

NOTICE OF MEETING

AUDIT AND RISK COMMITTEE

Members of the Audit and Risk Committee are advised that a meeting of the Committee will be held in the Council Chambers, Civic Building, 83 Mandurah Terrace, Mandurah on:

**Monday 13 September 2021
at 5.30pm**

MARK R NEWMAN

Chief Executive Officer
9 September 2021

Committee Members:

Councillor P Jackson (Chairperson)
Mayor Williams
Councillor J Green
Councillor P Rogers
Councillor A Zilani
Mr W Ticehurst

Deputies:

Councillor D Pember
Councillor C Knight

AGENDA

1 OPENING OF MEETING

2 APOLOGIES

3 IMPORTANT NOTE

Members of the public are advised that the decisions of this Committee are referred to Council Meetings for consideration and cannot be implemented until approval by Council. Therefore, members of the public should not rely on any decisions of this Committee until Council has formally considered the resolutions agreed at this meeting.

4 RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

5 PUBLIC QUESTION TIME

Public Question Time provides an opportunity for members of the public to ask a question of Council. For more information regarding Public Question Time please visit the City's website mandurah.wa.gov.au or telephone 9550 3787.

6 AMENDMENT TO STANDING ORDERS

Modification to *Standing Orders Local Law 2016* - electronic attendance at meeting.

7 PRESENTATIONS

7.1 Confidential - Cyber Security

7.2 Confidential - LGIS Scheme Protections

8 DEPUTATIONS

Any person or group wishing to make a Deputation to the Committee meeting regarding a matter listed on this agenda for consideration must complete an application form. For more information regarding making a deputation please visit the City's website mandurah.wa.gov.au or telephone 9550 3787.

9 CONFIRMATION OF MINUTES: 14 JUNE 2021

Minutes available on the City's website via mandurah.wa.gov.au/council/council-meetings/agendas-and-minutes

10 DECLARATIONS OF INTERESTS**11 QUESTIONS FROM COMMITTEE MEMBERS**

11.1 Questions of Which Due Notice Has Been Given

11.2 Questions of Which Notice Has Not Been Given

12 BUSINESS LEFT OVER FROM PREVIOUS MEETING**13 REPORTS**

No.	Item	Page No	Note
1	Office of the Auditor General 2019/2020 Financial Audits of Local Government Entities	3 – 7	
2	Office of the Auditor General WA Public Sector Financial Statements Better Practice Guide	8 – 9	
3	Procurement Internal Audit	10 – 13	
4	Office of the Auditor General Staff Exit Controls	14 - 16	

14 LATE AND URGENT BUSINESS ITEMS**15 CONFIDENTIAL ITEMS**

No.	Item	Page No	Note
1	Strategic Internal Audit Findings: IT Infrastructure	1 – 19	
2	Strategic Risk Reporting	20 - 38	
3	SAIP Monitoring Report	39 - 68	
4	OSH Annual Review 2020/2021	69 - 81	

16 CLOSE OF MEETING

1	SUBJECT:	Office of the Auditor General 2020 Audit
	DIRECTOR:	Business Services
	MEETING:	Audit and Risk Committee
	MEETING DATE:	13 September 2021

Summary

From the 2017/18 financial year, the Office of the Auditor General (OAG) began auditing local governments whose audit contracts had expired, with a four-year transition for all other local governments who had a current contract in place. For the 2019/20 year, the OAG audited 132 of 148 WA local governments. Accordingly, they have released their report on the audits for the 2019/20 year to State Parliament. As the OAG now audits the majority of local governments, their report includes findings and recommendations that are relevant for the City to consider. The OAG have appointed Ernest & Young to undertake the City's financial audits with the OAG in the 2020/21 year.

It is recommended that the Audit and Risk Committee note the City officer's comments to the OAG recommendations.

Disclosure of Interest

N/A

Previous Relevant Documentation

N/A

Background

The OAG was given responsibility for the audit of local governments following proclamation of the *Local Government Amendment (Auditing) Act 2017*. The 2019/20 financial year marks the third year of a four-year transition of local government audits being managed by the OAG. The report was tabled in State Parliament in June 2021.

Comment

From the OAG's report, there were 101 material matters of non-compliance in 45 entities, 890 significant or moderate weaknesses in financial management and information systems controls and five auditor's reports that included a qualified opinion. If these issues are not addressed there is an increased risk of financial loss, error or fraud.

The following is the excerpt of the key findings in the OAG's Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities:

- *We issued auditor's reports for the 2019-20 financial year for 65 of the 132 LG entities by the required date of 31 December 2020 (96 of 112 in 2019) and a further 52 entities by 31 May 2021. The results of the remaining 15 will be tabled in Parliament once complete. (page 10)*
- *All but 1 auditor's report included a clear (unqualified) audit opinion on the financial report (page 10). However, we reported 101 material matters of non-compliance with the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 (FM Regulations) or other written law in 45 of our auditor's reports. (page 12)*
- *An Emphasis of Matter was included in the auditor's report of most entities as the FM Regulations require vested land to be measured at zero cost and vested improvements at fair value. This is a departure from the Australian Accounting Standards AASB 16 Leases which requires LG entities to measure the vested improvements also at zero cost. (page 11)*

- We issued 120 certifications to LG entities to acquit funding received under Commonwealth and State Government programs for projects such as Roads to Recovery and other capital works projects. We also certified 12 LG entities' annual claims for pensioner deferments of rates and charges. (page 17)
- We reported the following control weaknesses to LG entity management, those charged with governance (mayor, president or chairperson of the council) and to the Minister for Local Government:
 - 704 financial management control weaknesses at 117 entities, (802 at 107 entities for all entities last year). We considered 88% to be significant or moderate risk if not resolved in the short term (86% last year). Eighty percent of the weaknesses related to expenditure, financial management, payroll and human resources, and revenue. (page 18)
 - 382 information system (IS) control weaknesses at 50 entities (202 at 38 entities last year). Our capability assessments at 11 of the 50 LG entities showed that 79% of the audit results were below our minimum benchmark. (page 23)
- We continue to support the need for the DLGSC to develop more thorough and balanced performance assessment criteria to replace the existing reporting and audit of 7 financial ratios and any adverse trends in these ratios. (page 16)
- Sixty-seven of the 132 audits were not completed by 31 December 2020. Reasons mainly include entities adjusting their financial report to comply with late FM Regulation amendments that were not gazetted until 6 November 2020, and poor quality financial reports. We also acknowledge that our audit teams could not always immediately re-prioritise audits of entities not completed in their schedule. (page 9)
- In addition to the FM Regulation amendments, entities were required to apply 3 new accounting standards from 1 July 2019. Many entities were not adequately prepared for the impact of these changes and this resulted in further delay in finalising their financial report. (page 26)
- The quality of financial reports submitted for audit varied significantly across entities. Quality issues included multiple instances of statements that did not balance, not taking up prior year balances for the current year, and many entities not applying the new accounting standards or FM Regulations correctly. This resulted in significant additional audit work and consequential delays in finalising the audits. (page 29)
- During this, our third, year of performing annual financial audits in the local government sector, we have made further general observations included in this report, with a view to minimising the cost of financial reporting and auditing in the future. These relate mainly to:
 - amendment of the FM Regulations from 6 November 2020 simplifies entities' reporting of certain classes of assets and reduces the cost burden of having external valuations of plant and equipment assets (page 25)
 - valuation of assets transferred between entities must be appropriately disclosed in accordance with the Australian Accounting Standards in the financial reports of both entities (page 24)
 - opportunities to reduce the financial reporting burden on small and medium sized entities, as the quantity of detail that is being reported is onerous and exceeds that reported by most WA State government entities. (page 28)
- Entities benefited from the Local Government (COVID-19 response) Act 2020 being enacted and amendments to a variety of the local government regulations being gazetted to allow modified operations during the COVID-19 pandemic. These changes temporarily remove restrictions on entities' operations for the benefit of the district or part of the district while a state of emergency declaration is in force. These changes included holding public meetings electronically, access to information when the council offices were closed and revised budgetary requirements, such as re-purposing money. (page 32)
- Entities generally did not separately account for COVID specific expenditures. They considered that any extra cleaning costs were offset by savings at their closed community facilities. However, there was added budgetary pressure on each entity as a result of their community facilities raising no revenue, and other financial waivers for local households, businesses, tenants and sporting and community groups to reduce their financial hardship. (page 34)
- The budget implications of the Minister for Local Government's Circular No 3-2020 that LG entities freeze their rates for 2020-21 will extend well beyond 1 year, as entities' current year

budget restraint deals with only the short term ramifications. There will be significant challenges for entities preparing their long term financial plans and budgets for some years. (page 35)

The report contained recommendations for both local governments and the Department of Local Government, Sport and Cultural Industries.

City officers have provided comments to the recommendations made by the OAG in the report:

Recommendation One

LG entities should ensure they maintain the integrity of their financial control environment by:

- a) periodically reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures and communicating these to staff*
- b) conducting ongoing reviews and improvement of internal control systems in response to regular risk assessments*
- c) regularly monitoring compliance with relevant legislation*
- d) promptly addressing control weaknesses brought to their attention by our audits, and other audit and review mechanisms*
- e) maintain currency with new and revised accounting standards for their impact on financial operations in order to prepare a compliant financial report at year end.*

Officer Comment - The City is undertaking a review of all treatment of financial transactions, policies and procedures to ensure compliance with legislation. In October 2019, the financial team implemented a new operational model to gain efficiencies and ensure a greater knowledge of the business is shared by all. Internal controls are reviewed regularly and are audited and tested once every three years. Impact statements are prepared when new and revised accounting standards impact the City.

Recommendation Two

LG entities should complete their assessment of the impact of any new regulations or accounting standards and prepare a position paper on the necessary adjustments to their financial report. If required, entities should seek external consultation when completing their assessment and adjust their financial report, prior to submitting it for audit.

Officer Comment – The City regularly does assessments on any new accounting standards, changes in legislation or regulations. Staff attend yearly training on new changes and on occasions have enlisted external consultation.

Recommendation Three

To facilitate timely preparation of annual financial reports, and to minimise the additional audit costs associated with Australian Accounting Standards on revenue, income and leases (AASB 15, AASB 1058 and AASB 16), entities should complete preparations for those new standards by 30 June 2020.

Officer Comment – The City completed preparations on these three standards before 30 June 2020.

Recommendation Four

We encourage entities to make use of our WA Public Sector Financial Statements – Better Practice Guide to improve their financial management and reporting practices, processes and procedures.

Officer Comment – The City is aware of the WA Public Sector Financial Statements – Better Practise Guide and a report has been prepared for the Audit and Risk Committee for the September 2021 meeting.

The recommendations from the report for the Department of Local Government, Sport and Cultural Industries (DLGSC) are detailed below:

- 1. The Department of Local Government, Sport and Cultural Industries (DLGSC) should assess whether the current financial ratios in the FM Regulations remain valid criteria for fairly measuring and reporting the performance of each LG entity. This could also include a simplification of LG entity reporting requirements for financial ratios, and review of the requirement under the FM Regulations for the auditor to report on any adverse trends in the ratios as part of the annual financial audit.*
- 2. The DLGSC should seek ministerial approval for any proposed regulatory amendments well in advance of the financial year end to ensure timely gazettal to facilitate action and avoid rework by all entities when finalising their end of year financial report.*
- 3. DLGSC should provide timely guidance to assist LG entities to update their accounting practices to ensure that their future reporting is compliant with all current accounting standards*
- 4. DLGSC should re-assess the amount of detail required to be included in annual financial reports, in particular for small and medium sized LG entities.*
- 5. To improve the quality of financial reports and achieve greater consistency across LG entities, the DLGSC should prepare timely regulation amendments for the Minister's approval which improve the sector's financial report framework. The DLGSC should also provide accounting support services to the sector. Proper management of financial resources is the most basic priority as from there all else is enabled or eroded.*

The City supports the OAG's recommendations to the DLGSC.

Statutory Environment

Section 2.7(2)(a) and (b) of the *Local Government Act 1995* states:

- (2) Without limiting subsection (1), the council is to —*
- (a) oversee the allocation of the local government's finances and resources; and*
 - (b) determine the local government's policies.*

Regulation 11(1)(a) of the *Local Government (Financial Management) Regulations 1996* states:

- 11. Payments, procedures for making etc.*
- (1) A local government is to develop procedures for the authorisation of, and the payment of, accounts to ensure that there is effective security for, and properly authorised use of —*
- (a) cheques, credit cards, computer encryption devices and passwords, purchasing cards and any other devices or methods by which goods, services, money or other benefits may be obtained;*

Policy Implications

N/A

Financial Implications

N/A

Risk Analysis

Continually reviewing the findings and recommendations from OAG reports against the City's current practice will reduce the risk of non-compliance with the accounting standards and relevant legislation.

Strategic Implications

The following strategy from the City of Mandurah Strategic Community Plan 2020 – 2040 is relevant to this report:

Organisational Excellence:

- Ensure the City has the capacity and capability to deliver quality services and facilities through accountable and transparent business practices, governance, risk and financial management.

Conclusion

The OAG's report on the local government financial audit results for the 2019/20 financial year contained several recommendations for local governments to consider. It is recommended that the Audit and Risk Committee note the Officer's responses in relation to the OAGs recommendations.

NOTE:

Office of the Auditor General audit reports can be accessed from the website at www.audit.wa.gov.au/reports-and-publications/reports

RECOMMENDATION

That the Audit and Risk Committee note the officer's responses, outlined in the comment section of the report, to the Office of the Auditor General's (OAG) recommendations in the OAG's Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities.

2	SUBJECT:	Office of the Auditor General Better Practice Guide
	DIRECTOR:	Business Services
	MEETING:	Audit and Risk Committee
	MEETING DATE:	13 September 2021

Summary

The Office of the Auditor General (OAG) have released their Western Australian Public Sector Financial Statements – Better Practice Guide to assist public sector entities with their end of year financial reporting and to set the OAG expectations for year end audit.

Part 3 of the Guide relates to Principles for better practice financial statement preparation and is relevant to the City's year end preparations.

Disclosure of Interest

N/A

Previous Relevant Documentation

N/A

Background

The Western Australian Public Sector Financial Statements – Better Practice Guide has been prepared by the OAG and released on 14 June 2021. The document is to provide guidance to help the WA public sector perform efficiently and effectively.

Comment

Part 3 of the Guide –Principles for better practice financial statement preparation is divided into seven Principles. The City officers responses are outlined in Confidential Attachment 2.1 to each of the principles.

Statutory Environment

Section 2.7(2)(a) and (b) of the *Local Government Act 1995* states:

- (2) Without limiting subsection (1), the council is to —
- (a) oversee the allocation of the local government's finances and resources; and
 - (b) determine the local government's policies.

Regulation 11(1)(a) of the *Local Government (Financial Management) Regulations 1996* states:

11. *Payments, procedures for making etc.*

- (1) A local government is to develop procedures for the authorisation of, and the payment of, accounts to ensure that there is effective security for, and properly authorised use of —
- (a) cheques, credit cards, computer encryption devices and passwords, purchasing cards and any other devices or methods by which goods, services, money or other benefits may be obtained;

Policy Implications

N/A

Financial Implications

N/A

Risk Analysis

Continually reviewing the findings and recommendations from OAG reports against the City's current practice will reduce the risk of non-compliance with the accounting standards and relevant legislation.

Strategic Implications

The following strategy from the City of Mandurah Strategic Community Plan 2020 – 2040 is relevant to this report:

Organisational Excellence:

- Ensure the City has the capacity and capability to deliver quality services and facilities through accountable and transparent business practices, governance, risk and financial management.

Conclusion

It is recommended that the Audit and Risk Committee note City officers' responses outlined in Confidential Attachment 2.1 to the Office of the Auditor General Western Australian Public Sector Financial Statements – Better Practice Guide.

NOTE:

Office of the Auditor General audit reports can be accessed from the website at www.audit.wa.gov.au/reports-and-publications/reports

- Refer ***Confidential Attachment 2.1 City of Mandurah responses to the OAG WA Public Sector Financial Statements – Better Practice Guide***

RECOMMENDATION

That the Audit and Risk Committee note the officer's responses to the Office of the Auditor General's Better Practice Guide Part 3 detailed in Confidential Attachment 2.1.

3	SUBJECT:	Operational Internal Audit Plan 2020/2021- Procurement Audit
	DIRECTOR:	Director Business Services
	MEETING:	Audit and Risk Committee
	MEETING DATE:	13 September 2021

Summary

In accordance with the Operational Internal Audit Plan 2020/2021 the City of Mandurah (City) has now completed the Procurement audit.

The Audit and Risk Committee is requested to receive the Auditor's Report (*Confidential Attachment 3.1*), note the Audit Monitoring Report (*Confidential Attachment 3.2*) and adopt an amendment to the Compliance Audit Return 2020 (*Attachment 3.3*) makes a recommendation to Council accordingly.

Disclosure of Interest

Nil

Previous Relevant Documentation

AR.8/5/20 19 May 2021 Adopt Strategic Internal Audit Plan and auditable areas for 2020/21

Background

At the Audit and Risk Committee on 19 May 2020, the Committee considered the auditable areas to be included as part of the three-year Strategic Internal Audit Plan (SIAP). The SIAP provides an outline of the areas the City considers to be a priority for review, using a risk-based approach and is based on a risk assessment of the City's key strategic and operational areas to determine the appropriate timing and frequency of coverage of each of these areas. At the same meeting the Operational Internal Audit Plan 2020/2021 was also supported, which sets out the audits to be conducted over the 12 month period.

Comment

The City has a centralised procurement model, whereby purchasing of goods, services and works valued over \$50,000 are delivered by the Procurement Services Team. The City has robust processes in place to ensure compliance with the *Local Government (Functions and General) Regulations 1996*, Council Procurement Policy POL CPM 02 and Procurement Procedures. Over the past 18 months the City's procurement practises have been subject to rigorous improvements including:

- Development of a new Procurement Planning process that requires members of the panel to consider procurement and contract risk, financial impact, market research, qualitative criteria and ensures appropriate levels of approvals prior to advertising in accordance with the City's Delegations;
- Mandatory Evaluation Training for all panel members which covers probity requirements;
- Implementation of consensus scoring to encourage improved discussion during evaluation.
- Development and implementation of an Evaluation Panel Member Workbook which sets out probity requirements, enables the panel member to document scoring, declare conflicts of interests and confidentiality.
- Establishment of a Tendering Committee for review of the recommendation and process prior to the CEO or Council accepting or rejecting the award of a Tender.
- Preferred supplier negotiations now conducted under Delegation to ensure that the City is resolving any contractual or technical matters prior to contract awards.

For procurements under \$50,000 at the City, Managers are responsible for ensuring their teams compliance with the Council Procurement Policy POL CPM 02 and Procurement Procedures. For procurements of this value there are established controls including financial authorisations, written approval forms and workflows that enable segregation of duties built into OneCouncil and staff training. In addition to these controls ensuring compliance with the relevant policies and procedures, they assist the City to achieve value for money, mitigate risks around fraud and reduce contractor risk.

The Procurement Internal Audit objective was to:

1. Evaluate the effectiveness of the Procurement Policy, procedures and practices
2. Ensure compliance with the statutory obligations for tenders and tender exempt
3. Support ongoing improvement
4. Inform education and training programs.

The Procurement Internal Audit internal audit scope included:

- Compliance with Council Procurement Policy POL CPM 02 and Procurement Procedures;
- Compliance with the *Local Government Act (Functions and General) Regulations 1996* including advertising, acceptance and rejection of tender applications, notification of outcomes, and maintaining a tenders' register;
- Review of the Governance Services processes for coordinating Tenders;
- Review of the evaluation panel performance and process;
- Test adherence to the Delegations and financial authorisations;
- Confidential and secure record keeping requirements;
- Management of conflicts of interest and probity considerations; and
- Review of previous audit findings to ensure completed.

The auditor's recommendations are outlined in *Confidential Attachment 3.1*.

Action Plan

The detailed City response to the internal auditor's recommendations is outlined in the Audit Monitoring Report (*Confidential Attachment 3.2*). This plan sets out the actions and due dates.

Reporting and Monitoring

Reporting on the progress of the implementation of the improvements will be undertaken as part of the City's established Internal Audit Function. A Strategic Internal Audit Monitoring Report is provided to the Audit and Risk Committee on a quarterly basis to enable the Committee to review and monitor the City's implementation to improve controls and systems.

Amendment to the Compliance Audit Return

The review identified one matter of legislative non-compliance in the 2020 calendar year relating to X (refer Attachment 3.3) The City submitted the Compliance Audit Return (CAR) to the Department of Local Government, Sport and Cultural Industries (DLGSC) in March 2021. The Audit and Risk Committee are now requested to consider an amendment to the CAR and recommend adoption to Council. The amendment will be provided the DLGSC.

Statutory Environment

Nil

Policy Implications

Strategic Internal Audit Plan 2020/21 -2022/23

Operational Internal Audit Plan 2020/21
Operational Internal Audit Plan 2021/22
Internal Audit Manual
Relevant CEO Policies and Council Policies

Financial Implications

The cost of the external auditor review was \$23,000.

Risk Analysis

Reviews conducted by external auditors mitigate and reduce the likelihood of a risk event occurring. This is one of the preventative controls that is implemented and forms part of entire suite of audits and controls of the systems and procedures that is carried out at the City to avoid a risk event occurring.

Strategic Implications

The following strategy from the City of Mandurah Strategic Community Plan 2020 – 2040 is relevant to this report:

Organisational Excellence:

- Build and retain a skilled, agile, motivated and healthy workforce.
- Ensure the City has the capacity and capability to deliver quality services and facilities through accountable and transparent business practices, governance, risk and financial management.

Conclusion

The procurement audit has identified areas for improvement. All actions will be included in the Strategic Internal Audit Plan Monitoring Report in future Audit and Risk Committee meetings until they have been completed.

NOTE:

- Refer **Confidential Attachment 3.1** *Auditors Report*
Confidential Attachment 3.2 *Audit Monitoring Report*
Attachment 3.3 *Amendment to Compliance Audit Report 2020*

RECOMMENDATION

That the Audit and Risk Committee recommend that Council:

- 1. Receive the Auditor's Report as detailed in Confidential Attachment 3.1.**
- 2. Notes the improvement actions to be undertaken as detailed in Confidential Attachment 3.2.**
- 3. Adopts the amended 2020 Local Government Compliance Audit Return for the period 1 January 2020 to 31 December 2020 as per Attachment 3.3 and submits the amendment to the Department of Local Government, Sport and Cultural Industries.**

ATTACHMENT 3.3

Amendment to the 2020 Local Government Compliance Audit Return

Tenders for Providing Goods and Services

No	Reference	Question	Response	Comment	Respondent
3	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	No	<p>The City has identified one instance where a supplier was engaged for work that exceeded the tender threshold.</p> <p>The supplier was mistakenly engaged under an expired contract?</p>	Casey Mihovilovich

4	SUBJECT: DIRECTOR: MEETING: MEETING DATE:	Office of the Auditor General's Report Staff Exit Controls Strategy and Economic Development Audit & Risk Committee 13 September 2021
----------	--	--

Summary

The Office of the Auditor General of Western Australia (OAG) conducted an audit to ensure that entities have controls in place when an employee leaves their job, results of the audit are contained in Report 03 – Staff Exit Controls 5 August 2021. This report provides information in relation to the City's controls against the audit reports recommendations.

Disclosure of Interest

N/A

Previous Relevant Documentation

AR.8/5/20	19 May 2021	Adoption of Strategic Internal Audit Plan and auditable areas for 2020/21
-----------	-------------	---

Background

As a result of a 2015 audit on Controls Over Employee Termination, the OAG conducted an audit of three State Government entities in relation to employee exit requirements. These entities were the Department of Finance (DoF); Department of Planning, Lands and Heritage (DPLH) and the Department of Local Government, Sports and Cultural Industries (DLGCS). The audit focussed on Staff Exit Controls, identifying that when employees leave an entity for any reason, the entity should:

- immediately cancel access to information systems, premises and confidential information
- revoke all physical controls such as ID cards, security access passes (fobs or cards) and keys
- collect all entity owned property
- issue a reminder of the individual's ongoing obligations not to disclose entity information
- offer exit interviews.

Findings and recommendations have been made in the report which focus on the audited entities, this report will identify the City's current practices against those recommendations.

Comment

Outlined below are the recommendations from the OAG report which relate to DoF, DPLH and DLGCS. Refer to Confidential Attachment 4.1 for the City's response in relation to these recommendations.

1. To minimise the risk of unauthorised access to premises when staff leave, DPLH and DLGSC should:
 - a. maintain an accurate register of all access passes including returns, cancellations/deactivation
 - b. conduct regular audits of all active passes held by staff
 - c. immediately ensure that all unclaimed, duplicate or lost access passes are cancelled/deactivated
 - d. ensure all access passes are returned when staff leave.
2. To minimise the risk of property and information loss entities should:
 - a. ensure access to IT systems is removed or disabled immediately when staff leave

- b. clearly record when the removal of IT system access occurred
 - c. maintain a register of all assets issued to staff at commencement, during employment and what is returned at exit
 - d. ensure all assets are returned when staff leave
 - e. maintain an audit trail of asset ownership.
3. To minimise the risk of financial loss from overpayments entities should ensure that overpayments are identified and repayment arrangements are determined before staff leave.
 4. To better manage risks posed by different position and circumstance of exit, all entities should:
 - a. evaluate risk posed by different positions and termination types
 - b. development and document procedures to manage the risks effectively and efficiently
 - c. communicate the process to key staff in the relevant business functions or areas.
 5. To improve communication between business functions responsible for staff exits all entities should ensure:
 - a. each business area knows its role and responsibilities in relation to exiting staff and the action they need to perform
 - b. there is good communication and coordination around staff exits at the right time.
 6. All entities should:
 - a. offer interviews to all staff leaving
 - b. collate, analyse and internally report exit interview themes/results.

Consultation

N/A

Statutory Environment

N/A

Policy Implications

N/A

Financial Implications

Potential financial implications if exit processes are not adhered to are as follows:

- Over-payment of exited employees due to late notification
- Financial loss if an employee does not return City property

Risk Analysis

Potential risks for the City which will be determined further by an internal audit of Human Resource processes are as follows:

- Over-payment of exited employees due to late notification
- Exited employee access to buildings not being cancelled immediately after their last day
- Exited employee access to IT systems not being cancelled immediately after their last day
- City property / items not being returned

Strategic Implications

The following strategies from the City of Mandurah Strategic Community Plan 2020 – 2040 are relevant to this report:

Organisational Excellence:

- Build and retain a skilled, agile, motivated and healthy workforce.
- Ensure the City has the capacity and capability to deliver quality services and facilities through accountable and transparent business practices, governance, risk and financial management.
- Ensure that our actions maintain a sustainable balance between economic growth, the environment and social values.

Conclusion

The City has recently updated its processes in relation to exiting employees and it is anticipated that improvements will arise from these changes. The forthcoming Human Resources Internal Audit to be delivered in accordance with the Operational Internal Audit Plan 2021/22 will be timely to assess the effectiveness of this change and identify and further improvements that can be made.

NOTE:

Office of the Auditor General audit reports can be accessed from the website at www.audit.wa.gov.au/reports-and-publications/reports

- Refer ***Confidential Attachment 4.1 City of Mandurah responses to OAG recommendations***

RECOMMENDATION

That the Audit & Risk Committee:

1. **Note the officers responses to the Western Australian Auditor Generals' report as detailed in Confidential Attachment 4.1.**
2. **Note that the City's exit controls will be assessed as part of the City's Operational Internal Audit Program 2021/2022.**