

INTERNAL AUDIT PROGRAM 2023/24-2025/26

OVERVIEW

The Internal Audit Program for the 2023/24-2025/26 financial years takes a systematic risk-based approach to determine the effectiveness of organisational controls and processes for managing the High-Risk events identified in the Strategic Risk Register. It is intended that the findings of this evaluation will inform improvements to the effectiveness of risk management, internal controls, and governance processes.

APPROACH

Focus areas which make up the scope of the risk-based Internal Audit Program were identified from an analysis of the Town of Victoria Park's Strategic Risk Register (reviewed in 2023), addressing the following elements of the Register:

- a) Risk Events
- b) Inherent Risk Rating (High and extreme highlighted in red)
- c) Current controls in place
- d) Risk Treatment Actions (current and new)

Strategic Risks	controls in place	current risk actions	new risk actions
Non-compliance with Council's governance obligations under the Local Government Act 1995	26	0	1
Failure to meet the infrastructure needs of future growth requirements	17	11	2
Failure to maintain a sustainable long-term financial position	13	7	2
Loss of ratepayer base and associated revenue	15	0	0
Failure to take action to reduce impact on climate change	16	9	1
Failure to detect and prevent occurrences of fraud and corruption	32	6	6
Failure to maintain and protect data and information technology systems	18	3	2
Failure to plan and prepare for emergencies and recovery	12	2	2
Views of community unable to influence decision-making	6	1	0
Failure to attract and retain a skilled workforce	6	2	0
Negative media exposure	7	3	0
Variation in economic activity impacting delivery of infrastructure	2	2	0
Increased community expectations on local government to address crime and anti-social behaviour	12	2	12
Changes in working relationships with key community, government and/or commercial stakeholders	1	1	0
Failure to maintain a constructive organisational culture	3	1	0
State Government initiatives misaligned with community aspirations	3	0	0
Supply chain disruptions leading to project delays	3	0	0
Total:	192	50	28

The design and approach is based on extensive research, including, but not limited to, the following references:

- a) WA Local Government Operational Guidelines: The operation, function and responsibilities of Audit Committees
- b) Key Western Australian Office of Auditor General (OAG) reports
- c) Public Sector Commission (PSC) WA Integrity Framework
- d) Corruption and Crime Commission (CCC) reports and findings (Western Australia and interstate counterparts)
- e) Industry and international best practice standards, guidance material and articles

SCOPE AND CRITERIA

The scope covers cross-functional audits to be undertaken in the following high-priority focus areas for the 2023/24-2025/26 financial years:

- (a) Measuring financial sustainability
- (b) Environmental sustainability
- (c) Workplace health and Safety
- (d) Leases and Licensing Management
- (e) Assessment of operational risks
- (f) Corporate performance management and monitoring
- (g) Reporting of Fraud and Corruption
- (h) Talent Management and Wellbeing

The Internal Audit Program proposes minimum internal audit criteria for each focus area audit to enable evidence-based assessment of the extent to which the focus areas are being effectively managed by the Town, in compliance with legislative and regulatory requirements, and in alignment with best practice. Due to budgeting levels, it is proposed that three planned audits be conducted each financial year, with scope to undertake further audits should the situation and priority arise.

AUDIT PLANS

A detailed Audit Plan will be developed for each focus area. The internal audit criteria are subject to review and updates as part of detailed planning for each specific audit, taking into consideration emergent risks, internal and external trends and identified issues as they arise. A responsive, proactive and agile approach to audit planning will ensure currency and relevance, through environmental scanning, research and networking to keep abreast of industry and sector developments and changes in the regulatory environment.

REPORTING AND MONITORING

In line with the Terms of Reference of the Audit and Risk Committee, the findings of each audit will be presented a scheduled Audit and Risk Committee meeting following the completion of the audit.

Progress against internal audit recommendations will be tracked and a report presented to the Audit and Risk Committee at each quarterly meeting of the Committee.

PROBITY

- (a) To ensure the probity and integrity of the Internal Audit function, and in view of internal resourcing capability, it is recommended that the Internal Audit Program includes an out-sourced independent internal audit of the Internal Audit function

LOOKING FORWARD

While a detailed scope of this Program focuses on 2023/24 audit priorities, a multi-year view of internal audit should be considered, with a rolling three-year program (reviewed annually) which proposes future focus areas to be audited for the second and third years. Scope selection in terms of focus areas will be based on assessments of the risk and threat environments undertaken through the strategic risk management function, with the Strategic Risk Register as a starting point.

INTERNAL AUDIT PROGRAM SCHEDULE

F/Y	Risk Events Addressed (Strategic Risk Register)	Risk Impact Category (Strategic Risk Register)	Inherent Risk Rating (Strategic Risk Register)	Focus Area	Description (rationale and/or risk drivers)	Suggested Minimum Internal Audit Criteria (Best Practice and Compliance)	Specific References and Legislation
FY 23/24	Failure to maintain a sustainable long-term financial position	<ul style="list-style-type: none"> Financial Reputation Legislative compliance 	High	Measuring Financial sustainability	To be able to assess the ability of the Town to generate sufficient revenues to recover capital, maintenance, and operating costs over the lifetime of their assets. Through reliable and relevant financial forecasts	<ul style="list-style-type: none"> Strong capital sources Transparent planning and reporting Financial ratios Financial reporting compliance financial accountability through the evaluation and improvement of internal control, risk management and governance processes. policies and procedures established. to ensure financial sustainability 	Local Government Act 1995
FY 23/24	Failure to take action to reduce impact on climate change	<ul style="list-style-type: none"> Financial Reputation Legislative compliance 	High	Environmental Sustainability	<p>Framing climate change as a risk rather than an uncertainty can make it easier to facilitate assessments and resulting action plans. Best practice sees local government consider the risks climate change poses to all areas of responsibility, either through a single or series of assessments.</p> <p>Classifying risks by operations and service delivery will help promote a systematic and efficient approach to risk identification and establishes a clear ownership of and responsibility for management of the associated risks.</p>	<ul style="list-style-type: none"> Reporting obligations for Councils Managing waste management facilities Environmental initiatives, including one or more of its compliance obligations. Assurance that Council is taking all reasonable steps to mitigate its environmental risks 	Environmental Protection Act 1986.
FY 23/24	Failure to attract and retain a skilled workforce	<ul style="list-style-type: none"> Financial Reputation Legislative compliance 	High	Workplace Health and Safety	The exercise of due diligence includes taking reasonable steps to keep up to date knowledge of WHS matters; gain an understanding of operational hazards and risks; ensure appropriate processes are in place for receiving, considering and responding to WHS information	<ul style="list-style-type: none"> Identify the risks and the levels of those risks within the workplace. Identify strengths and weaknesses in the safety procedures. Assess whether the safety procedures are legally compliant. Compare current documentation and practices against best practice and legal obligations. 	Work Health and Safety Act 2020 (WA)

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					about incidents, hazards and risks; ensure WHS compliance processes are in place; and verify the provision and use of WHS resources and processes. Breach of this duty can lead to criminal prosecution or monetary penalties.	<ul style="list-style-type: none"> Recommend improvements in the safety procedures. Ensure that there are adequate resources available to manage OHS Ensure that the resources devoted to health and safety are being utilised effectively. 	
FY 24/25	Loss of ratepayer base and associated revenue	<ul style="list-style-type: none"> Financial Reputation Legislative compliance 	High	Leases and Licensing Management	Ensure Decisions about the granting of leases and licenses are made transparent and follow an equitable process.	Provide reasonable assurance in relation to adequacy and effectiveness of the following: <ul style="list-style-type: none"> Alignment to Council Policy and compliance with relevant Acts and Regulations Business operating procedures and guidelines Roles and responsibilities are clearly defined. Meeting and maintaining of purposing / conditions / requirements to and from the Town for leases and licenses. Processes for entering arrangements for leases or licenses. Management of third parties Operational responsibility, tracking, monitoring, follow-up and management. 	Local Government Act 1995 Regulation 30 Local Government Regulations 1996 Property Local Law
FY 24/25	Failure to maintain a constructive organisational culture	<ul style="list-style-type: none"> Financial Reputation Legislative compliance 	High	Assessment of Operational Risk	Establishing an effective operational risk management program is helpful for achieving an organization's strategic objectives while ensuring business continuity in the event of disruptions to operations. Organizations that can effectively implement strong Operational Risk Management practices will enable <ul style="list-style-type: none"> Better C-suite visibility. Better informed business risk-taking. 	<ul style="list-style-type: none"> Risk Policy Risk Framework Operational Risks process Operational Risk Management System/ tools in place Roles and responsibilities Risk monitoring and reporting Risk review process 	Regulation 17 Risk Management Policy

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					<ul style="list-style-type: none"> Stronger relationships with customers and stakeholders. Improved performance reporting. More sustainable financial forecasting. 		
FY 24/25	Failure to plan and prepare for emergencies and recovery	<ul style="list-style-type: none"> Financial Reputation Legislative compliance 	High	Emergency Management	<p>Local Government have statutory obligations for recovery following an emergency affecting their community.</p> <p>Local Governments are the closest level of government to their communities and have access to specialised knowledge about the environment and demographic features of their communities.</p> <p>Elected councillors, especially the mayor, are often looked to in times of emergency to provide leadership, support and to be the voice of the community in order to obtain assistance for affected people and businesses.</p>	<ul style="list-style-type: none"> Verify the degree of compliance with emergency management (EM) plans, policies, procedures, guides, risk assessments and relevant legislation. Provide assurance that personnel are complying with requirements. Identify issues and non-conformances for investigation and corrective action to prevent reoccurrence. Identify opportunities for improving the management of emergencies, Strengthen EM knowledge and capabilities. 	<p><u>WALGA:</u></p> <p>Emergency Management Principles</p> <p>State Emergency Management Framework</p> <p>Consolidated Emergency Services Act</p>
FY 25/26	<p>State Government initiatives misaligned with community aspirations</p> <p>Views of community unable to influence decision-making</p>	<ul style="list-style-type: none"> Financial Reputation Legislative compliance 	High	Corporate performance management and monitoring	<p>To ensure officials of the Town are carrying out their operations efficiently, effectively and economically through formal compliance with statutory and administrative mandates. Appropriate performance measures are being implemented and utilized for managerial decision making, budgetary allocation and accountability.</p>	<ul style="list-style-type: none"> Compliance with legislation, policies and best practice. Monitoring and reporting processes, systems and tools Roles and responsibilities Alignment of documents Corporate governance 	Local Government Regulations 1996
FY 25/26	Failure to detect and prevent occurrences of fraud and corruption	<ul style="list-style-type: none"> Financial Reputation Legislative compliance 	High	Reporting of fraud and corruption	<p>Council is committed to meeting its legislative obligations under the Local Government Act 1995 including: ensuring that</p>	<p>Assess fraud risks across their business.</p> <ul style="list-style-type: none"> Fraud and Corruption framework and the review of it 	Local Government Regulations 1996

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					resources are maintained in a responsible and accountable manner.	<ul style="list-style-type: none"> • Fraud awareness training program for all staff • ensure that all conflicts of interest are recorded, assessed and appropriate management plans are in place • have policies and procedures in place to verify the identity and integrity of employees and suppliers • document clear internal processes and systems to report any potential fraud, that include anonymous reporting • collect and analyse information received about potential fraud to identify any trends or emerging issues. 	
FY 25/26	Failure to attract and retain a skilled workforce	<ul style="list-style-type: none"> • Financial • Reputation • Legislative compliance 	High	Talent management and well being	Talent management is a constant process that involves attracting and retaining high-quality employees, developing their skills, and continuously motivating them to improve their performance. The primary purpose of talent management is to create a motivated workforce who will stay with your company in the long run.	Assess the organisation's workforce and future skill demand planning, talent sourcing and talent retention strategies. These should include succession planning, capability management, remuneration benchmarking, wellbeing programs, and training and development.	Local government Act 1995 Workforce Plan

