

**SHIRE OF EAST PILBARA  
AUDIT RISK AND  
GOVERNANCE COMMITTEE  
MEETING  
25 July 2024**

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**Notice is hereby given** that an ORDINARY Meeting of the Audit, Risk and Governance Committee will be held in **Newman Council Chambers** on **Thursday, 25 July 2024** at **4:00 PM**.

**AGENDA**

- 1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**
- 2 ATTENDANCE BY ELECTRONIC MEANS**
- 3 RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE**

**3.1 ATTENDANCES**

**3.2 APOLOGIES**

**3.3 LEAVE OF ABSENCE**

- 4 DISCLOSURE OF INTEREST**

In accordance with Division 6 of Part 5 of the Local Government Act 1995, Council Members must disclose any interests arising from agenda items, by completing the Disclosure of Interest Form

- 5 DECLARATIONS BY COMMITTEE MEMBERS TO HAVE GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPER BEFORE THE MEETING**

- 6 CONFIRMATION OF MINUTES OF PREVIOUS COMMITTEE MEETING**

- 7 OFFICER REPORTS**

**7.1 DIRECTORATE - EXECUTIVE**

**7.1.1 Internal Audit Charter and Quality Assurance Improvement Plan**

**7.1.2 Draft Internal Audit Plan 2024/25**

- 8 GENERAL BUSINESS**

- 9 DATE OF NEXT MEETING**

- 10 CLOSURE**
-

## OUR VISION

A cohesive community providing an economic hub for the region linked by vibrant local centres and shared spaces – a place to live and call home

Our towns have survived fluctuations of fortune for more than a century. Resourcefulness and resilience, along with planning, will hold them in good stead throughout the 21st century. The energy of our people will ensure that the heart of the Pilbara will beat on, and will beat strong.

The Shire of East Pilbara is not just about resources - it's also about resourcefulness.

From our Indigenous people to early pastoralists and miners, and through to the present day, people have shown their capacity to not only survive but thrive in the heart of the Pilbara.

## DISCLAIMER

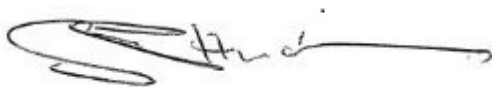
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*In particular and without derogating any planning application or application of a licence, any statement or intimation of approval made by any member or Officer of the Shire of East Pilbara during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of East Pilbara.*

*The Shire of East Pilbara advises that anyone who has any application lodged with the Shire must obtain and should only rely upon: **WRITTEN CONFIRMATION** of the outcome of the application and any conditions pertaining to the decision made by the Shire of East Pilbara in respect of the application.*

*Please be advised this Agenda may include the names of people who are deceased.*



**Steven Harding**  
**CHIEF EXECUTIVE OFFICER**

### 7.1.1 INTERNAL AUDIT CHARTER AND QUALITY ASSURANCE IMPROVEMENT PLAN

Report Type	Executive
Responsible Officer	Steven Harding, Chief Executive Officer
Author	Micheal Hennock Internal Auditor and Assurance Officer
Attachments	1. Internal Audit Charter 2. Quality Assurance and Improvement Program 3. Internal Audit Manual
Author Disclosure of Interest:	No
Location / Address:	N/A
Name of Applicant:	N/A

#### Officer Recommendation

That the Committee:

1. Notes the report of business improvements in the Shire's Internal Audit Function;
2. Endorses the Internal Audit Charter, Quality Assurance and Improvement Program, and Internal Audit Manual; and
3. Recommends Council's adoption of the Internal Audit Charter.

#### Purpose

To provide a report to the Audit, Risk and Governance Committee of business improvements in the Shire's Internal Audit Function, and seek endorsement of a new Internal Audit Charter, Quality Assurance and Improvement Program, and the current status of the Shire's Internal Audit Program, and Internal Audit Manual.

#### Background

Internal audit is a facilitator of continuous improvement, innovation and positive change. It evaluates the effectiveness of risk management, control and governance processes across the Shire's broad range of business activities. The Internal Audit function reviews the business activities of the Shire and the advice provided assists management in improving the Shire's service delivery and achievement of outcomes, and provides Council and its Audit, Risk and Governance Committee with assurance. It is noted that internal audit differs from external audit. External audit concerns with the accuracy of the Shire's financial statements, which are published as part of the annual report

## **Details and Analysis**

The Shire has recently appointed an employee in the role of Internal Auditor and Assurance Officer, who is a suitably qualified Internal Auditor and brings his experience from the Australian Public Service as a Senior Internal Auditor. The officer is a permanent Shire employee and is tasked with providing the organisation with the necessary dedicated resources to implement a range of significant improvements to the Shire's Audit Function.

A key initiative is the establishment of the necessary assurance infrastructure to ensure the independence of the Internal Audit Function and the Internal Auditor and Assurance Officer, who is based outside the District. As part of that work, three key documents have been developed:

### Internal Audit Charter

The Internal Audit Charter provides the framework for the conduct of the Internal Audit function in the Shire and is proposed for consideration by the Committee, with a view to recommending its adoption by Council.

The Charter supports the Internal Audit Function to provide an independent and objective review and advisory service to:

- Provide assurance to the Council that the Shire's financial and operational controls designed to manage the Shire's risks and achieve the entity's objectives are operating in an efficient, effective and ethical manner, and
- Assist management in improving the entity's business performance.

### Quality Assurance and Improvement Program (QAIP)

The QAIP is designed to provide reasonable assurance to the Shire's various stakeholders that Internal Audit:

- Performs its work in accordance with the Shire's Internal Audit Charter and Code of Conduct, and consistent with the International Standards.
- Operates in an efficient and effective manner, and
- Is perceived by stakeholders as adding value and improving internal audit's operations.

The key elements of the QAIP are as follows:

1. Ongoing monitoring of the internal audit activity through:
    - Supervision of engagements.
    - Regular and documented review of work papers during engagements.
    - The use of audit policy and procedures for each engagement to ensure compliance with applicable standards.
-



- Feedback from customers on individual engagements.
  - Review and approval of all final reports by the Chief Audit Executive.
2. Internal assessments including periodic reviews and ongoing reviews through:
- Regular Audit, Risk and Governance Committee, management and engagement feedback/surveys.
  - Review of internal audit performance metrics and benchmarking of best practices in accordance with audit policy and procedures.
  - Periodic activity and performance reporting to the Committee.
  - A statement from the outsourced internal audit provider confirming its work conforms with the Standards.
3. External assessments on internal audit's conformance with the International Standards, its Internal Audit Charter and Code of Conduct:
- Conducted at least every five years by an independent assessment team from outside the Shire;
  - The scope of which will cover elements such as expectations of internal audit as expressed by executive management, and operational managers, integration of the internal audit activity into the Shire's governance processes, tools and techniques used by Internal Audit.
4. Reporting on the QAIP through:
- The results of internal and external assessments including assessment against the rating scale included in Section 4 below will be reported to the Committee and to Council at least annually.
  - Corrective actions as appropriate to ensure that recommendations made in reports and any action plans developed are implemented within reasonable timeframes.

#### Internal Audit Manual

The purpose of the Internal Audit Manual is to:

- Define the standards to which the Shire's Internal Audit function operates.
  - Provide a framework for planning, performing and reporting on all audit and related activities.
  - Establish the quality and performance basis for Audit.
  - Promote improved processes and efficiencies in the conduct of audit and related activities.
  - Formally establish roles and responsibilities during an engagement.
  - Introduce the concept of embedding effectiveness discerning the Internal Audit activities and deliverables.
-

The manual assists in Internal Audit's planning and priority setting to provide independent assurance on the adequacy, effectiveness and efficiency of the key controls implemented to manage the risks that are important to the Shire's Council and the Shire's Executive Leadership Team in the achievement of their objectives.

Each of these documents are designed to support the Internal Audit Function of the Shire, and will be subject to regular monitoring and review.

### Strategic, Legislative and Policy Implications

<b>Strategic Community Plan</b>	<b>5: Governance</b> 5 Vibrant local democracy, forward-thinking civic leadership, and transparent stewardship of the community's assets and resources. 5.1 <i>Continued focus on good governance, transparency and community and stakeholder engagement in significant decisions, including place-based plans.</i> 5.4 <i>Ensure a high standard of organisational management and effectiveness.</i>
<b>Statutory Implications/Requirements</b>	Consistent with the <i>Local Government (Audit) Regulations 1996</i> .
<b>Policy Implications</b>	No policy implications

### Risk Management Considerations

<b>Risk</b>	Compliance
<b>Consequence</b>	Minor
<b>Likelihood</b>	Moderate
<b>Current Risk Rating</b>	Medium 9
<b>Mitigation Action</b>	Endorsement of the documents by the Committee will enhance the Shire's internal audit function and better manage risk across the organisation.
<b>Residual Risk Rating</b>	Low 5

	Insignificant	Minor	Significant	Major	Severe
Rare	Low 1	Low 4	Low 6	Medium 13	Medium 15
Unlikely	Low 2	Low 5	Medium 11	Medium 14	High 21
Moderate	Low 3	Medium 9	Medium 12	High 19	High 22
Likely	Medium 7	Medium 10	High 17	High 20	Critical 24

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Almost Certain	Medium 8	High 16	High 18	Critical 23	Critical 25
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### Financial Implications

Resources requirements are in accordance with the approved budget allocation.

### Options

1. The Committee may endorse the documents; or
2. Defer consideration pending further information; or
3. Not endorse the documents.



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## Internal Audit Charter

## Internal Audit Charter

### 1. Introduction

The Council has established the Internal Audit function as a key component of the Shire of East Pilbara's (Shire) governance framework.

This charter provides the framework for the conduct of the Internal Audit function in The Shire and has been approved by the Council on the advice of the Audit, Risk and Governance Committee (Committee).

### 2. Purpose of Internal Audit

Internal Audit provides an independent and objective review and advisory service to:

- Provide assurance to the Council that the Shire's financial and operational controls designed to manage the Shire's risks and achieve the entity's objectives are operating in an efficient, effective and ethical manner, and
- Assist management in improving the entity's business performance.

### 3. Independence

Independence is essential to the effectiveness of the Internal Audit function.

The Internal Audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities.

Internal Audit reports functionally to the Committee. The Chief Audit Executive (Manager Risk, Governance and Procurement) is accountable to the Council and reports to the Chief Executive Officer.

The Chief Audit Executive has direct access to the Council, and the Chair of the Committee and other members of the Committee. Members shall meet annually with the Internal Auditor and Assurance Officer and Manager Governance, Risk and Procurement in private session to seek assurances about the independence of Internal Audit and they may make whatever report they deem appropriate as a consequence to that meeting.

### 4. Authority and confidentiality

Subject to compliance with the Shire security policies, Internal Auditors are authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that the Chief Audit Executive considers necessary to enable Internal Audit to meet its responsibilities.



All records, documentation and information accessed in the course of undertaking Internal Audit activities are to be used solely for the conduct of these activities. The Chief Audit Executive and individual Internal Audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Under its legislation, the Office of the Auditor General Western Australia has access to all relevant Shire documents including Internal Audit reports.

## **5. Roles and responsibilities**

In the conduct of its activities, Internal Audit will play an active role in:

- Developing and maintaining a culture of accountability and integrity.
- Facilitating the integration of risk management into day-to-day business activities and processes, and
- Promoting a culture of cost-consciousness, self-assessment, and adherence to high ethical standards.

## **6. Audit activities including audits with the following orientation:**

### **6.1 Compliance**

- Compliance with statutory obligation, State Government requirements and Shire policies and procedures including assurance in respect of the Certificate of Compliance.
- The adequacy and effectiveness of internal financial and operational controls including IT system controls.
- the recording, control and use of entity assets.

### **6.2 Performance Improvement**

- The efficiency, effectiveness and ethical conduct of the Shire's business systems and processes.

### **6.3 Advisory Services**

Internal Audit can advise the Shire's management on a range of matters including:

- New programs, systems and processes - Providing advice on the development of new programs and processes and/or significant changes to existing programs and processes including the design of appropriate controls.

#### 6.4 Audit Support Activities

Internal Audit is also responsible for:

- Assisting the Committee to discharge its responsibilities.
- Monitoring the implementation of agreed recommendations.
- Disseminating across the entity better practice and lessons learnt arising from its audit activities; and
- Managing the audit function.

### 7. Scope of Internal Audit Activities

Internal Audit reviews cover all programmes and activities of the Shire as provided for in relevant business agreements, memorandum of understanding or contracts.

Internal Audit activity encompasses the review of all financial and non-financial policies and operations. These may include reviews of the:

- Extent of compliance with legislative requirements and other directions and instructions.
- Design, development, implementation, and operation of systems, procedures, processes and controls, whether manual or computer based.
- Reliability and accuracy of information available for decision making
- and accountability purposes.
- Adequacy of protection afforded public funds and assets; and
- Efficient, effective and ethical use of resources.

### 8. Standards

Internal Audit activities will be conducted in accordance with the Department of Local Government, Sport and Cultural Industries guidelines and supporting the Shire's values, policies and procedures. Audit activities will also be conducted in accordance with relevant professional standards including:

- Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
- Standards relevant to Internal Audit issued by the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia; and
- The Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association.

These standards are listed in the order of the precedence to apply should there be any conflict between them.

In the conduct of Internal Audit work, Internal Audit staff will:

- Comply with relevant professional standards of conduct.
- Possess the knowledge, skills and technical proficiency relevant to the performance of their duties.
- Be skilled in dealing with people and communicating audit, risk management and related issues effectively.
- Maintain their technical competence through a programme of professional development; and
- Exercise due professional care in performing their duties.

## **9. Relationship with External Audit**

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest.

External audit will have full and free access to all Internal Audit plans, working papers and reports.

Internal Audit will provide a liaison and coordination point for the Office of the Auditor General Western Australia for all performance audits conducted by that office.

## **10. Planning**

The Chief Audit Executive will prepare, for the Committee's consideration, an internal strategic audit plan and an annual program in a form agreed with the Committee.

## **11. Reporting**

The Chief Audit Executive will report to each meeting of the Committee on:

- Audits completed.
- Progress in implementing the strategic plan and annual audit program; and
- The status of the implementation of agreed internal and external audit, and other relevant external body recommendations where the associated risk is high or critical.

Internal audit will also report to the Committee at least once annually on the overall state of internal controls in the Shire and any systemic issues requiring management attention based on the work of internal audit and other assurance providers.



## **12. Administrative Arrangements**

Any change to the position of the Chief Audit Executive, will be reported to the Council. The Committee will be consulted as part of the process.

The Chief Audit Executive will arrange for a periodic, independent review of the efficiency and effectiveness of the operations of the Internal Audit function at least every five years.

## **13. Review of the charter**

This charter will be reviewed at least annually by the Committee. Any substantive changes will be formally approved by the Council on the recommendation of the Committee.

Item 7.1.1 Appendix 1

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## Quality Assurance & Improvement Program



# Quality Assurance & Improvement Program

## Summary

Under the International Standards for the Professional Practice of Internal Auditing – 1300 (International Standards) contained in the International Professional Practices Framework (IPFF) issued by the Institute of Internal Auditors (IIA), the Chief Audit Executive (CAE) or equivalent of an agency must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity

The Shire of East Pilbara's (The Shire) Internal Audit Manual requires The Shire to have in place a documented and operational Quality Assurance and Improvement Program (QAIP) around its internal audit function.

## 1. Purpose

The QAIP is designed to provide reasonable assurance to The Shire's various stakeholders that Internal Audit:

- Performs its work in accordance with The Shire's Internal Audit Charter and Code of Conduct, and consistent with the International Standards.
- Operates in an efficient and effective manner, and
- Is perceived by stakeholders as adding value and improving internal audit's operations.

## 2. Key Elements

The QAIP covers the following elements:

1. Ongoing monitoring of the internal audit activity through:
  - a. Supervision of engagements.
  - b. Regular and documented review of work papers during engagements.
  - c. The use of audit policy and procedures for each engagement to ensure compliance with applicable standards.
  - d. Feedback from customers on individual engagements.
  - e. Review and approval of all final reports by the CAE
2. Internal assessments including periodic reviews and ongoing reviews through:
  - f. Regular Audit, Risk and Governance Committee (Committee), management and engagement feedback/surveys.
  - g. Review of internal audit performance metrics and benchmarking of best practices in accordance with audit policy and procedures.
  - h. Periodic activity and performance reporting to the Committee.
  - i. A statement from the outsourced internal audit provider confirming their work conforms with the Standards.

3. External assessments on internal audit's conformance with the International Standards, its Internal Audit Charter and Code of Conduct:
  - j. Conducted at least every five years by an independent assessment team from outside The Shire;
  - k. The scope of which will cover elements such as expectations of internal audit as expressed by executive management, and operational managers, integration of the internal audit activity into The Shire's governance processes, tools and techniques used by Internal Audit.
4. Reporting on the QAIP through:
  - l. The results of internal and external assessments including assessment against the rating scale included in Section 4 below will be reported to the Committee and to Council at least annually.
  - m. Corrective actions as appropriate to ensure that recommendations made in reports and any action plans developed are implemented within reasonable timeframes.

The frequency and timing of the above elements is further detailed in Section 3 below.

### **3. Review**

This QAIP will be reviewed at least annually. The review will include consideration of any changes to the program that could impact the overall quality program, any new and/or revised standards and requirements, and stakeholder feedback.

No.	Standard	Quality Standard & Elements	Frequency	Timing	Result	Implement	Review	Responsible	Rating
<b>1</b>	<b>1300, 1310</b>	<b>Quality Assurance and Improvement Program</b>							
1.1	QAIP maintained for Internal Audit		Annual Review	Sep ARGC					
1.2	QAIP aligns with the Standards		Annual Review	Sep ARGC					
1.3	QAIP comprises <ul style="list-style-type: none"> <li>Internal Assessments – On going</li> <li>Internal Assessments – Periodic</li> <li>External Assessments</li> </ul>		Annual Review	Sep ARGC					
1.4	Progress against the Audit Plan		Fortnightly meetings with the Co-Sourced Service Provider	Quarterly reports to the ARGC					
<b>2</b>	<b>1311</b>	<b>Internal Assessments – Ongoing</b>							
2.1	Review the Risk Register prior to commencing audits		As required						
2.2	Review the scope of all audit engagements prior to commencement		As required						
	Review of audit recommendations and whether they add value		Monthly	Quarterly reports to the ARGC					
2.3	Workpaper review and Manager sign-off on internal audit engagements both in-house and co-sourced.		Ongoing	During and after each audit					
2.4	Performance evaluation of internal audit engagements in-house and co-sourced		Ongoing	After each audit					
2.5	Actual versus budgeted analysis (monitoring metrics) after internal audit engagements. <ul style="list-style-type: none"> <li>Budget versus Actual time</li> <li>Estimate versus actual elapsed time</li> </ul>		Ongoing	After each audit					
2.6	Client feedback survey after internal audit engagements		As required	After each audit					

No.	Standard	Quality Standard & Elements	Frequency	Timing	Result	Implement	Review	Responsible	Rating
2.7	A statement from the co-sourced service provider confirming that their work conforms with the standards.		Ongoing						
<b>3.0</b>	<b>1311</b>	<b>Internal Assessments - Periodic</b>							
3.1	Review of Internal Audit Checklist		Annual	Sep ARGC					
3.2	Self-assessment of conformance to the Standards		Annual	Sep ARGC					
3.3	Audit Committee and Management's feedback surveys		Annual	Sep ARGC					
	Periodic self-assessment by the Co-Sourced service providers reviewed by the CAE.		Annual	Sep ARGC					
3.4	File reviews for internal audit engagements – in-house and co-sourced		Ongoing						
3.5	Internal Audit team sign Annual Declaration		Annual	Sep ARGC					
3.6	A statement from the co-sourced service provider confirming that their work conforms with the standards		Annual	Sep ARGC					
<b>4.0</b>	<b>1312</b>	<b>External Assessments</b>							
4.1	An independent External Quality Assessment of Internal Audit is performed at least once every 5 years by an independent assessment team from outside the organization. Report provided to the ARGC		5 Yearly	Shared with ARGC on completion of review.					
<b>5.0</b>	<b>1320</b>	<b>Reporting on the Quality Assurance and Improvement Program</b>							
5.1	Results of QAIP reported to the Board Audit Committee and Council		Annual	Sep ARGC					



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# Internal Audit Manual

*A guide for Internal Audit Staff and External Audit Service Providers*

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Item 7.1.1 Appendix 3



# 1 Introduction

The Internal Audit Manual is a key component of Internal Audit's processes. It is one of the many Internal Audit tools established to ensure a consistent approach in delivering engagements by Internal Audit staff.

## 1.1 Context

The Shire of East Pilbara's (The Shire's) Internal Audit division provides independent assurance to The Shire's Council through the Audit, Risk and Governance Committee (ARGC) and The Shire's Executive Leadership Team (ELT). Internal Audit derive its authority from The Shire's Internal Audit Charter. The Internal Audit Manual should be read in conjunction with the Internal Audit Charter.

## 1.2 Audience

This manual has been developed to assist Internal Audit staff in The Shire to conduct their roles and responsibilities proficiently. It is not written for stakeholders outside of The Shire's Internal Audit function.

## 1.3 Purpose

The purpose of the Internal Audit Manual is to:

- Define the standards to which The Shire's Internal Audit function operates.
- Provide a framework for planning, performing and reporting on all audit and related activities.
- Establish the quality and performance basis for Audit
- Promote improved processes and efficiencies in the conduct of audit and related activities
- Formally establish roles and responsibilities during an engagement.
- Introduce the concept of embedding effectiveness discerning the Internal Audit activities and deliverables.

This manual assists in Internal Audit's planning and priority setting to provide independent assurance on the adequacy, effectiveness and efficiency of the key controls implemented to manage the risks that are important to the Shire's Council and the Shire's ELT in the achievement of their objectives.

## 1.4 Application

The Internal Audit Manual applies to all internal audit activities in the Shire. Deviations from the Manual may be required where there is a legitimate reason for not meeting a requirement. Any deviation from the Manual should be approved by the Manager of Governance, Risk and Procurement or the Chief Executive Officer.

The Internal Audit Manual has been approved by the Manager of Governance, Risk and Procurement, the Chief Executive Officer and the Audit, Risk and Governance Committee (ARGC) and is subject to annual review. Adherence to the methodology will be assessed by periodic internal and external Quality Assurance reviews.

The Internal Audit Manual addresses Internal Audit's provision of assurance services. The Institute of Internal Auditors (IIA) defines internal audit assurance services as follows:

- **Assurance Services**

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security, and due diligence engagements.

## **1.5 Governance**

IA's role and activities are governed by the Internal Audit Charter. Internal Audit's primary role is to provide assurance to the ARGC that the significant inherent risks in the Shire are addressed by adequate and effective controls in the first instance and are monitored and overseen by the second lines of defence. The ARGC meets at least four times per year, with additional meetings at its discretion.

## **1.6 Professional Standards**

The Internal Audit Manual is consistent with the professional practices set out in the IIA International Standards for the Professional Practice of Internal Auditing 2017 (Standards).

## **1.7 Management Advisory Services Panel**

The Shire Internal Audit selects a Co-sourced Audit Service Provider through The Shire's procurement process. The Chief Executive Officer and Manager of Governance, Risk and Procurement monitor and ensure that the co-sourced Audit Service Providers adhere to the processes for assurance services provided.

Item 7.1.1 Appendix 3

## 2 General Policies and Standards

### 2.1 Internal Audit Charter

IA's role and activities are governed by the Internal Audit Charter. The Charter is reviewed annually by the Manager of Governance, Risk and Procurement and Chief Executive Officer to confirm that it is current. This is confirmed in the Annual Report to the BAC.

Any substantive changes to the Charter are formally approved by the Council on the recommendation of The Shire's ARGC.

### 2.2 Audit Standards and guiding principles.

Internal Audit Activities will be conducted in compliance with the Standards (refer to Section 8 of the SoEP Internal Audit Charter)

### 2.3 Independence and objectivity

Internal Audit is functionally independent of management and the external auditors and has the right to an appropriate level of access to management and to seek information (refer to Section 3 of the SoEP Internal Audit Charter).

### 2.4 Authority and confidentiality

The authority of Internal Audit is sourced from:

- The Internal Audit Charter, and
- Statute, regulation, common law and regulatory obligations.

All records, documentation and information accessed by Internal Audit while undertaking its activities are to be used solely for the conduct of these activities (refer to Section 4 of the SoEP Internal Audit Charter).

## 3 Personnel

Whilst Internal Audit has an internal audit team of audit professionals, it also co-sources audit work to external audit providers.

The Manager of Governance, Risk and Procurement and the ARGC oversee Internal Audit on behalf of the Accountable Authority.

### 3.1 Manager of Governance, Risk and Procurement

Role and responsibilities of Internal Audit and the Manager of Governance, Risk and Procurement are specified in the Internal Audit Charter. (refer to Section 5 of the SoEP Internal Audit Charter).

### 3.2 Co-sourced Audit Service Provider Model

Internal Audit uses a co-sourced audit service provider model to help execute the Annual Internal Audit Plan and use special skills when required. The co-sourced audit service providers:

- Conduct risk-based audits and other projects, as directed by the Manager of Governance, Risk and Procurement, in conformance with this Internal Audit Manual including the use of specified templates.
- Provide advice to the Manager of Governance, Risk and Procurement or the Internal Audit function, as required.

### 3.3 Proficiency and due professional care

Internal Audit engagements must be performed with proficiency and due professional care.

#### 3.3.1 Proficiency

The Internal Audit function collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.

Internal Audit is expected to be able to demonstrate its proficiency through appropriate qualifications and professional certifications such as the IIA's Certified Internal Auditor designation and those of other appropriate professional organisations.

'Proficiency' includes having the capacity to evaluate the risk of fraud and/or corruption and how risks are managed at the organisation, and knowledge of information technology risks and controls sufficient to perform their assigned work. Specialists will be engaged for Information Technology systems audits when deemed appropriate.

If Internal Audit lacks the knowledge, skills or other competencies needed to perform all or part of an engagement, it must decline the engagement, or obtain competent advice and assistance to do so.

#### 3.3.2 Due professional care

IA, including co-sourced audit service providers, must apply the care and skill expected of a reasonably prudent and competent Internal Auditor. Internal Audit must exercise due professional care by considering:

- Any real or perceived conflict of interest that may arise as part of the engagement,
- The extent of work needed to achieve the engagement's objectives.

- The relative complexity, maturity or significance of matters to which assurance procedures are applied.
- The adequacy and effectiveness of governance, risk management and control processes
- The probability of significant errors, fraud or non-compliance that might affect objectives, operations or resources.

In exercising due professional care, Internal Audit must consider the use of technology-based audit and other data analysis techniques.

### 3.3.3 Continuing professional development

Internal Audit team members must enhance their technology, skills and other competencies through continuing professional development.

### 3.3.4 Code of Ethics

Internal Audit team members and co-sourced service providers performing internal audit services are required to read and abide by the IIA Code of Ethics set out in the IIA's International Professional Practices Framework. The Code of Ethics centres on the principles of:

- Integrity
- Objectivity
- Confidentiality
- Competency

Internal Audit Team members, including co-sourced audit service providers, should also be aware of, and comply with, The Shire's Code of Conduct and The Shire's policies and procedures.

As part of year end reporting, the Manager of Governance, Risk and Procurement annually confirms to the ARGC the organisational independence of all Internal Audit activities.

### 3.3.5 Management of conflicts of interest

All Internal Audit team members and co-sourced audit service providers must declare and real or perceived conflicts of interest:

- Annually through an Annual Declaration for (refer to **Section 3.5 Annual Declaration**), and
- For each engagement.

These declarations, along with any mitigating strategies to manage perceived or actual conflicts of interest, must be documented in the audit file (refer to **Section 6.2 Audit Planning Process Overview** for details).

Any real or perceived conflicts of interest identified should be reported to the Manager of Governance, Risk and Procurement with mitigating strategies to manage conflicts of interest.

## 3.4 Resource use

Timeframes for each assurance and consulting engagement are determined during the Annual Internal Audit Planning Process, or as engagements arise for special request audits and reviews.

Where a change in an engagement's scope will result in a significant change to the timeframe, it must be discussed with the Manager of Governance, Risk and Procurement before the engagement commences.

Each Internal Audit engagement is monitored by the Manager of Governance, Risk and Procurement who regularly updates the Chief Executive Officer on the progress of engagements and the Annual Internal Audit Plan.

The Manager of Governance, Risk and Procurement provides quarterly updates to the ARGC regarding the progress of audits against the Annual Internal Audit Plan. When management requests and audit be deferred or cancelled, the Manager of Governance, Risk and Procurement in conjunction with management will provide audit deferral / cancellation requests with justification. This is provided to the ARGC for approval.

### 3.5 Annual Declaration

All Internal Audit team members and co-sourced audit service providers must complete an annual declaration to confirm their conformance to mandatory internal auditing requirements, including the following:

- The Shire values
- The Shire Codes of Conduct
- Internal Audit Policies and Procedures
- Professional Development
- IIA Code of Ethics and conflicts of interest

Refer to **Attachment A – SoEP AA Annual Declaration** for the current year's template.

## 4 Internal Audit Methodology

The Internal Audit methodology comprises of five key stages detailed below:

- 1) Annual Internal Audit Planning
- 2) Audit Planning and Terms of Reference
- 3) Audit Fieldwork
- 4) Reporting and,
- 5) Finalisation

The Internal Audit methodology is applicable to most engagements and any type of audits performed by Internal Audit. The Internal Audit methodology is summarised in **Attachment B – Internal Audit Flowcharts (TBC)**.

Sections 5 to 8 of this Manual describe each methodology component in detail. The steps at the beginning of each section must be either considered or complied with. The sections also outline relevant guidance and templates to support the team in undertaking engagements across The Shire.

## 5 Annual Audit Planning Process

### 5.1 Objective

The Annual Internal Audit Plan is developed to provide appropriate coverage across The Shire's operations, with several focus areas. These areas are selected because of their contribution to the achievement of The Shire's purpose, outcome and programs.

Key to the Audit Planning approach is to combine Internal Audit's knowledge and experience with information obtained from consulting with the ARGC and our partners across The Shire to develop an Internal Audit Plan, which balances professional, independent and objective assurance on The Shire's operations.

### 5.2 Development of the Annual Internal Audit Plan

The Manager of Governance, Risk and Procurement are to engage with the Directors and review key documents (e.g. strategic and business planning documents, environmental scans, etc.) to establish priorities, risks and assurance needs for the specific Directorates.

Internal Audit staff are to be engaged to obtain any ideas for audits based on their knowledge or the risk landscape of The Shire, their awareness of environmental factors that may impact The Shire and audit experience from prior years.

Prior year Internal Audit plans and results are to be analysed for key risk areas, rotational audit trends and other topic ideas.

The Audit universe is to be used to identify potential audit topics. The Audit Universe is developed using the following inputs – risk, complexity, financial, change, projects, size and coverage. In addition, the following will be undertaken:

- Regular meetings with management and representatives from the Directorates to identify business areas with higher risks.
- Consideration of risk registers and practices around risk identification, assessment and monitoring.
- An evaluation of the maturity of how organisational functions / divisions communicate and collaborate for achieving key objectives.

Budget and resource requirements including the requirement for co-sourced resources are to be included in the Annual Internal Audit Plan.

The Annual Internal Audit Plan must be presented to the ARGC for approval. Any future changes to the plan (e.g. deferrals and cancellations) must also go to the ARGC for approval.

A mid-year review of the Internal Audit Plan may be performed to assess the progress of engagements to date and validate any need for changes. This will be presented to the ARGC for approval.



## 6 Engagement Audit Planning and Terms of Reference

### 6.1 Objective

The objective of the planning stage is to develop an approach for the engagement to address the engagement objectives per the Annual Internal Audit Plan or as agreed to with management for management requests.

### 6.2 Audit Planning Process Overview

The Audit Planning Process has been flowcharted in Attachment B.1 – Audit Planning Process.

Note: these are guiding steps to achieve the necessary outcomes. Not all steps are required for all engagements and some additional steps may be necessary. The Manager of Governance, Risk and Procurement's discretion and judgement are to be used on every engagement.

The Manager of Governance, Risk and Procurement and Engagement Lead are to consider and prioritise the proposed audit work to be performed, scope, timing and duration of each engagement. The Manager of Governance, Risk and Procurement should demonstrate there is no impairment to Internal Audit independence or objectivity from the engagement.

Internal Audit staff are assigned to engagements based on specific knowledge of the activity as well as their individual interests or development needs. Where knowledge or expertise gaps are identified, these should be addressed through on the job coaching and involvement of subject matter experts to allow for quality deliverables.

Audit team planning meetings and meetings with stakeholders to develop / discuss the Terms of Reference must be minuted and retained as audit evidence.

Refer to **Attachment C – Meeting Agenda and Minutes**.

#### 6.2.1 Pre-planning audit team meeting

The audit team is to meet and discuss:

- Audit rationale and overall outcome per the Annual Internal Audit Plan
- Identify the key stakeholder(s) to initially contact to organise a Pre-Planning Stakeholder Meeting
- Approach and timing for the development of the Terms of Reference
- Identify if there is a requirement of a subject matter expert and potential data analytics

#### 6.2.2 Pre-Planning Stakeholder Meeting

The audit team is to meet with key stakeholders to discuss:

- The audit objective and scope elements
- Timing of the engagement
- Performance limitations (e.g. access to documentation, key stakeholders on leave, business as usual requirements, etc.)
- Identification of key stakeholders to be consulted throughout the engagement



- Management's awareness of key risks and action plans (with respect to Management Awareness and Action Rating [MAAR] reporting [refer to **Attachment D – SoEP Ratings**]).

The Internal Audit Protocol should be shared with the stakeholders at the pre-planning meeting. This includes engagements conducted by the Co-Sourced Audit Service Provider. Refer to the **Attachment E – SoEP Internal Audit Protocol Flowchart**.

### 6.2.3 Process assessments and walkthroughs

The audit team is to conduct process assessments and walkthroughs to gain understanding of the business processes and objectives of the areas being audited.

The purpose of a walkthrough is to confirm the understanding of the business process, objectives, risks and controls in place and to confirm whether the controls are adequately designed to manage the risks. Each process walkthrough is to be documented using process maps or narratives and should clearly identify the key risks and key controls and the conclusion on the adequacy (design and implementation) of controls.

**NOTE:** If controls are deemed inadequate, operational effectiveness testing must not be performed. These instances must be reported as audit observations. Depending on the pervasiveness of the observations throughout the process walkthroughs, discuss with the Manager of Governance, Risk and Procurement on how best to proceed with the engagement.

### 6.2.4 Analytical Procedures

Analytical procedures involve the comparison and analysis of information across periods or other comparison data to identify variations to expectations and analyse to understand and verify the basis of the variation. Analytical procedures are used to identify trends, unusual amounts and unexpected omissions in the financial and management information (e.g. weekend transactions, large volumes of transactions or processes being performed by a small number of staff manually, etc.).

The Computer Assisted Audit Techniques (CAAT) must be considered during the planning phase of the audit.

### 6.2.5 Documentation review

The audit team should obtain appropriate background information in relation to the engagement which could include but not be limited to:

- Business plans
- Operations risk registers – relevant operations risks and associated controls should be updated in the engagement work program.
- Certificates of assurance
- KPI management reports
- Process flow charts.

Although several documents are reviewed for the audit team to obtain an understanding of the engagement, only relevant documentation for the engagement planning, audit fieldwork and audit finding validation must be obtained in the audit file. The audit team must consider privacy obligations when maintaining this documentation in the audit file.

### 6.2.6 Risk & Control Matrix (RACM) or Engagement Work Program

Key risks and controls are to be documented in the RACM or engagement work program. For more details, refer to **Section 7.2.1**.

The Manager of Governance, Risk and Procurement must review the RACM to ensure it appropriately identifies the key risks and controls in the process, and whether the engagement team have appropriately concluded on the control adequacy (design and implementation). This review is critical to ensure that the resulting audit testing is being performed on appropriately designed and implemented key controls.

### 6.2.7 Terms of Reference (ToR)

A ToR should be drafted by the Audit Team (in conjunction with the co-sourcing provider, where applicable). The ToR must be reviewed by the Manager of Governance, Risk and Procurement and approved by the Chief Executive Officer. The ToR should include, but not limited to the following:

- Engagement objective and outcomes
- Background
- Scope
- Scope exclusions
- Audit team
- Estimated delivery timeframes
- Key stakeholders, delegates and subject matter experts.

Refer to **Attachment F – SoEP Terms of Reference**.

The draft ToR must be issued by the Manager of Governance, Risk and Procurement to the auditee and other relevant stakeholders to obtain feedback.

### 6.2.8 Scoping Meeting

After issuing the draft ToR, the Audit Team must meet with stakeholders to discuss their feedback on the Draft ToR. Any changes to the draft ToR must be approved by the Manager of Governance, Risk and Procurement and any significant changes being approved by the Chief Executive Officer.

Endorsement of the ToR by the auditee Manager and Director must be obtained and filed in the audit file as evidence.

The Final ToR must be circulated among all stakeholders by the Manager of Governance, Risk and Procurement.

### 6.2.9 Audit Team Kick-Off Meeting

The Manager of Governance, Risk and Procurement should organise a team meeting with all members of the audit team prior to the commencement of audit fieldwork. The planning meeting should cover, as a minimum, the following areas:

- Objective of the engagement
- Details of the resources, timing and location of the engagement and key client contact
- Overview of the audited area including key risks and controls to be audited for effectiveness and efficiency

- Overview of the engagement including discussion of the proposed scope
- Allocation of responsibilities for the delivery of the engagement to each team member. The RACM should facilitate the allocation of tasks and responsibilities to each team member.
- Discussion of the allocated time for each component of the engagement
- Assigning of responsibility to draft weekly engagement status updates to the stakeholders
- Declaration of any real or perceived conflicts of interest for the engagement (**NOTE:** The Audit Team should declare any real or perceived conflicts of interest that are identified at any stage of the audit).

These meetings should be minuted and retained as audit evidence. Refer to **Attachment G – Audit Team Kick-Off Meeting Agenda and Minutes**.

Item 7.1.1 Appendix 3

## 7 Audit Fieldwork

### 7.1 Objective

The objective of audit fieldwork is to obtain sufficient evidence to achieve the audit objectives and to adequately cover the scope, including effectiveness and efficiency of controls and achievement of process outcomes. The onus is on the Manager of Governance, Risk and Procurement to ensure mandatory steps are performed. In case of exceptions, the auditor's judgement and Manager of Governance, Risk and Procurement's approval is relied upon.

### 7.2 Audit Fieldwork Overview

The Audit Fieldwork Process has been flowcharted in **Attachment B.2 – Audit Fieldwork Process**.

**NOTE:** These are guiding steps to achieve necessary outcomes (not all steps are required for all engagements and some additional steps may be required. The Internal Audit Team's discretion and judgement should be used on each engagement.

#### 7.2.1 Risk & Control Matrix (RACM) or Engagement Work Program

The engagement lead should develop the RACM or engagement work program at the planning stage of the engagement.

The RACM utilises the process narratives / flowcharts previously documented and records the key risk and controls identified. The template for the RACM should be used. The testing approach and the results of audit testing performed should be documented in the RACM. Conclusions on the adequacy and effectiveness of the tested controls should be documented along with any exceptions and root causes where possible.

The RACM is a live document and must be updated as the audit progresses. It is the central document detailing engagement scope, key risks and controls identified, audit approach, testing performed, and conclusions reached.

**Refer to template:** **Attachment H – SoEP Risk and Control Matrix**.

Where a RACM is not appropriate, a suitable work program must be developed that outlines the engagement approach, exceptions identified and root causes where possible.

#### 7.2.2 Audit Approach

Controls that have been assessed to be adequately designed should be tested for operating effectiveness. The audit team should determine and document in the RACM control testing techniques and approach. The following needs to be consulted with the Manager of Governance, Risk and Procurement and reflect the nature and risks of the engagement:

- Audit approach: inquiry, observation, examination and reperformance
- Testing design and strategy: test of details, analytical procedures.
- Sampling methodology and sample sizes

### 7.2.3 Audit Testing

The audit team executes the testing program in accordance with the agreed audit approach and sample size methodology. The extent of testing must provide Internal Audit with sufficient assurance on the operation of controls. To ensure sufficient appropriate audit evidence has been obtained, consider the following when performing the above procedures:

- Control nature and frequency, including susceptibility to change and how much manual effort is required to perform.
- Likelihood of control failure (such as past failures, complexity or manual nature).
- Significance of the control to the overall control environment.

Details of control effectiveness testing performed and conclusions on control operating effectiveness must be documented in the audit work papers and RACM. As part of the audit fieldwork process the team may identify audit observations relating to the risk management and control framework of the area under review and any opportunities to improve efficiency and effectiveness of the process. The audit team should progressively discuss and confirm observations identified with management and ensure these are appropriately documented as audit evidence in the audit workpapers for inclusion in the audit report.

## 7.3 Audit Evidence

Audit evidence is obtained through procedures such as observations interviewing stakeholders, examining records, and analysing data. Provided the methodology is documented, sampling approaches and other means of selecting information may be used if conclusions can be drawn by those means.

### 7.3.1 Sampling methodology

Sampling is the process of selecting a subset of the population to test, that will allow inferences to be made about the population. The decision on sample size and sampling approach should be fully documented in the workpapers. Sampling method and size depends on the nature and frequency of the control being tested.

#### Automated Controls

Generally, the testing of a single operation of an automated control is sufficient to determine its effective operation. Where practical to do so, this testing can be done via process walkthroughs conducted at the planning phase.

#### Manual Controls

Sample size for manual controls is to be based on the risk associated with:

- Control type and complexity,
- Likelihood of control failure,
- Frequency of operation

Below is high level guidance of sample sizes for manual controls:

Frequency of controls performed	No. of sample items to be testing over an annual period
Annually	1
Quarterly	2
Monthly	3
Weekly	7
Daily	30
Multiple times a day	30 or 45 (as deemed necessary)

## 7.4 Audit Workpapers

Audit workpapers show whether due professional care was exercised and illustrate compliance with professional auditing standards. Careful documentation of work performed is necessary to support the observations and ratings contained in the final audit report. Generally, working papers should provide:

- Information obtained about the area / process being audited.
- Support for findings and observations contained in the audit report.
- A summary of documents reviewed.
- Details of persons interviewed.
- Details of any control failures or exceptions noted.
- Evidence of consistency to the audit methodology.
- Communication with the audited area – the auditor will during fieldwork query all exceptions noted and other matters of significance to the audited area. Where satisfactory responses are provided by management, these should be recorded in the working papers with justification as to why the matter can be closed. Supporting evidence must be retained.

Working papers should include, for example, the following:

- Notes of meetings / discussions.
- Correspondence (including emails).
- Planning memos.
- Testing documentation.
- Draft reports and the final report.

In preparing working papers, the following guidelines apply:

- Each working paper must, at a minimum, identify the engagement and describe the purpose of the working paper.
- Each working paper should be initialised and dated by the internal auditor and contain a workpaper reference number, part of which identifies the engagement.
- Verification symbols (tick marks, if used) must be explained.
- Document how sampling populations were defined and how statistical samples were selected (where applicable).

- Evidence must be provided on how information contradicts or is inconsistent with the conclusion was addressed.
- Conclusions reached must be documented, along with the basis for them.
- An informed reviewer should be able to replicate any test mentioned and obtain the same result.

#### 7.4.1 Conclusion and Evaluation

Evaluation is a means of arriving at a professional judgement.

The audit team should evaluate the significance of any variances or exceptions observed throughout the audit fieldwork.

Observations, implications and the auditee's management actions are key components of the report issued on an audit engagement's conclusion. The strength of an observation and the associated implications depends on the persuasiveness of the evidence supporting the findings and conclusions drawn.

If the audit team believes the stakeholder has accepted a level of risk that may be unacceptable to The Shire, this should be immediately brought to the attention of the Chief Executive Officer. Refer to **Section 8.2.5** on Risk Acceptance Escalation.

Observations should be objective, free from personal biases and prejudices. The observations and conclusions reached by an internal auditor should be the same as would be reached by a similar experienced professional reviewing the same evidence.

#### 7.4.2 Weekly Status Updates and Validation of Audit Findings

Regular status updates must be sent to stakeholders, along with discussion of potential audit observations. As audit findings are identified, they must be discussed and confirmed with stakeholders for factual accuracy. Internal Audit must understand whether any mitigating controls exist and identify the root causes of findings or observations.

#### 7.4.3 Audit Work Review

Audit testing is performed to obtain sufficient and appropriate audit evidence to enable audit conclusions to be drawn and supported. The RACM within the audit file acts as a central reference point in relation to audit testing by summarising the key risks, controls, control objectives, audit procedures and results of testing. The audit team should ensure that the workpapers accurately represent the work completed in line with the RACM. Audit workpapers and artefacts should be structured and prepared in sufficient detail to enable a reasonable user to understand what work was taken, what evidence was found and allow the user to reperform the audit step and reach the same conclusion.

Audit work is reviewed progressively throughout the course of the audit by the Manager of Governance, Risk and Procurement. The review process is important to ensure quality of audit work and professionally challenge audit testing and conclusions to confirm that work has been performed in line with the risks and controls identified and the audit methodology.

### 7.5 Co-Sourced Audits

The Co-Sourced Audit Service Provider must follow Internal Audit's methodology, the Standards and use Internal Audit's templates for the Terms of Reference and Audit Report. The Manager of



Governance, Risk and Procurement will ensure the Co-sourced Audit Service Provider as adhered to Internal Audit's quality standards by:

- Meeting with the Co-Sourced Audit Service Provider prior to an engagement to discuss Internal Audit's protocol.
- Attending key Co-Sourced Audit Service Provider led client meetings including the pre-planning stakeholder meeting, preliminary closing meeting and final close out meeting.
- Reviewing the Terms of Reference, workpapers and the Audit Report.
- Attending team de-briefing meeting conducted by the Co-Sourced Audit Service Provider

At the end of each stage of the audit, the Manager of Governance, Risk and Procurement must complete **Attachment I – SoEP Co-Sourced Audit Service Provider Engagement Quality Review Checklist** to confirm Internal Audit's methodology and the Standards have been met. If the Co-Sourced Audit Service Provider deviates from Internal Audit's methodology and the Standards, the reason for each deviation must be documented in the Service Provider Engagement Quality Review Checklist.

Item 7.1.1 Appendix 3



## 8 Reporting and Finalisation

### 8.1 Objective

The objective of the reporting stage is to clearly and concisely report on audit activities and outcomes of the audit work performed, including practical and value-adding management action plans derived with consultation with the stakeholders. The objective of audit finalisation is to ensure that audit engagement work and administrative tasks are completed, and the audit file is ready to close.

### 8.2 Reporting and Finalisation Process Overview

Reporting Process has been flowcharted in **Attachment B.3 – Reporting and Finalisation**.

**NOTE:** These are guiding steps to achieve necessary outcomes (not all steps are required for all engagements and some additional steps may be required. The Internal Audit Team's discretion and judgement should be used on each engagement.

#### 8.2.1 Reporting

The key output from the audit engagement is the Audit Report provided to management at the completion of the engagement. The report is the most visible record of Internal Audit's performance and therefore it is vital that the report is of a high quality. The report must provide an overview of the audit work performed, details of observations (including positive observations) identified during the audit and management's Agreed Management Action Plans to address the observations over the agreed timeline. The Audit Report should adhere to the standard report template. Variations must be approved by the Manager of Governance, Risk and Procurement.

**Refer to template:** **Attachment J – SoEP Audit Report Template**.

#### 8.2.2 Draft Audit Report

The draft audit report must be compiled prior to preliminary meeting with stakeholders and reviewed by the Manager of Governance, Risk and Procurement prior to circulation to stakeholders. The draft audit report provides information on the overall results of the audit, audit observations and implications.

The Audit Report must comply with the Local Government's style guide requirements and by checked for accessibility.

#### 8.2.3 Preliminary Close Out Meeting

The preliminary closing meeting is a meeting between the audit team and the relevant business line management. The Manager of Governance, Risk and Procurement must conduct the preliminary closing meeting with relevant stakeholders to provide feedback to management on the results of the audit, re-confirm audit observations, implications, discuss issue ratings and overall audit report rating. The purpose of the meeting is also to discuss the actions required to address the audit observations. The meeting outcomes must be documented in the audit file and updated in the draft audit report.

#### 8.2.4 Agreed Management Actions

It is management's responsibility to design and implement actions to address the observations raised in audit reports. Within the agreed timeframe, management should provide the audit team:

- Overall management comments (for inclusion in the Executive Summary)
- For each observation:
  - Management actions
  - Ownership and sponsors
  - Implementation dates

#### 8.2.5 Management Action Timeframe Setting

The reasonableness of management action implementation dates suggested by management to address the audit observation must be considered by the audit team before finalising the audit report. If the suggested timeframe takes more than one year to implement, the following actions are to be recommended to management:

- Development and implementation of an interim control to mitigate the risks until the long-term solution or control is implemented, and/or
- Request approval from the Director to accept the risk if management does not implement an interim control. The risk acceptance must be recorded in the business areas operations risk register.

#### 8.2.6 Risk Acceptance Escalation

If the audit team identify that a business area has accepted a level of risk that may be unacceptable to The Shire, it must be immediately escalated to the Manager of Governance, Risk and Procurement. This could be either during an engagement or outside of an engagement process.

The Manager of Governance, Risk and Procurement must discuss the following with the relevant Director and/or Chief Executive Officer.

- Internal Audit's requirement to escalate risks that are not within The Shire's risk appetite,
- The process by which such matters will be escalated to the ELT.

The unacceptable risk and the outcome of the discussion with the Director must be escalated by the Manager of Governance, Risk and Procurement to the ELT immediately through the Chief Executive Officer.

#### 8.2.7 Final Audit Report

Feedback and input from stakeholders must be incorporated by the audit team. The audit report must be updated to reflect management responses and agreed Management Action Plans. A follow up meeting with management may be held if management's proposed actions are not considered sufficient to address the findings. The Manager of Governance, Risk and Procurement must review the updated draft report.

### 8.2.8 Audit Ratings

Each observation identified in the final report should be assigned an issues rating. An overall engagement report rating is assigned to the report. Additionally, Internal Audit must provide a Management Awareness and Action Rating (MAAR) rating. For definitions and explanations on the ratings, refer to **Attachment D – SoEP Ratings**.

### 8.2.9 Final Close Out Meeting

A final close out meeting is held with stakeholders to present the final audit report which is circulated to management for their endorsement. The Director of the key stakeholder area should attend the final close out meeting.

The Manager of Governance, Risk and Procurement issues the Final Audit Report to management and relevant stakeholders to obtain endorsement in writing prior to close out. The Final Audit Report must be checked for accessibility prior to issuing.

### 8.2.10 Audit, Risk and Governance Committee (ARGC) Summary

The Manager of Governance, Risk and Procurement may draft the ARGC Summary and submit it to the Chief Executive Officer for review. A copy of the Final Audit Report must accompany the ARGC Summary.

### 8.2.11 Internal Audit Effectiveness Survey

The Internal Audit Effectiveness Survey is subsequently issued by the Manager of Governance, Risk and Procurement to obtain stakeholder feedback from Managers and above on the conduct of the audit.

### 8.2.12 Audit Team Debrief

The Manager of Governance, Risk and Procurement conducts a team debrief to address performance against engagement targets and the audit objective, and to discuss any formal/informal feedback. The delegated Director should attend the team debrief conducted by the Co-Sourced Audit Service Provider. A team debrief provided an opportunity for the audit team to reflect on the audit, the processes and protocols applied as well as the outcomes. Debriefs also enable learnings to be captured and actions as required.

**Refer to Template: Attachment K – Team Debrief Meeting Agenda and Minutes.**

### 8.2.13 Update Audit Records in SYNERGY

On completion of each engagement, the audit team should upload audit observations and agreed Management Action Plans into SYNERGY.

### 8.2.14 File Close Out and Internal Audit Checklist

The audit file finalisation process should be performed to close out the audit fieldwork. This process wraps up the engagement file ensuring that all working papers are complete and were appropriately reviewed. The Manager of Governance, Risk and Procurement should approve the Audit Checklist in the audit file. (Refer to Section 11.1 for details on completion of the Audit Checklist).

#### 8.2.15 Audit, Risk and Governance Committee (ARGC) Reporting

The Manager of Governance, Risk and Procurement should report to the ARGC quarterly on the following:

- Current progress on the Annual Internal Audit Plan, highlighting where progress has been delayed, and where audits have been cancelled or deferred.
- Overdue Internal Audit observations and actions. Where Internal Audit identifies progress against a management action as unsatisfactory, regardless of if the business line agrees, this must be referred to the ARGC for consideration.

Item 7.1.1 Appendix 3

## 9 Closing Out the Audit Administratively

To close out an internal audit as 'complete', the following must be placed in the Internal Audit File:

- Terms of Reference
- Internal Audit Checklist (for all Co-Sourced Audit Service Provider audits, refer **Attachment I – SoEP Co-Sourced Audit Service Provider Engagement Quality Review Checklist**)
- For all in-house audits, all workpapers finalised and reviewed
- Copies of the Final Audit Report and Clearance from the relevant Director
- Audit, Risk and Governance Committee (ARGC) Summary
- Agenda and notes for Team Debrief Meeting

### 9.1 Peer Review

Each audit must be peer reviewed to assess compliance with the Internal Audit Methodology and the Standards. The Peer Review must be conducted by a Manager or delegate that is independent from the engagement team. The Peer Reviewer may raise comments where instances of non-compliance are noted. The audit team must address those comments and update the audit file where necessary before the audit file can be finalised. The Peer Reviewer must sign off on the Internal Audit Checklist upon completion of the peer review (refer to **Section 11.1** for details on the completion of the Audit Checklist).

Upon completion of the peer review, the file must be updated into Synergy (The Shire's record management system).

The Internal Audit Checklist on the network drive must be updated with the Content Managers reference number of the relevant audit file for future reference.

## 10 Follow up of Agreed Management Actions

Effective processes for monitoring business line implementation of internal and external scrutineer recommendations are important for The Shire's governance and assurance framework. Internal Audit administratively has end-to-end responsibility for monitoring and reporting the status of agreed management actions (internal) and recommendations (external) to the BAC.

Monthly SYNERGY notifications are automatically sent to the stakeholders with status update request for the open audit actions. Audit actions completed are submitted for closure in SYNERGY. Internal Audit staff review the closed actions to validate the evidence of management's implementation of its agreed actions.

Overdue internal audit observations and actions are reported to the ARGC quarterly.

## 11 Quality Assurance and Improvement Program

The Manager of Governance, Risk and Procurement is responsible for developing and maintaining a Quality Assurance and Improvement Program (refer to SoEP - Quality Assurance and Improvement Program).

### 11.1 Ongoing Quality Assurance of Audit Engagements

Every audit file must include the Internal Audit Checklist. The Manager of Governance, Risk and Procurement must review the Audit Checklist in the audit file after the completion of each stage of the engagement (i.e. planning, fieldwork, reporting and finalisation). The Audit Checklist must be signed off by the Peer Reviewer prior to transferring the audit file to the Content Manager.

Refer to template: **Attachment L – SoEP Internal Audit Checklist**

Item 7.1.1 Appendix 3

## Annual Declaration

for 1 July 20XX (amend the date if you joined the Shire during the financial year) to  
30 June 20XX

### 1. The Shire of East Pilbara (The Shire) and Australia Public Service (APS) Values

I declare I have conformed to The Shire's and APS Values:

The Shire Values:

- Honesty
- Excellence
- Accountability
- Respect
- Teamwork

### 2. The Shire Code of Conduct

I declare that I have conformed to the Shire's Code of Conduct requirements.

### 3. Mandatory Internal Auditing requirements, including IIA Code of Ethics

I declare I have conformed to mandatory internal auditing requirements.

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing
- International Standards for the Professional Practice of Internal Auditing
- IIA Code of Ethics

I declare I have conformed to the IIA Code of Ethics principles:

- **Integrity** – The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.
- **Objectivity** – Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluation, and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- **Confidentiality** – Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- **Competency** – Internal Auditors apply the knowledge, skills, and experiences needed in the performance of internal audit services

#### 4. Internal Audit Policies and Procedures

I declare I have conformed to policies and procedures contained in the Internal Audit Manual

#### 5. Conflicts of Interests

Conflict of Interest is a situation in which an Internal Auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil duties impartially. A Conflict of Interest exists even if no unethical or improper act results. A Conflict of Interest can create an appearance of impropriety that can undermine confidence in the Internal Auditor, the Internal Audit activity, and the profession. A Conflict of Interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

Internal Auditors are not to provide audit services for work for which they may previously have been responsible. Internal Audit may provide assurance services where they had previously performed consulting services, providing the nature of the consulting did not impair objectivity, and provided individual objectivity is managed when assigning resources to the engagement.

Instances of perceived or actual Conflict of Interest by Internal Audit staff and service providers shall immediately be reported to the Manager of Governance, Risk, & Procurement, Chief Executive Officer or the Chair of the Audit Committee.

*Please delete the paragraph that is not applicable.*

I have not had any Conflicts of Interest for the audits performed by me during the period 01 July 20XX (amend if joined the Shire during the FY) to 30 June 20XX

OR

I have reported Conflicts of Interest to the Manager of Governance, Risk, & Procurement, Chief Executive Officer or the Chair of the Audit Committee for the following Conflict(s) of Interest:

- *Provide details of the Conflicts of Interest*

#### 6. Professional Development

I declare I have completed the professional development requirements for my [professional qualification (IIA, CPA, CAANZ)] of minimum [XX] hours each year.



## 7. Declaration

I declare I have confirmed to all requirements of this Annual Declaration for the period 1 July 20XX (*amend if joined the Shire during the FY*) to 30 June 20XX.

I declare that if an issue arises in relation to any of the six areas contained in this Declaration in the coming year, I shall immediately report it to the Manager of Governance, Risk, & Procurement, Chief Executive Officer or the Chair of the Audit Committee.

Signature:

Name:

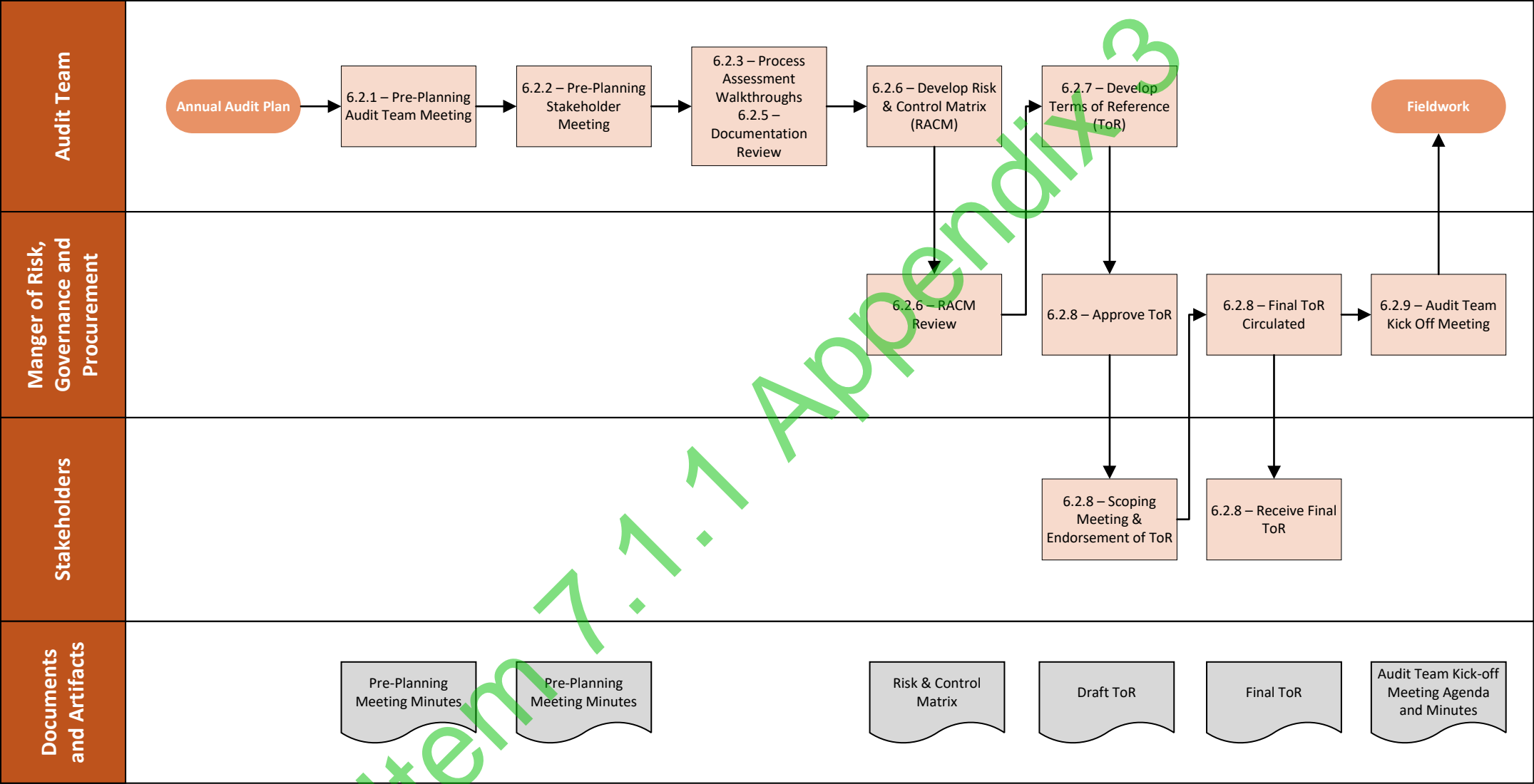
Job Title:

Date:

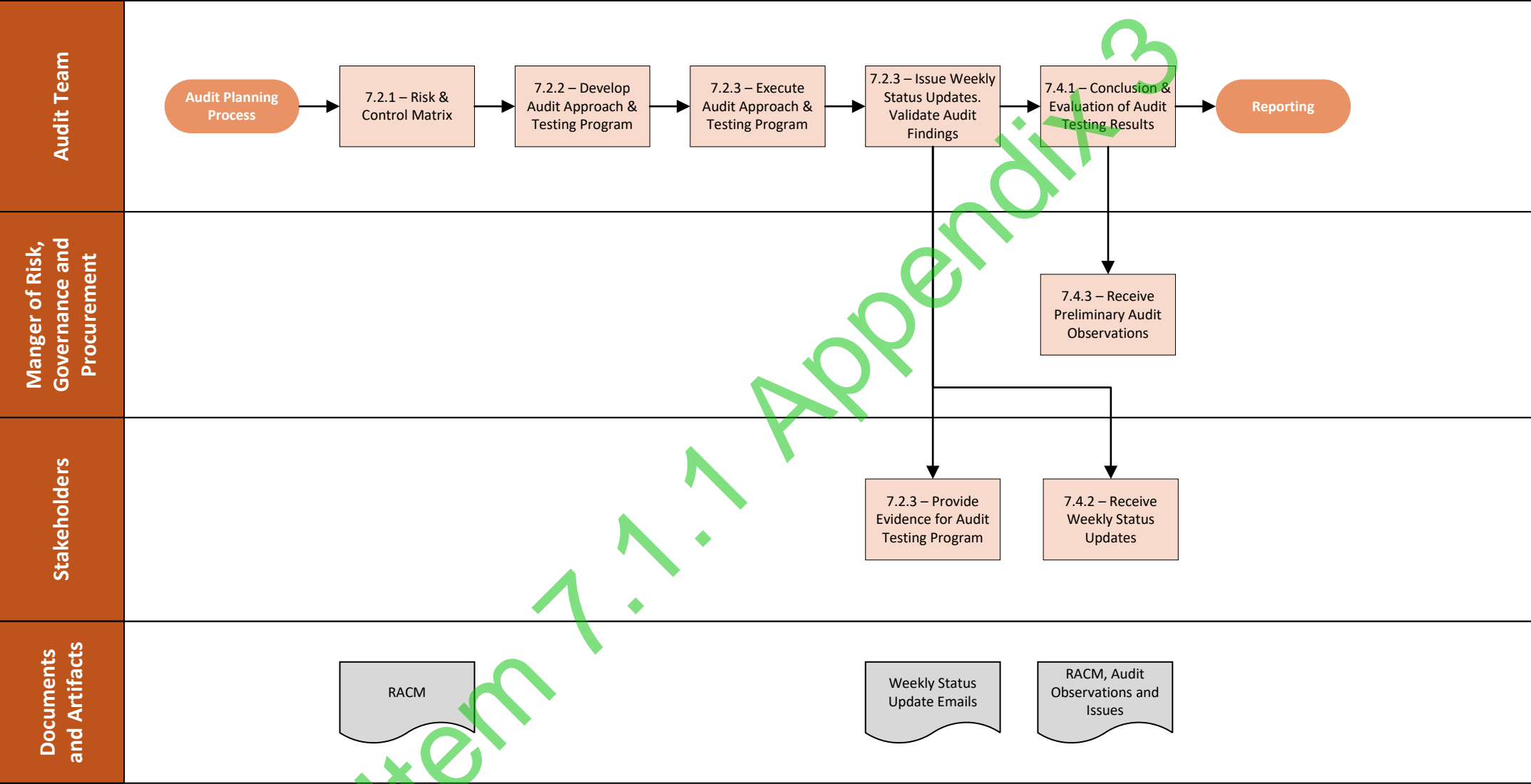
Item 7.1.1 Appendix 3

Attachment B.1

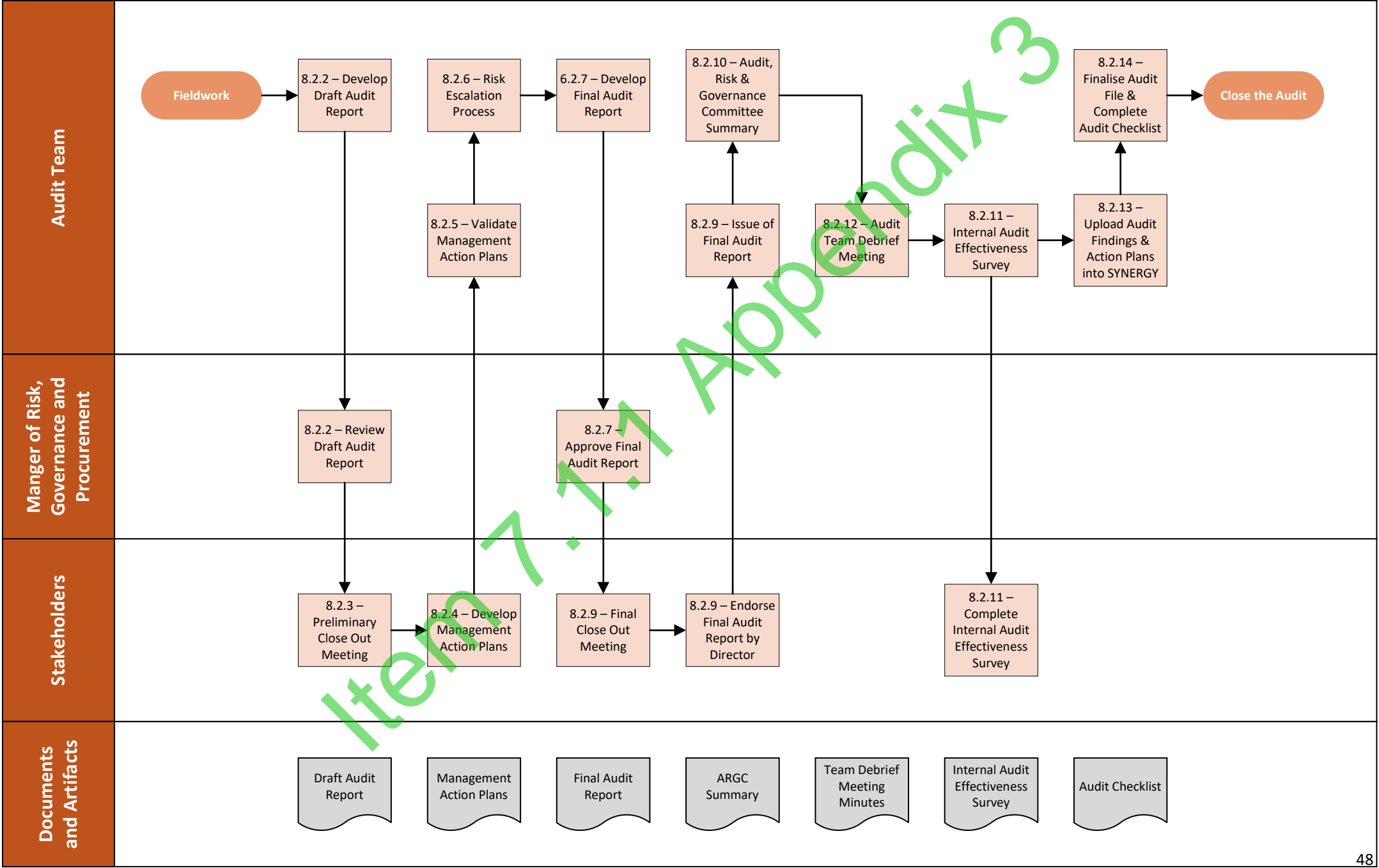
Audit Planning Process



Attachment B.2  
Audit Fieldwork Process



Attachment B.3  
Audit Reporting and Finalisation Process



## Internal Audit Planning Meeting – **Audit Name**

### Meeting Agenda and Minutes – DD/MM/YYYY

Meeting Room(s): ·MS -Teams

Time: 00:00 – 00:00

Attendees:

Apologies:

#### Item-1 – Welcome & high-level audit objectives

Session led by:

Action Item/s:

#### Item-2 – Audit Approach

Session led by:

Action Item/s:

#### Item-3 –

Session led by:

Action Item/s:

#### Item-4 –

Session led by:

Action Item/s:

#### Item-5 –

Session led by:

Action Item/s:

## Closing and next steps

Item 7.1.1 Appendix 3

## Attachment D – Ratings

### Engagement Report Ratings

Report Rating	Explanation
<b>Satisfactory</b>	The results of the engagement indicate that the key risks that impact the achievement of business objectives are adequately, effectively, and efficiently managed. The potential of any observations raised is of low significance.
<b>Moderate Room for Improvement</b>	The results of the engagement indicate that moderate improvement is required in the adequate, effective and efficient management of the key risks that impact the achievement of business objectives. Management attention is required to resolve the issues raised.
<b>Significant Room for Improvement</b>	The results of the engagement indicate that significant improvement is required in the adequate, effective and efficient management of the key risks that could impact on the achievement of business objectives. Management attention is required to resolve the issues raised.
<b>Unsatisfactory</b>	The results of the engagement indicate that key risks are not managed adequately, effectively, and efficiently, with a resulting detrimental impact on the likelihood of achievement of business objectives. Immediate management interventions are required to resolve the issues raised.

### Management Awareness and Action Ratings

MAAR	Explanation
<b>Green</b>	Management has a good understanding and awareness of the risk and control environment. Overall, key control deficiencies have been appropriately managed and escalated with clear evidence of sustained action to treat this in a timely manner.
<b>Amber</b>	Management has a reasonable understanding and awareness of the risk and control environment. Most key control deficiencies are managed, however, escalation and timely action to treat key control deficiencies over risks can be matured.
<b>Red</b>	Management does not have an adequate understanding and awareness of the risk and control environment. Key control deficiencies are not managed and there is a lack of timely escalation and action to treat deficiencies in managing risks.

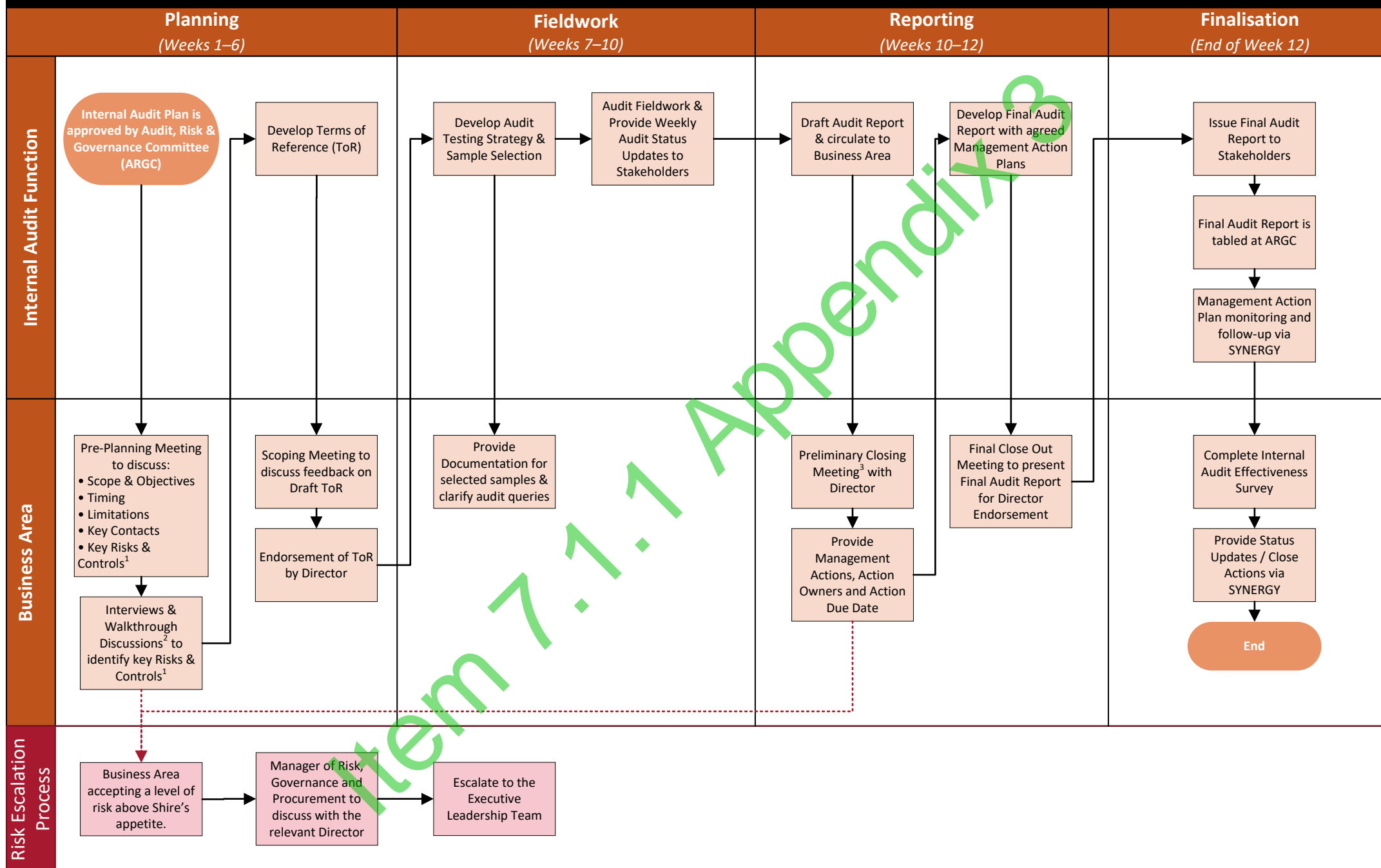


## Issues Rating Definitions

Issue Rating	Explanation
<b>Critical – Level 1</b>	The control system managing a high to critical consequence of unacceptable risk has been assessed as poor as it is largely or non-existent. Immediate executive intervention is required to implement corrective measures to address the issue
<b>High – Level 2</b>	The control system managing a high consequence of unacceptable risk has been identified, however improvements in the control environment should be made due to the potential consequence of unacceptable risk has been assessed as poor as it is largely ineffective or non-existent. Corrective measures should be implemented within a reasonable timeframe under senior management supervision.
<b>Medium – Level 3</b>	The control system managing a medium consequence of unacceptable risk has been assessed as adequate, however improvements in the control environment should be made due to the potential consequence of risk should it occur. The issue should be corrected under normal operating conditions under management supervision.

Item 7.1.1 Appendix 3

# Internal Audit Protocol – Detailed Process for Auditees



1 – If the Audit Team identified that a Business Area has accepted a level of risk that may be unreasonable to the Shire, it will be immediately escalated to the Chief Executive Officer.

2 – Significant time is focused on this area. The Business Area is to ensure there are sufficient resources available for interview, walkthroughs and follow-up queries as this provides the foundation for the audit fieldwork.

3 – Provide feedback to management on the results of the audit, re-confirm audit observations, implications and discuss audit observation ratings and overall audit report rating.

# Attachment F

## Terms of Reference

This Terms of Reference provides an overview of the objectives and scope, timeframes for completion, key stakeholders and communication arrangements for the relevant internal audit engagement

Engagement:	Update
Engagement Sponsor:	Update
Primary Stakeholders:	Update
Engagement Director:	Update
Engagement Team Lead:	Update
Date:	Update

Item 7.1.1 Appendix 3

## 1.0 Overview of the Engagement

### 1.1 Planned Engagement Objective and Outcome

The objective of this engagement is to provide reasonable assurance over the adequacy, effectiveness and efficiency of the Shire of East Pilbara's (The Shire) end to end process and controls for XXXXXXXX.

### 1.2 Background

To be updated

### 1.3 Scope

The engagement scope will include the following:

Business Process	Potential Risk	Control Objectives
Medium and High Level risks only	Key risks should be documented	

#### Scope Period:

The engagement will cover the period from DD Month YYYY to DD Month YYYY.

### 1.4 Scope Exclusions

The following items are excluded from the scope of the audit:

- Xxxx
- Xxxx

*Note: Reason for the exclusion should be documented.*

## 2.0 Resourcing and Timeframes

### 2.1 The Shire's Audit and Assurance Team

Name	Title and Role	Contact Details

### 2.2 Estimated Delivery Timeframe and Communication

Projected draft report issue date	Projected final report issue date
DD Month YYYY	DD Month YYYY

## 3.0 Communication Arrangements

### 3.1 Key Stakeholders, Delegates and Subject Matter Experts

The following stakeholders have been identified for this engagement:

Contact	Title

### 3.2 Stakeholder Status Reporting and Communication

Ongoing feedback on the progress and the outcome will be provided to the xxxx Directorate. A preliminary closing meeting will be organised for the key stakeholders by The Shire's Risk and Governance Directorate to present in a holistic manner the outcome, any audit observations, and any outstanding items from this audit engagement.

## Internal Audit Planning Meeting – Audit Name

### Meeting Agenda and Minutes – Audit Team Kick-off Meeting

DD/MM/YYYY

Meeting Room(s): -MS -Teams

Time: 00:00 – 00:00

Attendees:

Apologies:

#### Item-1 - Declaration of conflicts of interest

All Internal Audit team and co-sourced audit service providers must declare conflicts of interest (real or perceived) for each of their audit engagements.

If there are any conflicts of interest declared, mitigating strategies must be documented in the minutes.

**Note:** Any real or perceived conflicts of interest identified should be reported to the Risk and Governance Manager and CEO along with mitigating strategies to manage the conflicts of interest.

#### Minutes:

#### Confirmation of Engagement Members Independence and Date:

Engagement Director:

Engagement Lead:

Engagement Member:

Engagement Member:

Engagement Member:

#### Item-2 – Relevant exceptions and lessons learned from prior audits (no later than 2 years prior)

Possible discussion points:

- Exceptions reported in prior audits
- Status of previous management actions
- Relevant findings and status of management actions implemented to address those findings.
- Lessons learned from team debrief meetings
- Client satisfaction survey consideration

**Minutes:**

**Item-3 – Audit Approach – Refer to 6.2.7 in Internal Audit Manual**

Possible discussion points:

- Resource allocation: is reassessment of audit days required based on nature and complexity of the audit?
- Preliminary assessment of the adequacy of risk management, control and governance processes
- Any amendments to the work plan required?
- Are there any risks accepted by the business area which is above the risk tolerance of the Shire?
  - Note: This needs to be escalated to the CEO
- Was there a possibility of fraud or error identified during planning meetings and/or initial process walkthroughs?
- What is the expected timeframe for each scope area (noting any identified areas where delays may occur)?
- Is the use of experts (SME's) necessary?
- Is data analytics being used in this engagement?
  - Note: Document the data analytics approach or reasons for no data analytics in the engagement
- Are Computer Assisted Audit Techniques (CAAT) being used in this engagement?

**Minutes:**



## Closing and next steps

### Minutes:

Item 7.1.1 Appendix 3

# Attachment H

Instructions

- This template is **mandatory**
- List risks and associated KEY CONTROLS. All controls identified as KEY CONTROLS need to be tested. Please consult the Risk, Governance and Procurement if you have identified more than two KEY CONTROLS per risk or need a second opinion on which controls are key and should be tested.

Please

- be brief and concise and use bullet points where possible
- reference of hyperlink supporting tests of controls templates to tabs within this document or other workpapers
- refer to the Sampling Guidance tab for the audit sampling methodology
- delete these instructions prior to completion

**IMPORTANT NOTE:** If the control design is not adequate, DO NOT TEST. I.e. the control should be adequately designed (doing what it is supposed to do) before testing the operating effectiveness.

Audit Name:  
Rationale:  
Outcome:  
  
Notes:

Risk and Control Matrix																	
Audit Number and Name: Audit Team Members: Reviewer and Date: Key Client Contacts:																	
Business Process	Sub-Process (If applicable)	Objective	Process Narrative	Key Risks	Key Controls	Control Design	Reference to Walkthrough	Test of Design Adequacy / Walkthrough	Design Adequacy	Instructions (populates automatically)	Reference to Supporting Test of Controls (testin <sup>g</sup> workpapers)	Control Design Frequency	Sampling Amount per Methodology	Test of Operating Effectiveness (if applicable)	Control Operating Effectiveness (based on testing outcome)	Findings (If any)	Reference to Internal Audit Report (if required)
							Include hyperlink or reference		Adequate	Test the operating effectiveness	Include hyperlink or reference						Include hyperlink or reference
							Include hyperlink or reference		Inadequate	Design Failure. Do not test the operating effectiveness	Include hyperlink or reference						

Item 7.1.1 Appendix 3

## INSTRUCTIONS

These instructions outline the mandatory requirements for the use of this template

- This Checklist contains the minimum steps / documentation requirements for the Planning, Fieldwork, Reporting and Finalisation phases of an engagement.
- This Checklist must be completed throughout the audit. i.e. at each phase of the engagement and not completed at the conclusion of the engagement
- If a step / documentation requirement is not applicable to your engagement, state the reason why it is not applicable in the Comments Column and reference to the appropriate workpaper for your engagement.
- Ensure that every step has sufficiently documented evidence to support the requirements.

## 1. Engagement Audit Planning

Step / Requirement	IA Manual Reference	Complete?	Comments	Workpaper Reference	Prepared by:	Reviewed by:
Ensure S Drive folder has been set up		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Conduct pre planning Audit Team Meeting • <b>Complete Meeting Agenda &amp; Minutes Template</b>	6.2.1	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Conduct pre-planning meeting with Key Stakeholders to discuss: • Audit objective and scope elements • Timing of the engagement • Performance limitations (e.g. access to documentation, key stakeholders on leave, etc.) • Identification of key stakeholders to be consulted throughout the engagement • Management's awareness of key risks and action plans • <b>Complete Meeting Agenda &amp; Minutes Template</b> Internal Audit Protocols are communicated to the key stakeholders along with pre-planning meeting agenda.	6.2.2	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Conduct process assessments and walkthroughs to gain understanding of the business process, objectives, risks and controls in places of the areas being audited. Review operational risk registers. Relevant operational risks and associated controls should be updated in the engagement work program.	6.2.3 6.2.5	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				

Step / Requirement	IA Manual Reference	Complete?	Comments	Workpaper Reference	Prepared by:	Reviewed by:
Have <b>Data Analytical Procedures</b> been considered for this engagement? (If NO, please document why not)		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Document key risks and controls <ul style="list-style-type: none"> <li>• <b>Complete: RACM Template</b> (or appropriate program if RACM is not used)</li> <li>• <b>Identify any key risks and any control inadequacies</b></li> </ul>	<b>6.2.4</b>	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Draft the Terms of Reference (ToR) <ul style="list-style-type: none"> <li>• <b>Complete SoEP AA ToR</b></li> </ul>	<b>6.2.6</b>	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Draft ToR reviewed by Manager of Governance, Risk, & Procurement (Manager GRP) and distributed to Stakeholders for Feedback	<b>6.2.7 6.2.8</b>	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Obtain feedback from Stakeholders, any changes to be approved by Manager (significant changes are to be approved by <b>Chief Executive Officer</b> )		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Conduct scoping meeting with stakeholders.		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Obtain endorsement of ToR by the Branch Manager and Director of the services.		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager GRP to issue final ToR to stakeholders.		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager GRP to organise Team Kick Off Meeting prior to fieldwork commencement. Conflict of Interest must be declared by each team member <ul style="list-style-type: none"> <li>• <b>Complete Audit Team Kick Off Meeting Agenda and Minutes.</b></li> </ul>	<b>6.2.9</b>	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				

## 2. Audit Fieldwork

Step / Requirement	IA Manual Reference	Complete?	Comments	Workpaper Reference	Prepared by:	Reviewed by:
Determine Audit Approach <ul style="list-style-type: none"> <li>Use of Data Analytics</li> <li>Sample Selection (Automated/Manual Controls)</li> <li>Other Audit Procedures</li> </ul>	7.2.2	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Testing Effectiveness of Controls <ul style="list-style-type: none"> <li>Document findings in RACM</li> </ul>	7.2.3 7.3 7.4.1	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Provide constant communication with stakeholders regarding progress <ul style="list-style-type: none"> <li>Document Weekly Status Update Emails</li> </ul>	7.4.2	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager GRP to review final RACM and Audit Workpapers	7.4.3	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				

Item 7.1.1 Appendix 3

### 3. Reporting

Step / Requirement	IA Manual Reference	Complete?	Comments	Workpaper Reference	Prepared by:	Reviewed by:
Draft Audit Report • <b>Complete SoEP AA Audit Report Template</b>	8.2.2	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager to review Audit Report		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager to circulate the draft Audit report to Stakeholders to receive feedback • <b>Document email with Audit Report circulation</b>		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Informal close out meeting with Key Stakeholders • <b>Complete Meeting Minutes and Minutes Template</b>		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Update Audit Report with changes Document Manager GRP review of Audit Report and redistribution to stakeholders		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Conduct preliminary closing meeting with Branch Manager • <b>Complete Meeting Agenda and Minutes Template</b>	8.2.3	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Receive Management Action Plan and Action Due Dates from Stakeholders. <i>If business area accepts a level of risk that may be unacceptable to the Shire, it must be immediately escalated to the CEO</i>	8.2.4 8.2.5 8.2.6	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Update Draft Audit Report with Management Action Plan • <b>Document Manager GRP review of updated report.</b>	8.2.7	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Conduct Final Close Out Meeting with Stakeholders to discuss the final Audit Report. The Director and Manager of the business area are to attend along with Manager GRP. • <b>Complete Meeting Agenda and Minutes Template</b>	8.2.9	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager GRP to obtain Branch Manager, Branch Director and CEO approval on the final Audit Report. • <b>Document Endorsement from each level</b>	8.2.9	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager GRP to issue final Audit Report • <b>Document email of distribution</b>	8.2.9	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				



## 4. Finalisation – To Be Completed Internally

Step / Requirement	IA Manual Reference	Complete?	Comments	Workpaper Reference	Prepared by:	Reviewed by:
Manager GRP to ensure that all working documents have been received and are in the correct template for Records Management		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Prepare the Board Audit Committee Summary	8.2.10	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager GRP to issue Internal Audit Effectiveness Survey	8.2.11	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Audit Team Debrief • Complete SoEP AA – Debrief Meeting Agenda and Minutes	8.2.13	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Upload Audit Findings and Management Action Plans into S Drive	9	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Upload all audit documents into Synergy Soft.	9	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				

Item 7.1.1 Appendix 3

## Draft Internal Audit Report

Audit Engagement Topic

Directorate

### Distribution List

- CEO
- Manager Governance, Risk and Procurement
- Manager XXXX
- Director XXXX
- Board Audit and Risk Committee

# 1 Executive Summary

The Shire of East Pilbara (The Shire) Internal Audit Branch has completed an audit of XXX within the XXXX Directorate. This Audit was carried out from Month 202X to Month 202X.

## 1.1 Scope and Approach

The objective of this audit was XXXX. The scope of this assurance engagement included a review of the: <insert a summary of the key components of the audit scope as per the Terms of Reference – in past tense>

- XXXX
- XXXX

Insert a table setting out the scope if considered helpful and consistent with the Terms of Reference, however, do not repeat the entire ToR information here again.

### Scope Exclusions

List any scope exclusions here and include the reason/s for the exclusion:

- XXXX
- XXXX

The audit approach was risk based and conducted in conformance with the Internal Standards for the Professional Practice of Internal Auditing.

## 1.2 Overall summary

Provide audit conclusion and summary. Express concisely if the audit's primary objectives have been met or not. Then support this with the key theme/s and/or overall risk/s or concern/s observed and the potential/proven impact of this/these.

<Briefly bullet point the key observations and agreed management actions, it is expected that only Level 1 and/or 2 rated observations are included here.>

Details of our observations and management agreed actions are provided in Section X of this report. Key observations and agreed management actions for Level 1 and/or 2 findings relate to:

### Level 1

- Issue X.X** Brief Summary of the audit findings and recommendations
- Issue X.X** Brief Summary of the audit findings and recommendations
- Issue X.X** Brief Summary of the audit findings and recommendations
- Issue X.X** Brief Summary of the audit findings and recommendations

### Level 2

**Issue X.X** Brief Summary of the audit findings and recommendations  
**Issue X.X** Brief Summary of the audit findings and recommendations  
**Issue X.X** Brief Summary of the audit findings and recommendations  
**Issue X.X** Brief Summary of the audit findings and recommendations

### 1.3 Additional Observations

Following the audit rating (where applicable), provide a summary of value adding observations, identified areas where the function performed very well, suggestions for improvement or refinement of current processes / procedures / practices, best practice information that would be helpful (include references or hyperlinks to this information). Do not include all details here, express concisely.

Examples of feedback you may wish to provide here could include:

- A summary of leading practice, industry standards or benchmarking that the audit has drawn upon. Include details of these in an Appendix.
- Highlights of any major management initiatives, positive findings
- Any other key messages.

#### Positive Practices

The following positive practices were noted in the XXX process

- XXXX
- XXXX
- XXXX

### 1.4 Overall Internal Audit Conclusion and Ratings

#### Engagement Report Rating: Moderate Room for Improvement (Yellow)

The results of the engagement indicate that moderate improvement is required in the adequate, effective, and efficient management of the key risks that impact the achievement of business objectives. Management attention is required to resolve the observations raised.

#### Management Awareness and Action Rating (MAAR): Green

Management has a good understanding and awareness of the risk and control environment. Overall, key control deficiencies have been appropriately managed and escalated with clear evidence of sustained action to treat this in a timely manner.

### 1.5 Process Improvement Opportunities

The following process improvement opportunities were noted:

- XXXX
- XXXX

- XXXX
- XXXX

## **1.6 Management Response**

XXX

## **1.7 Stakeholder Engagement**

We would like to thank management and the staff for their time and assistance during this engagement. We acknowledge the XXX Directorate for agreeing with all the observations and their assistance and cooperation in the development of the management action plans.

Item 7.1.1 Appendix 3

## 2 Background and Context

Maximum of one page providing background and context of the Directorate, Branch and Audit.

Item 7.1.1 Appendix 3



### 3 Detailed Observations

#### 3.1 Observation Heading – e.g. Ownership of Policies and Reporting is not Assigned.

<If considered appropriate / helpful, include a statement that gives context / background of the business operation / process / etc.>

##### Observation

Include a lead in sentence

- Internal Audit selected ten samples with potential duplicates in terms of dates and incident types. Detailed testing confirmed that two samples had duplications.

##### Implications

Include a lead in sentence

- State the implications in a sentence of bullet point

##### Agreed Management Actions

It is agreed that XXXX

- Example XXXX
- Example XXXX

##### Implementation Date and Action Plan Owner

EMRF Risk Rating (Colour) – Internal Audit Issues Rating

**E.G. Critical (Red) – Level 1**

Accountable Manager: XXXX

Accountable Owner:

Directorate Director:

Dates:

### 3.2 Observation Heading – e.g. Ownership of Policies and Reporting is not Assigned.

<If considered appropriate / helpful, include a statement that gives context / background of the business operation / process / etc.>

#### Observation

Include a lead in sentence

- Internal Audit selected ten samples with potential duplicates in terms of dates and incident types. Detailed testing confirmed that two samples had duplications.

#### Implications

Include a lead in sentence

- State the implications in a sentence of bullet point

#### Agreed Management Actions

It is agreed that XXXX

- Example XXXX
- Example XXXX

#### Implementation Date and Action Plan Owner

EMRF Risk Rating (Colour) – Internal Audit Issues Rating

**E.G. Critical (Red) – Level 1**

Accountable Manager: XXXX

Accountable Owner:

Directorate Director:

Dates:

### 3.3 Observation Heading – e.g. Ownership of Policies and Reporting is not Assigned.

<If considered appropriate / helpful, include a statement that gives context / background of the business operation / process / etc.>

#### Observation

Include a lead in sentence

- Internal Audit selected ten samples with potential duplicates in terms of dates and incident types. Detailed testing confirmed that two samples had duplications.

#### Implications

Include a lead in sentence

- State the implications in a sentence of bullet point

#### Agreed Management Actions

It is agreed that XXXX

- Example XXXX
- Example XXXX

#### Implementation Date and Action Plan Owner

EMRF Risk Rating (Colour) – Internal Audit Issues Rating

**E.G. Critical (Red) – Level 1**

Accountable Manager: XXXX

Accountable Owner:

Directorate Director:

Dates:

### 3.4 Observation Heading – e.g. Ownership of Policies and Reporting is not Assigned.

<If considered appropriate / helpful, include a statement that gives context / background of the business operation / process / etc.>

#### Observation

Include a lead in sentence

- Internal Audit selected ten samples with potential duplicates in terms of dates and incident types. Detailed testing confirmed that two samples had duplications.

#### Implications

Include a lead in sentence

- State the implications in a sentence of bullet point

#### Agreed Management Actions

It is agreed that XXXX

- Example XXXX
- Example XXXX

#### Implementation Date and Action Plan Owner

EMRF Risk Rating (Colour) – Internal Audit Issues Rating

**E.G. Critical (Red) – Level 1**

Accountable Manager: XXXX

Accountable Owner:

Directorate Director:

Dates:

## Engagement Report Rating Definitions:

Report Rating	Explanation
<b>Satisfactory</b>	The results of the engagement indicate that the key risks that impact the achievement of business objectives are adequately, effectively, and efficiently managed. The potential of any observations raised is of low significance.
<b>Moderate Room for Improvement</b>	The results of the engagement indicate that moderate improvement is required in the adequate, effective and efficient management of the key risks that impact the achievement of business objectives. Management attention is required to resolve the issues raised.
<b>Significant Room for Improvement</b>	The results of the engagement indicate that significant improvement is required in the adequate, effective and efficient management of the key risks that could impact on the achievement of business objectives. Management attention is required to resolve the issues raised.
<b>Unsatisfactory</b>	The results of the engagement indicate that key risks are not managed adequately, effectively, and efficiently, with a resulting detrimental impact on the likelihood of achievement of business objectives. Immediate management interventions are required to resolve the issues raised.

## Management Awareness and Action Ratings:

MAAR	Explanation
<b>Green</b>	Management has a good understanding and awareness of the risk and control environment. Overall, key control deficiencies have been appropriately managed and escalated with clear evidence of sustained action to treat this in a timely manner.
<b>Amber</b>	Management has a reasonable understanding and awareness of the risk and control environment. Most key control deficiencies are managed, however, escalation and timely action to treat key control deficiencies over risks can be matured.
<b>Red</b>	Management does not have an adequate understanding and awareness of the risk and control environment. Key control deficiencies are not managed and there is a lack of timely escalation and action to treat deficiencies in managing risks.

## Issues Rating Definitions

Issue Rating	Explanation
<b>Critical – Level 1</b>	The control system managing a high to critical consequence of unacceptable risk has been assessed as poor as it is largely or non-existent. Immediate executive intervention is required to implement corrective measures to address the issue
<b>High – Level 2</b>	The control system managing a high consequence of unacceptable risk has been identified, however improvements in the control environment should be made due to the potential consequence of unacceptable risk has been assessed as poor as it is largely ineffective or non-existent. Corrective measures should be implemented within a reasonable timeframe under senior management supervision.
<b>Medium – Level 3</b>	The control system managing a medium consequence of unacceptable risk has been assessed as adequate, however improvements in the control environment should be made due to the potential consequence of risk should it occur. The issue should be corrected under normal operating conditions under management supervision.

Item 7.1.1 Appendix 3

## Internal Audit Team Debrief Meeting - **Audit Name**

### Meeting Agenda and Minutes

**DD/MM/YYYY**

Meeting Room(s): MS Teams

Time: **1:00 – 2:00**

Attendees:

Apologies:

#### Item 1 - What went well?

Possible discussion points

- Communication with the team / stakeholders
- Achieving timeline or -audit-budget successfully
- Client satisfaction survey consideration

**Minutes:**

#### Item 2 - What could we have done better? – Key Learnings

Possible discussion points

- Include feedback from stakeholders from the closing meeting
- Client satisfaction survey consideration
- Communication with the team / stakeholders

**Minutes:**

#### Closing and next steps

**Minutes:**



## INSTRUCTIONS

These instructions outline the mandatory requirements for the use of this template

- This Checklist contains the minimum steps / documentation requirements for the Planning, Fieldwork, Reporting and Finalisation phases of an engagement.
- This Checklist must be completed throughout the audit. i.e. at each phase of the engagement and not completed at the conclusion of the engagement
- If a step / documentation requirement is not applicable to your engagement, state the reason why it is not applicable in the Comments Column and reference to the appropriate workpaper for your engagement.
- Ensure that every step has sufficiently documented evidence to support the requirements.

## 1. Engagement Audit Planning

Step / Requirement	IA Manual Reference	Complete?	Comments	Workpaper Reference	Prepared by:	Reviewed by:
Ensure S Drive folder has been set up		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Conduct pre planning Audit Team Meeting • <b>Complete Meeting Agenda &amp; Minutes Template</b>	6.2.1	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Conduct pre-planning meeting with Key Stakeholders to discuss: • Audit objective and scope elements • Timing of the engagement • Performance limitations (e.g. access to documentation, key stakeholders on leave, etc.) • Identification of key stakeholders to be consulted throughout the engagement • Management's awareness of key risks and action plans • <b>Complete Meeting Agenda &amp; Minutes Template</b> Internal Audit Protocols are communicated to the key stakeholders along with pre-planning meeting agenda.	6.2.2	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Conduct process assessments and walkthroughs to gain understanding of the business process, objectives, risks and controls in places of the areas being audited. Review operational risk registers. Relevant operational risks and associated controls should be updated in the engagement work program.	6.2.3 6.2.5	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				

Step / Requirement	IA Manual Reference	Complete?	Comments	Workpaper Reference	Prepared by:	Reviewed by:
Have <b>Data Analytical Procedures</b> been considered for this engagement? (If NO, please document why not)		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Document key risks and controls <ul style="list-style-type: none"> <li>• <b>Complete: RACM Template</b> (or appropriate program if RACM is not used)</li> <li>• <b>Identify any key risks and any control inadequacies</b></li> </ul>	<b>6.2.4</b>	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Draft the Terms of Reference (ToR) <ul style="list-style-type: none"> <li>• <b>Complete SoEP AA ToR</b></li> </ul>	<b>6.2.6</b>	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Draft ToR reviewed by Manager of Governance, Risk, & Procurement (Manager GRP) and distributed to Stakeholders for Feedback	<b>6.2.7 6.2.8</b>	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Obtain feedback from Stakeholders, any changes to be approved by Manager (significant changes are to be approved by <b>Chief Executive Officer</b> )		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Conduct scoping meeting with stakeholders.		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Obtain endorsement of ToR by the Branch Manager and Director of the services.		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager GRP to issue final ToR to stakeholders.		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager GRP to organise Team Kick Off Meeting prior to fieldwork commencement. Conflict of Interest must be declared by each team member <ul style="list-style-type: none"> <li>• <b>Complete Audit Team Kick Off Meeting Agenda and Minutes.</b></li> </ul>	<b>6.2.9</b>	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				

## 2. Audit Fieldwork

Step / Requirement	IA Manual Reference	Complete?	Comments	Workpaper Reference	Prepared by:	Reviewed by:
Determine Audit Approach <ul style="list-style-type: none"> <li>Use of Data Analytics</li> <li>Sample Selection (Automated/Manual Controls)</li> <li>Other Audit Procedures</li> </ul>	7.2.2	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Testing Effectiveness of Controls <ul style="list-style-type: none"> <li>Document findings in RACM</li> </ul>	7.2.3 7.3 7.4.1	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Provide constant communication with stakeholders regarding progress <ul style="list-style-type: none"> <li>Document Weekly Status Update Emails</li> </ul>	7.4.2	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager GRP to review final RACM and Audit Workpapers	7.4.3	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				

Item 7.1.1 Appendix 3

### 3. Reporting

Step / Requirement	IA Manual Reference	Complete?	Comments	Workpaper Reference	Prepared by:	Reviewed by:
Draft Audit Report • <b>Complete SoEP AA Audit Report Template</b>	8.2.2	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager to review Audit Report		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager to circulate the draft Audit report to Stakeholders to receive feedback • <b>Document email with Audit Report circulation</b>		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Informal close out meeting with Key Stakeholders • <b>Complete Meeting Minutes and Minutes Template</b>		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Update Audit Report with changes Document Manager GRP review of Audit Report and redistribution to stakeholders		<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Conduct preliminary closing meeting with Branch Manager • <b>Complete Meeting Agenda and Minutes Template</b>	8.2.3	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Receive Management Action Plan and Action Due Dates from Stakeholders. <i>If business area accepts a level of risk that may be unacceptable to the Shire, it must be immediately escalated to the CEO</i>	8.2.4 8.2.5 8.2.6	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Update Draft Audit Report with Management Action Plan • <b>Document Manager GRP review of updated report.</b>	8.2.7	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Conduct Final Close Out Meeting with Stakeholders to discuss the final Audit Report. The Director and Manager of the business area are to attend along with Manager GRP. • <b>Complete Meeting Agenda and Minutes Template</b>	8.2.9	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager GRP to obtain Branch Manager, Branch Director and CEO approval on the final Audit Report. • <b>Document Endorsement from each level</b>	8.2.9	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager GRP to issue final Audit Report • <b>Document email of distribution</b>	8.2.9	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				

## 4. Finalisation

Step / Requirement	IA Manual Reference	Complete?	Comments	Workpaper Reference	Prepared by:	Reviewed by:
Prepare the Board Audit Committee Summary	8.2.10	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Manager GRP to issue Internal Audit Effectiveness Survey	8.2.11	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Audit Team Debrief • Complete SoEP AA – Debrief Meeting Agenda and Minutes	8.2.13	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Upload Audit Findings and Management Action Plans into S Drive	9	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				
Upload all audit documents into Synergy Soft.	9	<input type="checkbox"/> Yes <input type="checkbox"/> N/A				

Item 7.1.1 Appendix 3

### 7.1.2 DRAFT INTERNAL AUDIT PLAN 2024/25

Report Type	Executive
Responsible Officer	Steven Harding, Chief Executive Officer
Author	Micheal Hennock Internal Auditor and Assurance Officer
Attachments	1. Draft Annual Audit Plan 2024-25
Author Disclosure of Interest:	No
Location / Address:	N/A
Name of Applicant:	N/A

#### Officer Recommendation

That the Committee endorses the 2024/25 Internal Audit Plan as reported.

#### Purpose

To inform the Audit, Risk and Governance Committee of the proposed internal audit plan for 2024/25, and to seek the Committee's feedback and endorsement of the plan.

#### Background

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires a triennial review of the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, legislative compliance and internal control. Internal audit is a further essential function in meeting the requirements of this regulation.

Internal audit is a facilitator of continuous improvement, innovation and positive change. It evaluates the effectiveness of risk managements, control and governance process across the Shire's broad range of business activities. The review and advice assists management in improving the Shire's service delivery and achievement of outcomes.

#### Details and Analysis

The Internal Audit Program attached as **Confidential Appendix 1** to the report, has been designed to ensure the activities of the Internal Audit function focus on the risks that matter to the Shire and has been prepared with input from the Shire's Executive Leadership Team. The attachment includes the details and rationale for the proposed plan for 2024/25.

Committee members will note that four of the five audits are proposed to be undertaken by an external firm of internal auditors, who have previously been engaged to undertake

internal audits and reviews for the Shire. This work was unable to proceed last financial year due to internal resourcing, and are reported to this meeting of the Committee with a view to determining whether to proceed with these areas of audit, or to prioritise others. In addition to the Internal Audit Program, the Shire will also undertake ongoing operational business improvement reviews. The Internal Audit Program for 2024/25 will be finalised following input from the Committee.

This Internal Audit Plan outlines the key activities for the 2024-2025 financial year. The plan is designed to provide a comprehensive and risk-based approach to internal auditing, promoting sound governance, effective risk management, and robust internal control processes within Shire. The Internal Audit function remains committed to continuous improvement and will adapt its approach as needed to best serve Shire's evolving needs.

### Strategic, Legislative and Policy Implications

<b>Strategic Community Plan</b>	<b>5: Governance</b> 5 Vibrant local democracy, forward-thinking civic leadership, and transparent stewardship of the community's assets and resources. 5.1 <i>Continued focus on good governance, transparency and community and stakeholder engagement in significant decisions, including place-based plans.</i> 5.4 <i>Ensure a high standard of organisational management and effectiveness.</i>
<b>Statutory Implications/Requirements</b>	<i>Consistent with the Local Government (Audit) Regulations 1996.</i>
<b>Policy Implications</b>	No policy implications.

### Risk Management Considerations

<b>Risk</b>	Compliance
<b>Consequence</b>	Minor
<b>Likelihood</b>	Moderate
<b>Current Risk Rating</b>	Medium 9
<b>Mitigation Action</b>	Endorsing an Internal Audit Plan will mitigate compliance risks.
<b>Residual Risk Rating</b>	Low 5

	Insignificant	Minor	Significant	Major	Severe
<b>Rare</b>	Low 1	Low 4	Low 6	Medium 13	Medium 15
<b>Unlikely</b>	Low 2	Low 5	Medium 11	Medium 14	High 21
<b>Moderate</b>	Low 3	Medium 9	Medium 12	High 19	High 22



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Likely	Medium 7	Medium 10	High 17	High 20	Critical 24
Almost Certain	Medium 8	High 16	High 18	Critical 23	Critical 25

### Financial Implications

Resources requirements are in accordance with the approved budget allocation.

### Options

The Committee may provide its feedback on the proposed areas of review for the Internal Audit; and

1. Endorse the current plan; or
2. Endorse an amended plan.