



TOWN OF  
VICTORIA PARK



## Audit and Risk Committee Agenda – 30 November 2020

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**WE'RE OPEN**  
**VIC PARK**

Please be advised that an **Audit and Risk Committee** will be held at **5:30pm** on **30 November 2020** as an electronic meeting.

**Mr Anthony Vuleta – Chief Executive Officer**

26 November 2020

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# 1 Declaration of opening

## Acknowledgement of Country (by Presiding Member)

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

*Ngany yoowart Noongar maam, ngany wadjella maam. 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**

<b>Mayor</b>	Mayor Karen Vernon
<b>Banksia Ward</b>	Cr Wilfred Hendriks
<b>Jarraah Ward</b>	Cr Jesvin Karimi (Deputy Presiding Member) Cr Brian Oliver (Presiding Member)
<b>Independent Committee Members</b>	Mr Dane Ethridge Mr Jonathan Carley
<b>Chief Financial Officer</b>	Mr Michael Cole
<b>Manager Governance and Strategy</b>	Mrs Bana Brajanovic
<b>Manager Finance</b>	Mr Stuart Billingham
<b>Coordinator Governance (Audit and Risk)</b>	Ms Natalie Ong
<b>Secretary</b>	Ms Amy Noon

### **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 Confirmation of minutes

### Recommendation

That the Audit and Risk Committee confirms the minutes of the Audit and Risk Committee held on 14 September 2020.

## 5 Presentations

Nil.

## 6 Method of dealing with agenda business

### Recommendation

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

## 7 Reports

### 7.1 Interim Audit Report 2019-2020 Financial Year

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Bonnie Hutchins
<b>Responsible officer</b>	Stuart Billingham
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. Interim Audit Results For The Year Ending 30 June 2020 [7.1.1 - 7 pages]

#### Recommendation

That the Audit Committee:

1. Accepts the matters and comments arising from the Auditor's 2019-2020 Interim Audit.
2. Recommends Council support the Management Responses to those matters as contained within the body of the attached report.

#### Purpose

This report is to present the findings of the Interim audit, together with the responses from Management for the Committee's review and acceptance.

#### In brief

The 2019-2020 Interim audit was conducted by the Auditors appointed by the Auditor General's Office. The Interim Audit is primarily concerned with a review of internal controls, policies, procedures and management's compliance with those controls. The interim audit reports on an exception basis for those items that require management's attention. The interim audit began in mid-June 2020.

#### Background

1. Each year, as part of Council's audit process, an interim audit is undertaken to ascertain areas of potential review associated with Council's financial systems / processes. The advice received through the interim audit is then assessed by Management who note the comments and take action as required.
2. Management has reviewed the matters raised and consider them to be appropriate and have either already resolved or recognised actions to be taken.
3. These matters raised by the Auditor, and Management's response to each matter, are listed within the 2019-2020 Interim Audit Results for the year ending 30 June 2020 report which is attached.

4. It is noted that the presentation of this report is much later than expected. Delays are attributed to the late start of the interim audit by the Auditor General's Office and these delays are consistent local government wide. All requirements by the Town were completed in a timely manner and did not cause delays.

## Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL06 - Finances are managed appropriately, sustainably and transparently for the benefit of the community.	Ensure Town meets its legislative responsibility in accordance with part 7 of the <i>Local Government Act 1995</i>

## Engagement

Internal engagement	
All Service Areas	All Service areas were engaged as part of the Interim audit process and the auditors were provided access to the relevant staff members for consultation.

## Legal compliance

[Part 7 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	Management not implementing auditor recommendations which will lead to poor financial management and control.	Major	Unlikely	Moderate	Low	TREAT risk by adopting an internal program with a focus area on high-risk financial processes and activities. Consider the impacts of the recommendation on resource/system requirements and once resources and/or systems

						are available, implement recommendations
Environmental	Nil					
Health and safety	Nil					
Infrastructure/ ICT systems/ utilities	Nil					
Legislative compliance	Council not accepting auditor recommendation which may leave the Town open to fraud, error or non-compliance	Moderate	Unlikely	Moderate	Low	TREAT risk by providing reasoning and detailed explanations to Council to enable informed decision making.
Reputation	Nil					
Service delivery	Nil					

## Financial implications

<b>Current budget impact</b>	Budget allocated within the 2020/2021 budget is sufficient to implement the auditor recommendations
<b>Future budget impact</b>	Not applicable

## Analysis

- Management are content with the audit findings and will implement the recommendations as noted within the management's response. These are found within the attachment under "Management Comment" following each matter. It is therefore recommended that the Audit committee support the management responses to the matters identified during the interim audit as attached.

## Relevant documents

Not applicable.

## 7.2 CEO's Update: Strategic Risk Review

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Natalie Ong
<b>Responsible officer</b>	Anthony Vuleta
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. Internal Audit Program 2020 2021 v2 0 DRAFT [7.2.1 - 17 pages]

### Recommendation

That the Audit and Risk Committee:

- 1) Notes that the newly identified strategic risks presented at the previous Audit & Risk Committee meeting of 14 September 2020 have been further assessed and are recommended for inclusion on the Town's Strategic Risk Register:
  - a) Significant external disruptive events - cyberactivity.
  - b) Significant external disruptive events - current and future pandemics.
- 2) Notes a proposed reprioritisation of the Internal Audit Program schedule for 2020-2021, which factors in the Office of the Auditor-General's Information Systems external audit being undertaken over October-November 2020 and changes in the external risk environment.
- 3) Notes business improvements to implement the Town's Risk Management Framework and processes.

### Purpose

To present an update to the Audit & Risk Committee on the Town's strategic risks and Internal Audit Program as a follow-up to the Chief Executive Officer's bi-annual strategic risks report which was presented to the Audit & Risk Committee on 14 September 2020.

### In brief

- At the Ordinary Council Meeting of 18 February 2020, Council requested the Chief Executive Officer (CEO) to present a bi-annual report to the Audit Committee on the status of the Town's strategic risks, with the first report to be submitted in September 2020.
- On 14 September 2020, the CEO's inaugural bi-annual report on the Town's strategic risks was presented to the Audit & Risk Committee including newly identified strategic risks. Feedback from the Audit & Risk Committee was received at the meeting on the proposed strategic risks.
- The feedback was taken into consideration and the descriptions of the proposed strategic risks have been improved for clarification and the Strategic Risk Register has been updated accordingly.

- It is anticipated that the strategic risks identified will also inform strategy development within the Strategic Community Planning process.

## Background

1. At the Ordinary Council Meeting of 18 February 2020, Council requested that the Chief Executive Officer present a bi-annual report to the Audit Committee on the status of the Town's strategic risks.
2. The CEO presented the first bi-annual report on strategic risks to the Audit & Risk Committee on 14 September 2020. Feedback from the Committee on the newly identified risks was incorporated into the strategic risk assessment, including improvements to the description of a number of strategic risks for clarification.
3. The Town's C-Suite has since concluded the strategic risk review in early November 2020. The outputs of the review include strategic risks which have emerged and escalated since the disruptions wrought by the onset of the COVID-19 pandemic earlier this year.
4. The outcomes of the strategic risk review will be captured in the Strategic Risk Register with a further update provided to the Audit and Risk Committee for noting.
5. The table below summarises the status of strategic risks recorded in the Strategic Risk Register including two newly identified proposed risks. The residual risk rating takes into account existing controls, using the Risk Management Framework assessment criteria. The Town's Administration is responsible for identifying and actioning treatments as part of the operational management of the Town's business. Note that the register is a living document as the risk management process is on-going, with the register being updated as new risks are identified or existing risks de-escalated, in between the formal bi-annual review periods.

REF	RISK DESCRIPTION	CAUSES	CONSEQUENCE	RESIDUAL RISK RATING
1	Failure to take action to reduce the Town's impact on climate change within the community.	Lack of leadership on climate change. Lack of planning to mitigate the impacts of climate change. Lack of funding and resources to undertake climate change actions. Lack of community support.	Council not seen as a leader in mitigating climate change. Lack of impact on climate change. Financial impact. Damage to reputation.	<b>EXTREME</b>
2	Failure to take action to reduce the Administration's impact on climate change.	Lack of leadership on climate change. Lack of planning to mitigate the impacts of climate change. Lack of funding and resources to undertake climate change actions. Lack of community support.	Council not seen as a leader in mitigating climate change. Lack of impact on climate change. Financial impact. Damage to reputation.	<b>HIGH</b>

3	Non-compliance with Council's governance obligations under the Local Government Act.	Lack of resource and capacity to meet Governance obligations. No appropriate and on-going training. Low staff and elected member understanding of obligations. Lack of expert knowledge in the legislation.	Adverse findings by integrity bodies. Public censure of the Council. Dismissal of the Council and/or staff. Damage to Council's and the Town's reputation. Financial loss.	<b>MEDIUM</b>
4	Failure to maintain a sustainable long-term financial position.	Lack of adequate planning for future maintenance and renewal/replacement of assets. Increase in operating expenditure outgrowing rates growth.	Inability to fund renewal of assets and resulting deterioration of assets leading to decline in community satisfaction.	<b>MEDIUM</b>
5	Dissolution of Mindarie Regional Council (MRC).	Members withdrawing from MRC making it unviable for remaining members. Members failing to deliver their processable waste to MRC. Decisions of majority members being in conflict with Town of Vic Park interests. An operation of the MRC becomes financially unviable.	Significant financial impact. Damage to reputation. Loss of strategic waste advisory services. Loss of community waste education service.	<b>MEDIUM</b>
6	Failure to detect and prevent occurrences of fraud and corruption.	Lack of appropriate processes and systems to detect and prevent fraud and corruption. Poor culture. Lack of integrity. Lack of appropriate policies and procedures relating to whistleblowing and public interest disclosures.	Damage to Council's and the Town's reputation. Occurrence of fraud and corruption resulting in financial loss. Adverse findings by integrity bodies. Public censure of the Council. Dismissal of the Council and/or staff.	<b>MEDIUM</b>
7	Boundary change	Dissatisfaction with the Town as a governing body by constituents. Dissatisfaction with the Town's provision of services by constituents. Lack of association with the Town's place identity. Forced amalgamation or boundary change.	Reputational damage. Loss of revenue from rates. Disruption to service delivery. Loss of community identity. Loss of influence.	<b>LOW</b>

8	Failure to meet the infrastructure needs of future growth requirements .	Lack of long-term planning for infrastructure. Lack of long-term planning for funding infrastructure needs. Lack of delivery of future infrastructure.	Community dissatisfaction. Reputational damage. Disincentive for people coming to the Town. Disintegration of the social fabric of the community. Environmental and property damage. Financial impact.	LOW
9 New proposed risk	Significant external disruptive events such as cyberactivity.	Cyber-attack (also exacerbated by pandemic disruption)	Lost or stolen data, ransomware leading to financial loss, stolen data etc.	MEDIUM
10 New proposed risk	Significant external disruptive events - current and future pandemics.	Failure to respond to and recover from pandemic event.	Operational disruption/loss of service delivery. Loss of staff.	Under assessment

6. The strategic risk review also included an assessment of the external risk environment, which highlighted a heightened risk of fraud and corruption due to opportunities created by pandemic disruptions. This necessitated a re-prioritisation of the internal audit schedule in the Internal Audit Program, involving these proposed changes:
- Fraud and Corruption Reporting/Soft Integrity audits originally scheduled for May 2021 will now be moved forward to February 2021, in recognition of heightened fraud and corruption risks.
  - The Information Security/Misuse of Information audits originally scheduled for February 2021 will now be moved back to May 2021 as the focus area and scope of these audits are similar to the Office of Auditor-General's Information Services audit performed at the Town in October to November 2020. This will also allow the Town time to implement improvements from the OAG recommendations.
7. The Town's Administration has implemented a risk management cycle which commenced with the strategic risk review undertaken by C-Suite. The risk assessment and treatment process has been cascaded down reporting lines as part of an organisation-wide operational risk review. This operationalises the Risk Management Framework assessment criteria adopted by Council.
8. Operationally, business improvements supporting the implementation of the risk management process so far include:
- improved guidance material in the form of a management practice and the inclusion of additional contextual information to complement the approved Risk Management Framework criteria, and
  - electronic risk registers
  - ongoing efforts to integrate risk management with the business and service planning and delivery as part of Integrated Planning and Reporting processes.

## 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 regular review, reporting and monitoring of risks is part of good risk management practice and ensures accountability, commitment to continuous improvement and a bias for action.

## Engagement

Internal engagement	
Stakeholder	Comments
C- Suite	Workshops to review strategic risks and identify emergent risks.
Managers	Workshops to cascade down the risk assessment and treatment process.
Technology & Digital Strategy	Advice on progressing a risk management solution in line with the organisation's technology and digital strategy

Other engagement	
Stakeholder	Comments
Local Government sector and broader industry	Cross-sector environmental scan and research to research best practice approaches in risk management in local government and industry, locally, nationally and overseas. This included an assessment of the external risk context.

## Legal compliance

Not applicable

## 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 having a regular strategic risk reporting regime to the Audit & Risk	<i>Major</i>	<i>Likely</i>	<i>High</i>	<i>Low</i>	Regularly review strategic risks as part of good business-as-usual practice
Environmental						
Health and safety						

Infrastructure/ ICT systems/ utilities	Committee as part of an actively maintained Strategic Risk Register increases the risk and possibility of significant risks not being identified and managed in timely fashion across all risk impact categories, especially in a rapidly changing and dynamic environment.	and ensure regular reporting to the Audit & Risk Committee.
Legislative compliance		
Reputation		
Service delivery		

## Financial implications

<b>Current budget impact</b>	<i>Not applicable.</i>
<b>Future budget impact</b>	<i>Not applicable.</i>

## Analysis

9. The Audit and Risk Committee's Terms of Reference include the following function: "Obtain and review regular risk reports, which identify key risks, the status and effectiveness of risk management systems, and report back to Council on any adverse trends identified, and any risks that need further attention".
10. The Strategic Risk Register has been updated with the status of risk treatment actions to address identified strategic risk events as part of the strategic risk review. Additional strategic risks have emerged since the Strategic Risk Register was last adopted by Council in February 2020 and have been included as new proposed risks in this report.
11. Together with the COVID-19 pandemic, accelerating cybersecurity risks and changes in geopolitics are impacting on the business of local government in Australia. In addition, the publication of the report into the inquiry into the City of Perth in August 2020 highlighted culture and leadership as key factors for organisational dysfunction, and provides valuable lessons learnt for all local governments in terms of identifying risk areas to address.
12. The identification of heightened fraud and corruption risks in the time of pandemic, as well as the OAG Information Services audit conducted in October to November 2020 has triggered a re-prioritisation of the Internal Audit Program schedule for 2020-2021.

13. It is anticipated that the strategic risks identified will also inform strategy development within the Strategic Community Planning process with further business integration and operationalisation of risk treatment actions.

### **Relevant documents**

Policy 004 Risk Management

Risk Management Framework

Audit and Risk Committee Terms of Reference

Department of Local Government, Introduction to Risk Management, accessed 18 August 2020

DLGSCI (2020), Report of the inquiry into the City of Perth

Jones, T. (2020), KPMG, COVID-19: Local Government Response Plan, accessed 18 August 2020

PWC (2020), 2020 Global Risk Study, accessed 18 August 2020

Sheppard, M. (2020), KPMG, COVID-19: Business and economic implications, accessed 18 August 2020

Sheppard, M. (2020), KPMG, COVID-19: Governance, Risk & Controls, accessed 18 August 2020

**8 Motion of which previous notice has been given**

Nil.

**9 Meeting closed to the public**

**9.1 Matters for which the meeting may be closed**

Nil.

**9.2 Public reading of resolutions which may be made public**

Nil.

**10 Closure**