



TOWN OF
VICTORIA PARK

Audit and Risk Committee Agenda – 22 November 2021



WE'RE OPEN
VIC PARK

Please be advised that an **Audit and Risk Committee** will be held at **7PM** on **Monday 22 November 2021** as an online meeting.

Mr Anthony Vuleta – Chief Executive Officer
18 November 2021

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1 Declaration of opening

Acknowledgement of Country

I am not a Nyungar man, I am a non-Indigenous man. I am honoured to be standing on Whadjuk - Nyungar country on the banks of the Swan River.

Ngany yoowart Noongar yorga, ngany wadjella yorga. Ngany djerapiny Wadjak – Noongar boodja-k yaakiny, nidja bilya bardook.

I acknowledge the traditional custodians of this land and respect past, present and emerging leaders, their continuing cultural heritage, beliefs and relationship with the land, which continues to be important today.

Ngany kaaditj Noongar moort keny kaadak nidja Wadjak Noongar boodja. Ngany kaaditj nidja Noongar birdiya – koora, ye-ye, boorda, baalapiny moorditj Noongar kaaditjin, moort, wer boodja ye-ye.

I thank them for the contribution made to life in the Town of Victoria Park and to this region.

Ngany youngka baalapiny Noongar birdiya wer moort nidja boodja.

2 Attendance

Mayor Mayor Karen Vernon

Banksia Ward Cr Wilfred Hendriks

Jarraah Ward Cr Jesse Hamer
Cr Jesvin Karimi

Independent Committee Members Nil.

Chief Financial Officer Mr Michael Cole
A/Chief Operations Officer Mr Andrew Dawe
Manager Governance and Strategy Ms Bana Brajanovic
Coordinator Governance and Strategy Ms Jasmine Bray
Corporate Strategy and Risk Advisor Ms Amy Noon

Secretary Ms Natasha Horner

2.1 Apologies

2.2 Approved leave of absence

Nil.

3 Declarations of interest

Declarations of interest are to be made in writing prior to the commencement of the meeting.

Declaration of financial interests

A declaration under this section requires that the nature of the interest must be disclosed. Consequently, a member who has made a declaration must not preside, participate in, or be present during any discussion or decision-making procedure relating to the matter the subject of the declaration. An employee is required to disclose their financial interest and if required to do so by the Council must disclose the extent of the interest. Employees are required to disclose their financial interests where they are required to present verbal or written reports to the Council. Employees can continue to provide advice to the Council in the decision-making process if they have disclosed their interest.

Declaration of proximity interest

Elected members (in accordance with Regulation 11 of the Local Government [Rules of Conduct] Regulations 2007) and employees (in accordance with the Code of Conduct) are to declare an interest in a matter if the matter concerns: a) a proposed change to a planning scheme affecting land that adjoins the person's land; b) a proposed change to the zoning or use of land that adjoins the person's land; or c) a proposed development (as defined in section 5.63(5)) of land that adjoins the persons' land.

Land, the proposed land adjoins a person's land if: a) the proposal land, not being a thoroughfare, has a common boundary with the person's land; b) the proposal land, or any part of it, is directly across a thoroughfare from, the person's land; or c) the proposal land is that part of a thoroughfare that has a common boundary with the person's land. A person's land is a reference to any land owned by the person or in which the person has any estate or interest.

Declaration of interest affecting impartiality

Elected members (in accordance with Regulation 11 of the Local Government [Rules of Conduct] Regulations 2007) and employees (in accordance with the Code of Conduct) are required to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making process. The Elected Member/employee is also encouraged to disclose the nature of the interest.

4 Election of the Presiding Member

The election of the Presiding Member and Deputy Presiding Member is deferred to the next Audit and Risk Committee to allow all members of the committee (both Council and independent) to be considered for the office of Presiding Member and Deputy Presiding Member.

The meeting will proceed with no Presiding Member, in accordance with section 5.14 of the *Local Government Act 1995*.

The committee members present at the meeting are to choose one of themselves to preside at the meeting.

5 Confirmation of minutes

Recommendation

That the Audit and Risk Committee confirms the minutes of the Audit and Risk Committee meeting held on 6 September 2021.

6 Presentations

Nil.

7 Method of dealing with agenda business

Recommendation

That Audit and Risk Committee suspends clause 50 - Speaking twice of the *Meeting Procedures Local Law 2019* for the duration of the meeting, in accordance with clause 58 of the *Meeting Procedures Local Law 2019*.

8 Reports

8.1 Appointment of Independent Committee Members

Location	Town-wide
Reporting officer	Manager Governance and Strategy
Responsible officer	Chief Executive Officer
Voting requirement	Absolute majority
Attachments	<ol style="list-style-type: none">1. CONFIDENTIAL REDACTED - Evaluation Matrix [8.1.1 - 1 page]2. CONFIDENTIAL REDACTED - Audit and Risk Committee Selection Criteria [8.1.2 - 4 pages]3. CONFIDENTIAL REDACTED - Independent Member Applicants Resumes [8.1.3 - 9 pages]

Recommendation

That the Audit and Risk Committee recommends that Council appoints Robert Poepjes and Brian Martin as the two independent members to the Audit and Risk Committee for the period 14 December 2021 to 21 October 2023, in accordance with sections 5.9 and 5.10 of the *Local Government Act 1995*.

Purpose

To present applications received and recommendation to the committee for the two Independent Committee Member (ICM) vacancies on the Audit and Risk Committee.

In brief

- The Audit and Risk Committee is a standing committee of Council and is required to exist under the *Local Government Act 1995* (the Act). As per its Terms of Reference the Audit and Risk Committee consists of four elected members and two ICMs.
- Under section 5.11 of the Act, the terms of the previous ICMs expired on election day. As such, new appointments are required.
- Applications were sought from the public on 19 October 2021 with three applications received at the close of application period on Sunday 31 October 2021.

Background

1. Section 5.8 of the Act allows Council to establish Committees to assist the Council with its decision-making function and responsibilities.
2. The Town operates an Audit and Risk Committee as required by section 7.1A of the Act. The Terms of Reference of the Audit and Risk Committee allows for two independent members to be appointed to the Committee.

3. In accordance with its Terms of Reference, the purpose of the Audit and Risk Committee is to provide guidance and assistance to Council in fulfilling its governance and oversight responsibilities in relation to the following key areas:
 - a) Financial reporting
 - b) Internal control
 - c) Risk management
 - d) External audit
 - e) Internal audit.
4. As each Committees membership expires on the ordinary Election Day, these positions were vacated on Saturday 16 October 2021.

Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL08 - Visionary civic leadership with sound and accountable governance that reflects objective decision-making.	Appointing suitably qualified individuals to the Audit and Risk Committee will assist the Council in ensuring the delivery of good governance.

Engagement

Internal engagement	
Stakeholder	Comments
Elected Members	Received the applications via a confidential attachment.

Legal compliance

[Part 5, Division 2, Subdivision 2 of the Local Government Act 1995](#)

[Part 7, Division 1A of the Local Government Act 1995](#)

Risk management consideration

Risk impact category	Risk event description	Consequence rating	Likelihood rating	Overall risk level score	Council's risk appetite	Risk treatment option and rationale for actions
Financial	Not applicable.				Low	
Environmental	Not applicable.				Medium	
Health and safety	Not applicable.				Low	
Infrastructure/ ICT systems/	Not applicable.				Medium	

utilities						
Legislative compliance	Not applicable.				Low	
Reputation	Applicants feel aggrieved with the appointment made by Council.	Moderate	Unlikely	Moderate	Low	TREAT risk by making appointments based on the merit and relevant skills of each candidates.
Service delivery	Not applicable.				Medium	

Financial implications

Current budget impact	Sufficient funds exist within the annual budget to address this recommendation.
Future budget impact	Not applicable.

Analysis

- In accordance with the Committee's Terms of Reference, when appointing an ICM, the person's experience, skills or qualifications should be considered to enable him/her to contribute to the Committee's functions.
- The vacancies were advertised through local public notice, the Town's social media channels and the website. At the close of the application period on 31 October 2021, three applications were received.
- Applicants were required to submit a current CV and were required to complete a nomination form addressing selection criteria outlining their suitability as the ICM of the Audit and Risk Committee.
- Submissions were assessed against the following selection criteria:

Experience: Please provide details of any business or financial management reporting knowledge and experience.	25%
Please describe your understanding and experience in relation to internal audit.	25%
Please describe your understanding and experience in relation to risk management.	25%
Please describe your understanding and experience in relation to financial management.	25%

- As per Policy 025 - Independent committee members, following receipt of the applications, a panel has been authorised by the Chief Executive Officer to undertake shortlisting against the selection criteria,

identify applicants suitable for appointment and provide the assessment of all applicants to the committee with a recommendation of persons to be appointed.

10. The evaluation of the submissions against the selection criteria resulted in the rankings as shown below:

Independent member applicants	Overall Ranking
Robert Poepjes	1
Brian Martin	2
Andrew Boden	3

11. The applications have been provided to elected members as a confidential attachment to this report, along with an evaluation matrix.
12. All three independent member applicants are deemed suitable for the appointment to the Audit and Risk Committee. However, the current Terms of Reference allows up to two independent members to be appointed by Council. One of the recommendations in the major local government reform announced by the Minister for Local Government last week is that Audit Committees would be able to include Council members but would be required to include a majority of independent members and an independent chairperson. The Committee may want to consider amending the Terms of Reference to allow up to three independent members to the Audit and Risk Committee. This would allow the Committee to recommend the appointment of all three independent member applicants.
13. To finalise the recommendation to Council as to who should be appointed, the committee upon receipt of the shortlist shall make a recommendation to Council as to who should be appointed. In doing so, the committee is authorised to request the Chief Executive Officer to do any or all of the following:
 - a) arrange for the committee to interview applicants
 - b) conduct a reference check of applicants
 - c) verify the qualifications of applicants.

Relevant documents

[Audit and Risk Committee Terms of Reference](#)

[Policy 025 Independent committee members](#)

8.2 Strategic risk review

Location	Town-wide
Reporting officer	Corporate Strategy and Risk Advisor
Responsible officer	Manager Governance and Strategy
Voting requirement	Simple majority
Attachments	1. Strategic risk review outcomes 2021 [8.2.1 - 13 pages]

Recommendation

That the Audit and Risk Committee recommends that Council:

1. Notes the removal of strategic risks.
 - a. Dissolution of Mindarie Regional Council.
 - b. Failure to take action to reduce the administration's impact on climate change.
2. Notes the amendment of strategic risks.
 - a. Boundary change to Loss of ratepayer base and associated revenue.
 - b. Significant external disruptive events such as cyberactivity to Failure to maintain and protect data and information technology systems.
 - c. Significant external disruptive events – current and future pandemics to Failure to plan and prepare for emergencies and recovery.
 - d. Failure to take action to reduce the Town's impact on climate change within the community to Failure to take action to reduce impact on climate change.
3. Notes the addition of strategic risks.
 - a. Views of community unable to influence decision-making.
 - b. Failure to attract and retain a skilled workforce.
 - c. Negative media exposure.
 - d. Variation in economic activity impacting delivery of infrastructure.
 - e. Increased community expectations on local government to address crime and anti-social behaviour.
 - f. Changes in working relationships with key community, government and/or commercial stakeholders.
 - g. Failure to maintain a constructive organisational culture.
 - h. State Government initiatives misaligned with community aspirations.
 - i. Supply chain disruptions leading to project delays.
4. Adopts the amended strategic risk register and updates to controls and treatment actions, as at attachment one.
5. Requests the Chief Executive Officer to list outstanding risk treatment actions for consideration in the mid-year Corporate Business Plan review, to be presented to Council with the mid-year budget review.
6. Requests that the Chief Executive Officer provides updates on the status of strategic risks annually, with the next review being presented to the Audit and Risk Committee in November 2022.

Purpose

To provide an update on the Town's management of strategic risks, propose changes to the strategic risk register and change the frequency of reporting to the Audit and Risk Committee on strategic risks from bi-annual to annual.

In brief

- The Chief Executive Officer is required to provide a bi-annual report on strategic risks to the Audit and Risk Committee.
- A review of the current strategic risks has been undertaken. This has resulted in risks being recommended for removal, amendment and inclusion.

Background

1. Strategic risks are risks that the organisation has no influence over. They generally occur external to the organisation and affect the delivery of strategic objectives.
2. At the February 2020 Ordinary Council Meeting, Council requested that the Chief Executive Officer present a bi-annual report on the status of the Town's strategic risks to the Audit Committee.
3. The Chief Executive Officer presented the first bi-annual report on strategic risks to the Audit and Risk Committee in September 2020 and it was considered by Council at the December 2020 Ordinary Council Meeting. As part of the review, new risks were identified.
4. A review of the current strategic risks has been undertaken to identify whether risks are still present and whether any new risks have emerged or should be identified. An extensive review of controls and treatment actions was undertaken to document what the Town already has in place and what could be done to improve. Improvement actions also included internal audit recommendations.
5. Definitions for terms used in the risk register and this report are provided below. These are based on the AS/NZS ISO 31000:2018 Risk Management Guidelines.
 - a) **Risk** - The effect of uncertainty on objectives. A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative, or a deviation from the expected. An objective may be financial, related to health and safety, or defined in other terms.
 - b) **Consequence** - Outcome of a risk event affecting the achievement of goals, objectives and plans. There can be multiple consequences from a risk event, which can have knock-on and or cumulative impacts.
 - c) **Control** - Measure that maintains or modifies risk. This includes but is not limited to a policy, process, device, practice, mechanism or other conditions and/or actions that maintain or modify risk.
 - d) **Risk treatment** - This is an action which treats the residual risk with the objective of mitigating the residual risk.

Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL08 - Visionary civic leadership with sound and accountable governance that reflects objective	The regular review, reporting and monitoring of risks is part of good risk management practice and

decision-making.	ensures accountability, commitment to continuous improvement and a basis for action.
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Engagement

Internal engagement

Stakeholder	Comments
C-Suite	Workshops were held to review existing risks, their controls and treatments.
Managers	Workshops were held to review existing risks, their controls and treatments.
Elected members	<p>Proposed changes were provided on the Councillor Portal for feedback. Four responses were received.</p> <p>The removal of the strategic risk relating to the administration’s impact on climate change was questioned. The Town is of the view that this risk should still be removed as it is proposed that the administration’s impact and the Town’s impact within the community be combined into one risk – ‘Failure to take action to reduce impact on climate change.’ The separation of each is not seen as necessary as the causes, consequences, controls and treatments would be considered for each regardless. This aligns with the Town’s strategic framework and most relevant control, the Climate Emergency Plan. This plan includes treatment actions that address both the administration’s impact on climate change along with how the Town can facilitate the community to take action to ultimately take action to reduce the impacts of climate change.</p> <p>Changing ‘Boundary change’ to ‘Loss of ratepayer base and associated revenue’ was supported subject to boundary change being included as an example. Boundary change has been identified as a cause in the register.</p> <p>A point was raised in relation to the proposed change from ‘Significant external disruptive events – current and future pandemics’ to ‘Failure to plan and prepare for emergencies and recovery.’ It was noted that each different emergency will require different strategies. Different types of emergencies are identified as causes against the risk and the most relevant control, the Town’s Emergency Management Plan, addresses how the Town will manage each type of event. Expanding this risk to include all types of emergencies, not just pandemics, will encourage the appropriate level of focus and monitoring.</p> <p>The need to specifically mention community expectations in relation to addressing crime and anti-social behaviour was also questioned with a suggestion that crime and anti-social behaviour was the risk. The Town is proposing to treat it as a reputational risk and not one to health and safety. Although the Town has a role to play in facilitating a safe neighbourhood, much of what is expected from the community such as physical presence and the ability to move people on is the role of the State and Federal government. The purpose of identifying this as a risk is to highlight that the misalignment between the Town’s role as a local government and the community’s</p>

expectations could result in reputational impact and a low level of community satisfaction.

Legal compliance

[Regulation 17 of the Local Government \(Audit\) Regulations 1996](#)

Risk management consideration

Risk impact category	Risk event description	Consequence rating	Likelihood rating	Overall risk level score	Council's risk appetite	Risk treatment option and rationale for actions
Financial	<p>Failure to identify the following strategic risks results in there being little or no focus on treatment, continuous improvement, monitoring or reporting.</p> <ul style="list-style-type: none"> • Failure to maintain a sustainable long-term financial position. • Loss of ratepayer base and associated revenue. • Failure to detect and prevent occurrences of fraud and corruption. 	Severe	Unlikely	High	Low	TREAT risk by identifying strategic risks and including them in the strategic risk register so controls are tracked and treatment, monitoring and reporting occurs.
Environmental	<p>Failure to identify the following strategic risk results in there being little or no focus on treatment, continuous improvement, monitoring or reporting.</p> <ul style="list-style-type: none"> • Failure to take action to 	Severe	Rare	Medium	Medium	TREAT risk by Identifying the strategic risk and including it in the strategic risk register so controls are tracked and treatment, monitoring and reporting occurs.

	reduce impact on climate change.						
Health and safety	Not applicable.					Low	
Infrastructure/ ICT systems/ utilities	<p>Failure to identify the following strategic risk results in there being little or no focus on treatment, continuous improvement, monitoring or reporting.</p> <ul style="list-style-type: none"> Failure to maintain and protect data and information technology systems. 	Severe	Rare	Medium	Medium		TREAT risk by Identifying the strategic risk and including it in the strategic risk register so controls are tracked and treatment, monitoring and reporting occurs.
Legislative compliance	<p>Failure to identify the following strategic risk results in there being little or no focus on treatment, continuous improvement, monitoring or reporting.</p> <ul style="list-style-type: none"> Non-compliance with Council's governance obligations under the <i>Local Government Act 1995</i>. 	Severe	Rare	Medium	Low		TREAT risk by Identifying the strategic risk and including it in the strategic risk register so controls are tracked and treatment, monitoring and reporting occurs.
Reputation	Failure to identify the following strategic risks results in there being little or no focus on treatment, continuous improvement, monitoring or reporting.	Severe	Unlikely	High	Low		TREAT risk by identifying strategic risks and including them in the strategic risk register so controls are tracked and treatment, monitoring and

	<ul style="list-style-type: none"> • Failure to meet the infrastructure needs of future growth requirements. • Views of community unable to influence decision-making. • Negative media exposure. • Increased community expectations on local government to address crime and anti-social behaviour. • State Government initiatives misaligned with community aspirations. 					reporting occurs.
Service delivery	<p>Failure to identify the following strategic risks results in there being little or no focus on treatment, continuous improvement, monitoring or reporting.</p> <ul style="list-style-type: none"> • Failure to plan and prepare for emergencies and recovery. • Failure to attract and retain a skilled workforce. • Variation in economic activity impacting delivery of infrastructure. • Changes in 	Severe	Unlikely	High	Medium	TREAT risk by identifying strategic risks and including them in the strategic risk register so controls are tracked and treatment, monitoring and reporting occurs.

working relationships with key community, government and/or commercial stakeholders.

- Failure to maintain a constructive organisational culture.
- Supply chain disruptions leading to project delays.

Financial implications

Current budget impact	Sufficient funds exist within the annual budget to address this recommendation.
Future budget impact	Not applicable.

Analysis

- The strategic risk review focused on:
 - reviewing whether risks were still present
 - identifying further potential risks
 - adding to causes and consequences
 - reviewing whether listed controls were controls
 - adding extra controls that are in place
 - reviewing whether treatment actions listed could be completed and added to controls
 - identifying further opportunities for improvement/risk treatment
 - adding actions from recent audits as treatments against relevant risks.
- The results of the review are provided in attachment one.
- Changes to the risks identified are being recommended. These are detailed in the table below.

Action	Risk	Reason
Remove	Dissolution of Mindarie Regional Council	Recent changes to arrangements.
	Failure to take action to reduce the administration's impact on climate change	Risk already covered by broader action - "Failure to take action to reduce impact on climate change".

Amend	Boundary change to – Loss of ratepayer base and associated revenue	Loss of ratepayer base and revenue is the risk that could be caused by a boundary change.
	Significant external disruptive events such as cyberactivity to – Failure to maintain and protect data and information technology systems	The risk is the loss of data and systems. One cause of this is malicious cyber activity.
	Significant external disruptive events - current and future pandemics to – Failure to plan and prepare for emergencies and recovery	The risk relates to the absence of planning and preparation for any emergency and the ability for the Town to recover. A pandemic is only one cause.
	Failure to take action to reduce the Town's impact on climate change within the community to – Failure to take action to reduce impact on climate change	Combines the two climate change-related risks as their causes, consequences, controls and treatments are all similar.
Add	Views of community unable to influence decision-making	While the Town and Council can seek out the views of the community, it is up to them to participate. Lack of participation can significantly impact achievement of the Town's strategic goals as the community's views are not known.
	Failure to attract and retain a skilled workforce	While this can be controlled to some extent, changes in the job market can have an impact on the Town. An example of this would be if one industry experiences significant growth. Resources are needed to be able to deliver all projects and services.
	Negative media exposure	While the Town can proactively encourage positive media, it does not have full control over what is printed or reported.
	Variation in economic activity impacting delivery of infrastructure	The Town's strategic goals and projects can be significantly impacted by changes in economic activity. An example of this could be an increase in prices of materials due to an increase in construction.
	Increased community expectations on local government to address crime	Increased expectations are evident through community engagement results with safety and

	and anti-social behaviour	security being the number one priority in the VicVision outcomes. While the Town has a small role to play in facilitating a safe neighbourhood, much of what is expected is the role of the State and Federal government.
	Changes in working relationships with key community, government and/or commercial stakeholders	At a strategic level, changes in working relationships with these groups can result in less funding opportunities or changes to levels of service within our community. The Town can attempt to manage the relationships but the nature of them can also be influenced by individual personalities and group priorities.
	Failure to maintain a constructive organisational culture	The culture needs to be managed across the whole organisation for it to be effective. A negative organisational culture could result in the quality of strategic objectives not being delivered at an acceptable level, or not being delivered at all. Managing at operational level between service areas may result in inconsistencies. Elevating the risk to be strategic will result in the risk being owned, monitored and reported at an executive level.
	State Government initiatives misaligned with community aspirations	While the Town can advocate for and on behalf of residents, it is not possible to fully control the external influence and potential subsequent dissatisfaction of the community.
	Supply chain disruptions leading to project delays	Disruptions to supply chains could mean that materials needed to complete a project aren't available. The Town is not able to fully control this but needs to have treatment measures in place to react and manage.
Keep	Non-compliance with Council's governance obligations under the <i>Local Government Act 1995</i>	Risk still relevant.
	Failure to meet the infrastructure needs of future growth requirements	Risk still relevant.
	Failure to maintain a sustainable long-term financial position	Risk still relevant.
	Failure to detect and prevent occurrences of fraud and corruption	Risk still relevant.

9. It is proposed that these changes be made to the Town's strategic risk register to allow for present risks to be considered, current controls to be recorded and for treatment actions to be addressed.

10. The strategic risks adopted by Council will be included in the Town's next iteration of its Strategic Community Plan, as recommended in the Department of Local Government, Sport and Cultural Industries' Integrated Planning and Reporting Framework Guidelines. This will highlight the risks present that may impact the achievement of the community's priorities.
11. This financial year it is proposed that a mid-year review of the Town's Corporate Business Plan be undertaken to coincide with the mid-year budget review. Any risk treatment actions identified that have not been completed at this point can be proposed for inclusion in the Corporate Business Plan. Their inclusion will need to be considered and approved by Council when the review is presented. Some of these treatment actions may be because of recommendations from the Town's internal audit program. This will help link audit, risk and continuous improvement. It will also provide Council with more oversight with progress reporting on treatment actions feeding through to the Corporate Business Plan quarterly report, presented to Council in February, April, July and October.
12. Treatment actions identified to manage strategic risks past 2021-2022 will be included as corporate deliverables in the Town's next Corporate Business Plan, due for adoption in June 2022.
13. Because of this, it is recommended that a full update on the status of strategic risks be provided to the Audit and Risk Committee annually instead of bi-annually.

Relevant documents

[Policy 004 – Risk Management](#)

8.3 Update on Outstanding Actions from Reg 17 Review

Location	Town-wide
Reporting officer	Manager Governance and Strategy
Responsible officer	Chief Executive Officer
Voting requirement	Simple majority
Attachments	1. Update on Outstanding Actions from Reg 17 Review [8.3.1 - 5 pages]

Recommendation

That the Audit and Risk Committee recommends that Council:

1. Receives the update on actions resulting from the Chief Executive Officer's review of systems and procedures relating to legislative compliance, internal controls and risk management, in accordance with regulation 17 of the *Local Government (Audit) Regulations 1996*.
2. Requests that the Chief Executive Officer informs elected members on the progress of the last outstanding Action 2.3 by July 2022.

Purpose

To present the progress of further actions identified from the Chief Executive Officer (CEO)'s review of systems and procedures relating to legislative compliance, internal controls and risk management, in accordance with regulation 17 of the *Local Government (Audit) Regulations 1996* (the Regulations).

In brief

- Regulation 17 of the Regulations requires the CEO to conduct a review of systems and procedures relating to legislative compliance, internal controls and risk management on a triennial basis.
- To ensure that a thorough review is conducted, each area was reviewed and reported on individually to the Audit Committee in 2019.
- As a result of the reviews conducted, a total of 24 opportunities for improvement were identified across the three areas of review.
- As resolved by Council, an update on the outstanding actions are presented to the Audit and Risk Committee.

Background

1. In 2013, regulation 17 of the Regulations was amended to include a requirement for the CEO to review the appropriateness and effectiveness of a local government's systems and procedures in relation to legislative compliance, internal controls and risk management on a biennial basis. In 2018, regulation 17 was amended to change the frequency of the review requirement from biennial to triennial.
2. In accordance with regulation 16 of the Regulations, a local government's audit committee is responsible for reviewing the CEO's report, before providing a copy of the report and the results of its

review to Council. In 2019, the Audit Committee received three separate reports for their consideration, relating to legislative compliance, internal controls and risk management.

3. Upon receiving the results of the review, Council resolved to request that the CEO provide updates to the Audit and Risk Committee on the progress of the opportunities for improvement actions identified as part of the reviews until all actions are complete.
4. As most actions have been completed, the Town has sought to provide an update on all identified actions, rather than presenting a separate report for each individual area of review.

Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL08 - Visionary civic leadership with sound and accountable governance that reflects objective decision-making.	The Town has a responsibility to ensure that its systems and processes relating to legislative compliance, internal controls and risk management are appropriate and in line with industry best practice.

Legal compliance

[Regulation 17 of the Local Government \(Audit\) Regulations 1996](#)

Risk management consideration

Risk impact category	Risk event description	Consequence rating	Likelihood rating	Overall risk level score	Council's risk appetite	Risk treatment option and rationale for actions
Financial	Not applicable.				Low	
Environmental	Not applicable.				Medium	
Health and safety	Not applicable.				Low	
Infrastructure/ ICT systems/ utilities	Not applicable.				Medium	
Legislative compliance	The Town's current systems relating to internal controls do not meet legislative requirements.	Minor	Possible	Medium	Low	TREAT risk by proactively improving processes relating to legislative compliance, internal controls, and risk management as identified by the review.

Reputation	Reputational damage if a lack of appropriate internal controls results in a breach of the <i>Local Government Act 1995</i> , and/or other relevant legislation.	Moderate	Possible	Medium	Low	TREAT risk by completing the actions as a result of this review. Ensure that internal controls, as outlined in the Department of Local Government, Sport and Cultural Industries Guidelines, meet best practice standards.
Service delivery	Not applicable.				Low	

Financial implications

Current budget impact	Sufficient funds exist within the annual budget to address this recommendation.
Future budget impact	Not applicable.

Analysis

5. There were 24 opportunities for improvement identified as a result of the CEO's review of systems and processes relating to legislative compliance, internal controls, and risk management. The status of these actions are summarised below:

Review area	Total actions	No. not started	No. in progress	No. completed
Legislative Compliance	11	0	0	11
Internal Controls	7	0	1	6
Risk Management	6	0	0	6

6. Actions completed since the last report was presented to the Audit and Risk Committee in March 2021 are summarised in the table below:

Review area	Reference Number	Required Action	Status	Summary
-------------	------------------	-----------------	--------	---------

Legislative Compliance	1.3	Development of a policy and/or procedure for complaints relating to elected members.	Complete	A policy for the management of complaints relating to elected members in matters relating to breaches of the Code of Conduct was adopted by Council on 20 April 2021.
Legislative Compliance	1.7	Ensure the internal audit program is appropriately resourced.	Complete	The internal audit program is appropriately resourced. The Town has appointed Paxon to carry out the internal audit program.
Internal Controls	2.3	Ensure that all 'policy statements' and 'procedures' are appropriately captured, before the next CEO's review on systems and processes relating to internal controls, which will be due in 2022.	In progress	Several outdated policies have been reviewed and the review program is ongoing and should result in every policy having been individually reviewed by 30 June 2022.

7. Only one action (2.3) remains outstanding as it cannot be completed until all policies have been reviewed. Once all policies are reviewed by April 2022, it is proposed that elected members be informed via the Councillor Portal and Council Resolutions Status Report that this action has been completed.
8. The full report on each action, inclusive of officer comments, are attached to this report as attachment 1.

Relevant documents

[A Guide to Local Government Auditing Reforms \(DLGSC\)](#)

[Local Government Operational Guidelines No. 9 – Audit in Local Government \(DLGSC\)](#)

9 Motion of which previous notice has been given

Nil.

10 Meeting closed to the public

10.1 Matters for which the meeting may be closed

Nil.

10.2 Public reading of resolutions which may be made public

Nil.

The next meeting of the Audit and Risk Committee will be held on 7 February 2022.

12 Closure