

A9. Internal Audit and Risk Management Policy

Policy Objective

To deliver an efficient and effective organisation which includes transparent and effective processes, good governance and a commitment to act in accordance with the Local Government Act 1995.

Interpretations

Internal audit - is the assessment and evaluation of the control measures that the local government has adopted, or is to adopt, to manage the risks (**operational risks**) to which the local government's operations are exposed. Internal audit is an appraisal function established within the Shire to examine and evaluate its activities, including review of risks, internal controls, efficiency, effectiveness, governance, performance, compliance and in particular matters which need improvement.

Risk – Risk is a state of affecting loss to people, assets, earnings or reputation. Precautions or actions can be taken to reduce risks through removing hazards, increasing knowledge, raising awareness or other means of preventing or reducing the likelihood or consequence of accidents.

Risk management - Risk management is management to protect people, assets, earnings and reputation by avoiding, mitigating or minimizing the potential for loss and to ensure the provision of funds to redress losses that do occur.

Policy Statement

This policy outlines the objectives, purpose, authorities and responsibilities of the Internal Audit and Risk Management Committee of the Shire of Dundas.

The objectives of the Audit and Risk Management Policy are to facilitate the:

- Enhancement of the Council's external financial reporting
- Effectiveness of both the external and internal audit functions
- Effective management and protection of Council assets
- Compliance with relevant laws and regulations and consideration of best practice guidelines
- Provision of an effective means of communication between the auditor, management and the Council
- Oversight of strategic risk management framework.
- Recognise the need to include risk management as an integral part of all Shire activities;
- Identify risks and exposures and evaluate the potential losses;
- Implementation of risk identification and risk mitigation strategies;
- Monitor effectiveness of the policy and risk register; and
- Minimise the cost of risks identified.

The internal audit is undertaken by the CEO and the audit findings are to be reported to the Audit and Risk Management Committee as required by the Local Government (Audit) Regulations (Regulation 17).

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The internal audit provides the Council and the CEO with assurance that internal control systems are efficient, effective, and economically viable and that risk is appropriately addressed so that corporate objectives can be met.

The Internal Audit reports on:

- Legislative and policy compliance;
- Operational cost-effectiveness and efficiency;
- Reliability of financial and related management information;
- Use of public funds and assets under Council's control; and
- Adequacy and accuracy of accounting and computing systems.
- Corporate risk analysis and management

There is a range of specific risks that the internal audit should address. Some risks are unique, and others are generic and can be the result from normal business activities, environmental or climatic conditions.

Risk categories will include:

- Legal and contractual obligations;
- Operational activities;
- Human resources;
- Political and public relations;
- Security;
- Public liability;
- Financial aspects of income and expenditure;
- Asset Maintenance;
- Strategic outcomes;
- Environmental or climate change; and
- Natural hazards and disasters.

The Internal Audit coverage will extend to all areas of the organization, and include financial, administrative, compliance and operational activities.

The extent and frequency of internal audits will depend upon varying circumstances such as results of previous audits, relative risk associated with activities, materiality, the adequacy of the system of internal control and the resources available.

The objectives of Internal Audit are to provide management and the Council with advice in relation to the review and appraisal of:

- the adequacy and effectiveness of internal accountability, systems procedures & controls;
- the effectiveness of processes for legal compliance and governance compliance systems
- the relevance, reliability & integrity of management, financial and operating data & reports;
- the systems established to ensure compliance with those policies, plans, procedures, statutory requirements and regulations which could have a significant impact on operations;

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- the means of safeguarding assets & as appropriate, verifying the existence of such assets;
- the economy, efficiency and effectiveness with which resources are employed;
- the operations or programs to ascertain whether results are consistent with Council's objectives and goals;
- whether the operations or programs are being carried out as planned;
- the achievement of the Strategic Community Plan;
- the effectiveness of the Shires Corporate Plan in meeting strategic objectives;
- the effectiveness of risk management processes.

The Shire of Dundas is moving towards adoption of ISO 31000 2018 including the followings.

Risk management framework based on Leadership and Commitment.

1. Integration
2. Design
3. Implementation
4. Evaluation
5. Improvement

Risk management principles based on Value creation and Protection.

1. Integrated
2. Structured and Comprehensive
3. Customised
4. Inclusive.
5. Dynamic
6. Best Available Information
7. Human & Cultural Factors
8. Continual Improvement

Risk management process – Scope, Content & Criteria.

1. Risk Identification
2. Risk Analysis
3. Risk Evaluation (e.g. Risk Matrix Table)
4. Treatment and mitigation
5. Recording and Reporting

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