

Audit and Governance Committee Wednesday 8 June 2022 Attachments

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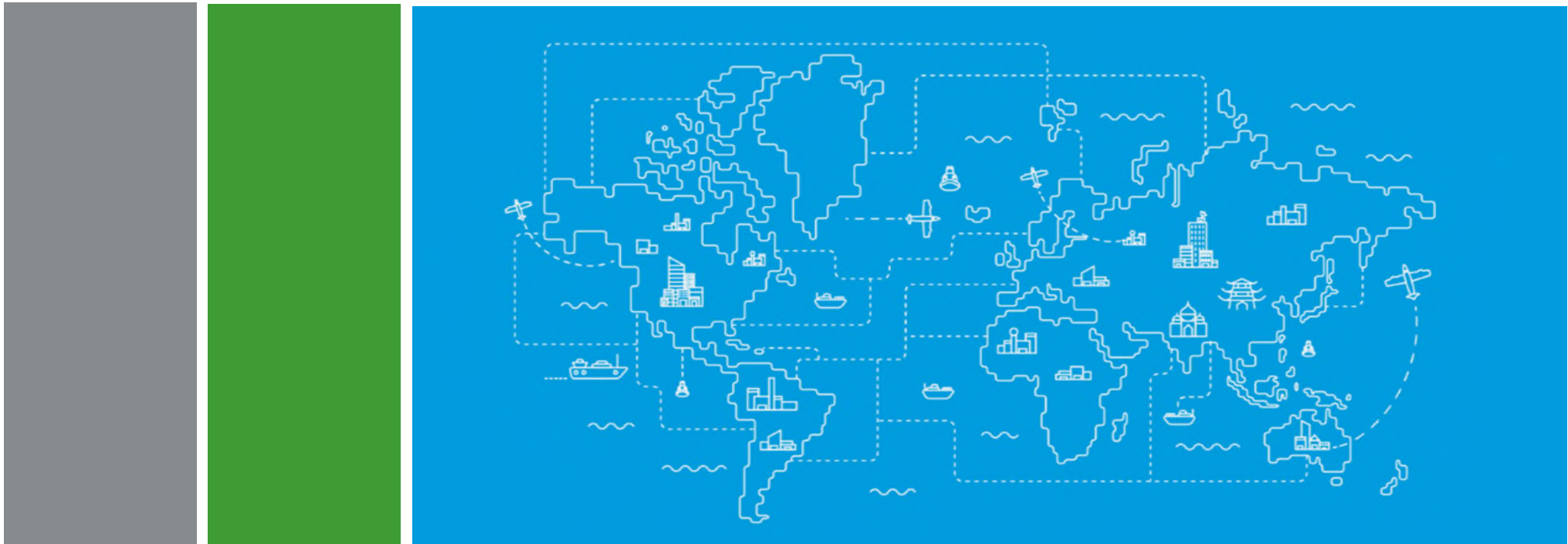
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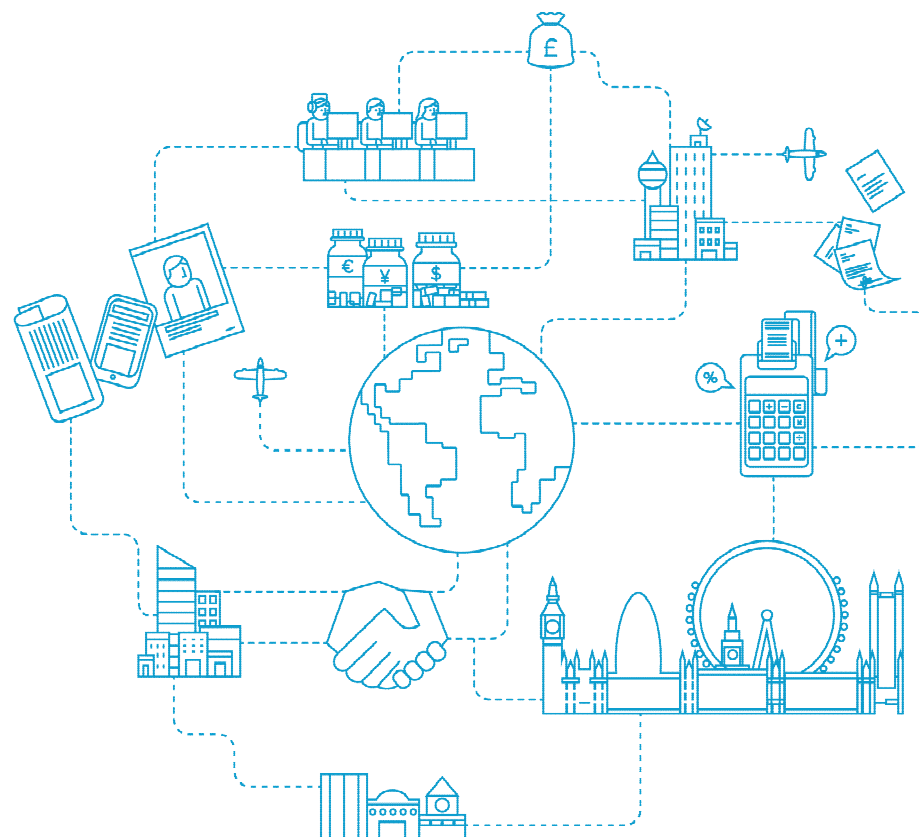
TOWN OF BASSENDEAN

AUDIT PLANNING MEMORANDUM

30 June 2022

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1. INTRODUCTION

This audit plan outlines the scope of our work and the key considerations in relation to our audit of the Town of Bassendean (“the Town”) for the year ending 30 June 2022.

The purpose of this document is to set out our understanding of the key areas in the audit, when we will conduct the audit and your audit team.

The audit plan is prepared with input from management. The audit plan is tailored for the Town’s environment and revised throughout the year to adjust for business developments, additional relevant matters arising, changes in circumstances, findings from activities performed and feedback we receive from you.

We look forward to working together with you.

Please do not hesitate to contact either Jay, myself or one of the other engagement team members should you wish to discuss any aspect of the engagement.

It is our **strong, collaborative** approach that differentiates us.

We will:

- Be committed to **quality** and **excellence**.
- Provide **tailored insights** to help you make **critical decisions with confidence**.
- **Add value** through ideas and insight.
- Bring you **expert global and local knowledge**.
- Help you **move forward with confidence**.

Experience the power of being understood.

AMIT KABRA

Director – Assurance & Advisory
RSM Australia Pty Ltd

JAY TEICHERT

Director – Financial Audit
WA Office of Auditor General



2. AUDIT SUMMARY

Purpose of the Audit Planning Memorandum

The primary purpose of this Audit Planning Memorandum (APM) is to brief the Town of Bassendean (“the Town”) on the proposed approach by RSM Australia (RSM), on behalf of the Office of the Auditor General (OAG), to audit the financial report and controls and of the Town for the year ending 30 June 2022.

The APM forms the basis for discussion at the audit entrance meeting scheduled for 8 June 2022 and is a key tool for discharging our responsibilities in relation to communicating with those charged with governance.

Scope of the Engagement

The scope of this engagement involves:

- (a) Expressing an opinion on the audit of the general-purpose financial statements for the financial year ending 30 June 2022, prepared in accordance with the *Local Government Act 1995 (Act)*, the *Local Government (Financial Management) Regulations 1996 (Financial Management Regulations)*¹, Australian Accounting Standards, to the extent that they are not inconsistent with the LG Act and the Financial Management Regulations. The term ‘Australian Accounting Standards’ refers to Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).
- (b) Report on the Town’s compliance with other legal and regulatory requirements as required by the *Local Government (Audit) Regulations 1996 (Audit Regulations)*¹.

As required by the *Auditor General Act 2006*, the Auditor General is required to express an opinion on the audit of the financial statements and controls.

Matters of significance

In accordance with section 24(1) of the Auditor General Act 2006, the Auditor General is required to report on matters arising out of the performance of the Auditor General’s functions that are, in the opinion of the Auditor General, of such significance as to require reporting

Arrangements

Audits are not an absolute guarantee of the accuracy or reliability of Town’s information and may not have identified all matters of significance. This is because the work undertaken to form an opinion is permeated by judgement and most audit evidence is persuasive rather than conclusive. In addition, there are inherent limitations in any audit, including the use of testing, the effectiveness of internal control structures and the possibility of collusion.

Primary responsibility for the detection, investigation and prevention of irregularities rests with the Town. Consequently, the Town remains responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, complying with the *Financial Management Act 2006* and other relevant laws.

Under the *Auditor General Act 2006*, audit staff have unrestricted access to information held by the Town, irrespective of any restrictions on disclosure imposed, such as secrecy provisions.

Confidentiality of audit files and working papers is required under the *Auditor General Act 2006*. The Office of the Auditor General is an ‘exempt agency’ under the *Freedom of Information Act 1992*. The signed contract between the Auditor General and RSM contains strict confidentiality clauses

RSM relationship with the OAG and the Town

RSM has been contracted by the OAG to execute the scope and report to the OAG

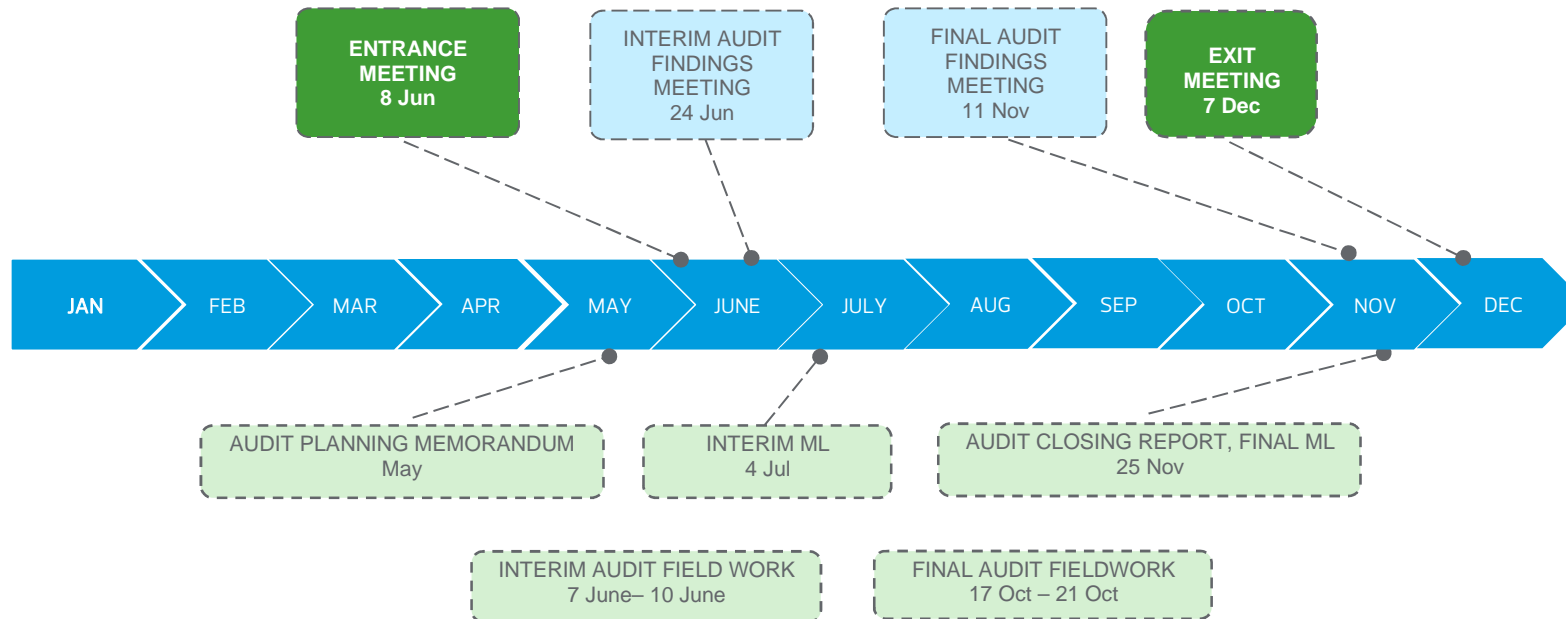
RSM is required to report to the OAG any matter which may affect the Auditor General’s responsibilities under sections 15 and 24 of the Auditor General Act 2006.

RSM’s services will be conducted under the overall direction of the Auditor General, who will retain responsibility for forming the audit opinion and issuing the audit report to the Town. The contract requires RSM to use its audit approach and methodology.









¹ As at the date of this APM these regulations are currently undergoing review by the Minister. Refer to Section 4 – *Current Year Developments* of this APM for further discussions.

Timing

Based on discussion with management, we have agreed on the below milestones. A detailed timetable can be found at *Appendix 1*.



3. AUDIT APPROACH

<p>Internal control environment</p> 	<p>In accordance with Australian Auditing Standards, we will perform a review of the design and operating effectiveness of the entity's significant financial recording and reporting processes.</p> <p>We will ensure that any significant deficiencies that come to our attention during our audit are communicated to the councillors and management in a timely manner.</p> <p><i>Refer to Appendix 3 Key Controls for more details.</i></p>	<p>Materiality</p> 	<p>The planning materiality level will be calculated and determined using the RSM international audit methodology. The amount may be adjusted during the audit, depending on the results of our audit procedures.</p> <p>Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements and on our opinion.</p>
<p>Fraud Considerations</p> 	<p>Under Auditing Standard ASA 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i>, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error.</p> <p>Although ASA 240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with the management of the Town. The Town is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial statements. <i>Refer to Appendix 4 Fraud Risk for more details.</i></p>	<p>Key Areas of Audit Focus</p> 	<p>For all significant risk material account balances, the engagement team will specify which audit assertions pose significant audit risk and test this balance to ensure it is not materially misstated.</p> <p>Where we have determined that an assessed risk of material misstatement at the assertion level is a significant risk, we will perform substantive procedures that are specifically responsive to that risk.</p> <p>Non-significant risk material balances will be audited by substantive analytical procedures and tests of details, as necessary.</p> <p><i>Refer Section 5 Key Areas of Audit Focus for more details.</i></p>
<p>Information Systems</p> 	<p>In accordance with Australian Auditing Standards, we will obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including (amongst others) how the information system captures events and conditions, other than transactions, that are significant to the financial statements.</p> <p><i>Refer to Section 7 Information Systems Audit Approach for more details.</i></p>	<p>Other Critical areas</p> 	<p>We will audit the critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed.</p> <p><i>Refer to Section 6 Other Critical Areas in the Financial Statements for more details.</i></p>
<p>Going Concern</p> 	<p>In accordance with Australian Accounting Standards, management is required to make an assessment of the entity's ability to continue as a going concern when preparing the financial report.</p> <p>We will review management's assessment and, along with our audit evidence, form an opinion on the entity's ability to continue as a going concern.</p>	<p>Compliance</p> 	<p>We will enquire and consider the impact on the financial report any non-compliance with laws and regulations during our audit. Any identified instances of non-compliance will be reported to the councillors and management in a timely manner.</p>

4. CURRENT YEAR DEVELOPMENTS

As at the date of this audit plan, the Town has advised the following major developments have, or will, occur during the current financial year, which may significantly affect our audit approach and procedures. We will obtain an update on any further major developments during our interim and final audit procedures

Divestment from the Commonwealth Home Support Program (CHSP) and Home Care Packages (HCP) programmes

RSM Audit response

By a confidential Council Resolution in November 2020, the Council decided to divest from the Commonwealth Home Support Program (CHSP) and Home Care Packages (HCP) programmes effective 1 July 2022. Council endorsed those plans on the 28 September 2021.

As at 30 June 2021, all the non-current assets related to this programmes were continued to be used by the Town. These assets are not specifically identified for sale or lease as at that date. The Town formally notified the Department of Health of the Town's decision to divest, on 31 August 2021. Amana Living have been appointed to take over the program. The decision on the disposal or lease of non-current assets that have been used to run these programs are still in negotiation.

- We will consider the impact of the discontinued operations to ensure that the financial statements comply with the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Revaluation of Land & Buildings

RSM Audit response

The Town will undertake revaluation of Land & Buildings as at 30 June 2022.
We have been advised that the revaluations are expected to be completed by August 2022.

- We will consider the impact of the revaluations to ensure fair value measurement of Infrastructure and Land & Buildings as at 30 June 2022 is in accordance with the requirements of AASB 13 *Fair Value Measurement*. Detailed procedures on testing of PPE/Infrastructure assets is discussed in Section 5.

Audit Regulation 17 and Financial Management Regulation

RSM Audit response

The Town's Audit Regulation 17 and Financial Management Regulations 5(2)(c) reviews are due to be completed in 2022.

We have been advised that the reviews are expected to be completed before the end of the financial year.

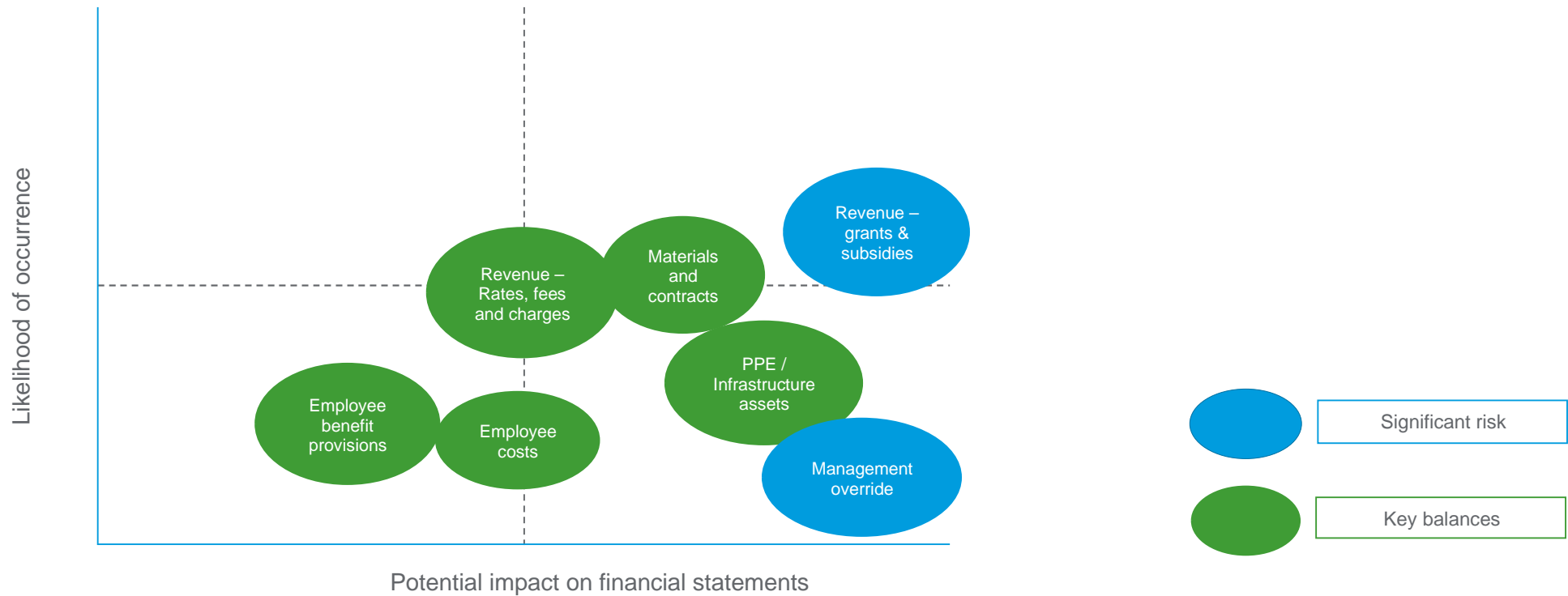
- We will consider the impact of any findings from the review, on the audit.

5. KEY AREAS OF AUDIT FOCUS

As part of the risk assessment, we have determined whether any of the risks identified are, in our judgment, a significant risk. A significant risk is an identified and assessed risk of material misstatement that, in our judgment, requires special audit consideration. The assessment is based upon:

- Enquiries of management
- The complexity of transactions within each area,
- The extent of specialist skill or knowledge needed to perform the planned audit requirement.
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of uncertainty.
- Whether the area is exposed to fraud risk.

Using the FY22 results to date and FY21 financial statements as a guide and referring to the RSM calculated materiality amount and risk assessment, RSM has identified the following potential significant balances for the current financial year.



Key Areas of Audit Focus (Continued)

Using the 30 June 2022 budget and 30 June 2021 financial report as a guide and referring to the RSM calculated materiality amount and risk assessment, RSM has identified the following potential significant risk areas for the current financial year:

Significant risk area and significant estimates	30 June 2022 \$'000 Budget	30 June 2021 \$'000 Actual	30 June 2020 \$'000 Actual
Revenue and receivables cycle			
Rates	13,831	13,487	13,376
Fees and charges	6,837	6,453	5,970
Operating grants, subsidies and contributions	2,621	2,909	3,249
Non-operating grants, subsidies and contributions	1,408	1,936	1,350
Trade receivables (current and non-current)	*	1,658	2,031
Purchases and payment cycle			
Material and contracts	8,231	7,201	5,168
Property, Plant and Equipment (additions)	3,098	1,370	1,190
Infrastructure (additions)	1,224	2,129	816
Fixed assets cycle			
Property, Plant and Equipment	*	55,008	56,339
Infrastructure	*	104,025	105,287
Significant Estimates			
Employee benefit provisions (current and non-current)	*	2,691	2,474
Depreciation on non-current assets	3,891	3,762	3,732

** Balances expected to be consistent with previous year.

Key Areas of Audit Focus (Continued)

SIGNIFICANT RISK

1. Management override of controls

Reasons why RSM considers this area as significant risk	RSM Audit response
<p>Management is in a unique position to permeate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Management override can occur in areas such as journal entries, accounting estimates and judgements.</p>	<ul style="list-style-type: none"> ▪ Testing journal entries recorded in the general ledger and adjustments on a sample basis to identify journal entries that exhibit characteristics of audit interest. ▪ Assessing accounting estimates for evidence of biases ▪ Review unusual, significant transactions and related party transactions. ▪ Conduct unpredictability test

2. Revenue recognition – Grant and Subsidies

Reasons why RSM considers this area as significant risk	RSM Audit response
<p>The Town recognises revenue from multiple revenue streams outside of its income from rates, such as operating grants, subsidies and contributions, fees and charges and non-operating grants, subsidies and contributions.</p> <p>There is a risk that the recognition of revenue may not be compliant with the requirements of AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income for Not-for-Profits</i>.</p> <p>Furthermore, there is a presumed fraud risk within revenue recognition under the Australian Auditing Standards.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none"> ▪ Assess the design, implementation and operating effectiveness of key internal controls operating within the revenue cycle, including application controls. ▪ Reviewing the IT general controls related to core financial accounting system. <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none"> ▪ Perform analytical procedures on fees and charges (such as those related to waste management). ▪ Performing test of details, on a sample basis, over fees and charges and grants, subsidies and contributions throughout the year and include transactions near year end to ensure they are correctly and completely accounted for in line with the Local Government's revenue recognition policy. ▪ Perform calculation checks for contract liabilities related to grants, subsidies and contributions and vouch to agreements. ▪ Review receivables balances on a sample basis and perform subsequent receipt testing. ▪ Perform testing on journal entries for any management override of internal controls related to revenue recognition.

Key Areas of Audit Focus (Continued)

KEY BALANCES

Account and characteristics	RSM Audit response
<p><i>Revenue – Rates, fees and charges</i></p> <p>Revenue is measured by considering multiple elements, for example rates transactions are calculated by the application of a rate in the dollar to the Gross Rental Value (GRV) or Unimproved Value (UV), which is in turn determined by dividing the required rate collection amount by the total valuations on the roll.</p> <p>GRV's and UV's vary between the various property types, such as residential and commercial. The GRV / UV is supplied by Landgate.</p> <p>Lastly, rates revenue represents a significant portion of the Local Government's annual operating income and is an important revenue stream in terms of the Local Government's cash flows.</p> <p>Fees and charges is a material amount and is measured by the application of an annual charge to rateable land supplied with specified services and other services provided by the Local Government. For example, classic domestic bin services and swimming pool inspection fees. There are also further complexities with the application of the eligible pensioners rebate scheme. In addition, further complexity and risk is associated with the requirement for the Local Government to comply with Part 6, Division 6 'Rates and service charges' of the <i>Local Government Act 1995</i>.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none">an assessment of the Town's effectiveness of key internal controls operating within the revenue cycle, including application controlsperform a walkthrough of the key management controls over the revenue cycle and test key management controls <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none">review, on a sample basis, the reconciliations and calculation of rates and compare these against historical results.perform revenue cut-off testing and review credit notes.ensure material revenue streams have been properly brought to account in accordance with <i>AASB 15 Revenue from Contracts with Customers</i> and <i>AASB 1058 Income of Not-for-Profit Entities</i>review receivables balances on a sample basis and perform subsequent receipt testingperform analytical procedures on rates through detailed comparison with prior year balances and budget forecastsdetermine if the disclosures in the notes to the financial report related to the Town's revenue recognition policy are appropriate
<p><i>Materials and contracts expense</i></p> <p>The Local Government's expenditure is comprised of several material components, including employee costs, materials and contracts, depreciation and other expenditure.</p> <p>Materials and contracts, comprises a significant portion of the total expenses (excluding employee benefits expense). Combined with the risk of management override, the different cost allocation methods, the strict and complex requirements of the Local Government functions and general regulations, materials and contracts expense is a key balance that has a risk of being materially misstated.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none">Assess the design, implementation and operating effectiveness of key internal controls operating within the purchasing and procurement cycle, including application controls.Reviewing the IT general controls related to core financial accounting system.An evaluation of whether the Town's purchasing activities have complied with the Act and the Functions and General Regulations. <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none">Performing test of details, on a sample basis, over materials and contracts expense. The samples will be selected from transactions occurring throughout the year and include transactions near year end to ensure they are correctly and completely accounted for in the correct period.Perform a search for unrecorded liabilities.

Account and characteristics

RSM Audit response

PPE/ Infrastructure assets

Infrastructure, Property, Plant and Equipment constitutes the majority of the Town's total assets.

Due to the below points including the reliance on valuations for the correct determination and application of significant assumptions regarding the assets' service potential, useful life, asset condition and residual value, potential for management bias when assessing impairment indicators Infrastructure, Property, Plant and Equipment is a key balance that has the risk of being materially misstated.

- Under the Financial Management Regulations, the Local Government's infrastructure land, buildings and investment properties is to be carried at fair value as defined in AASB 13 Fair Value Measurement less accumulated depreciation and accumulated impairment losses. Under regulation 17(4) of the Financial Management Regulations, the Local Government is required to revalue an asset:
 - Whenever the Local Government believes the fair value of the asset is likely to be materially different from the carrying amount; and
 - In any event, within a period of at least 3 years but not more than 5 years after the day on which the asset was last valued or revalued.
- In accordance with paragraph 9 of AASB 136 Impairment of Assets, the Local Government is required to assess at reporting date whether there is any indication that items of Infrastructure, Property, Plant and Equipment may be impaired.

Employee benefit expense and related provisions

The Local Government's expenditure is comprised of several material components, including employee costs, materials and contracts, depreciation and other expenditure.

Employee costs, comprises a significant portion of the total expenses.

- Perform analytical procedures on procurement through detailed comparison with prior year balances and budget forecasts.

Test of controls including:

- Assessing the design and implementation and where appropriate, testing the effectiveness of key controls operating within the infrastructure, property, plant, and equipment cycle.

Substantive testing including:

- Management review of fair value estimates (obtained from independent expert's valuation report) and reconciliations to general ledger, and consider the scope, competency, and methodology of independent expert's valuation to determine fair values, including consideration of significant assumptions, methods and data utilised. This is applicable in the financial years where a class of asset requires revaluation.
- Checking the accounting treatment and entries for revaluation adjustments.
- Performing test of details, on a sample basis, material additions to Infrastructure, Property, Plant and Equipment (which includes works in progress) to ensure they qualify for capitalisation under AASB 116 *Property, plant and equipment*
- Test accuracy and completeness of data sets including review useful lives, condition assessments and depreciation rates.
- Performing analytical procedures over the annual depreciation charge.
- Review management impairment assessment for any indication of management bias.
- Reviewing the disclosures in the notes to the financial statements are appropriate.

Test of controls including:

- Review and authorisation of new employees and changes in employee details, including terminations.
- Review and approval of payroll reports, including exception reports.
- Segregation of duties between upload and authorisation of pay run.

Substantive testing including:

- Analytical procedures over employee benefit expenses and amounts allocated from employee benefits to capital projects.
- Analytical procedures over annual leave and long service leave provisions.
- Check the mathematical accuracy of the long service leave computation, including consideration of significant assumptions, methods and data utilised.
- Review of Key Management Personnel ('KMP') disclosures in the financial report.
- Review of the work performed by management's external expert in relation to actuarial valuation of the defined benefit superannuation liability.

OTHER MATERIAL BALANCES

Account balance	RSM Audit response
Cash and cash equivalents	<ul style="list-style-type: none">▪ Review bank reconciliation for all material bank accounts.▪ Confirm bank balances with relevant financial institutions.
Trade and other receivables	<ul style="list-style-type: none">▪ On a sample basis, test rate and sundry trade receivables to supporting documentation and subsequent receipts (where possible).▪ Review management's assessment of reasonableness of provision for expected credit losses.
Trade and other payables	<ul style="list-style-type: none">▪ On a sample basis, test trade payables and accruals to supporting documentation and subsequent payment (where possible).▪ Perform a search for unrecorded liabilities.

5. OTHER CRITICAL AREAS IN THE FINANCIAL STATEMENTS

RSM will also audit the following critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed

Related party disclosures

The Town is subject to the requirements of AASB 124 Related Party Disclosures. The Standard requires disclosures for senior officers' compensation and certain transactions with related parties. A review will be conducted to ensure proper accounting and disclosure of related party transactions and executive remuneration.

Further, section 7.12AL of the Act applies section 17 of the Auditor General Act 2006 to a local government, which requires the Town to advise the Auditor General in writing of details of all related entities that are in existence.

RSM Audit response:

We will review the disclosures and supporting material to ensure compliance with AASB 124. We will also assess the Town's internal controls around the identification and proper disclosure of related party transactions and executive remuneration.

Financial ratios

Under regulation 50 of the Financial Management Regulations, the annual report is to include financial ratios. Financial ratios are designed to enable users of annual financial reports to interpret more clearly the Town's performance and financial results, as well as provide a comparison of trends over several years.

These indicators provide a measure of the financial sustainability of local governments and complement the national criteria endorsed by the Local Government and Planning Ministers. They provide for a comprehensive tool for monitoring the financial sustainability of local governments.

RSM Audit response:

We will obtain and audit the ratios to assess compliance with regulation 50 of the Financial Management Regulations.

Capital and other commitments for expenditure

The Town must disclose in the financial statements its capital and other commitments relating to future asset construction and replacements.

RSM Audit response:

We will check the underlying calculations and review the evidence to support the amounts disclosed.

Reserve accounts

The Town has established several reserve accounts under section 6.11 of the Act for the purpose of setting aside money for a specific purpose to be used in a future period. Cash reserves are required to be held in separate bank accounts. Although reserve accounts are aggregated with municipal funds in the financial statements, they are segregated in the notes to the financial statements as restricted funds.

RSM Audit response:

RSM will review the reserve account reconciliations and test that the transfers to and from these accounts are approved by Council and are in accordance with the specific purpose of the reserve.

Major land transactions

Regulation 46 of the Financial Management Regulations prescribes the disclosure requirement for major land transactions. The information to be disclosed by the Town is set out in regulation 47 and includes:

- Details of the total income and expenditure for the transaction; and
- Details of the amount or value of any surplus of money or assets.

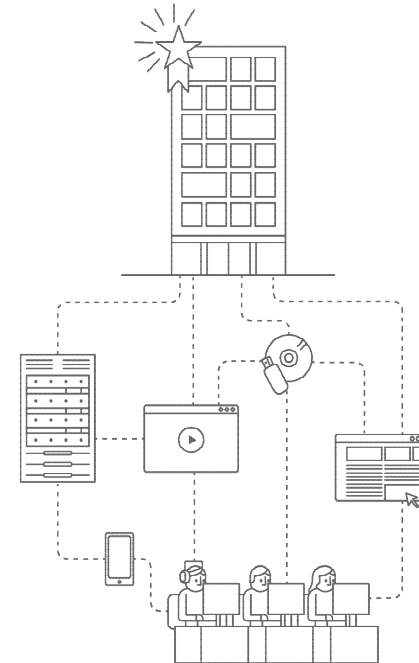
RSM Audit response:

RSM will review the financial records of the Town to assess whether major land transactions, if any, have been identified and disclosed in accordance with regulation 47.

6. INFORMATION SYSTEMS AUDIT APPROACH

The Town's financial information system is not complex and there is no requirement for RSM to engage an Information System Audit specialist. The financial audit team will conduct a high-level review of IT General Controls.

RSM complies with Auditing Standard ASA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment. Our approach to information systems audit is to obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including (amongst others) how the information system captures events and conditions, other than transactions, that are significant to the financial statements.



7. YOUR ENGAGEMENT TEAM

Your engagement team has been carefully selected to provide you with an efficient and effective audit through their relevant experience. The audit team consists of the following members:

RSM Core Engagement Team



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8. HAVE YOU CONSIDERED?

Some recent publications from the WA Office of the Auditor General and RSM may be relevant to the Town has been included here for reference.

	<p>Western Australian Public Sector Financial Statements – Better Practice Guide</p> <p>This guide has been developed to promote better practice principles for financial statement preparation for the WA public sector.</p> <p>Western Australian Public Sector Financial Statements – Better Practice Guide - Office of the Auditor General</p>		<p>Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities</p> <p>This report summarises the third year of our 4-year transition into local government financial auditing. It includes the results of 117 local government entities.</p> <p>Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities - Office of the Auditor General</p>
	<p>Cyber Security in Local Government</p> <p>This audit assessed if a sample of 15 local government entities manage cyber security risks and respond to cyber threats effectively.</p> <p>Cyber Security in Local Government - Office of the Auditor General</p>		<p>Cyber Security in Local Government</p> <p>The report summarises the results of our 2020 annual cycle of information systems audits across a selection of 50 local government entities.</p> <p>Local Government General Computer Controls - Office of the Auditor General</p>
	<p>Perspectives on the economic opportunities for the South-West of Western Australia</p> <p>The South West of Western Australia is possibly the most attractive area to invest in throughout all of Australia. Rich in an array of natural resources, agriculture, viticulture and improved access to the city of Perth and beyond, the sun is shining in the South West.</p>		<p>CATCH 22 - Digital transformation and its impact on cybersecurity</p> <p>Regardless of their digital footprint, any business with a reliance on technology is at risk of cybercrime.</p> <p>An in-depth survey of successful companies across Europe has been undertaken for RSM International by the European Business Awards, in order to understand levels of industry awareness of these cyber risks, the actions being taken to combat them, as well as the reaction to breaches taking place.</p> <p>Digital transformation and its impact on cybersecurity (rsm.global)</p>



9. APPENDICES

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APPENDIX 1 – TIMETABLE

Phase	Task	Indicative timeframe*	Action
Planning	Issue draft APM to the Town and OAG for commentary	30 May 2022	RSM
	Entrance meeting with the Audit (Finance and Risk) Committee, the Town's Administration, OAG and RSM for the presentation and discussion of final APM	8 June 2022	RSM OAG Town
Interim audit fieldwork	Issuing of Interim Audit Preparation Checklist to the Town	4 May 2022	RSM
	Based on risk assessment, performance of cyclical controls testing, walkthrough of major business cycles and review of key reconciliation procedures	7 - 10 June 2022	RSM
	Assessment of status of Management Letter points raised for the prior year		
	Review of audit file by the OAG	week of 27 June 2022	OAG
Interim audit reporting	Interim audit findings meeting with the Town's Administration and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any	24 June 2022	RSM Town
	Issue the draft Interim Audit Management Letter (if any) for the year ending 30 June 2022 to the OAG for consideration and comment	28 June 2022	RSM OAG
	Issue of the draft Interim Audit Management Letter (if any) to the Town for consideration and comment.	4 July 2022	RSM Town
	Return of draft Interim Audit Management Letter (if any) to RSM with commentary	11 July 2022	Town
	Issue the Interim Audit Management Letter (if any)	14 July 2022	OAG
Draft financial report	The Town submits proforma financial report to RSM for review and comment. This will be in the form of the statutory model with the previous year's actuals displayed.	31 August 2022	Town
Final audit fieldwork	Issuing of Final Audit Preparation Checklist	1 September 2022	RSM
	Provision of trial balance as at 30 June 2022 to RSM	No later than 30 September 2022	Town
	Town to submit draft financial report as per the Act deadline.	No later than 30 September 2022	Town
	Performance of substantive tests for revenue and expenditure cycles for the 2 months ending 30 June 2022	17 – 21 October 2022	RSM
	Performance of substantive tests for balance sheet accounts as at year end and review of financial statement disclosure		
	Review of audit file by the OAG	Mid November 2022	OAG
Final audit reporting	Final audit findings meeting with the Town's Administration, and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any.	7 November 2022	RSM Town

Phase	Task	Indicative timeframe*	Action
	Issue the draft Final Audit Management Letter (if any) for the year ending 30 June 2022 to the OAG for consideration and comment	7 November 2022	RSM OAG
	Issue the draft Final Audit Management Letter (if any) for the year ending 30 June 2022 to the Town for consideration and comment	10 November 2022	RSM Town
	Return draft Final Audit Management Letter (if any) for the year ending 30 June 2022 to RSM with commentary	16 November 2022	Town
	Issue the Final Audit Management Letter (if any) to the OAG	18 November 2022	RSM
	Issue draft Management Representation Letter and draft Financial Report to the Town for consideration and comment	22 November 2022	RSM
	Issue, Financial Report and Audit Closing Report at least 1 week before exit meeting.	24 November 2022	RSM
	Final audit exit meeting with the Audit (Finance and Risk) Committee, the Town's Administration, OAG and RSM.	1 December 2022	RSM OAG Town
	Independent Contract Auditor's Report issued	15 December 2022	RSM
	OAG to sign and issue the Audit Report	Within 5 working days of receiving the signed financial statements and reporting from RSM.	OAG
	Town's Ordinary Council Meeting for the adoption of the 30 June 2022 Financial Report	20 December 2022	Town

*Based on timely receipt of audit information and reporting documentation and completion of all required audit procedures

Audit preparation checklist.

To assist Town to gather and collate the necessary audit information and documentation, we will issue in advance of each audit visit an Interim Audit Preparation Checklist and a Final Audit Preparation Checklist. As the requested information will be an important part of our audit working papers, the information required must be made available to RSM on or before the audit fieldwork dates specified above. This will facilitate the delivery of an efficient audit and help to minimise interruptions to Town's staff. RSM will endeavour to make the checklists as detailed as possible in order to allow for changing working conditions in place due to applicable guidance at the time with respect to COVID 19.

We will issue in advance of each audit visit an electronic Interim Audit Preparation Checklist and a Final Audit Preparation Checklist utilising iManage. iManage will facilitate the delivery of an efficient audit and help to minimise interruptions to the Town's staff. We have found this facility to be very useful and clients have appreciated the savings in time and reduced disturbance by auditors during the audit fieldwork. The benefits of iManage include:

- Securely request, file and store sensitive data within the audit engagement.
- Collaborate in real time, allowing for a more adaptable workflow.
- Manage requests in one centralised location that is readily accessible.



APPENDIX 2 – RSM ORB



An RSM Audit puts quality at its heart to deliver.

We recognise that the delivery of a quality audit service is critical to achieving client satisfaction and our audit objectives.

In undertaking the audit on the financial report, we have utilised our technology platform and proprietary methodology, RSM Orb.

RSM Orb is our optimal risk-based audit methodology, deployed across more than 100 countries worldwide. Our technology platform and proprietary methodology enables our auditors to focus on your risks and design procedures tailored to your unique circumstances and environment. RSM Orb enables us to develop a deeper understanding of your business, providing you with critical insights now and for the future.

An RSM Orb audit delivers:

Consistency

- A consistent approach across any number of operations and jurisdictions, tailored to your unique risks and circumstances.

Innovation

- Optimising our use of technology in how we plan and conduct our work to enhance your audit experience.

Critical insights

- Pinpointing those areas that require closer scrutiny and enhanced judgement, enabling us to be more effective in addressing risk areas and adding intellectual value and critical insights.

Confidence

- Delivered through robust and considered planning, an efficient technology platform and a highly qualified, experienced team.



APPENDIX 3 – KEY CONTROL

3.1 Internal controls

Internal controls are systems, policies and procedures that help an entity reliably and cost effectively meet its objectives. Sound internal controls enable the delivery of reliable, accurate and timely external and internal reporting. The Town is responsible for developing and maintaining its internal control framework to enable:

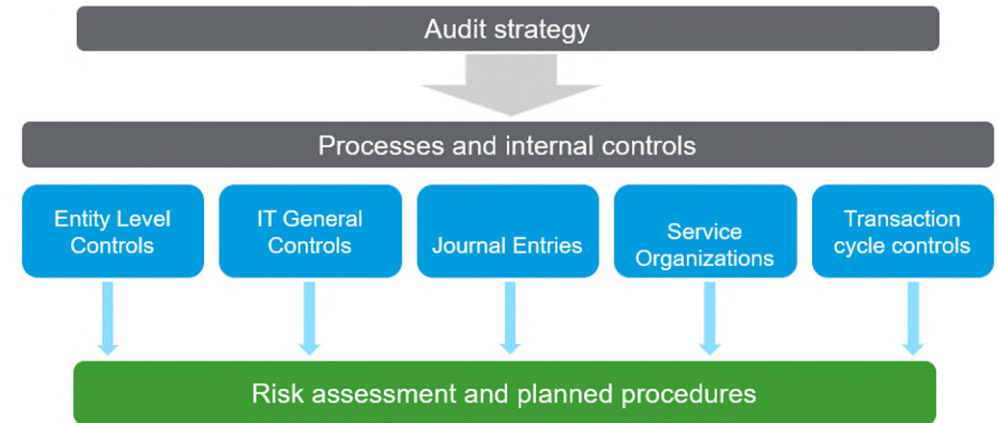
- Preparation of accurate financial records and other information;
- Timely and reliable external and internal reporting;
- Appropriate safeguarding of assets; and
- Prevention or detection and correction of errors and other irregularities.

The annual financial audit enables the Auditor General to form an opinion on the Town's controls. An integral part of this, and a requirement of Australian Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*, is to assess the adequacy of an organisation's internal control framework and governance processes related to its financial reporting.

We focus on the internal controls relating to financial reporting and assess whether the Town has managed the risk that the financial statements will not be complete and accurate. Poor controls diminish management's ability to achieve the Town's objectives and comply with relevant legislation. They also increase the risk of fraud.

During our planning procedures reviewed our understanding of the following components of internal control:

- Control environment
- Risk assessment procedures
- Information systems
- Control activities
- Monitoring procedures



Our preliminary assessment of the internal control framework determined that internal controls are likely to be effective in preventing or detecting and correcting material misstatements in the financial report. As such, we plan to place reliance on the key internal controls relating to the material components in the financial statements to support the audit opinion

3.2 Significant changes to internal controls

The Town advised that there are no major changes to its management and internal control environments and are not aware of any major changes that may significantly impact the FY22 financial statements.

3.3 Effectiveness of internal controls

The Town's management team has a substantial focus on ensuring that controls in place are robust and that financial reporting is accurate. The financial controls, processes and procedures across the Town are at a mature stage with proper documentation and ownership within the various business units.

The status of the matters raised during the previous audit is as follows:

Matter	Rating	Due Date
AASB 15 and AASB 1058 revenue recognition	Moderate	30 June 2022
Impairment assessment of fixed assets	Moderate	30 June 2022
Business continuity	Moderate	30 June 2022
Vulnerability management	Moderate	30 June 2022
Change management	Moderate	30 December 2022
Physical and environmental security	Moderate	30 June 2023
IT governance – policies and procedures	Minor	Ongoing
Risk management	Minor	30 June 2022
Synergy finance application – user access management	Minor	30 June 2022
Remote – user access management	Minor	30 June 2022
Procurement controls	Minor	Completed

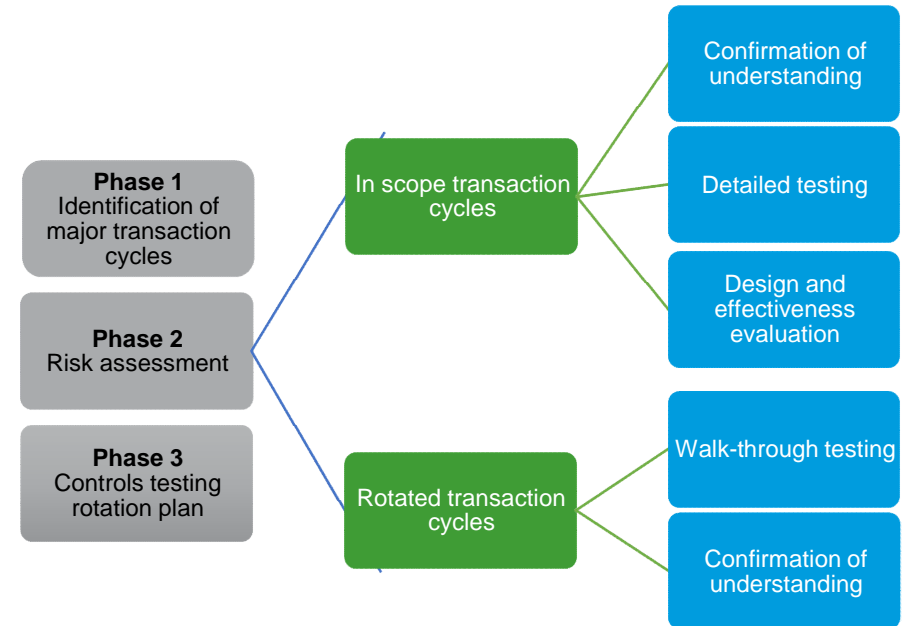
We will review the above matters to ensure the matters have been rectified accordingly.

We will assess the Town's overall control environment, including meeting with senior management and the Town's compliance and internal audit functions. This will include consideration of senior management's approach, the quality of internal audit and risk management processes and procedures.

3.4 Internal audit

Subject to the requirements of Auditing Standard ASA 610 Using the Work of Internal Auditors, if we have satisfied ourselves regarding the competence and objectivity of internal audit, we plan to rely on their work. The use of the Town's internal audit function may be used in the following ways:

- To obtain information that is relevant to RSM's assessments of the risks of material misstatement due to error or fraud; and
- As partial substitution for audit evidence to be obtained directly by RSM.



The responsibility for internal audit rests with the Town. The Town internal audit functions are a mix of internal and outsourced to third parties. We have discussed with Town Manager Finance, the current year internal audit work program and plan to rely on their work where relevant and appropriate.

3.5 Rotation approach

In accordance with our rotational controls testing approach, we will conduct a risk assessment for each major transaction cycle. The risk assessment is benchmarked against our knowledge of each transaction cycle which enables us to design a control testing rotation plan that will bring certain transaction cycles into audit scope each year. Those cycles not in scope will be subject to our normal walk-through procedures and confirmation of our understanding of the key controls. Those transactions cycles in scope will be subject to detailed controls testing, including testing of the design and effectiveness of those controls.

In FY22, we will be testing key management and operating controls over the purchases cycle including fixed asset cycle and rotating out the control testing over the payroll cycle & rates revenue which will update our understanding of the controls and confirm our understanding using walk-through procedures.

APPENDIX 4 - FRAUD RISK CONSIDERATIONS

Under Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error.

Although ASA 240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with the management of the Town. The Town is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial statements.

4.1 Audit approach

Our audit procedures on fraud risk include the following:

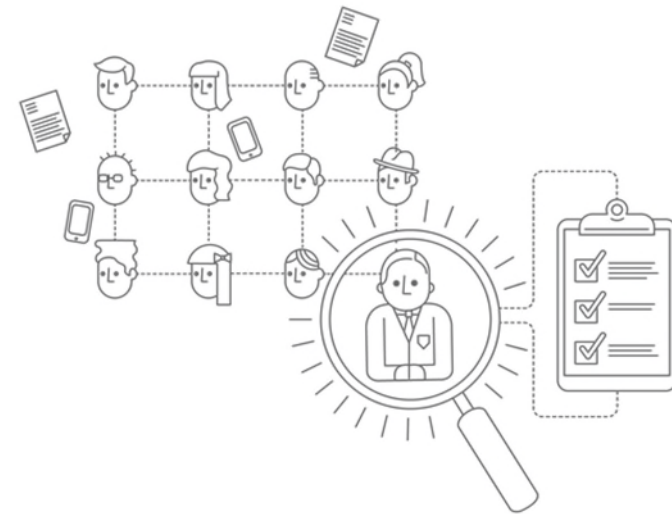
- Forward a copy of the fraud control checklist for self-assessment to the Town management, prior to our interim audit visit. The checklist allows us to make inquiries of management, to obtain its understanding of the risk of fraud within the Town and to determine whether management have any knowledge of fraud that has been perpetrated on or within the entity. We will review the fraud control self-assessment by the Town's management and the Audit Committee.
- Review the Town's fraud control procedures in place to reduce the risk of fraud occurring within the entity, including the Town's code of conduct and fraud risk profile.
- Understand the Town's manual general journal entries process as part of our fraud testing using CaseWare IDEA software.
- Analyse the financial year end balances in comparison with prior period balances to confirm the movements of the balance are in line with our expectations.
- Understand the business rationale for significant or unusual transactions.

4.2 Unpredictability test

We will incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures to be performed as individuals within the entity who are familiar with the audit procedures normally performed on engagements may be more able to conceal fraudulent financial reporting.

4.3 Fraud incidences during the year

Town management has represented that no matters have been reported to the Crime and Corruption Commission or the Public Sector Commission. Town management have confirmed that there were no fraud incidences during the current financial year to the date of this APM.



APPENDIX 5 - AUDIT APPROACH TO THE KEY AUDIT AREAS

5.1 Risk assessment

Key audit areas are those areas that, in RSM's professional judgment, will be of most significance in our audit of the financial statements. As part of our audit approach, we have conducted an initial financial statement risk assessment to determine whether any of the risks identified are, in our judgment, significant or high. A significant or high risk is an identified and assessed risk of material misstatement in the financial statements that, in our judgment is a key audit area and requires special audit consideration. Our assessment of key audit areas is based upon:

- Enquiries of management and directors.
- The complexity of transactions within each area,
- The extent of specialist skill or knowledge needed to perform the planned audit requirement.
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of uncertainty.
- Understanding and reviewing prior year's audited financial statements and audit files
- Whether the area is exposed to fraud risk.

5.2 Professional scepticism

We approach all our audits with a degree of professional scepticism as required by Australian Auditing Standards and the *Auditor General Act 2006*. In addition, professional scepticism is a key component of delivering an effective public sector audit. *ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* defines professional scepticism as 'an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence'.

Professional scepticism is particularly relevant in areas that involve management assumptions and/or estimates. It is also critical when evaluating audit evidence to reduce the risk of the auditor:

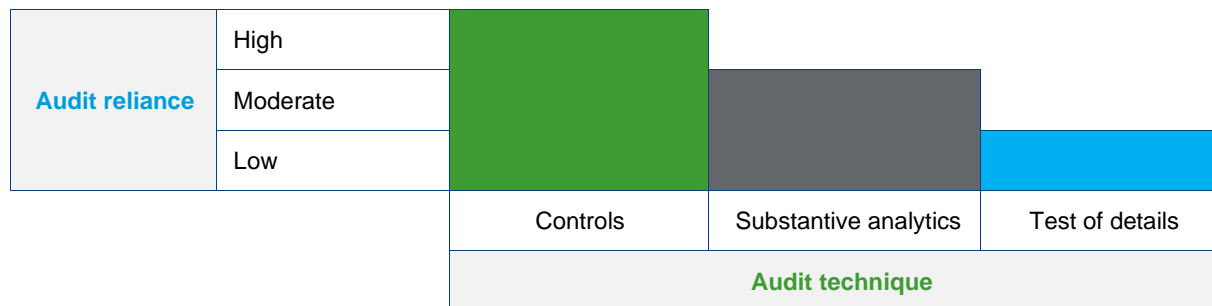
- Overlooking unusual circumstances; and
- Over generalizing when drawing conclusions from observations using inappropriate assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.



5.3 RSM approach to auditing significant risks

RSM's approach to auditing a class of transactions, account balance or disclosure is to initially assess whether there is a reasonable possibility that it could contain a material misstatement. Our risk assessment is based on both quantitative and qualitative criteria to determine whether they are significant.

Our audit strategy follows a hierarchy, which starts with testing of controls, then moves to substantive analytical review procedures and then finally testing of details. The following diagram shows an example where a high level of reliance on controls, along with a moderate level of reliance on substantive analytics is likely to result in testing of details that can safely rely on smaller sample sizes.



Based on previous audit experience at the Town and review of the Town's financial information, we have assessed that we can rely on internal controls, which effectively means we can apply a moderate level of substantive analytics and limited testing of details. This controls based approach is both efficient and effective.

APPENDIX 6 – OTHER GOVERNANCE MATTERS

Management representation letter

The audit plan assumes that the Town representatives will be able to sign a management representation letter. We will draft a management representation letter and forward to the Town for consideration and review. The management representation letter is expected to be signed at the same time as the annual financial report is signed.

We will rely on the Chief Executive Officer and Director of Corporate Services signing the financial statements as evidence that they have:

- Fulfilled their responsibilities for the preparation and fair presentation of the financial statements in accordance with the Financial Management Act 2006, Treasurer's Instructions and Australian Accounting Standards;
- Established and maintained an adequate internal control structure and adequate financial records and performance measurement data;
- Provided RSM with access to all information of which they are aware that is relevant to the preparation of the financial statements, and the operation of controls, such as records, documentation and other matters;
- Recorded all transactions in the accounting and other records and are reflected in the financial statements;
- Advised RSM of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- Advised RSM of all known instances of fraud or suspected fraud affecting the Town involving management, employees who have significant role in internal control or others where the fraud could have a material effect on the financial statements; and
- Provided RSM with the results of their assessment of the risk that the financial statements may be materially misstated because of fraud.

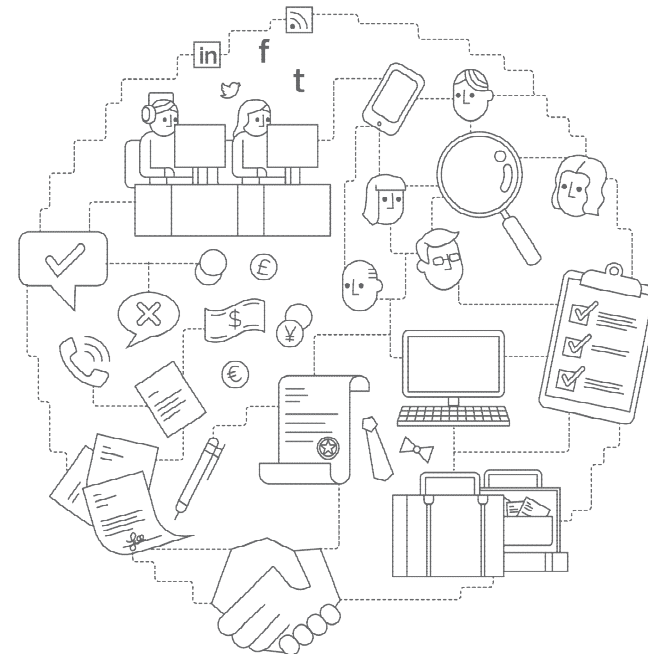
Independence

The Auditor General is an independent officer of the Western Australia Parliament, appointed under legislation to examine, on behalf of Parliament and Western Australia taxpayers, the management of resources within the public sector. The Auditor General is not subject to control or direction by either Parliament or the government. In conducting the audit, the Auditor General, her staff and delegates will comply with all applicable independence requirements of the Australian accounting profession.

The Auditor General requires contract auditors to comply with the auditor rotation requirements of APES 110 Code of Ethics for Professional Accountants. A contract audit director may not play

a significant role in the audit of an agency for more than seven financial years. RSM International audit methodology requires that we conduct an annual re-evaluation of our independence prior to the commencement of each assignment. We have fully satisfied ourselves that we do not have any actual or perceived conflict of interests.

We are fully compliant with our Ethics and Independence Policies, which are verified and tested each year by our Partner Responsible for Ethics and Independence. Each year we are required to submit certain information to our Partner Responsible for Ethics and Independence, which is analysed and subjected to a series of stringent tests. This system has been extensively reviewed by the Australian Securities and Investments Commission and found to be in accordance with Australian Auditing Standards, the Corporations Act 2001 and better practice.



APPENDIX 7 - CHANGES IN ACCOUNTING STANDARDS

Standard or pronouncements	Description	Who does it affect	Effective Date
AASB 2020-1 Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current.	<p>This narrow-scope amendment to AASB 101 Presentation of Financial Statements clarifies that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period; and also clarifies the definition of settlement of a liability.</p> <p>For example, a liability must be classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period.</p>	All entities	Annual reporting periods beginning on or after 1 January 2023.
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.	<p>This amending standard makes narrow scope amendments to a number of standards:</p> <ul style="list-style-type: none"> ▪ AASB 1: to simplify its application by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences; ▪ AASB 3: updating the reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; ▪ AASB 9: clarifying which fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; ▪ AASB 116: requiring an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use, and the related cost, in profit or loss, instead of deducting the amounts received from the cost of the asset; ▪ AASB 137: specifying the costs that an entity includes when assessing whether a contract will be loss-making; and ▪ AASB 141: removing the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards. 	All entities	Annual reporting periods beginning on or after 1 January 2022.

For more information, visit: www.rsm.global/australia/service/audit-and-assurance-services

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**INTERNAL AUDIT SCHEDULE
2020-2021 TO 2022-2023**

Internal Audit Modules	2020-2021	2021-2022	2022-2023
Regulation 17 – Local Government (Audit) Regulations 1996:			
Corporate Governance			
Risk Management			
Legislative Compliance			
General Finance Controls:			
Payroll and Employee Leave			
Purchasing and Creditors			
Credit Cards and card management system			
Tenders and Contract Management including Extensions and Variations			
Receipting and Management of Monies held for specific purposes			
Bank Reconciliations			
General and Rate Debtors			
Investments and Cash Flow Management			
Budgeting and cost controls			
Assets			
Information Management and Reporting			
Taxation – GST, FBT			
Information Technology:			
Application and access controls			
IT Governance			
Disaster Recovery & Backup			
Information Security			
Management of IT Risks			
Change Management & Change Controls			
Remote Access/Security considerations for working from home arrangements			
Lease Agreements			
Records Management			
Fraud Prevention and Detection			
On line services – Dog and Cat Renewals, Debtors and Infringements (after implementation of the modules)			
Grant acquittals	As required	As required	As required

**INTERNAL AUDIT SCHEDULE
2020-2021 TO 2022-2023**

Internal Audit Modules	2020-2021	2021-2022	2022-2023
Regulation 17 – Local Government (Audit) Regulations 1996:			
Corporate Governance			
Risk Management			
Legislative Compliance			
General Finance Controls:			
Payroll and Employee Leave (after upgrade)			
Purchasing and Creditors (after upgrade)			
Credit Cards and card management system (after upgrade)			
Tenders and Contract Management including Extensions and Variations			
Receipting and Management of Monies held for specific purposes			
Bank Reconciliations			
General and Rate Debtors			
Investments and Cash Flow Management			
Budgeting and cost controls			
Assets			
Information Management and Reporting			
Taxation – GST, FBT			
Information Technology:			
Application and access controls			
IT Governance			
Disaster Recovery & Backup			
Information Security			
Management of IT Risks			
Change Management & Change Controls			
Remote Access/Security considerations for working from home arrangements			
Lease Agreements			
Records Management			
Fraud Prevention and Detection			
On line services – Dog and Cat Renewals, Debtors and Infringements (after implementation of the modules)			
Grant acquittals	As required	As required	As required

Town of Bassendean
Annual Internal Audit Plan 2022-
2023

May 2022

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DRAFT

Preparation of the Internal Audit Plan

Introduction

The Institute of Internal Auditors' International Professional Practices Framework requires Internal Audit to produce a risk-based plan, which considers the Town of Bassendean's risk management framework, knowledge of operations and internal controls derived from previous audits, its strategic objectives and priorities and the views of Senior Managers at the Town of Bassendean's Audit and Governance (AG) Committee ("AG").

The objective of audit planning is to direct audit resources in an efficient manner to provide sufficient assurance that key risks are being managed effectively and value for money is being achieved.

This document sets out a detailed Annual Internal Audit Plan for 2022/23.

Audit and Governance Committee ("AG") Action

The AG is asked to review and approve the Internal Audit Plan for 2022/23.

Role of Internal Audit Services

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

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

These objectives are achieved by:

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

Our internal audit activities typically include, but are not limited to, the following:

- the review of the internal control structure, monitoring the operations of the information system and internal controls and providing recommendations for improvements;
- a risk assessment with the intention of minimising exposure to all forms of risk on the Town of Bassendean;
- examination of financial and operating information that includes detailed testing of transactions, balances and procedures;
- a review of the efficiency and effectiveness of operations and services including non-financial controls of the Town of Bassendean;

Preparation of the Internal Audit Plan

- a review of compliance with management policies and directives and any other internal requirements; and
- other specific tasks requested by management and the AG.

Internal Audit Planning Approach

The internal audit plan aims to contribute to the overall improvement of governance, risk management, and internal control processes using a systematic and disciplined evaluation approach.

The Town of Bassendean's internal audit methodology links internal audit activity to the organisation's risk management framework. The main benefit to the Town of Bassendean is a strategic, targeted internal audit function that focuses on the key risk areas and provides maximum value for money.

By focussing on the key risk areas, the internal audit should be able to conclude that:

- The Management has identified, assessed and responded to the Town of Bassendean's key risks;
- The responses to risks are effective but not excessive;
- Where residual risk is unacceptably high, further action is being taken;
- Risk management processes, including the effectiveness of responses, are being monitored by management to ensure they continue to operate effectively; and
- Risks, responses, and actions are being properly classified and reported.

Development of the Annual Internal Audit Plan for 2022/23

The areas included in this Plan were nominated and agreed upon by the Corporate Executive for presentation to the AG for consideration.

The Plan was developed through consideration of:

- The Town of Bassendean's strategic objectives and business risks;
- The Town of Bassendean's business processes that are key to mitigating risks;
- Emerging business and environmental issues for the Town of Bassendean; and
- Changes in the Town of Bassendean's operating environment and state of control.

The plan was then reviewed by Internal Audit with regards to the historic frequency of the performance of the reviews and the risk register, but no changes were proposed to the plan approved by Corporate Executive.

Internal Audit aims to be responsive to the Town of Bassendean's needs, given the environment of change that exists both within and external to the Town of Bassendean. Consequently, the Plan may be amended during the year. Any such changes will be authorised by the AG.

Additional Internal Audit Activities

Internal Audit's role extends to assisting the Management with additional audits that sit outside the Annual Internal Audit Plan. These include reviews of new initiatives, projects, or processes that have not yet been identified or planned at the time of preparing this document.

Requests for Internal Audit to undertake any internal audits of this nature or provide other related services will be agreed upon with the relevant Corporate Executive members.

Internal Audit Plan

Set out within the table below is the 2022/23 Annual Audit Plan with indicative scopes and hours. The previous auditable areas are outlined in green and the revised auditable areas are in grey for comparison purposes. The scopes will be further refined through discussion with Management during the planning process.

Internal Audit Modules	Original 2022-2023	Revised 2022-2023	Revised 2023-2024
Credit Cards and card management system			40
Tenders and Contract Management including Extensions and Variations			25
General and Rate Debtors		20	
Investments and Cash Flow Management			
Budgeting and cost controls		40	
Information Management and Reporting		40	
Information Technology:			
Application and access controls			
IT Governance			
Disaster Recovery & Backup			
Information Security			
Management of IT Risks			
Change Management & Change Controls			
Review of Asset Management Function and data integrity		80	
Performance and Effectiveness Review Library Services		80	
Records Management		40	
Fraud Prevention and Detection			60
Review the enforcement function performed across the Town		60	
Grant acquittals	As required	As required	
Total Hours		360	125

Internal Audit Plan

Ad-hoc internal audits can also be performed by either the Internal Audit Function on requests from the Town of Bassendean, Management or the Audit and Governance (AG) Committee. These reviews were not considered within the plan. Any ad-hoc reviews identified by Management and the Audit and Governance (AG) Committee will be separately budgeted. Funds for these reviews will either be funded through reprioritising current reviews or through additional fund requests which will be negotiated and approved by the Audit and Governance (AG) Committee and the Town of Bassendean before the commencement of the reviews.

Internal Audit aims to be responsive to the Town of Bassendean's needs, given the environment of change that exists both within and external to the Town of Bassendean.

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





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Attachment 7.3.3

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