

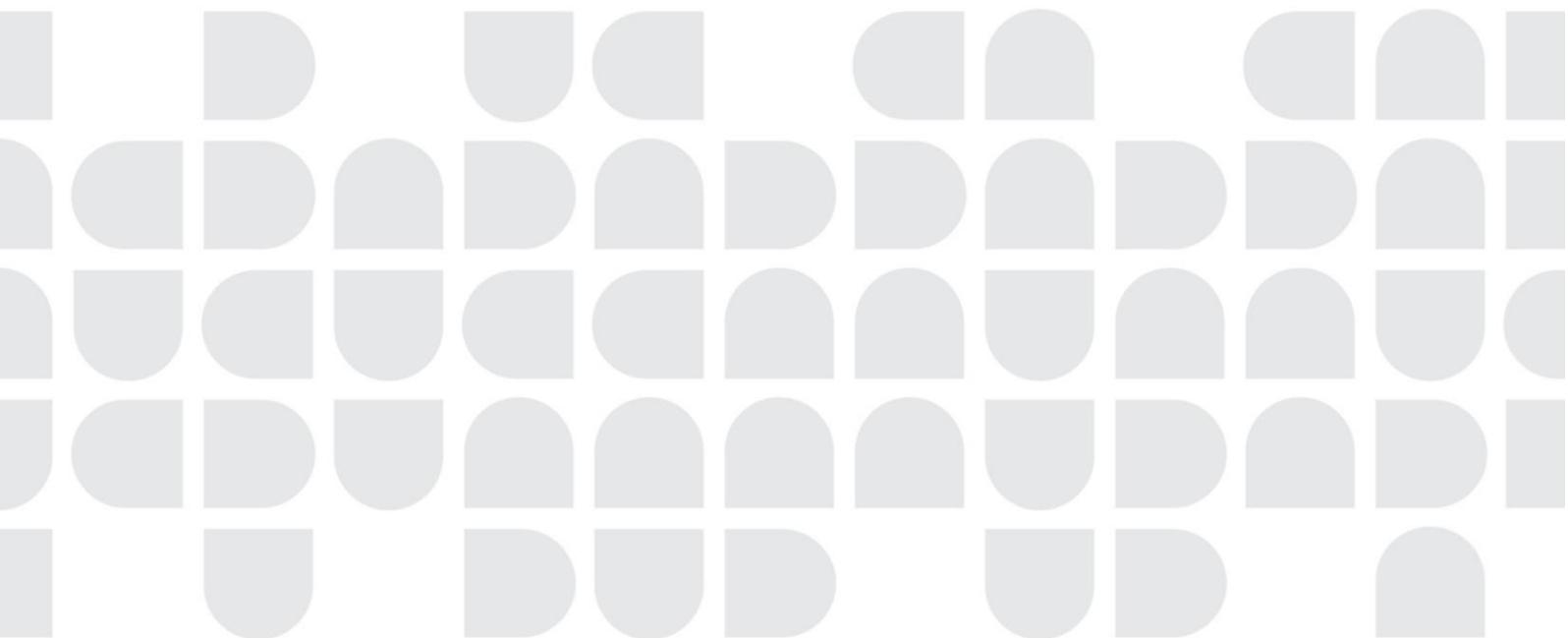


ATTACHMENTS

Under Separate Cover - Item 11.2

Audit, Risk and Compliance Committee
Meeting
Tuesday, 10 August 2021

Town of Port Hedland
Strategic 3 Year Internal Audit Plan
March 2021



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Preparation of the Strategic 3 Year Internal Audit Plan

Introduction

The Institute of Internal Auditors' International Professional Practices Framework requires Internal Audit to produce a risk-based plan, which takes into account the Town of Port Hedland's ("Town") risk management framework, knowledge of operations and internal controls derived from previous audits, its strategic objectives and priorities and the views of the Town's Management, the Audit, Risk and Compliance Committee ("ARC") and Council.

The objective of the Strategic 3 year and annual rolling plan is to direct audit resources in an efficient manner to provide assurance that key risks are being managed effectively.

This document addresses these requirements by setting out a proposed and detailed Annual Internal Audit Plan for the remainder of 2020/21 year and to realign the Strategic 3 Year Internal Audit Rolling Plan (the "Plan") for the period 1 July 2021 to 30 June 2023, where applicable, based on the changes on the Town's Risk Registers and in consultation with Senior Management for the consideration of the ARC.

This Annual Detailed and Rolling 3 year Internal Audit Plan is required to be reviewed and updated on an annual basis or when considered necessary by the ARC to ensure that Internal Audit Reviews are still aligned with any critical strategic, corporate and operational risks identified within the Town.

The nature, timing and extent of resources necessary to perform the engagements should be taken into account.

Role of Internal Audit Services

The aim of the Town's Internal Audit Service ("Internal Audit") is to assist the ARC and the Town's Management to manage risk by providing an innovative, responsive and effective value-added Internal Audit function. The objectives of Internal Audit are to:

- ✦ Provide independent consideration of risks, controls and processes across the Town;
- ✦ Promote mechanisms that encourage a culture, which is conscious of risk, control and processes; and
- ✦ Assist and support the Town in its drive for process improvement.

These objectives are achieved by:

- ✦ Assisting Management in evaluating their processes for identifying, assessing and managing the key operational, financial and compliance risks of the Town;
- ✦ Assisting Management in evaluating the effectiveness of internal control systems, including compliance with internal policies and their alignment with legislation and regulation;
- ✦ Recommending improvements in efficiency and effectiveness to the internal control systems established by Management;
- ✦ Keeping abreast of new developments affecting the Town's activities and in matters affecting Internal Audit; and
- ✦ Being responsive to the Town's changing needs and striving for continuous improvement.

Our internal audit activities typically include amongst others the following as guided by the Local Government Operational Guidelines Number 09 – Revised September 2013:

- ✦ the review of the internal control structure, monitoring the operations of the information system and internal controls and providing recommendations for improvements;
- ✦ a risk assessment with the intention of minimising exposure to all forms of risk on the local government;
- ✦ examination of financial and operating information that includes detailed testing of transactions, balances and procedures;
- ✦ a review of the efficiency and effectiveness of operations and services including non-financial controls of a local government;
- ✦ a review of compliance with management policies and directives and any other internal requirements;
- ✦ review of the annual Compliance Audit Return, if requested;

Preparation of the Strategic 3 Year Internal Audit Plan

- ✦ assist in the Chief Executive Officer's reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance to ensure the CEO's compliance with Regulation 17 of the Local Government (Audit) Regulations 1996 within every 3 years; and
- ✦ other specific tasks requested by management and the ARC.

Review of the Current Internal Audit Plan and the future Strategic 3 Year Rolling Internal Audit Plan

The current Internal Audit Plan and Strategic 3 Year Rolling and Annual Internal Audit Plan was revised by William Buck in conjunction with the Town's Management through performance of the following steps:

- ✦ The Town's latest updated risk registers were reviewed to determine where the Town's current identified high rated risks are;
- ✦ The Town's Strategic Community Plan 2018-2028
- ✦ Corporate Business Plan 2018-2028;
- ✦ Audit, Risk and Compliance Committee Meetings for the past year as well as changes to it's members;
- ✦ Delays in the current Internal Audit Plan resulting from the COVID pandemic as well as the establishment of the new Council in October 2020;
- ✦ Changes in the current management structure and available resources, within the Town, to assist with reviews, yet effectively performing daily processes and tasks and implementing actions identified in internal and external audits;
- ✦ Alignment of Internal Audit Reviews with the Audit, Risk and Compliance Committee's calendar and reporting at least one internal audit review per quarter;

The 15 strategic risks identified, risk and control level, accordance with the Town's risk registers, as well as the suggested internal audit reviews to be performed were as follow:

Nr	Risks	Risk Level	Controls	Residual Risk	Number of the Suggested Internal Audit Reviews covering the Strategic Risks
1	Inadequate Asset Sustainability Practices	High	Adequate	Moderate	1
2	Inadequate Environmental Management	High	Adequate	Moderate	No planned internal audits in the current 3-year cycle
3	External Theft and Fraud (Inc. Cyber Crime)	Moderate	Adequate	Moderate	2 and 8
4	Fail to Fulfil Statutory, Regulatory or Compliance Requirements	Moderate	Effective	Low	3 and 4
5	Inadequate Record Management Processes	High	Inadequate	High	5
6	Ineffective Management of Facilities / Venues / Events	Moderate	Effective	Low	No planned internal audits in the current 3-year cycle
7	Inadequate Engagement Practices	High	Effective	Low	No planned internal audits in the current 3-year cycle
8	Misconduct	Moderate	Adequate	Moderate	2
9	Business and Community Disruption	High	Adequate	Moderate	6
10	Inadequate Supplier / Contract Management	High	Adequate	Moderate	7
11	Failure of ICT Systems and Infrastructure	High	Adequate	Moderate	No planned internal audits in the current 3-year cycle
12	Inadequate Safety and Security Practices	High	Inadequate	High	8
13	Ineffective Employment Practices	High	Adequate	Moderate	No planned internal audits in the current 3-year cycle

Preparation of the Strategic 3 Year Internal Audit Plan

Nr	Risks	Risk Level	Controls	Residual Risk	Number of the Suggested Internal Audit Reviews covering the Strategic Risks
14	Inadequate Project / Change Management	High	Adequate	Moderate	9
15	Errors, Omissions, Incorrect Advice and Delays	Moderate	Adequate	Moderate	4

Suggested Internal Audits		Recalculated Residual Risk for each Internal Audit Review
1	Strategic Asset Management and Maintenance Review	Moderate
2	Fraud Risk Management and Misconduct Review	Moderate
3	Regulation 17 Review (Including Governance, Risk Management, Internal Controls and Compliance Management) (At least once every 3 financial years)	Low
4	Finance Management Review (Key financial controls review)	Low
5	Records Management	High
6	Business Continuity and Disaster Recovery	Moderate
7	Procurement and Contract Management Review	Moderate
8	Safety and Security Management Review	High
9	Project Management Review	Moderate

Proposed Revised Internal Audit Plan for 2020/21

Internal Audit Reviews (Revised for the 2020/21 financial year)

With reference to our revision of the annual and 3 year rolling internal audit plan performed and discussions held, Management suggested to reduce the Internal Audit Reviews to three (3) reviews per year. This will ensure that the Town has resources available to respond to questions and information requested during these reviews yet still performing daily processes and tasks effectively. This will also give the Town the opportunity in implementing actions on findings and improvement opportunities identified in internal and external audits. Internal audit reviews originally identified in the 2020/21 Annual and 3 year Internal Audit Plan were reprioritised based on the residual risk and incorporated in the Strategic 3 Year Internal Audit Plan for the period 1 July 2021 to 30 June 2023. The six (6) projects removed from the Strategic 3 Year Internal Audit Plan, will be rolled over, together with additional projects identified during internal reviews, to future financial years and will form part of a proposed five (5) year Internal Audit Plan.

Internal Audits 2020/21

Description	Related Risks	Progress	Residual Risk Rating	20/21 (hours)
Procurement and Contract Management Review	10. Inadequate Supplier / Contract Management	Completed 2nd Quarter 2020/21	Moderate	80
Regulation 17 Review (Including Governance, Risk Management, Internal Controls and Compliance Management) (At least once every 3 financial years)	4. Failure to fulfil Statutory, Regulatory or Compliance Requirements.	Work in Progress 3rd Quarter 2020/21	Low	80
Records Management	5. Inadequate Record Management Processes	To commence 4th Quarter 2020/21	High	80
				240

Annual Internal Audit Administrative Services

Description	Frequency to be performed by William Buck	20/21 (hours)
Audit & Risk Committee Reporting & Attendance	Quarterly	16
Audit log (Biannually)	Biannually	60
Strategic 3 Year Rolling Internal Audit plan	Annually	20
Annual Internal Audit Plan	Annually	10
		106

Total Internal Audit Hours

Description	20/21 (hours)
Internal Audit Reviews	240
Annual Internal Audit Administrative Services	106
346	

Strategic 3 Year Rolling and Annual Internal Audit Plan

Proposed Internal Audit Reviews (2021/22 to 2022/23)

Description	Related Risks	Previous review performed by William Buck	Residual Risk Rating	21/22 (hours)	22/23 (hours)
Finance Management Review (Key financial controls review)	4.Fail to Fulfil Statutory, Regulatory or Compliance Requirements 15.Errors, Omissions, Incorrect Advice and Delays.	Not yet performed by William Buck	Low	100	
Safety and Security Management Review	3. External Theft and Fraud (Inc. Cyber Crime) 12.Inadequate Safety and Security Practices	Not yet performed by William Buck	High	60	
Project Management Review	14. Inadequate Project / Change Management	Not yet performed by William Buck	Moderate	80	
Fraud Risk Management and Misconduct Review	3. External Theft and Fraud (Inc. Cyber Crime) 8. Misconduct	Not yet performed by William Buck	Moderate		80
Strategic Asset Management and Maintenance Review	3.Inadequate Asset Sustainability Practices	Not yet performed by William Buck	Moderate		80
Business Continuity and Disaster Recovery	9. Business and Community Disruption	Not yet performed by William Buck	Moderate		80
				240	240

Annual Internal Audit Administrative Services

Description	Frequency to be performed by William Buck	21/22 (hours)	22/23 (hours)
Audit & Risk Committee Reporting & Attendance	Quarterly	16	16
Audit log (Biannually)	Biannually	60	60
Strategic 3 Year Rolling Internal Audit plan	Annually	10	10
Annual Internal Audit Plan	Annually	5	5
		91	91

Strategic 3 Year Rolling and Annual Internal Audit Plan

Total Internal Audit Hours

Description	21/22 (hours)	22/23 (hours)
Internal Audit Reviews	240	240
Annual Internal Audit Administrative Services	91	91
	331	331

Other administrative functions which include the review and updating of the Audit, Risk and Compliance Committee and Internal Audit Charters, Terms of References, the Internal Audit Methodology and Internal Audit Procedural Manuals are from time to time performed and were not budgeted for in this plan.

Ad-hoc internal audits can also be performed by William Buck based on requests from the Chief Executive Officer and/or Audit, Risk and Compliance Committee.

Planned and ad-hoc reviews as well as other services will not commence until a purchase order is in place for the specific review/service to be provided. Internal Audit aims to be responsive to the Town's needs, given the environment of change that exists both within and external to the Town.

Consequently, the Strategic 3 Year Rolling and Annual Internal Audit Plan are reviewed each year to meet the changing needs of the Town and any proposed changes will be re-presented.

The impact of newly identified strategic, corporate and operational risks will be considered throughout the financial year and the annual internal audit plan will be amended if required.

Indicative Scopes for each identified Internal Audit Area

Set out within the table below are indicative scopes for the proposed reviews for the current year and the follow 3 years. The scopes will be further refined through discussion with Management during the scoping process.

Area of Review	Timing & Status	Indicative Scope
Procurement and Contract Management Review <i>(Completed)</i>	1 st Quarter 2020/21	<ul style="list-style-type: none"> ✦ Policy and procedure are in place and adequately documented, designed and implemented; ✦ Documents are aligned with Local Government Act and Regulations; ✦ Segregation of duties exist and conflicts of interest are considered, managed and resolved; ✦ Testing of key controls within the following areas to ensure they are operationally effective: ✦ Mechanisms for procurement to identify tender processes which should be followed; ✦ Tendering, Expressions of Interest and Quotations; ✦ Supplier's selection process (including composition of evaluation panels and the use of probity reviews); ✦ Approval processes; ✦ High level controls on Contract Management Processes (Financial/Performance); and ✦ Completeness of the contracts register. ✦ Monitoring/exception reporting processes by procurement on purchase orders and invoices to identify noncompliance with processes; ✦ Systems and processes for administering procurement processes and the team are in place and effectively managed; ✦ Records management; and ✦ Adequate training processes implemented in respect of procurement and contract management processes.
Regulation 17 Review <i>(Work in Progress)</i>	3rd Quarter 2020/21	<ul style="list-style-type: none"> ✦ Processes implemented in relation to risk management. ✦ Reviewing processes to assess the effectiveness of internal controls. ✦ Appropriateness of processes implemented to ensure compliance with legislative compliance requirements; ✦ Appropriate reporting structures to identify instances of non-compliance with Legislation are escalated to management, the Audit, Risk and Compliance Committee and Council. ✦ Follow up on previous Internal Audit Reports on Regulation 17.
Records Management <i>(To Commence)</i>	4 th Quarter 2020/21	<ul style="list-style-type: none"> ✦ Documentation is aligned with the State Records Act "SRA" and has been reviewed and approved by the State Records Office; ✦ The relevant record keeping documents are in place to ensure compliance at a high level with the SRA including Record Keeping Plan, Metadata Management Policy, Thesaurus and Retention and Disposal Plan and key requirements are complied with, including archiving and disposal; ✦ Staff are aware of record keeping requirements and are adequately trained including the use of network drives and paper based versus online storing of records; ✦ Appropriate quality control processes are implemented in respect of records management; ✦ Access to records is appropriately controlled either through a system or hard copy records; and ✦ Record audits are performed by the records manager e.g. frequency, results and follow-up.

Indicative Scopes for each identified Internal Audit Area

Area of Review	Timing & Status	Indicative Scope
Finance Management Review (Key financial controls review)	1 st Quarter 2021/22	<p>Key controls are implemented around the following areas:</p> <ul style="list-style-type: none"> ✦ Revenue & receivables; ✦ Cash management; ✦ Accounts payables, commitments and accruals; ✦ Supplier database maintenance; ✦ Exception reporting processes within finance; ✦ Administration and maintenance and acquittals of purchase cards; ✦ Period end close processes including all reconciliations, journals, analytical review and review and approval of accounts; ✦ Stock processes for administering, counting, valuing and provisions; ✦ Segregation of duties within each of the identified processes; ✦ The accounting aspect of assets including additions, disposals, valuation and depreciation; and ✦ User access to the accounting systems.
Safety and Security Management Review	2 nd Quarter 2021/22	<ul style="list-style-type: none"> ✦ The Town's security measures are adequate; and ✦ Appropriate Occupational Safety and Health Processes are implemented, including appropriate Insurance. ✦ Policies and procedures are adequate to ensure risks are well managed.
Project Management Review	3 rd Quarter 2021/22	<ul style="list-style-type: none"> ✦ Project management framework and methodology; ✦ Preparation and approval of business cases; ✦ Project Plans; ✦ Project risk assessments and management; ✦ Communications plans; ✦ Reporting of progress of projects; ✦ Project handovers; and ✦ End-user acceptance testing and post-project reviews.
Fraud Risk Management and Misconduct Review	1 st Quarter 2022/23	<p>The objective of this assessment was to determine whether:</p> <ul style="list-style-type: none"> ✦ management have appropriate detective controls implemented on an operational level to identify fraud and fraud risks; ✦ preventative and responding controls are implemented which will lower or mitigate risks identified; and ✦ reporting mechanisms for identified fraud/misconduct and corruption to the respective delegates is as prescribed to the Town's respective reporting procedures.
Strategic Asset Management and Maintenance Review	2 nd Quarter 2022/23	<ul style="list-style-type: none"> ✦ Asset Management and Asset Maintenance Strategies; ✦ Management of infrastructure assets and condition assessments; ✦ Asset renewal modelling and development of an Asset Renewal Program; ✦ Development and approvals of strategic capital works programs and the maintenance of current infrastructure assets; ✦ Asset management accounting processes; ✦ Assets counts; ✦ Environmental approvals and compliance reporting for Town Assets; and ✦ Implementation of annual environmental offset, conservation and foreshore programs.
Business Continuity and Disaster Recovery	3 rd Quarter 2022/23	<ul style="list-style-type: none"> ✦ Roles and responsibilities for co-ordinating BCP development, maintenance and testing are clearly defined.

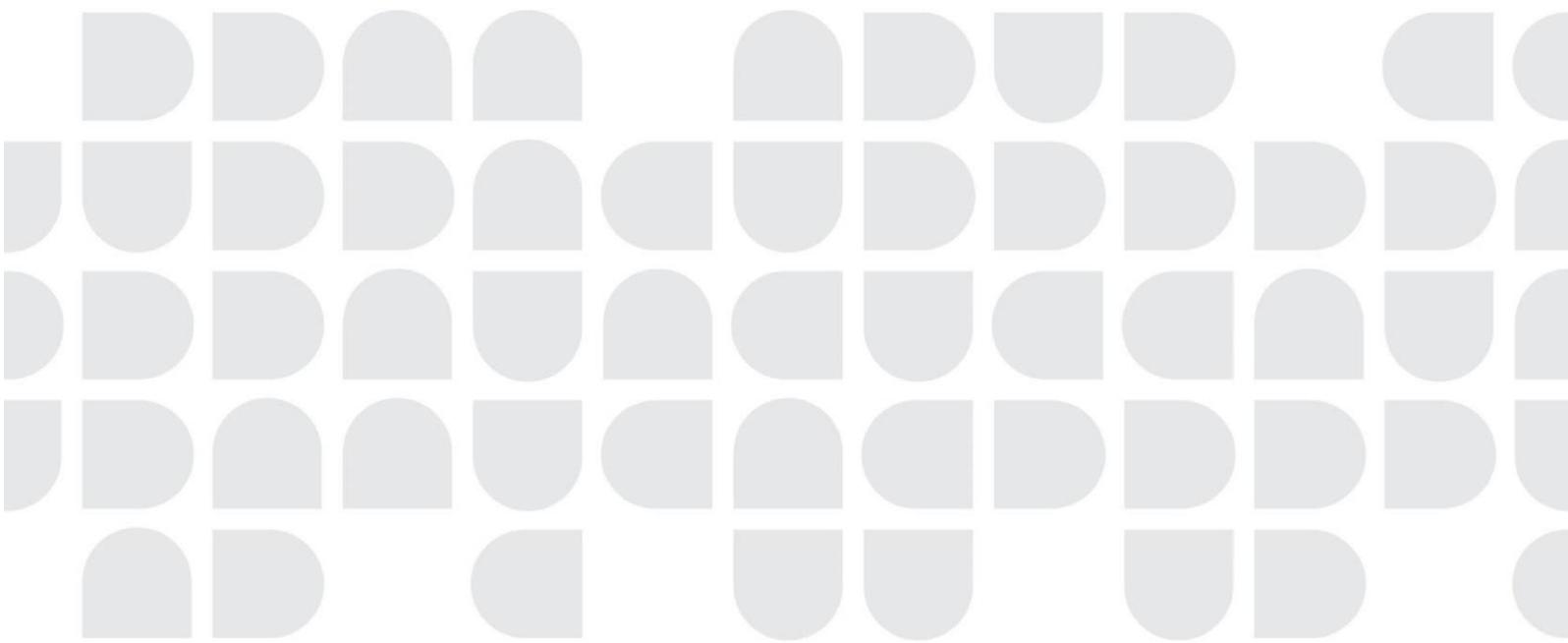
Indicative Scopes for each identified Internal Audit Area

Area of Review	Timing & Status	Indicative Scope
		<ul style="list-style-type: none"> ✦ A formal risk assessment has been completed to define potential events or incidents that could cause a disruption to the Town's business services. ✦ A formal Plan has been developed to define the Town's response to business continuity risks and is regularly reviewed and approved. ✦ BCP clearly defines contingencies to manage various stages of the BCP life-cycle including emergency, backup and recovery phases. ✦ BCP establishes a "chain of command" in the event of a crisis which defines who is responsible for decision making and how decisions should be made. ✦ BCP's are regularly tested, results of testing are documented and outcomes of testing are used to refresh and improve plans.

Other Suggested Areas of Reviews not covered in this plan

Other suggested reviews to be considered by Management and the Audit, Risk and Compliance Committee depending on the Town's risk rating for future Internal Audit Plans

Proposed Internal Audit
Environmental Management Review
Facilities and Events Management Review
Community Engagement and Stakeholders Relationship Review
IT General Controls Review (Including Cyber Security)
People, Culture and Payroll Management Review
Land Development and Strategic Land Use Planning and Environment
Budgeting and Long Term Financial Planning
Integrated Reporting
Customer Relationship and Complaints Management
Community and Place Management
Health and Compliance Review
Community Safety and Emergency Management Review
Asset Maintenance (incl. Parks, Buildings, Roads, Pathways and Storm Water Drains, Engineering, Conservation, Plant and Fleet)
Economic Development
Corporate Governance Review
Stakeholder Relationship Management
Media, Public Relations (Including Advocacy) and Communications
Fleet and Inventory Management
Approval Services



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