



TOWN OF
VICTORIA PARK



Audit and Risk Committee Minutes – 7 February 2022



WE'RE OPEN
VIC PARK

Please be advised that an **Audit and Risk Committee** was held at **5.30 PM** on **Monday 7 February 2022** as an electronic meeting.

Cr Jesvin Karimi
Presiding Member
9 February 2022

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1 Declaration of opening

The Chief Financial Officer, Michael Cole, opened the meeting at 5.30pm.

Acknowledgement of Country

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.

2 Attendance

Mayor	Mayor Karen Vernon
Banksia Ward	Cr Wilfred Hendriks
Jarrah Ward	Cr Jesse Hamer Cr Jesvin Karimi
Independent Committee Members	Mr Brian Martin Mr Robert Poepjes
Chief Financial Officer	Mr Michael Cole
Finance Manager	Mr Stuart Billingham
Manager Technology & Digital Strategy	Mr Ernie Prandl
Manager Stakeholder Relations	Ms Roz Ellis
Coordinator Governance and Strategy	Ms Jasmine Bray
Secretary	Ms Amy Noon
Presenters	Ms Mona Loo (OAG) Mr Matthew Hingeley (KPMG) Ms Carina Lock (KPMG)

2.1 Apologies

Manager Governance and Strategy	Ms Bana Brajanovic
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2.2 Approved leave of absence

Nil.

3 Declarations of interest

Declaration of financial interest

Nil.

Declaration of proximity interest

Nil.

Declaration of interest affecting impartiality

Nil.

4 Election of the Presiding Member

The Chief Financial Officer, Michael Cole, called for nominations for Presiding Member.

A nomination was received from Mayor Karen Vernon.

Mayor Karen Vernon was elected Presiding Member unopposed.

5 Election of the Deputy Presiding Member

Mayor Karen Vernon called for nominations for Deputy Presiding Member.

A nomination was received from Cr Jesvin Karimi.

Cr Jesvin Karimi was elected Deputy Presiding Member unopposed.

6 Confirmation of minutes

COMMITTEE RESOLUTION:

Moved: Mayor Karen Vernon

Seconded: Cr Jesse Hamer

That the Audit and Risk Committee confirms the minutes of the Audit and Risk Committee meeting held on 22 November 2021.

Carried (5 - 0)

For: Cr Jesse Hamer, Cr Jesvin Karimi, Cr Wilfred Hendriks, Mayor Karen Vernon and Robert Poepjes

Against: Nil

7 Presentations

A presentation was received from Ms Mona Loo (OAG) and Mr Matthew Hingeley (KPMG) on item 9.1 - Independent Audit Report and Annual Financial Report 2020-2021.

Mr Brian Martin joined the meeting at 5.40pm.

8 Method of dealing with agenda business

COMMITTEE RESOLUTION:

Moved: Mayor Karen Vernon

Seconded: Cr Jesvin Karimi

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.

Carried (6 - 0)

For: Cr Jesse Hamer, Cr Jesvin Karimi, Cr Wilfred Hendriks, Mayor Karen Vernon, Brian Martin and Robert Poepjes

Against: Nil

9 Reports

9.1 Independent Audit Report and Annual Financial Report 2020-2021

Location	Town-wide
Reporting officer	Finance Manager
Responsible officer	Chief Financial Officer
Voting requirement	Simple majority
Attachments	<ol style="list-style-type: none">1. D 21 21664 Opinion - Town of Victoria Park - 30 June 2021 [9.1.1 - 3 pages]2. D 22 00941 Annual Financial Report - Town of Victoria Park - 30 June 2021 [9.1.2 - 66 pages]3. CONFIDENTIAL REDACTED - D 21 22042 Transmittal Letter to CEO - Town of Victoria Park - 30 June 2021 [9.1.3 - 2 pages]4. CONFIDENTIAL REDACTED - D 21 30418 Final Management Letter Attachment - Town of Victoria Park - 30 June 2021 (1) [9.1.4 - 6 pages]5. CONFIDENTIAL REDACTED - D 21 26137 Interim Management Letter Attachment - Town of Victoria Park - 30 June 2021 [9.1.5 - 7 pages]6. Annual Report 20-21 [9.1.6 - 83 pages]

Recommendation

That the Audit and Risk Committee recommends that Council:

1. Receives the 2020-2021 Audit Completion Report and Independent Auditor's Report.
2. Notes the adverse trend of the Asset Sustainability Ratio and the action being taken to monitor the ratio in the 2021-2022 financial year.
3. Notes the non-compliance matter of the Super User access accounts and the action being taken to address the matter.
4. Accepts the Annual Report 2020-2021 and the Annual Financial Statements for 2020-2021 financial year, as attached
5. Holds the Annual General Electors' Meeting on Tuesday 29 March 2022, commencing at 6.00pm in the Council Chambers (99 Shepperton Road, Victoria Park WA 6100) for the purpose of consideration of the annual report and other general business.

Purpose

To present the Audit Completion Report, Independent Auditors report and the Annual Report 2020-2021, inclusive of the Annual Financial Report for that year.

In brief

- As part of Council's committee structure, the Audit and Risk Committee has been established to review areas of an audit or compliance nature. The Audit Completion Report, draft Independent Auditor's Report and the audited Annual Financial Report are presented as attachments to this report.
- The Annual Financial Report gives a true and fair view of the financial position of the Town of Victoria Park as at 30 June 2021 and of its financial performance for the year ended on that date.
- The Annual Financial Report complies with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

Background

1. Each year, as part of Council's audit process, an independent audit is undertaken to assess Council's Annual Financial Report and the legitimacy and accuracy of Council's accounts. An Independent Audit Report is then produced by the Auditor. The Auditor, after completing the audit, is to forward a copy of the audit and/or management report to the –
 - (a) Mayor
 - (b) Chief Executive Officer
 - (c) Minister for Local Government, via the Department of Local Government, Sport and Cultural Industries.
2. The Independent Audit Report is also required to be included in Council's Annual Report. Any issues arising from the Independent Audit Report are to be investigated and action taken to resolve those issues.

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.	To make available timely and relevant information on the annual financial position and performance of the Town so that Council and public can make informed decisions for the future.
CL10 - Legislative responsibilities are resourced and managed appropriately, diligently and equitably.	Ensure Town meets its legislative responsibility in accordance with Part 7 of the <i>Local Government Act 1995</i> .

Engagement

Internal engagement	
Stakeholder	Comments
Service Area Leaders and Senior Management	Service area leaders were consulted and engaged during the external annual audit to provide information and responses to auditor queries.

Other engagement

Stakeholder	Comments
Mindarie Regional Council	Mindarie Regional Council was contacted to obtain responses for additional auditor queries.
Tamala Park Regional Council	Tamala Park Regional Council was contacted to obtain responses for additional auditor queries.

Legal compliance

[Local Government Act 1995 - Part 7](#)

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	Misstatement or significant error in Annual financial Report.	Major	Unlikely	Moderate	Low	TREAT risk by conducting daily and monthly reconciliations and internal audits, external interim audits and annual report audit.
Financial	Fraud and illegal acts.	Major	Unlikely	Moderate	Low	TREAT risk by strengthening internal controls, internal audits and segregation of duties.
Environmental	Not applicable.				Medium	
Health and safety	Not applicable.				Low	
Infrastructure/ ICT systems/ utilities	Not applicable.				Medium	
Legislative compliance	Annual Financial Report not complying with the requirements of	Moderate	Unlikely	Moderate	Low	TREAT risk by engaging external auditors to audit the annual

	the <i>Local Government (Financial Management) Regulations 1996</i> .					financial statement.
Reputation	Council not accepting Independent Auditor's Report.	Moderate	Unlikely	Moderate	Low	TREAT risk by providing reasoning and detailed explanations to Council to enable informed decision making.
Service delivery	Not applicable.				Medium	

Financial implications

Current budget impact	Sufficient funds exist within the annual budget to address this recommendation.
Future budget impact	Acceptance of the Annual Financial Report would confirm the closing financial position for the 2020-2021 financial year which was estimated during the preparation of the 2021-2022 Annual Budget. Once accepted, a report will be forwarded to Council with recommendations on adjustments required to the 2021-2022 Annual Budget to accommodate movements within the opening position and adjustments to carry forward budgets.

Analysis

Audited Financial Report 2020-2021

3. The Annual Financial Report was audited by the Office of Auditor General and there was one identified area of non-compliance. It is recommended that the Audit and Risk Committee recommend to Council to accept the 2020-2021 Annual Financial Report.
4. In accordance with the *Local Government Act 1995* (Section 7.12A – Duties of local government with respect to audits) a representative(s) who conducted the audit, will also be in attendance at the meeting to speak to the audit and take questions from committee members.
5. That said, a few matters were identified by the auditor in their report which is explained in further detail below.
6. The Independent Auditor Report notes that the financial report:

“In my opinion the financial report of the Town of Victoria Park:

 - is based on proper accounts and records
 - fairly represents, in all material respects, the results of the operations of the Town for the year ended 30 June 2021 and its financial position at the end of that period in accordance with the

Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

7. I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities section below. I am independent of the Town in accordance with the Auditor General Act 2006 and the relevant ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – Basis of accounting

8. I draw attention to Note 36 of the annual financial report, which: (a) discloses the 2020 financial impact of the initial application of accounting standards AASB 1059 from the associate entity; and (b) discloses a guarantee payment made by the Town subsequent to reporting date. My opinion is not modified in respect of these matters.

Report on other legal and regulatory requirements

9. In accordance with the Local Government (Audit) Regulations 1996 I report that:
- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Town:
 - a) The Asset Sustainability Ratio is below the Department of Local Government, Sport and Cultural Industries' standard for the past 3 years. The financial ratios are reported at Note 35 of the annual financial report.
 - (ii) The following material matter indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law was identified during the course of my audit:
 - a) The Town does not have appropriate restrictions as required by job role/functions when provisioning super user access accounts. Excessive super user access to application, server and database may allow inappropriate and unauthorized changes to go undetected.
 - (iii) All required information and explanations were obtained by me.
 - (iv) All audit procedures were satisfactorily completed.
 - (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions."
10. Further to part (i) (a) of the Auditor's statement above, the identified adverse trend in the financial position or the financial management practices of the Town was due to the asset sustainability ratio being below the Department of Local Government, Sport and Cultural Industries basic standard of between 0.90 - 1.10 for the past three financial years. The impacts of COVID-19 affecting the Town's resourcing and delivery of capital projects during the 2020-2021 financial year, including supply chain issues now coming to light.
- (a) The Town's asset sustainability ratio is expected to improve in the trend and meet the Department's standard of 0.90 within the 2021-2022 financial year based on the Capital Works Budget adopted by Council for 2021/22.
 - (b) Progress towards completing the capital works program will be monitored throughout the year and reported to Council on a monthly basis.

- (c) In addition, the Town's depreciation expense will be revised as required as part of the ongoing review of asset data, condition monitoring, etc. for the Town's Asset Management Plans.
- (d) The Town sends a report on significant matters and actions taken or to be taken, to the Minister required under s7.12A(4)(b) within 3 months after the audit report is received by the local government.

11. Further to part (ii) (a) of the Auditor's statement above, the identified non-compliance matter, management comment below:
- (a) The Town will develop a 'Super user Access process' to keep track of all the request and amendments. The Town is upgrading the core financial system (Authority) to its latest version and as a part of this upgrade process the existing users' accesses are being reviewed. After the initial review is completed, we will conduct a formal and periodic review.
12. It is also to be noted that Section 7.12A(4) of the *Local Government Act 1995* requires a local government to prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and give a copy of that report to the Minister within three months after the audit report is received by the local government. Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the Chief Executive Officer must publish a copy of the report on the local government's official website.

Annual Report 2020-2021

13. In accordance with s5.53(2) of the *Local Government Act 1995*, it is proposed that the additional information (attached as Annual Report 2020-2021) be adopted by Council alongside the Annual Financial Report 2020-2021. The Annual Report must be published on the Towns website within 14 days of acceptance by the Council.
14. The development of the content in the above attachment has been conducted through the following process:

Content Development Process	Actioned	Timeline and comments
C-Suite pre content meeting	✓	April 2021 Development of editorial pagination and define inclusions. Issues register developed and project plan confirmed. Content methodology endorsed.
Manager/Stakeholder meetings	✓	May 2021 Content development meetings held to ensure clarity of content requirements at a manager level.
Pagination development	✓	May 2021 Editorial pagination developed.
Manager/SALT content inclusion	✓	June 2021 Pagination template developed and all content owners dropped in raw data and content.
Copy writing	✓	July – August 2021 Copy writing of document.

Mindeera Advisory Group review of Acknowledgement	✓	July 2021 Reviewed and approved acknowledgment.
Manager/SALT review	✓	August 2021 First version of copy reviewed and fact checked by all content owners.
C-Suite review	✓	August 2021 First version of copy general review by C-Suite.
Copy writing update and proofing	✓	October 2021 Second version copy writing based on feedback and additional inclusions.
Manager/SALT review	✓	October 2021 Second version of copy reviewed and fact checked by all content owners.
C-Suite review	✓	October 2021 Second version of copy general review by C-Suite.
Access and inclusion review	✓	October 2021 Copy reviewed by Access and Inclusion for readability. Acknowledgement of diversity reviewed and approved.
Readability (literacy review)	✓	October 2021 Literacy review of copy completed by the Literacy Librarian.
Manager/SALT review	✓	October 2021 Copy updated with feedback from reviews and given to content owners for endorsement.
Copy writing update and proofing	✓	November 2021 Copy writing updates and editorial proofing Internal proofing period by Executive Assistant's, Literacy Librarian, Governance and Strategy.
Source Data Review	✓	November 2021 All data reported in the Annual Report was formally recorded.
Design	✓	December 2021 First designed version.
Stakeholder Review	✓	January 2022 First design version reviewed by content owners. Photography review by content owners. Councillor page layout on portal.
Design Update	✓	January 2022

Governance and Strategy sign off	✓	January 2022
Audit and Risk Committee Review		February 2022

15. Once the above content and the audited financial statement are adopted by the Council, the final Annual Report 2020-2021 will be collated and published shortly after.

Annual Electors' Meeting – 2021 Annual Report

16. Section 5.27 of the *Local Government Act 1995* requires that the Annual General Electors' Meeting be held on a day and at a time selected by the local government, but not more than 56 days after the annual report is accepted.

17. In order to comply with its statutory obligations following the adoption of the Annual Report 2020-2021, it is recommended that the Annual General Electors' Meeting be held on Tuesday 29 March 2022, commencing at 6.00pm in the Council Chambers (99 Shepperton Road, Victoria Park WA 6100) for the purpose of discussing the annual report and any other general business.

Relevant documents

Not applicable.

COMMITTEE DISCUSSION:

Questions were asked about content presented in the Annual Report 2020-2021. The Town undertook to confirm the following when presenting the report to the February 2022 Ordinary Council Meeting.

- Whether it is an error that Cr R Potter and Cr V Potter are listed as attending Audit and Risk Committee meetings.
- Whether independent members and advisory and working group members could be included in the reporting of attendances as a way of recognising their contributions.
- Whether all six Suburb Safety Sessions were held and why there is no mention of the Community Safety Forum held in the second half of 2020.
- Why the Business Advisory Group is not referred to in the economic section.
- Add the word parking on page 41 after "60 minutes of free."
- Add the word plan before "Shape Albany Highway" on page 44.
- Whether the figures listed for the LRCI Program are correct and whether it can be indicated more clearly.
- Remove the redundant g and extra full stop on page 51 in regards to the review of the Integrated Movement Network Strategy.
- Whether pages 116-119, 129-130 and 147-148 can be consistent with the rest of the document.
- Whether the start time for the Annual Meeting of Electors should be 6pm or 6.30pm.

COMMITTEE RESOLUTION:

Moved: Cr Jesvin Karimi

Seconded: Mayor Karen Vernon

That the Audit and Risk Committee recommends that Council:

1. Receives the 2020-2021 Audit Completion Report and Independent Auditor's Report.
2. Notes the adverse trend of the Asset Sustainability Ratio and the action being taken to monitor the ratio in the 2021-2022 financial year.
3. Notes the non-compliance matter of the Super User access accounts and the action being taken to address the matter.
4. Accepts the Annual Report 2020-2021 and the Annual Financial Statements for 2020-2021 financial year, as attached
5. Holds the Annual General Electors' Meeting on Tuesday 29 March 2022, commencing at 6.00pm in the Council Chambers (99 Shepperton Road, Victoria Park WA 6100) for the purpose of consideration of the annual report and other general business.

Carried (6 - 0)

For: Cr Jesse Hamer, Cr Jesvin Karimi, Cr Wilfred Hendriks, Mayor Karen Vernon, Brian Martin and Robert Poepjes

Against: Nil

Mayor Karen Vernon left the meeting at 6.10pm.

Cr Jesvin Karimi became Presiding Member.

The Manager Stakeholder Relations, Roz Ellis, left the meeting at 6.12pm.

9.2 Audit and Risk Committee Terms of Reference

Location	Town-wide
Reporting officer	Manager Governance and Strategy
Responsible officer	Chief Executive Officer
Voting requirement	Simple majority
Attachments	<ol style="list-style-type: none"> 1. Audit Risk Committee Terms of Reference - Current [9.2.1 - 2 pages] 2. Audit and Risk Committee - Terms of Reference amendments marked up [9.2.2 - 3 pages]

Recommendation

That the Audit and Risk Committee recommends that Council adopts the reviewed Terms of Reference as shown in attachment 2.

Purpose

To adopt the amended Audit and Risk Committee Terms of Reference.

In brief

- In line with the appointment of elected members and independent members following the local government election, it is recommended that the Audit and Risk Committee adopts the Terms of Reference.

Background

1. The Terms of Reference are to be reviewed in line with the appointment of elected members and independent members following the local government election.

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.	Clear Terms of Reference assist in allowing committee to run efficiently and effectively, which in turn helps the community to understand the purpose, structure and function of the committee.

Legal compliance

[Local Government Act 1995 - section 7.1a](#)

[Local Government \(Audit\) Regulations 1996 – section 16](#)

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	Not adopting the Terms of Reference will not provide clarity on the responsibility of the committee.	Major	Medium	Unlikely	Low	TREAT risk by adopting the Terms of Reference.
Reputation	Not applicable.				Low	
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

2. The Terms of Reference have been reviewed and proposed amendments are as follows.

Clause	Proposed amendment	Reason
2.2(4)	Clause (4) deleted.	The review of policies is done through the Policy Committee.
2.5(2)	Clause (2) amended.	Internal audits are set when the internal audit plan is developed and presented to the Audit and Risk Committee. Setting the internal audit scope is an operational task carried out by the administration once the internal audit plan has been adopted by Council.

2.5(4)

Clause (4) deleted.

The level of resources and scope of authority is set by the Audit and Risk Committee through the internal audit program. This is covered in Clause 2.5(2)

3. Other minor amendments are proposed and are marked up in attachment 2.

These changes are to provide further clarity in relation to the Audit and Risk Committee process.

It is recommended that the amended Audit and Risk Committee Terms of Reference be adopted.

Relevant documents

Not applicable.

COMMITTEE RESOLUTION:

Moved: Brian Martin

Seconded: Cr Wilfred Hendriks

That the Audit and Risk Committee recommends that Council adopts the reviewed Terms of Reference as shown in attachment 2.

Carried (5 - 0)

For: Cr Jesse Hamer, Cr Jesvin Karimi, Cr Wilfred Hendriks, Brian Martin and Robert Poepjes

Against: Nil

9.3 Compliance Audit Return 2021

Location	Town-wide
Reporting officer	Governance Officer
Responsible officer	Chief Executive Officer
Voting requirement	Simple majority
Attachments	1. Compliance Audit Return 2021 [9.3.1 - 13 pages]

Recommendation

That the Audit and Risk Committee recommends that Council:

1. Adopts the Compliance Audit Return for the period of 1 January 2021 to 31 December 2021, as shown in attachment 1.
2. Authorises the Mayor and Chief Executive Officer to jointly certify the Compliance Audit Return and submit it to the Department of Local Government, Sport and Cultural Industries by 31 March 2022.

Purpose

To present the response to the 2021 Compliance Audit Return (CAR) for review by the Audit and Risk Committee and Council endorsement, and to refer the Town's responses to the Department of Local Government, Sport and Cultural Industries (Department).

In brief

- Regulation 14 of the *Local Government (Audit) Regulations 1996* (Audit Regulations) requires that a CAR be completed and submitted to the Department by 31 March 2022.
- Regulation 15 of the Audit Regulations requires a joint certification to be completed by the Mayor and Chief Executive Officer and the document to be forwarded to the Department through 'SmartHub'.
- The Town remains compliant in the most part with the CAR for the 2021 calendar year.

Background

1. In accordance with Regulation 14 of the Audit Regulations, the Town is required to carry out an annual audit of statutory compliance in the form determined by the Department.
2. The 2021 CAR deals with the period 1 January 2021 to 31 December 2021 and focuses on those areas considered high risk in accordance with the *Local Government Act 1995* (Act) and associated regulations.
3. The Audit Regulations require that the CAR be presented to Council for adoption following review by its Audit and Risk Committee. Once adopted, the CAR is to be certified by both the Mayor and Chief Executive Officer before it is submitted to the Department by 31 March 2022 through SmartHub.
4. The CAR covers a range of matters that require actions to be completed by local governments in performing their functions to maintain legislative compliance with the Act and associated regulations.
5. The CAR requires that responsible officers respond to the audit questions, whether the Town was compliant of required actions, by answering yes, no or n/a.

6. Local governments are required to provide feedback or comments on areas of non-compliance. This assists the Department in better understanding any problems or issues that have resulted in a local government's inability to achieve full compliance in a particular area.

Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL10 - Legislative responsibilities are resourced and managed appropriately, diligently and equitably.	As the completion of a CAR is statutory under the Act, it is important that this review be submitted to the Department by 31 March 2022.

Engagement

Internal engagement	
Stakeholder	Comments
Governance and Strategy	Provided responses under the following sections: commercial enterprises by local governments, delegation of power/duty, disclosure of interest, elections, integrated planning and reporting, official conduct and optional questions.
People and Culture	Provided responses under the following sections: integrated planning and reporting and local government employees.
Financial Services	Provided responses under the following sections: finance, integrated planning and reporting, tenders for providing goods and services and optional questions.
Operations	Provided a response under the following section: disposal of property.
Business Services	Provided a response under the following section: commercial enterprises by local governments.
Property and Leasing	Provided responses under the following sections: commercial enterprises by local governments and disposal of property.

Legal compliance

[Regulation 14 of the Local Government \(Audit\) Regulations 1996](#)

[Regulation 15 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	Not completing the CAR will result in non-compliance with the Town's statutory reporting obligations.	Moderate	Likely	High	Low	TREAT risk by submitting the attached CAR to the Department by 31 March 2022.
Reputation	Not applicable.				Low	
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

9. The 2021 CAR contains the following compliance categories:
 - Commercial Enterprises by Local Governments
 - Delegation of Power/Duty
 - Disclosure of Interest
 - Disposal of Property
 - Elections
 - Finance
 - Integrated Planning and Reporting
 - Local Government Employees
 - Official Conduct
 - Tenders for Providing Goods and Services
 - Optional Questions.

10. The following table summarises the Town's performance in each of the compliance categories, along with a comparison between the 2020 and 2021 CARs.

11. The Town is 97% compliant for the 2021 CAR.

Category	2020 Audit Questions	Compliance Rating	2021 Audit Questions	Compliance Rating
Commercial Enterprises by Local Governments	5	100%	5	100%
Delegation of Power/Duty	13	100%	13	100%
Disclosure of Interest	21	100%	25	92%
Disposal of Property	2	100%	2	100%
Elections	3	100%	3	100%
Finance	11	82%	7	86%
Integrated Planning & Reporting	3	100%	3	100%
Local Government Employees	6	100%	6	100%
Official Conduct	4	100%	3	100%
Tenders for Providing Goods and Services	24	100%	22	100%
Optional questions	10	100%	9	89%
TOTAL	102	98.36%	98	97%

12. Four areas of non-compliance were identified in the 2021 CAR, two in the area of Disclosure of Interest and one in both Finance and Optional Questions. Further details are as follows:

a) Disclosure of Interest

- Section 5.75 of the Act (Admin Reg 22) – Primary returns are required to be completed by new officers that have delegated authority within three months of their start date. Issues were identified where two staff members did not complete a primary return within three months of their start date. The Town has changed its internal processes in relation to primary and annual returns to ensure that instances of non-compliance in relation to returns are unlikely to be repeated. The two primary returns that were lodged late and have already been disclosed to the Department.
- Section 5.76 of the Act (Admin Reg 23) – One annual return was received late due to the officer being on long service leave and was completed upon their return. If a relevant person does not lodge a completed return within the prescribed period for any reason, including in circumstances such as long service leave, the non-compliance must still be reported to the relevant regulatory authorities. Including an explanation of the reasons for non-compliance in the CAR will assist the Department in determining if any other action is needed.

b) Finance

- Section 7.9(1) of the Act – The Act states the Auditor’s Report should be prepared by 31 December. The Auditor’s Report for the 2020/21 financial year was received in January 2022. This matter of non-compliance is out of the Town’s control. This non-compliance is a result of the Auditor not presenting the report in accordance with legislation.

c) Optional Questions

- Section 5.87C of the Act – Any gifts received by elected members and the Chief Executive Officer must be disclosed within 10 days of acceptance of the gift. Two disclosures made under section 5.87A of the Act were made outside of 10 days. The Town is currently reviewing its processes and guidelines to prevent non-compliance in the future.

13. The Town responded as Not Applicable (N/A) to questions 4, 5, 6, and 7 in the Finance category as the Office of the Auditor General report was received on 20 January 2022. Matters raised will be presented to the Audit and Risk Committee on 7 February 2022 and to the Ordinary Council Meeting on 15 February 2022. The Town is now in the position to fulfil the legislative requirements set out in questions 4, 5, 6 and 7.

Relevant documents

Not applicable.

COMMITTEE RESOLUTION:

Moved: Cr Jesvin Karimi

Seconded: Cr Jesse Hamer

That the Audit and Risk Committee recommends that Council:

1. Adopts the Compliance Audit Return for the period of 1 January 2021 to 31 December 2021, as shown in attachment 1.
2. Authorises the Mayor and Chief Executive Officer to jointly certify the Compliance Audit Return and submit it to the Department of Local Government, Sport and Cultural Industries by 31 March 2022.

Carried (5 - 0)

For: Cr Jesse Hamer, Cr Jesvin Karimi, Cr Wilfred Hendriks, Brian Martin and Robert Poepjes

Against: Nil

9.4 Cyber Security Audit Report

Location	Town-wide
Reporting officer	Manager Technology and Digital Strategy
Responsible officer	Chief Financial Officer
Voting requirement	Simple majority
Attachments	<ol style="list-style-type: none">1. Auditor General's Report - Cyber Security in Local Government [9.4.1 - 20 pages]2. CONFIDENTIAL REDACTED - Town of Victoria Park Cyber Security Audit Findings and Management Responses [9.4.2 - 8 pages]

Recommendation

That the Audit and Risk Committee recommends that Council:

1. Notes the report "Cyber Security in Local Government" presented to the Legislative Council and the Legislative Assembly in November 2021.
2. Accept the findings from that report pertaining to the Town of Victoria Park.
3. Endorse the proposed action plan to rectify the identified issues.

Purpose

To present the Office of the Auditor General's report "Cyber Security in Local Government" and the associated findings for the Town of Victoria Park to Council and for Council to endorse the proposed program of works to address the issues raised in the findings.

In brief

- In 2021, the Office of the Auditor General (OAG) performed an audit across multiple local government entities in Western Australia to measure the readiness of their cyber security function, aimed at protecting the integrity and security of data and systems being used.
- The Town of Victoria Park's information technology systems and processes as they pertain to the delivery of cyber security functions were reviewed as part of the audit.
- The numerous findings of the report relating to the Town of Victoria Park will require significant investment of Town resources in order to rectify the identified issues.
- A program of works has been developed to address the documented issues.

Background

1. The Australian Cyber Security Centre (ACSC) is the Australian Government's lead agency for cyber security and is part of the Australian Signals Directorate. In 2017, the ACSC released the "Essential Eight" maturity model which has been adopted by many government entities as the baseline for their cyber security stance. It outlines what the ACSC suggests as the baseline cyber security defenses that should be implemented by organisations in their efforts to protect themselves from cyber attacks.

2. In 2021, the OAG selected 15 local government entities for auditing, with the focus on their cyber security processes and procedures aimed at protecting the integrity and security of data and systems being used in the provision of services. The Town of Victoria Park was one of the entities selected.
3. The scope of the audit performed was heavily weighted toward the Essential Eight maturity model.
4. The report resulting from the audit, titled "Cyber Security in Local Government" was tabled in Parliament in late 2021. The report was very critical of the maturity of many of the entities audited, including the Town of Victoria Park.
5. The outcomes from the audit have been used as inputs for the creation of a program of works required to be delivered in order to mitigate the concerns raised by the audit.

Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL04 - Appropriate information management that is easily accessible, accurate and reliable.	Ensure that the information and data stored and used by the Town of Victoria Park is protected from cyber criminals and available when required.

Engagement

Not applicable.

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	Potential financial loss from data corruption/data loss/information loss due to cyber attack.	Major	Almost Certain	Extreme	Low	TREAT risk by Creation and implementation of cyber security policies and procedures in line with ACSC's "Essential Eight".
Environmental	Not applicable.				Medium	
Health and safety	Not applicable.				Low	
Infrastructure/ ICT systems/ utilities	Loss of ICT or disruption to ICT from data corruption/data	Severe	Almost Certain	Extreme	Medium	TREAT risk by Creation and implementation of cyber security

	loss/information loss due to cyber attack.					policies and procedures in line with ACSC's "Essential Eight".
Legislative compliance	Not applicable.				Low	
Reputation	Negative perception from data corruption/data loss/information loss due to cyber attack.	Major	Almost Certain	Extreme	Low	TREAT risk by Creation and implementation of cyber security policies and procedures in line with ACSC's "Essential Eight".
Service delivery	Impact on service delivery from data corruption/data loss/information loss due to cyber attack.	Major	Almost Certain	Extreme	Medium	TREAT risk by Creation and implementation of cyber security policies and procedures in line with ACSC's "Essential Eight".

Financial implications

Current budget impact	Sufficient funds exist within the annual budget to address this recommendation.
Future budget impact	<ol style="list-style-type: none"> 1. The ongoing mitigation of cyber risk will require the creation of capability in the cyber security field to ensure a pro-active security posture to prevent cyber attacks. This will require either the creation of this capability within the IT team which may result in an increase in head-count or the engagement of an external consultancy to provide this service. 2. There will also be a requirement for ongoing evaluation and testing of the Town's cyber security defenses to ensure that no new vulnerabilities have been missed. 3. The cost of these initiatives is not known at this point in time.

Analysis

6. Attachment 2 documents the issues identified at the Town of Victoria Park. There were a total of seven findings reported. Two of the findings were considered "Significant" with the other five findings being deemed "Moderate".

7. "Significant" is defined in the report as "Those findings where there is a significant risk to the entity should the findings not be addressed by the entity promptly." "Moderate" is defined as "Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable."
8. The findings of the audit were analysed by the Manager Technology and Digital Strategy and found to be valid with the exception of the finding regarding the email filtering service under section 2 – Risk Management. This particular application has been discontinued for some time.
9. The Town of Victoria Park has an effective Risk Management Policy and Framework. Both points were missed in the audit. As an overall comment, the findings were consistent with a low level of cyber security maturity within the Town of Victoria Park.
10. As a result of the audit, the following program of works was identified:

Findings	Action Required	Estimated Completion Date
Vulnerability Management	Create Vulnerability Management Process. Engage expertise to perform full vulnerability audit. Fix/mitigate issues identified.	31/03/2022
Risk Management	Update risk register with identified cyber and information security risks.	31/03/2022
Cyber Security Strategy	Review and amend HR Practice HRP010 – "Information Systems, Email and Internet Use" as required to address cyber security issues and risks.	31/03/2022
Cyber Security Awareness Training	Identify, select and implement a best-of-breed, commercial off the shelf solution or engage a suitable service provider to deliver a "Software as a Service" solution to deliver training, testing and evaluation in the area of cyber security awareness.	30/06/2022
Incident Detection and Response	Create the Cyber Incidence Response Plan. Research the feasibility and cost options for the delivery of cyber security monitoring and response capability from both an in-house and managed service perspective. Select the best option and implement.	30/06/2022
Disaster Recovery Plan	Develop Disaster Recovery Plan and document. Establish testing regime for the Disaster Recovery Plan. Schedule regular fail-over test to ensure veracity of the plan.	30/09/2022
Business Continuity Plan	Ensure that the Business Continuity Plan (BCP) is up to date. Investigate options for testing the BCP.	30/09/2022

11. The above findings were added to the Town's Strategic Risk Register as risk treatment actions as part of the Strategic Risk Review which was adopted by Council in December 2021.
12. All of the above action items form part of the overarching review of the IT Security Plan which is an action in the current Corporate Business Plan.
13. Like many organisations in both the public as well as the private sector, the Town of Victoria Park does not have the necessary expertise in-house to deliver many of these outcomes. As a result, there will be a need to engage cyber-security specialists to assist in the delivery of the above program of works. Given the current climate in the cyber security arena, it may be difficult to source the necessary resources which may impact on delivery timelines.

14. The implementation of a cyber incident detection and response capability will in all likelihood, present the biggest challenge. This capability could be delivered either in-house by a dedicated cyber security officer or by a third-party service provider as a managed service.

Relevant documents

Not applicable.

COMMITTEE DISCUSSION:

The committee discussed:

- whether the Town would be under any significant risk of a cyber attack while waiting to engage a consultant
- whether the Town could work with other Councils to mitigate risks or contact others involved in the audit to share information.

COMMITTEE RESOLUTION:

Moved: Cr Jesvin Karimi

Seconded: Cr Jesse Hamer

That the Audit and Risk Committee recommends that Council:

1. Notes the report "Cyber Security in Local Government" presented to the Legislative Council and the Legislative Assembly in November 2021.
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For: Cr Jesse Hamer, Cr Jesvin Karimi, Cr Wilfred Hendriks, Brian Martin and Robert Poepjes

Against: Nil

10 Motion of which previous notice has been given

Nil.

11 Meeting closed to the public

11.1 Matters for which the meeting may be closed

Nil.

11.2 Public reading of resolutions which may be made public

Nil.

13 Closure

There being no further business, Cr Jesvin Karimi closed the meeting at 6.22pm.

I confirm these minutes to be true and accurate record of the proceedings of the committee.

Signed:
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Dated this: Day of: 2022

