conflict of interest clearly. The 'Employee Disclosure of Interest Declaration Form' and Council Member 'Disclosure of Interest Form at Meetings' guide disclosers and allow |

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| | | xvi. guidance to support staff in declining gifts and benefits. | for appropriate Management Plans to be suggested by Corporate Governance. The forms also contain guidance in situations where gifts are involved. Once the form has been submitted, and correspondence with Corporate Governance has been engaged where necessary, a Management Plan is suggested and approved by the disclosers leader when appropriate. A formal management plan letter is prepared, and signed by the officer and leader and saved. Details of the conflict are kept in the 'Financial Interests Declaration Spreadsheet (includes all Disclosures of Interest and Financial returns)' and in the Conflict of Interest Management Plans Register on RelianSys software. This prompts regular reviews (often annual) of the conflict to ensure appropriate management and mitigation of the conflicts<br>xvi. The City's 'Contract Management Corporate Guideline' advises officers that gifts and benefits should be declined where possible and encourages officers who are uncertain to seek guidance from Legal & Governance. It further details that if a gift is sent without an officer's knowledge, it should be returned or declared. The 'Gifts and Benefits Management Procedure' acknowledges that there are situations in which officers are unable to decline a gift and outlines the correct process to be followed in such a situation.<br>**Improvement Opportunity:**<br>1. Consider reviewing the City's Gifts and Benefits Management Procedure and processes, to include steps to guide staff in declining gifts and benefits.<br>2. Consider Government of Western Australia, Decision-making tool: GIFT test and Public Sector Commission's 6Ps and 6Rs Tools for managing conflicts of interest when reviewing processes to guide staff in their decisions and declarations of gifts and benefits |
| Training and education | Training to increase awareness of impartiality, integrity | xvii. regular codes of conduct, fraud awareness and integrity training (yearly) | xvii. New starters complete the Code of Conduct and Fraud eLearning module through the City's Learning Management System. This is then refreshed every two years. The Learning Management System sends |

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| | and conduct expectations | xviii. regular reminders to council members, CEO and staff to make sure there is awareness and understanding of compliance obligations<br><br>xix. advanced integrity training for staff in areas identified as high risk of influence (e.g. procurement, recruitment, finance, binding decision makers). | out reminders to complete the training and leaders are required to ensure their employees complete it. This information was derived from correspondence with Training: 'Response from Training – Training and Education Regarding Gifts and Benefits'<br>xviii. See point xvii above, and point xix below. Management Procedures and Guidelines like the 'Procurement Corporate Guideline', 'Contracts and Procurement Statement of Business Ethics', 'Contract Management Corporate Guideline', 'Contracts and Procurement Purchasing Policy' are used often by staff to guide processes, and contain provisions that serve as reminders and raise awareness of compliance obligations with respect to gift management.<br>xix. When a new leader is employed at the City (or completes higher duties for the first time in a leader position), Corporate Governance organises a meeting with them, and sends them the 'Governance Information for New Leaders' document. This document details their responsibilities as a leader regarding gifts and benefits – highlighting the importance of disclosure by their employees and encouraging familiarity with the 'Gifts and Benefits Policy' and relevant legislative requirements. The document further explains that conflicts of interest can arise through the receipt of a gift, and encourages prompt identification and declaration by employees of such a conflict.<br>Part of this is covered in the Public Sector Commission's Integrity Promotion and Review team during their annual Spotting and Responding to Red Flags training.<br>**Improvement Opportunity:**<br>3. Consider reviewing and updating the Governance Information for New Leaders document to include a requirement for high-risk areas e.g. finance, procurement, recruitment etc to undertake integrity training for awareness of impartiality, integrity and conduct expectations.<br>4. Consider reviewing reminder process to Council Members to ensure there is awareness and understanding of compliance obligations. |

| | | | |
|---|---|---|---|
| Oversight | Regular monitoring and reporting to provide management with insights into use and the effectiveness of controls, and to address shortcomings in a timely manner<br>Identification of patterns, areas of increased risk<br>Evidence of reviews should be retained | xx. reports from monitoring and reviews made available to leadership and audit committee periodically<br>xxi. all accepted and declined gifts or benefits reported to a central member of management to allow for effective oversight<br>xxii. monitor for repeat offers and cumulative value as these may flag risk where there is an intention to influence decisions that require further scrutiny, as well as monitor acceptance of repeat token gifts that may otherwise go undetected. | xx. Regular monitoring and reviews are undertaken jointly by the Corporate governance team and the Corporate Support Team who maintain the gifts register. Corporate Governance do random spot checks of the gifts register to ensure the register is being accurately maintained. For gifts over $300 or cumulative, Form 4 is used to provide a summary of these and is posted on the City's website. Any issues identified are reported to the Coordinator Corporate Governance as the leader.<br>xxi. Coordinator Corporate Governance and Senior Corporate Governance Officer undertake regular oversight of the register of gifts.<br>xxii. The register of gifts is monitored to ensure the cumulative value of gifts received from the same person or organisation does not become a prohibited amount. If this ever happened, this would be reported to the Manager Corporate Governance and Council Services to follow-up and to ensure there has not been a breach of the Code of Conduct.<br>**Improvement Opportunity:**<br>5. Consider reviewing the monitoring and reporting process to ensure proper oversight.<br>6. Consider reviewing current process on regular spot checks and reviews to ensure evidence are retained.<br>7. Consider analysing information to identify any patterns and areas of increased risk as part of the regular spot check/review. |

Office of the Auditor General
Serving the Public Interest

Report 11: 2025-26 | 18 March 2026

PERFORMANCE AUDIT

# Local Government Management of Gifts and Benefits



**Office of the Auditor General for Western Australia**

**Audit team:**
Jason Beeley
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National Relay Service TTY: 133 677
(to assist people with hearing and voice impairment)

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

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

# Local Government Management of Gifts and Benefits

Report 11: 2025-26
18 March 2026

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THE PRESIDENT
LEGISLATIVE COUNCIL

THE SPEAKER
LEGISLATIVE ASSEMBLY

## LOCAL GOVERNMENT MANAGEMENT OF GIFTS AND BENEFITS

This report has been prepared for submission to Parliament under the provisions of sections 24 and 25 of the *Auditor General Act 2006*.

Performance audits are an integral part of my Office's overall program of audit and assurance for Parliament. They seek to provide Parliament and the people of WA with assessments of the effectiveness and efficiency of public sector programs and activities, and identify opportunities for improved performance.

This audit assessed if six local government entities are effectively managing gifts and benefits registers. It also assessed if the Department of Local Government, Industry Regulation and Safety is providing effective guidance to the sector.

I wish to acknowledge the entities' staff for their cooperation with this audit.



Caroline Spencer
Auditor General
18 March 2026

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# Auditor General's overview



Ratepayers and the public have a right to expect that when local government entities make decisions, they are made based on merit and are free from undue influence. This requires entities to have effective policies and practices over gifts and benefits to ensure that there is transparency and that any resulting conflict of interest is appropriately managed. This is a particularly challenging area for council members, whose responsibilities to represent, advocate and build relationships within the community often expose them to offers of gifts and benefits. This audit identified that the range and number of gifts indicates that staff at all levels, not just council members and CEOs, are exposed to the risk of inappropriate influence.

Having complete and accurate gift registers allows scrutiny of who is offering gifts, who is accepting them and whether potentially inappropriate relationships are being cultivated. Our review of the publicly available registers identified that between 2019 and 2024, entities reported over 2,500 gifts valued at approximately $664,000. Event tickets and food and beverages were the most common gifts.

Given some high profile media reporting in recent years, we expected to identify systemic non-compliance with policies and procedures and incomplete recording of gifts and benefits. This was not the case as almost all entities have a gift register and we found evidence of good practice and diligence in the reporting and disclosure of gifts and benefits. Our e-discovery procedures revealed over 900 emails offering gifts and, from that, our detailed review only identified nine gifts above the reporting threshold which were accepted but not recorded within a two-and-half-year period. While there were a further 54 instances where we could not conclusively determine whether a gift was accepted because the staff were no longer employed by the entity, these results highlight the concerted effort entities are taking to transparently disclose gifts and benefits.

Diligent disclosure is important, but so too is managing the conflicts of interest created by gifts and benefits. Significant improvement is needed here as we found many instances where conflicts of interest were not appropriately managed. Across the six entities we audited, 79 individuals had received a gift or benefit from a supplier and had then inappropriately participated in tender assessments, been involved in procurement decisions or overseen contracts with suppliers. This creates unacceptable conflicts of interest which undermine decision-making.

We found that 70% of the gifts at the six entities were accepted by staff and almost half of these were related to events and hospitality. Given this, there is a need for strong controls and clear guidance directed at staff. Entities need to make it clear to potential and current suppliers to not offer gifts, and to staff, that they should decline gifts from current and potential suppliers and proponents.

There is more that the Department of Local Government, Industry Regulation and Safety can do to support entities in meeting their obligations. The six entities we audited all indicated that guidance could be improved, with some seeking independent legal advice to properly understand and meet their obligations. Clear guidance targeted to staff as well as council and CEOs, will help avoid these unnecessary costs being passed onto ratepayers.

Gifts and benefits are a risky and complicated area not just in local government but for all public officials and entities. It is important for all entities to review the findings, recommendations and better practices in this report to ensure that they have strong controls which promote a culture of transparency, impartiality and effective management of conflicts of interest.

# Executive summary

## Introduction

Following a sector-wide review of publicly available gifts and benefits registers, this audit assessed if the following six local government entities are effectively managing gifts and benefits:

- City of Bayswater
- City of Fremantle
- City of Kwinana
- City of Mandurah
- City of Perth
- Town of Cambridge.

We also assessed if the Department of Local Government, Industry Regulation and Safety (LGIRS) is actively monitoring entity compliance with gifts and benefits regulations and is providing effective guidance to the sector.

## Rationale for undertaking the audit

Gifts and benefits can create real or perceived conflicts of interest, impacting integrity and public trust in local government decision-making. Strong governance, clear policies, and effective oversight are essential to manage these risks.

Recent media reports have raised concerns about gift acceptance practices in local governments, including high-value trips funded by external entities. Similar issues have been highlighted in other jurisdictions[1], with audit findings recommending improvements to risk management, policy frameworks and compliance monitoring.

This audit provides transparency over gifts and benefits practices in local government entities, with a detailed examination at six entities.

## Background

Managing gifts and benefits is essential for maintaining integrity, accountability and public trust. It helps to prevent conflicts of interest and ensure decisions are made based on merit and not influenced by personal interests.

A gift is something of value given to someone without receiving equal value in return.[2] This can include money, goods, property, travel and hospitality. Benefits are often intangible and include any preferential treatment, privileged access, favours or other advantages offered to an officer above their normal salary or engagement entitlements.[3] Unlike gifts, benefits often

[1] Tom McIlroy, 'Salesforce slammed for lavish gifts meals with NDIA', *Australian Financial Review*, 26 June 2024, accessed 6 August 2024.

[2] A gift is defined within the *Local Government Act 1995 (s5.57)* and includes a conferral of a financial benefit (including disposition of property) made by a person in favour of another person without adequate consideration in money or a travel contribution.

[3] Government of Western Australia, *Managing the Risks of Gifts Benefits and Hospitality*, WA.gov.au website, 15 January 2025, accessed 24 October 2025.

lack a clear monetary value, but they can still create risks, particularly if they appear to offer a private advantage connected to someone's public role.

Gifts and benefits create a connection between the person who gave it and the person receiving it. This might influence how decisions are made, or the perception of how decisions are made. This risk and perception apply to all gifts and benefits, not just those that are required by the *Local Government Act 1995* (LG Act)[4] to be declared.

Although offers of gifts are often provided with positive intentions to recognise working relationships, they can create perceived or actual conflicts of interest and need to be managed based on clear principles that focus on:

- ensuring gifts are declared to provide transparency and enable scrutiny of who is giving and receiving gifts, and why
- considering who benefits from a gift when individuals accept or decline an offer
- declining most offers, particularly those from suppliers or other entities with commercial relationships with the entity
- identifying and managing conflicts of interest to maintain and demonstrate the integrity of decision-making
- good record keeping and active oversight of compliance.

Managing gifts and benefits well relies on individuals being able to do the right thing and make informed decisions. They need support in doing this in the form of codes of conduct, policies and procedures, and training. Gifts can vary widely, from token to substantial. They may be one-off or repeated and may be offered to many people or targeted at individuals. Depending on the context, they may all present a risk and accepting any gift requires careful consideration.

The LG Act regulations require council members and chief executive officers (CEOs) to declare any gift received in their capacity as a council member or CEO valued at $300 or above (or the cumulative value of gifts from one donor if they exceed $300 in a 12-month period) within 10 days of receipt. Council members and CEOs must also manage associated conflicts of interest. The CEO must maintain an up-to-date version of the register and publish it on the entity's official website.

When a council member or CEO receives a gift and the council is discussing a matter related to the donor, the council member or CEO cannot take part in the discussion or decision unless the council or the Minister for Local Government gives them permission to do so. This requirement does not apply to excluded gifts[5].

Mayors, Shire presidents, council members and CEOs are required to represent and promote the interests of their community. This can involve being offered gifts and benefits, particularly invitations to attend events. To manage this, entities under the LG Act are required to have a specific policy covering council member and CEO attendance at events. This policy supports decisions on whether attendance at events should be declared as a gift or whether it is in accordance with the entity's events policy and therefore does not need to be declared.

[4] *Local Government Act 1995* ss 5.87A, 5.87B and 5.87C.

[5] Excluded gifts are prescribed under s.5.62(1B) of the *Local Government Act 1995* and includes gifts offered to staff to attend events in accordance with local government rules and policies, gifts offered by other government departments, other local governments or member bodies such as Western Australian Local Government Association and Local Government Professionals Australia.

Local government staff also receive gifts and benefits. However, the requirements for staff differ from the requirements for council members and CEOs. The LG Act regulations prohibit staff[6] from accepting gifts which exceed a $300 threshold in a 12-month period. For gifts below this amount, the regulations require entities to set their own threshold for recording, storing and disclosing gifts accepted by staff in their codes of conduct. This provides flexibility to entities to determine their own reporting requirements for staff.

Given that entities maintain a broad range of commercial or other beneficial relationships, situations may arise that increase the risk of conflicts of interest. It is therefore important that the gifts and benefits staff receive are declared and any associated conflict of interest is managed, although this is not specifically prescribed under the LG Act.

## Conclusion

Entities were generally effective in disclosing gifts and benefits, but they need to improve how they manage conflicts of interest from accepted gifts and more support and guidance is needed from the LGIRS. Addressing these weaknesses will help to ensure that decisions are free from undue influence and assist entities in managing their obligations in an efficient and transparent way.

Most entities demonstrated transparency in reporting gifts received by council members, CEOs and staff. All except two of the 147 entities had a published gift register and our e-discovery procedures for unrecorded gifts and benefits at six entities indicated that registers were mostly complete. This transparency is important in maintaining public trust and confidence and helps to ensure accountability in decision-making.

While gift registers were mostly accurate and complete, entities were not effectively managing conflicts of interests arising from accepted gifts. At the six audited entities, there were 79 individuals who accepted gifts from current or future suppliers and were involved with procurement, purchasing or contract management decisions. If conflicts of interest arising from accepted gifts are not managed, decisions may not be free from undue influence.

Current guidance from LGIRS focuses on council members and CEOs, but at the six entities, 70% of gifts were accepted by staff. In addition, current legal and regulatory requirements are out of step with the public sector more broadly, with the thresholds for reporting gifts being high and the timeframes for disclosing gifts being too tight. Clear and appropriate guidance will not only help entities manage their obligations efficiently, but it will also improve the transparency for ratepayers.

[6] For the purposes of regulations 19AB and 19AC of the Local Government (Administration) Regulations 1996, staff are all employees excluding the CEO.

# Findings

## Overall, entities are providing transparency around gifts and benefits

### Almost all entities had gift registers, but some were incomplete or had not been updated, limiting the monitoring of risks and compliance

Although most entities had published gift registers, 78 (53%) entities' registers did not have any information or had information that had not been recently updated (Table 1). Where no gifts or benefits have been accepted, it is important for entities to publish a nil declaration on the gifts and benefits register during the reporting period. Transparency enables the community's ability to scrutinise potential conflicts of interest or undue influence in decision-making.

| | Number of entities | Percentage |
|---|---|---|
| Did not have published register | 2 | 1% |
| No data in published register | 24 | 16% |
| No new data since 1 July 2022 | 35 | 24% |
| No new data since 1 July 2023 | 17 | 12% |
| Published register with current data | 69 | 47% |
| **Total entities** | **147** | **100%** |

Source: OAG based on public entity data July 2024

**Table 1: Review of published entity gift registers**

We found that 75% of the registers did not record whether a gift or benefit had been accepted or declined. LGIRS guidelines and Form 4 – Register of gifts (Appendix 1)[7] provided within the regulations to assist entities, does not require this information to be recorded as this is not required by the LG Act and regulations. Tracking both accepted and declined gifts can reveal patterns of attempted influence requiring further oversight.

We note that entities receive many gift offers, including those from community organisations and groups they support. However, declaring declined gifts from commercial entities seeking to benefit from interactions with local governments will help to identify conflicts of interest risks and bring entities more in line with State and Australian entities that report declined gifts.

Decisions to accept gifts and benefits often lack clarity about who the intended beneficiary is. Council members, CEOs and staff did not consistently document details that show consideration of the nature of gifts being offered, why they were offered and in what capacity they were being accepted (for example for official representation, ceremonial purposes or whether personally accepted by staff). Documenting these details and outlining the reasons for accepting or declining gifts or benefits within registers is key. They help individuals demonstrate whether a gift is for their personal benefit, for the benefit of the gift giver, or for the entity they represent. Without these details, ambiguity can lead to inconsistent practices, misinterpretation of regulatory obligations and difficulty in enforcing policies around gift acceptance.

[7] This form is applicable to council members and CEOs.

Entities do not always have the controls and processes to declare gifts within 10 days of receipt as required by the LG Act. Ninety per cent of the registers we reviewed did not record the date the gift declarations were recorded in the register. The absence of this date impairs entities and LGIRS monitoring of compliance with the 10-day rule. This is because most entities are using the Form 4 – Register of gifts (Appendix 1) provided by LGIRS that does not capture this information.

All audited entities are reporting gifts and benefits within their registers, however all indicated that reporting within 10 days of when a gift is received is onerous and impractical. The Australian Government requires its agency heads to report in its registers within 31 days of when a gift is received.[8] We consider this timeframe is more reasonable to allow entities to identify, record and properly communicate decisions and related actions within its registers, whilst continuing to meet public expectations.

## Gift registers at the six audited entities were generally complete, providing transparency and allowing for public scrutiny

Dealing with gifts and benefits can be complex, particularly for council members, as their roles in representing, advocating for, and build relationships with the community and stakeholders can lead to offers of gifts and hospitality. Lack of clarity in decision-making can lead to risks, including perceived or actual conflicts of interest, undermining public confidence in the integrity of an entity's operations. While some individuals may assume they are acting appropriately, without a clear framework and principles (Figure 1), policy and code of conduct requirements may not be met, which can unnecessarily damage the reputations of people who aim to uphold high standards in public office.




Source: OAG

**Figure 1: Key components of a gifts and benefit framework**

Our e-discovery identified just over 900 emails offering gifts and benefits, and from this review we found nine instances where staff accepted gifts that did not match any declaration recorded in the gift register. This reflects a sample of council members, CEOs and staff at

[8] Australian Public Service Commission, *Guidance for Agency Heads - Gifts and Benefits*, ASPC.gov.au, 20 October 2023, accessed 14 July 2025.

each audited entity over a two-and-a-half-year period, and indicates that gifts and benefit registers were generally complete, with three entities having no identified undeclared gifts and benefits. This greatly assists entities to identify, assess and manage conflicts of interest.

The six audited entities confirmed (Table 2) that:

- 48 of the offers were gifts that had been accepted
    - 39 of these were below the $300 threshold limit defined by the LG Act and regulations, or relevant limit for staff[9] and therefore were not required to be declared
    - the remaining nine non-declared gifts have been added to audited entities' gift registers following our enquiries
- a further 197 offers were accepted under the entities event attendance and related policies. These were either paid for by the staff member and therefore not treated as gifts or benefits, or the entity itself paid for them.

| Entity | Total number of offers | Gifts that had been accepted | Below the reporting threshold | Above thresholds and now added to the gift register |
|---|---|---|---|---|
| City of Bayswater | 81 | 27 | 24 | 3 |
| City of Fremantle | 219 | 13 | 13 | 0 |
| City of Kwinana | 106 | 4 | 0 | 4 |
| City of Mandurah | 147 | 0 | 0 | 0 |
| City of Perth | 294[10] | 4 | 2 | 2 |
| Town of Cambridge | 54 | 0 | 0 | 0 |
| **Total** | **901** | **48** | **39[11]** | **9** |

Source: OAG based on entity data

**Table 2: e-discovery results (1 July 2022 to 31 December 2024) identifying offers and accepted gifts by audited entities**

In total, the audit resulted in 18 gifts (2%) being added to entity gift registers. Nine of these were above the threshold for reporting and had to be disclosed, another nine were below the threshold but were disclosed voluntarily.

There were another 54 instances (6%) across the audited entities where it could not be determined if the gift or benefit had been accepted or declined because the staff were no longer employed by the entity. In these instances, it is not known if disclosure requirements have been met. However, even if these were all accepted and not disclosed, the level of non-compliance would be low at 63 (7%). The remaining offers were either declined or the entities had paid for the individual to attend an event where a benefit to the entity was identified.

[9] The relevant limit for staff will be the limit prescribed in each entities' code of conduct as required by Regulation 19AC of the Local Government (Administration) Regulations 1996.

[10] Due to the large number of offers, we recommended that the City of Perth focus their review on entries which could raise possible conflicts of interest if accepted. Of the 294 offers identified, 237 lower risk category offers have not been reviewed at the time of this report.

[11] Of these gifts, there were nine that entities voluntarily added nine to the register after the audit.

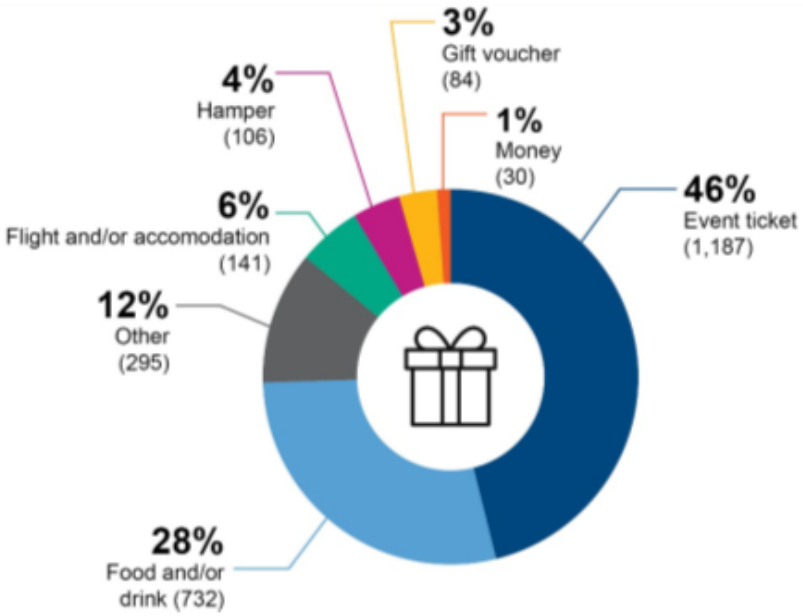
While most of the 48 accepted gifts were work-related and included conferences, hospitality and business-related activities, a small number were accepted for personal benefit. These included a small number of complimentary tickets to VIP sections and corporate suites for sporting events, as well as hospitality (including meals and alcohol). Gifts were accepted from a range of organisations including sport clubs, entertainment/event organisers, professional bodies, mining and IT companies, contractors and suppliers. Accepted gifts and benefits have the potential to create a conflict of interest, even if they are work-related, when they are not identified and managed. This reinforces the need for declarations to detail decision-making to aide with transparency.

## The range and number of gifts indicates that staff at all levels, not just council members and CEOs, are exposed to the risk of inappropriate influence

Gifts and benefits are offered and accepted across operational and decision-making roles within entities and by council members and CEOs. While mayors, council members and CEOs receive gifts, staff involved in decision-making areas such as procurement, leasing and property approvals are also offered and accept gifts. These staff are at higher risk of conflicts of interest because of the decisions they make in their roles.

Across the six audited entities, 70% of gift declarations were made by staff. Even though staff have lower reporting thresholds, which can lead to more declarations, receiving gifts still increases the risk of real or perceived conflicts of interest. This shows why strong controls and clear processes for managing gifts are important. These controls and processes should apply at all levels of entities, particularly to high-risk positions.

Our review of the publicly available registers of all entities found that between 2019 and 2024 the total number of gifts reported by entities was over 2,500 with a total value of approximately $664,000. Event tickets and food and drink were the most common type of gifts offered, with 10% of all gifts being alcohol and 4% being money or gift vouchers (Figure 2). Gifts of flights and accommodation included 23 instances of international travel.




Source: OAG using publicly available information

**Figure 2: Types of gifts recorded in entities' publicly available gift registers between 2019 and 2024**

These gifts and benefits were offered by many providers with almost 13% recorded in registers as received from current suppliers and contractors of the entity (Figure 3).




Source: OAG using publicly available information

**Figure 3: Sources of gifts recorded in entities' publicly available gift registers between 2019 and 2024**

The receipt of gifts and benefits may also be covered by other entity policies and procedures. In accepting gifts, the recipient needs to be mindful of those to ensure compliance with both policies. For example, some member entities of the Perth South West Metropolitan Alliance recorded overseas travel to the United States of America in September 2024 as a gift in their registers and others did not. Where entities have recorded this travel within their gift and benefits registers this provides transparency for council and ratepayers. Entities should still ensure acceptance of gifts and recording of these within gift registers does not substitute for complying with their overseas travel policy requirements.

## Entities are not effectively managing conflicts arising from accepting gifts

### Conflicts of interest created by accepting gifts are not effectively managed increasing the risk of inappropriate influence

Even when accepted gifts are declared and transparent, we found that the resulting conflicts of interest are not effectively identified or managed. A conflict of interest is created by gift recipients accepting gifts and benefits from current or potential suppliers seeking to obtain work with the entity. We found examples in all audited entities where gifts had been accepted and declared from suppliers but some of these individuals had been involved in procurement decisions or contract management with the supplier. Although in these instances there was a level of transparency about the gifts, because conflicts of interest were not managed, the risk of inappropriate influence was not mitigated.

There were almost 700 instances of accepted gifts or benefits from organisations on the supplier master file for all the audited entities. Of these:

- 79 individuals who had accepted gifts and benefits were then involved in procurement as panel members of tenders, approving procurement decisions and/or purchase requisitions, or overseeing contracts with suppliers
- only five of these individuals (6.3%) had disclosed a conflict of interest risk when participating in a procurement decision relating to the entity providing the gift
- for two of the five individuals, even when a conflict of interest had been declared, we were unable to find any documented strategies to mitigate the risk of influence.

Case study 1 where offers of gifts and benefits from suppliers were accepted by staff. Although the value of the gifts were sometimes small in value, they create a concerning trend as they were identified across the audited entities and resulted in a perceived or actual conflict of interest. If these are not managed, they can lead to the perception of improper influence of decisions made by entities.

**Case study 1: Examples of inappropriate gifts offered by suppliers and accepted by staff participating in procurement decisions**

- In 2019, a staff member was on the evaluation panel that awarded a contract to a supplier for approximately $111,000. The staff member subsequently managed the contract. Six months before the contract was renewed, the contract manager accepted tickets to watch an AFL game at Optus Stadium. This contract manager was also a panel member during the contract renewal process which saw the contract successfully renewed and increase in value to almost half a million dollars.
- A staff member received three bottles of 12-year-old whisky from a property company valued under $300 after the awarding of a tender for an estimated value of $19.2 million over a five-year period. These gifts were surrendered by the staff member to their social club, and therefore still retained by the entity. The offering and acceptance of such gifts is inappropriate, even after the awarding of contracts, as it is intended to build relationships that may bias future decisions.
- At another audited entity, three staff accepted gifts which included alcohol from a current supplier. Two of the staff were on a tender evaluation panel for that supplier and did not declare any conflict of interest in relation to the gifts. The supplier was the successful tenderer and awarded a contract to the value of $400,000. Those staff have also been involved in approving purchase orders for the supplier.
- At one audited entity the following conflicts of interest were identified and not declared:
    - two staff members accepted a bottle of alcohol each, valued at $50 per bottle from a supplier. One of the staff members approved purchase orders for the supplier and was the nominated representative overseeing the contract, currently valued at $185,000
    - a staff member accepted a bottle of whisky valued at $120 from a supplier and approved purchase orders and purchase amendments from this supplier
    - a staff member received a $50 gift card from a supplier and then went on to approve purchase orders and a contract extension for a further one year for this supplier.
- Thirteen staff at another entity received various $50 gift vouchers in 2019 from a supplier. Four of the staff were involved in the tender process where the gift giving organisation was successful with a contract value of approximately $1.4 million.

All audited entities' policies required panel members to declare conflicts of interest during procurement processes. However, none of them asked panel members when assessing tenders or making procurement decisions to consider whether receiving a gift or benefit may create a conflict. Instead, procurement processes focused primarily on conflicts from personal relationships, proximity, or financial interests, which are better understood by staff and still need to be managed. Staff involved in procurement and commercial activities need to understand conflict of interest risks related to receiving gifts or benefits and when to declare a conflict of interest. By excluding gift-based conflict of interest consideration, entities risk overlooking a key source of influence that can affect decision-making as evidenced in Case study 1.

## Conflicts of interest are not considered when recording gifts and benefits, limiting entity oversight of risk and staff compliance with policies

Most audited entities do not require staff to consider the risks from gift acceptance. Five of the six entities' gift registers did not require recipients to consider conflict of interest risks. The City of Mandurah was the only entity that explicitly asked recipients to assess perceived and actual conflict of interest, including whether accepting a gift could lead to a future conflict of interest. Staff are required to consider and document whether the acceptance of the gift creates an impression that the staff member will favour the provider when carrying out their duties. The register also requires declarations to detail information considered in decisions made in accepting or declining gifts, including whether their supervisor or manager has been informed of the gift to aide with oversight, representing good practice.

The City of Mandurah's register is supported by guidance requiring staff to decline the receipt of gifts or benefits from suppliers where conflicts of interest arise and defines which gifts may be acceptable and which are prohibited. Prohibited gifts include:

- any token gift over the value of $50
- any cash or equivalent
- training over $300
- ticket to an event valued over $300
- ticket to an event not related to professional development valued over $50
- any gift of alcohol
- prizes of any value.

Low value gifts can create a perception of bias or preferential treatment if received frequently from parties with vested interests, even when staff are following policies.

The gift registers across the six audited entities showed instances where suppliers and stakeholders offered frequent, low-value gifts such as hospitality, promotional items, and event invitations. While suppliers may wish to showcase the value of their products and services, this should occur through fair and competitive procurement processes – not through gifts. Although low-value gifts often fall below disclosure thresholds and may seem harmless and considered gestures of goodwill, if repeated they can gradually build familiarity and influence over decision-makers. Entities should demonstrate that there is a clear benefit to the entity and not to individuals before accepting the gift.

## Some entities have statements of business ethics to help prevent suppliers offering gifts

To minimise staff exposure to the risks from supplier gifts, three of the audited entities have a statement of business ethics (City of Perth, City of Mandurah and Town of Cambridge). A statement of business ethics sets out entity expectations of suppliers in conducting business with them, including not providing or offering gifts and incentives, and provides staff guidance in declining gifts and benefits when offered. At one entity, the implementation of a statement of business ethics resulted in a decline in gift offers from suppliers. A statement of business ethics supports staff to minimise the risk of organisations seeking to influence decisions through gifts and benefits.

However, a statement of business ethics on its own will not always prevent gifts from suppliers. Improvements in policy and procedures, training and monitoring is required to manage the risks of gifts and benefits appropriately.

### Audited entities are not using all information to mitigate risks arising from accepting gifts

None of the six audited entities have processes to review information in their gift registers to identify patterns or trends in gifts offered or accepted. This means they are not analysing data that could reveal risks such as offers targeting particular positions, repeated offers from the same company, or conflict of interest risks associated with gift providers. As a result, they are less equipped to identify and address emerging risks.

Further, not all audited entities were using other information they have such as supplier masterfile information, tender registers, lease registers and complaint registers that would help them identify whether controls for gift-based conflicts are working. The City of Kwinana introduced a centralised complaints register, but this has not been implemented long enough to identify trends in conflicts of interest or information which may indicate that there are undeclared gifts and benefits. The other entities could also use complaints information to help identify concerns that relate to fair and transparent decisions. However, these entities did not have centralised complaints information because complaints are dealt with in individual business areas. This siloed approach makes it harder to use the information to identify where there has been at least a perception of a conflict of interest that may be linked to gifts and benefits.

The audited entities rely heavily on staff knowing when to declare gifts and following codes of conduct. Consistent oversight is needed to help entities manage gift declarations. While all the audited entities used an electronic system to manage gift and benefit declarations, there were gaps in recording and ensuring compliance. Two of the audited entities are not fully utilising system functionality with one entity manually recording information between their register and system and the other using their system to only manage council members and CEO declarations. Improving system functionality will help entities ensure the information they have is robust and allow them to use this information for effective oversight of gift and benefit declarations and identify and manage conflicts of interest.

There were six instances across two entities where advice from governance staff to declare gifts was not acted upon, reducing transparency and increasing risk. All audited entities had governance teams providing advice and promoting compliance. In one entity, governance advised staff to return gifts offered by current suppliers, demonstrating proactive support but also highlighting ongoing risks in procurement-related roles. Council members, CEOs and staff are encouraged to seek governance advice when unsure about accepting gifts and leadership teams should support and reinforce the advice governance teams provide. Not following governance advice can undermine transparency and weaken controls designed to ensure compliance and reduce risk.

## Entities have policies, procedures and training on gifts and benefits but more support is required

### Policies and procedures exist but some are outdated and lack details on what is expected of council members and staff

All six audited entities have policies and procedures to help staff recognise and avoid situations where personal interests could influence, or appear to influence, professional decisions. These policies and procedures are supported by codes of conduct that outline disclosure requirements, but most procedures require improvements to help manage the risks inherent in offers of gifts and benefits.

Four of the six entities' gifts and benefits policies lack clear guidance on when gifts and benefits should be declined, with some being outdated. These entities do not clearly outline examples of prohibited gifts, including not accepting gifts from current or potential suppliers.

This limits their usefulness in helping staff make sound decisions when faced with offers of gifts or benefits and protect the entity from perceptions of bias.

At each of the six audited entities, we saw gifts and benefits being declined by staff, which helps demonstrate that staff do assess and decline gifts when benefits to entities are not clear. Gifts and benefits declined included invitations to sporting events, hospitality that included networking with food and alcohol and gifts offered from suppliers. Some audited entities declined gifts and subsequently chose to pay where a work-related benefit was determined for example where a staff member attended professional development courses. These instances demonstrate staff awareness and the majority try to do the right thing and comply with policy positions.

Policies and procedures clearly define the circumstances when it is appropriate or not to accept gifts or benefits and explain the processes to follow where a perceived or actual conflict of interest exists. The City of Mandurah has published a decision-making tool on its intranet to help convey expectations and guide staff in their decisions and declarations of gifts and benefits. This tool is clear, practical and easy to understand and represents good practice made available by the Public Sector Commission[12] (Figure 4). Guidance to staff also includes the Public Sector Commission's 6Ps and 6Rs Tools[13] for managing conflicts of interest.

**G – Giver**

Who is providing the gift, benefit or hospitality and what is their relationship to me?

Does my role require me to select contractors, award grants, regulate industries or determine government policies?

Could the giver (person or organisation) benefit from a decision I make?

**I – Influence**

Is the giver seeking to influence my decisions or actions?

Is the gift, benefit or hospitality being offered to me publicly or privately?

Is it a courtesy, token of appreciation or highly valuable?

Does its timing coincide with a decision I am about to make?

**F – Favour**

Is the giver seeking a favour in return for the gift, benefit or hospitality?

Is the gift, benefit or hospitality being offered honestly?

Has the giver made several offers to me or people in my business area over the last12 months?

Would accepting it create an obligation on me to return a favour?

**T – Trust**

Will public trust be enhanced or diminished?

Could I publicly explain why I am accepting the gift, benefit or hospitality?

What would my colleagues, family, friends and associates think?

Have I made good records on accepting the gift, benefit or hospitality in accordance with reporting and recording procedures?

Declining a gift can be as simple as saying "Thank you for your offer however as a public officer it is not appropriate for me to accept gifts".

Source: City of Mandurah

**Figure 4: Prompts for City of Mandurah staff to consider when offered a gift (using public sector guidance – decision-making tool)**

[12] Government of Western Australia, *Decision-making tool: GIFT test*, WA.gov.au website, 3 November 2021, accessed 25 January 2025

[13] The 6Ps and 6Rs tools help authorities and public officers identify and manage conflicts of interest.

## Training is available, but it is often limited to the induction process rather than regularly reinforced to help embed desired behaviours

All the audited entities have formal training covering gift and benefits policies and procedures, but for most audited entities training is provided to council members and staff only during onboarding. The City of Mandurah and the City of Perth provide regular training to staff members, which includes some coverage of gifts and benefits. A lack of regular training reduces the likelihood that the behaviours laid out in policies and procedures are embedded in the culture of entities.

In the absence of regular refresher training, most audited entities rely on seasonal or informal reminders to reinforce gift declaration requirements. These typically occur around festive periods, such as Christmas, or during staff briefings. While helpful, this ad-hoc approach may not provide sufficient guidance for staff to consistently apply policies throughout the year.

## LGIRS support and guidance on gifts and benefits is not fully effective

There is limited guidance to the sector for entity staff, leaving entities to develop their own guidance, increasing the risk of inconsistent practice across the sector. LGIRS guidance, last reviewed in 2022, is targeted only to council members and CEOs as they are explicitly covered by the LG Act and regulations. LGIRS supports entities and responds to specific individual queries on gifts and benefits but does not proactively communicate these more broadly to enable shared learning.

In some areas the LGIRS guidance has not been sufficient, resulting in different interpretations by entities. Some entities were obtaining their own independent legal advice, at the cost of ratepayers, to help them meet their compliance requirements. In one instance LGIRS recommended an entity seek their own legal advice if they had any doubt on LGIRS interpretation of a query they raised with them. This query was in relation to the timing of exactly when a gift was accepted. Without clear guidance, inconsistent practice can lead to limited transparency and make monitoring of compliance by LGIRS difficult.

All the audited entities told us the guidance provided by LGIRS is not sufficient to meet their needs. For instance, the current disclosure requirements do not require declarations of declined gifts and the disclosure threshold of $300 is higher than that set for the WA State and Australian government entities ($50 and $100 respectively). This can restrict transparency and may not reflect community expectations. All audited entities have independently set lower value thresholds than those required, indicating the $300 threshold does not meet their risk tolerances.

# Recommendations

To enable effective management of gifts and benefits, entities should:

1. provide education and guidance that sets out entity expectations and assists staff and council members in making decisions by:
    a. implementing clear and up to date policies and procedures that outline gifts that are acceptable (good practice limits these to token gifts)
    b. requiring accepted and declined gifts from commercial entities, be declared
    c. specifically outline gifts that are prohibited
    d. implement regular training and education programs to ensure staff understand and apply policy, procedure and code of conduct, in practice and when making decisions.

    **Implementation timeframe:** December 2026

    **Entity response:** Entities generally accepted the recommendations but noted that there is currently no legal or regulatory requirement to disclose declined gifts.
2. Implement fit for purpose, risk-based monitoring and reporting mechanisms to:
    a. proactively oversee gift and benefit declarations
    b. analyse information across the entity to identify undeclared gifts, check that controls are working and identify any concerning trends or patterns
    c. manage perceived and actual conflicts of interest, requiring these declarations to consider the receipt of gifts and benefits
    d. consider a centralised complaints register to highlight where controls and processes have not been followed and identify systemic risks.

    **Implementation timeframe:** December 2026

    **Entity response:** Recommendation supported.

To enable effective oversight of compliance requirements and in supporting the local government sector, LGIRS should:

3. review regulatory requirements and guidelines to consider:
    a. reducing the $300 threshold or explaining why it remains appropriate (noting state entity requirements of $50 or Australian Government requirements of $100)
    b. increasing the timeframe for updating gift registers from 10 days to better reflect the tempo and nature of senior attention, decision-making and compliance reporting processes, (noting 31 days is the Australian Government timeframe)
    c. amending the Form 4 template to record both the date the gift was received as well as the date the gift register was updated to allow regulatory compliance to be monitored.

    **Implementation timeframe:** December 2026

    **Entity response:** Recommendation to be considered as part of review of potential legislative reform and updates to guidelines.

4. Issue updated guidance and templates to the sector to:

   a. extend guidance beyond elected members and CEOs to include all entity staff

   b. require entity gift registers to disclose accepted gifts and benefits and declined gifts from commercial entities to:

      - improve transparency – listing all offers improves trust that declined gifts have not been accepted informally and staff have not been subject to influence
      - improve compliance - declined gifts can help identify patterns where repeated offers from the same person or company are being offered or identify situations requiring further oversight
      - help protect staff by officially recording declined gifts demonstrating compliance and maintaining trust.

   **Implementation timeframe:** December 2026

   **Entity response:** LGIRS accepts the recommendation.

## Response from the City of Bayswater

The City of Bayswater thanks the Office of the Auditor General (OAG) for its comprehensive report. We acknowledge the complexity of this audit and appreciate the significant effort involved in reviewing extensive information to develop recommendations that support local governments in managing gifts and benefits effectively.

The report confirms that local governments are generally complying with legislative requirements. The data reflects robust governance practices and strong adherence to these requirements, providing confidence in overall compliance across the sector.

Three gifts were identified as accepted by City of Bayswater employees, but not recorded in the City's Gift Register. Two related to an Economic Development Breakfast and one to an Awards Ceremony where the City was nominated for an award. Employees were requested to attend these events as part of their official duties and therefore did not perceive or identify them as gifts.

The City acknowledges there is always room for improvement. While the findings confirm a strong commitment to integrity and sound governance practices, the City of Bayswater values the recommendations and remains committed to continuous improvement and maintaining high standards of accountability.

### Response to Recommendations:

**Finding 1:** The City will review and update its processes and training to provide enhanced education and guidance on the management of gifts and benefits.

**Due Date:** 31 December 2026

**Finding 2:** The City will implement a risk-based approach to monitoring the recording and reporting of gifts and benefits.

**Due Date:** 31 December 2026

## Response from the City of Fremantle

### Recommendation 1

All newly elected Council Members at the City of Fremantle are required to complete an induction and mandatory training following the election. The City's induction process includes a presentation from WALGA or City Officers, outlining their role and responsibilities as an Elected Member, this includes gifts and interest disclosure requirements. They are also provided with an induction manual, which includes various information regarding gifts and disclosure of interest requirements. The induction manual also includes operational guidelines published by the Department, Council policies and procedures. In 2025, the city also introduced an internal intranet site for Elected Members to provide them with direct access to up-to-date information relevant to their role.

Officers at the City are required to complete mandatory Code of Conduct training, which includes important information in relation to gifts, and specifically outlines that gifts over $300 are prohibited. Information regarding disclosure of interest relating to gifts has also been included in the City's new procurement policy, guidelines and mandatory training. Officers are reminded that they are required to disclose any interests relating to a supplier when undertaking any procurement process such as an RFQ or Tender. Online and in person Governance training has been implemented to ensure staff are aware of their

requirements relating to gifts, and regular reminders and information is also published on the City's internal intranet site.

Elected Members and staff are required to disclose gifts in accordance with the requirements of the Local Government Act and these disclosures are recorded within a gift register which is published on the City's website. The City has not implemented the requirement to disclose gifts that have been declined, as this is not a requirement of the Act. However, staff are required to record this information in the City's records keeping system for future reference.

### Recommendation 2

In addition to the annual Compliance Audit Return review, the City undertakes regular internal Governance audits, to monitor gift disclosures and compliance. When non-compliance occurs, the matter is reviewed and appropriate action is taken. This may include mandatory training relating to gift and interest disclosures, or if the matter is serious or repeated, disciplinary action may be taken and the matter is reported to the Department and CCC. If non-compliance is related to an Elected Member or the CEO, this is reported to the Department and CCC as required.

### Disclosure of declined gifts

Whilst the City makes every effort to ensure Staff and Elected Members are aware of their requirements relating to gifts, and gift disclosures are made to ensure compliance and transparency, in the City's opinion, the disclosure of gifts that are declined is not required for the following reasons:

The Local Government Act 1995 establishes disclosure obligations for gifts that are received by the CEO and Council Members. Section 5.87A(1) requires disclosure only for gifts that have been received. The term "received" implies acceptance and possession of the gift. Where a gift is declined, it is never taken into possession and therefore does not meet the statutory condition of being "received". As such, a gift that is offered but not accepted, in the City's opinion, does not fall within this definition.

The intent of disclosure provisions is to ensure transparency regarding benefits that may influence decision-making. If a gift is declined, no benefit is conferred, and therefore no potential for undue influence exists. Recording declined gifts as disclosures could create unnecessary administrative burden and misrepresent the nature of interactions, as no actual transfer of value occurred. Therefore, a gift that has not been accepted should not be disclosed, as it does not meet the legislative requirement of being "received," nor does it present any risk of influence or conflict of interest.

### Gifts received electronically by email

A gift offered via email is not considered "received" until formal acceptance occurs. The City's interpretation is based on the following principles:

Section 5.87A of the Act requires disclosure of gifts that are received. The term "received" implies both acceptance and possession. An emailed offer is merely an invitation; until the recipient formally accepts, no transfer of benefit has occurred. The intent of the legislation is to ensure transparency regarding benefits that may influence decision-making. If a gift remains unaccepted, there is no actual benefit conferred, and therefore no potential for undue influence.

Formal acceptance provides a clear, auditable point in time when the gift becomes a reportable item. This prevents ambiguity about whether an offer constitutes a received gift and supports consistent governance practices. Treating emailed offers as "received"

without acceptance could lead to unnecessary disclosures and misinterpretation of interactions. Requiring formal acceptance ensures that only genuine transfers of value are recorded.

In conclusion, a gift offered by email should only be considered "received" once formal acceptance has been given, as this aligns with the statutory wording, legislative intent, and best practice for transparency and accountability.

### Concluding remarks

As a result of this Audit, the City has commenced a review of the information, processes and training provided to staff and Elected Members relating to gift and disclosures of interest, to ensure improvement. Various initiatives as outlined in the responses above have already been implemented, and additional improvements are being considered by the City, with the intent to be implemented as actions as a result of this audit. These actions will be reported to the City's Audit, Risk and Improvement Committee for consideration and adopted by Council.

## Response from the City of Kwinana

The City of Kwinana (City) appreciates the Office of the Auditor General's (OAG) report on local government management of gifts and benefits and supports the recommendations provided. The City values the OAG's review and acknowledges the importance of robust compliance practices in relation to gifts, benefits and conflicts of interest. The findings and insights outlined in the report will assist the City in further strengthening its ongoing commitment to transparency, integrity and public trust in decision-making.

The report highlights that legislative change alone may not always achieve all governance outcomes as intended. It reinforces that compliance with minimum statutory requirements does not necessarily equate to best practice. The City recognises the OAG's encouragement for local governments to exceed baseline standards, including consideration of measures such as declaring declined gifts and recording supplementary information in the Form 4 register. While the City acknowledges the value of enhanced disclosure, the inclusion of additional information is not currently within the scope of the legislatively prescribed form. Accordingly, the City suggests that any expansion of reporting requirements be supported by formal legislative amendment and that proposed changes be clearly communicated to all local governments to ensure consistent application.

The City is committed to supporting its Governance and Legal team in the implementation of required changes arising from the OAG's recommendations. The Leadership team will play a key role in proactively promoting clear information and encouraging adherence to updated processes and procedures, ensuring that all staff are well-informed and equipped to comply effectively. The City also notes its support for the recommendations directed to the Local Government Integrity Reporting System (LGIRS).

Since the OAG audit commenced in November 2024, the process has already prompted improvements to the City's internal practices concerning gifts, benefits and conflicts of interest. The City has initiated a comprehensive review of relevant processes and is progressively implementing necessary changes. A detailed project plan has been developed to guide the coordinated implementation of all recommendations. Progress reports will be provided to the City's Audit, Risk and Improvement Committee for ongoing oversight and monitoring.

The City will continue to implement these improvements with the objective of maintaining best practice standards in the management of gifts, benefits and conflicts of interest. The

City thanks the Office of the Auditor General for its audit and constructive recommendations and is confident that the actions underway will further enhance governance, accountability and community confidence.

### Recommendation 1

The City acknowledges and accepts the recommendations outlined for the effective management of gifts and benefits, and conflicts of interest within Local Government entities. Since the commencement of the OAG audit, the City has proactively begun implementing changes to its approach.

### Recommendation 2

The City acknowledges and accepts the recommendations regarding the implementation of fit for purpose, risk-based monitoring and reporting mechanisms. The City would like to note it has completed recommendation 2(d) by establishing the City's "Feedback Register" in August 2023.

## Response from the City of Mandurah

The City of Mandurah (the City) has established controls in place that address the OAG recommendations. These controls are reviewed annually to assess their effectiveness and to support continuous improvement.

Through the City's control environment, employees are required to carefully assess the appropriateness of accepting any gift or benefit, particularly where they are involved in procurement activities, grant assessments, or the exercise of delegated authority.

Employees are reminded that the acceptance of a gift must not compromise, or be seen to compromise, their impartiality or the integrity of the City. Decisions must be made on merit, free from undue influence. Where there is any doubt, employees are required to decline the gift and/or seek guidance in accordance with the City's Code of Conduct requirements.

The City has a number of controls to proactively oversee gifts and benefit declaration, including quarterly and annual reporting.

The City will improve its current reporting to the Chief Executive Officer to include a three-year trend analysis that will identify: number of gifts received; number of gifts offered and declined; individuals repeatedly receiving gifts; business units repeatedly receiving gifts; suppliers repeatedly offering gifts and categories of gifts received. Where there a trends observed, the City will utilise this information to provide:

- further education for individuals or teams;
- improvement to controls, such as procedures and guidelines;
- contact City suppliers regarding their obligations under the Statement of Business Ethics, i.e. do not provide gifts to City employees.

The City will further strengthen its employee gifts and conflict of interests training, including identifying and managing any actual, potential or perceived conflict of interest arising from it. This requirement will apply particularly where employees are:

- Undertaking procurement and tender evaluation processes
- Assessing or recommending grant funding
- Exercising delegated or statutory authority

- Training materials, guidelines and procedures will be updated to reinforce these obligations and ensure consistent understanding and application by City officers.

The City will continue to reinforce these obligations through, training, guidelines and ongoing awareness initiatives to ensure consistent and ethical decision-making across the organisation.

## Response from the City of Perth

The City of Perth is committed to continuous improvement and feedback and has welcomed the opportunity to participate in the OAG's Local Government Management of Gifts and Benefits Audit.

The City has a range of policies and guidance in place for both staff and elected members to support them in meeting their obligations relating to the declaration of gifts and benefits. This also provides additional guidance and oversight in the management of any related interests.

Based on the two recommendations in this report the city will further enhance its education and training on gifts and benefits and interests' management.

### Recommendation 1

The City of Perth believes it already has clear and up to date policies in place. However, the City will review its gifts management framework to ensure currency and promote best practice. The City will also continue to encourage its Elected Members to declare all gifts.

The City is developing additional training (face to face) to further support employee understanding of gifts management at the City. Additional training (face to face) is expected to be implemented in the first quarter of 2026.

### Recommendation 2

The City of Perth will review its gifts management framework to ensure currency and promote best practice as suggested in this report. Noting that Employee and Elected Member complaint registers will continue to be kept separately.

## Response from the Town of Cambridge

The Town of Cambridge is committed to continuous improvement and has welcomed the opportunity to participate in the OAG's management of gifts and benefits performance audit. The Town acknowledges the overall findings and recommendations and supports the better practice guide.

The Town has maintained strong internal controls in relation to the acceptance of gifts and benefits. In addition, our outward facing Statement of Business Ethics clearly establishes the Town's expectations in relation to the conduct of business with the Town, including not offering gifts.

The Town will look to incorporate the better practice system of controls detailed in the report as part of a future review of the Town's policy and procedures in relation to the acceptance of gifts and benefits.

## Response from the Department of Local Government, Industry Regulation and Safety

### Recommendations 3 and 4

Suggested legislative reform would need to be considered as part of the larger reform program and would be subject to stakeholder consultation and decisions of Government.

LGIRS acknowledges the Auditor General's observation and supports the need for clear and practical guidance to assist local governments in managing integrity risks.

Our current guidance is directed at council members and CEOs, as they are explicitly covered by the regulations. Gift disclosure and reporting requirements for local government employees that are not CEOs should be included in each individual local government employee code of conduct. LGIRS recognises that additional guidance may assist local governments in supporting staff to meet the requirements of their codes of conduct.

The Local Government Regulatory Approach outlines LGIRS' commitment to fostering best practice and supporting compliance across the sector. Consistent with this approach, LGIRS issued a Local Government Alert – Guidance on managing gifts, benefits and hospitality on 4 September 2025, encouraging all local governments to review their codes of conduct and consider additional policies. LGIRS will continue to engage with the Western Australian Local Government Association and the Local Government Professionals WA to review its guidance materials and to explore opportunities for further sector support, including joint training initiatives by 31 December 2026.

LGIRS notes that the Local Government Inspector formally commenced on 1 January 2026. This represents a significant change in the State Government's regulatory approach for the local government sector, and accordingly, the Local Government Inspector will play a central role in shaping the future compliance framework and approach to proactive monitoring. LGIRS will liaise with the Local Government Inspector to hand over this recommendation for consideration as part of the Inspector's compliance monitoring plan. LGIRS will also engage with the Inspector regularly to assist with monitoring.

# Audit focus and scope

This audit was conducted with an initial review of published gifts and benefits registers from all 147 entities with results informing our more in-depth work at six metropolitan entities.

The objective of this audit was to assess whether entities effectively manage gifts and benefits.

We based our audit on the following criteria:

- Are entities complying with their gifts and benefits policies and procedures?
- Are entities recording all offers of gifts and benefits?
- Are entities' decisions for accepting or declining gifts and benefits appropriate?
- Are entities recording and managing all conflicts of interests in relation to gifts and benefits?
- Is LGIRS actively monitoring compliance with the regulations and providing adequate guidance to entities?

The audit reviewed gifts and benefits registers and the recording and management of conflict of interests at each audited entity over the period 1 July 2019 to 30 June 2024.

We assessed each entity's policies and procedures against legislative requirements, LGIRS' operational guidelines and our better practice guidance in Appendix 1. At each entity, we also:

- reviewed policies, procedures and processes relating to gifts and benefits
- examined records and processes for monitoring conflicts of interest
- reviewed all entity / regional council entities' gifts and benefits register for council members, CEO and council
- conducted e-discovery procedures on the email correspondence of selected key decision makers for undeclared gifts and benefits to test the completeness of gift and benefit declarations
- e-discovery procedures used defined terms of common offers of gifts and benefits we identified through our initial review of published gifts and benefits registers of all entities. Our results are restricted to these terms meaning not all offers of gifts and benefits to selected risk positions can be identified
- where e-discovery procedures identified offers of gifts and benefits, these have been assessed by entities. They have updated their registers to record and make transparent gift offers that have been accepted and notified external entities where compliance obligations were not met
- reviewed tender and procurement contracts
- met with key staff from governance, procurement, contracts and finance areas.

We did not assess electoral gifts as they fall under different rules and regulations and are only relevant for a specific period (during elections).

It is outside the scope of this audit and our remit under the *Auditor General Act 2006* to, and we did not, conduct any investigation of:

- the conduct of any individual member of staff in accepting gifts or benefits or the appropriateness of each individual decision to accept a gift or benefit
- the appropriateness of decisions made by staff after accepting gifts or benefits
- the conduct of any commercial supplier; or
- whether there was any direct or deliberate attempt to influence any particular procurement by offering gifts or benefits to entity staff or seek to identify any direct inappropriate influence on any specific procurement.

As this was our first audit into gifts and benefits for local government entities, we are not naming individuals and have relied on the sampled entities to update their gift registers and report non-compliance appropriately. However, we may change this position in future audits if we again find instances where gifts and benefits are accepted, but not disclosed.

This was an independent performance audit, conducted under section 18 of the *Auditor General Act 2006*, in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements*. We complied with the independence and other ethical requirements related to assurance engagements. Performance audits focus primarily on the effective management and operations of entity programs and activities. The approximate cost of undertaking the audit and reporting was $690,000.

# Appendix 1: Form 4 – Register of gifts

*Local Government Act 1995*

*Local Government (Administration) Regulations 1996*

**REGISTER OF GIFTS**

| Name of person making disclosure | Description of gift | Name and address of person who made gift | Date gift was received | Estimated value of gift at time it was made | Nature of relationship between person who made gift and person who received gift | For a gift that is a travel contribution — description and date of travel | For an excluded gift under s. 5.62(1B)(a) — the date of the approval referred to in s. 5.62(1B)(a)(ii) and the reasons for the approval |
|---|---|---|---|---|---|---|---|
| | | | | | | | |

Source: Local Government (Administration) Regulations 1996

Form 4 – Register of gifts within the Regulations to be used by entities to manage risks associated with the receipt of gifts and benefits highlighted weaknesses.

Local Government Management of Gifts and Benefits | 27

# Appendix 2: Gifts and benefits better practice guidance

Entities need to have gifts and benefits policies and procedures that are up-to-date and accessible to staff. These policies and procedures should include key controls for the declaration of gifts and benefits, the management of conflict of interests created from accepting gifts and benefits and regular review and monitoring.

The table lists the key elements of a system of controls for effective gifts and benefits management, which guided our audit.

| Key elements / Framework component[14] | Outcome | What we expect to see |
|---|---|---|
| **Policies and procedures** | Comprehensive, approved and up-to-date policies and procedures to provide all local government staff with guidance on their obligations | • clear and easy to understand policy and procedures that detail prohibited gifts<br>• code of conduct signed at start of employment and annually thereafter<br>• clear and specific definitions of gifts and benefits to aid in decision-making and limit ambiguity, providing examples relevant to entity operations<br>• set out overarching entity expectations reinforcing policy, procedures and code of conduct messages<br>• management of gifts and benefits considered in the context of ethical conduct, impartiality, honesty, transparency and accountability<br>• evidence of periodic review. |
| **Declaration of all gifts and benefits** | Consistent expectations | • all gifts and benefits are declared regardless of value or acceptance<br>• standardised declaration forms, ensuring consistency of information recorded and decision-making process<br>• consider whether the receipt of gifts and benefits results in a conflict of interest that needs to be identified and managed<br>• gift registers should detail where there are nil returns to ensure they provide transparency and date of update of registers should be evident |
| **Making appropriate decisions** | Clear decision-making framework | • to minimise risk, the entity's policy position should be communicated to stakeholders, suppliers and clients – his could include sharing the statement of business ethics<br>• guidance to aid staff with decision-making and when the acceptance of gifts may be considered appropriate<br>• guidance be clear in setting out processes for avoiding and managing conflicts of interest to |

[14] Refer to Figure 1 Key components of a gifts and benefits framework

| Key elements / Framework component[14] | Outcome | What we expect to see |
|---|---|---|
| | | consider who benefits from the acceptance of the gift or benefit<br>• decisions be based on risk assessment that consider potential, perceived and actual conflicts of interest<br>• provide clear guidance on declaring conflicts of interest, managing (with documented mitigation strategies) and reviewing these<br>• guidance to support staff in declining gifts and benefits. |
| **Training and education**  | Training to increase awareness of impartiality, integrity and conduct expectations | • regular codes of conduct, fraud awareness and integrity training (yearly)<br>• regular reminders to council members, CEO and staff to make sure there is awareness and understanding of compliance obligations<br>• advanced integrity training for staff in areas identified as high risk of influence (e.g. procurement, recruitment, finance, binding decision makers). |
| **Oversight**  | Regular monitoring and reporting to provide management with insights into use and the effectiveness of controls, and to address shortcomings in a timely manner<br><br>Identification of patterns, areas of increased risk<br><br>Evidence of reviews should be retained | • reports from monitoring and reviews made available to leadership and audit committee periodically<br>• all accepted and declined gifts or benefits reported to a central member of management to allow for effective oversight<br>• monitor for repeat offers and cumulative value as these may flag risk where there is an intention to influence decisions that require further scrutiny, as well as monitor acceptance of repeat token gifts that may otherwise go undetected. |

**Key components of a gifts and benefit framework**

 Identify and record gifts and benefits

 Identify and manage conflicts of interest

 Use information to monitor and oversee risk

Source: OAG

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# Auditor General's 2025-26 reports

| Number | Title | Date tabled |
|---|---|---|
| 11 | Local Government Management of Gifts and Benefits | 18 March 2026 |
| 10 | Controls Over Portable Assets – State Entities | 6 March 2026 |
| 9 | Microsoft 365 Security Controls – State Entities | 6 March 2026 |
| 8 | Status of Local Government Audits 2025 | 28 January 2026 |
| 7 | State Government 2025 – Information Systems Audit Results | 3 December 2025 |
| 6 | State Government 2025 – Financial Audit Results | 3 December 2025 |
| 5 | Valuation of Property Held by the Public Education Endowment Trust | 3 December 2025 |
| 4 | WA's Progress to Implement the National Principles for Child Safe Organisations (arising from the Royal Commission into Institutional Responses to Child Sexual Abuse) | 27 November 2025 |
| 3 | Maintaining Regional Local Roads | 12 November 2025 |
| 2 | Gold Corporation – Trade Applications | 29 October 2025 |
| 1 | Management of Housing Maintenance Information | 6 August 2025 |

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## Item 5 Confidential

### 5.1 Flynn Drive Industial Estate Neerabup- Deeds of Agreements

File Ref: 50350 – 25/399603
Responsible Officer: Chief Executive Officer

*This report is to be dealt with in confidential session, under the terms of the Local Government Act 1995 Section 5.23(2), as follows:*

*(a) legal advice, or other information, over which the local government holds legal professsional privilege*

### 5.2 Internal Audit Report - Information System and Technology Project Management

File Ref: 7312V010 – 26/148939
Responsible Officer: Chief Executive Officer

*This report is to be dealt with in confidential session, under the terms of the Local Government Act 1995 Section 5.23(2), as follows:*

*(e) information the making public of which would be likely to endanger the security (including cyber-security) of any of the local government's property or operations*

### 5.3 Independent Deputy of the Presiding Member of the Audit, Risk and Improvement Committee

File Ref: 2391 – 26/81214
Responsible Officer: Chief Executive Officer

*This report is to be dealt with in confidential session, under the terms of the Local Government Act 1995 Section 5.23(4), as follows:*

*(b) information relating to the personal affairs of an individual*

### 5.4 Review of the Enterprise Risk Register

File Ref: 9454V014 – 26/95278
Responsible Officer: Chief Executive Officer

*This report is to be dealt with in confidential session, under the terms of the Local Government Act 1995 Section 5.23(2), as follows:*

*(e) information the making public of which would be likely to endanger the security (including cyber-security) of any of the local government's property or operations*

### 5.5 Legal Proceedings Report

File Ref: 54982 – 26/125250
Responsible Officer: Chief Executive Officer

*This report is to be dealt with in confidential session, under the terms of the Local Government Act 1995 Section 5.23(4), as follows:*

*(a) legal advice, or other information, over which the local government holds legal professsional privilege*

## 5.6 3 Year Strategic Internal Audit Plan

File Ref: 7312V010 – 26/95611
Responsible Officer: Chief Executive Officer

*This report is to be dealt with in confidential session, under the terms of the Local Government Act 1995 Section 5.23(4), as follows:*

*(e) information the making public of which would be likely to endanger the security (including cyber-security) of any of the local government's property or operations*

## Item 6 Late Reports (to be circulated under separate cover)

Nil

## Item 7 Date of Next Meeting

The next Audit, Risk and Improvement Committee Meeting has been scheduled for 6:00PM on Monday, 7 September 2026, to be held at Council Chambers (Level 1), Civic Centre, 23 Dundebar Road, Wanneroo.

## Item 8 Closure

# COUNCIL CHAMBER SEATING DIAGRAM

