



TOWN OF  
VICTORIA PARK

# Audit and Risk Committee Minutes – 7 November 2022

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

Please be advised that an **Audit and Risk Committee** was held at **5.31pm** on **Monday 7 November 2022** in the **Council Chambers**, Administration Centre at 99 Shepperton Road, Victoria Park.

*Karen Vernon*

**Her Worship the Mayor Karen Vernon**  
10 November 2022

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# 1 Declaration of opening

*Mayor Karen Vernon opened the meeting at 5.31pm.*

*Mayor Karen Vernon read an Acknowledgement of Country.*

## **Acknowledgement of Country**

I am honoured to be standing on Whadjuk - Nyungar country on the banks of the Swan River.

*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

**Jarrah Ward**

Cr Jesvin Karimi

Cr Jesse Hamer

**Independent Committee Member**

Mr Robert Poepjes

**Chief Financial Officer**

Mr Duncan Olde

**Manager Technology and Digital Strategy**

Mr Ernie Prandl

**Coordinator Governance and Strategy**

Mr David Bentley

**Secretary**

Ms Natasha Horner

### **2.1 Apologies**

**Independent Committee Member**

Mr Brian Martin

### **2.2 Approved leave of absence**

Nil.

### **3 Declarations of interest**

#### **3.1 Declarations of financial interest**

Nil.

#### **3.2 Declarations of proximity interest**

Nil.

#### **3.3 Declarations of interest affecting impartiality**

Nil.

## 4 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 25 July 2022.

**Carried (5 - 0)**

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

**Against:** Nil

## 5 Presentations

Nil.

## 6 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 (5 - 0)**

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

**Against:** Nil

## 7 Reports

### 7.1 Interim Audit Report 2021-2022

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Chief Financial Officer
<b>Responsible officer</b>	Chief Executive Officer
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	<ol style="list-style-type: none"><li>1. Interim Management Letter to Mayor - Town of Victoria Park - 30 June 2022 [<b>7.1.1</b> - 1 page]</li><li>2. CONFIDENTIAL REDACTED - Interim Management Letter Attachment - Town of Victoria Park - 30 June 2022 [<b>7.1.2</b> - 5 pages]</li></ol>

#### Recommendation

That the Audit and Risk Committee recommends that Council:

1. Accepts the matters and comments arising from the Auditor's 2021-2022 Interim Audit.
2. Endorses 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 endorsement.

#### In brief

- The 2021-2022 Interim audit was conducted by KPMG, 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 report is prepared on an exception basis for those items that require management's attention.
- The Interim Audit was conducted the week commencing 3 May 2022.

#### 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 2021-2022 Interim Audit Results for the year ending 30 June 2022 report, which is attached.
4. It is noted that the presentation of this report is slightly later than expected. Delays are attributed to Auditor General’s Office sign-off of the report. All requirements by the Town were completed in a timely manner.

## 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 the 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 recommendation.



Environmental	Not applicable.					
Health and safety	Not applicable.					
Infrastructure/ ICT systems/ utilities	Not applicable.					
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	Not applicable.					
Service delivery	Not applicable.					

## Financial implications

<b>Current budget impact</b>	Budget allocated within the 2022/2023 budget is sufficient to implement the Auditor's recommendations.
<b>Future budget impact</b>	Not applicable.

## Analysis

- Management accept 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.

## COMMITTEE DISCUSSION:

The committee discussed:

- concerns about the continuous deferral of the work and why sufficient resources were not being allocated
- at what time the Town became aware that it would not be able to complete the work by March 2022 and whether the Committee/Council were informed of the delay
- possible mitigation solutions to the staffing shortage issue including possible use of external contractors
- the reasons why Authority is the preferred software
- whether there were any interim ideas to mitigate further risk for the Town for the super user accounts
- concerns that the Authority upgrade and Audit work will not be complete by March 2023
- additional reporting by the super user accounts and potentially separation of normal and super access
- wording of the amendment.

The committee was advised that:

- the Town acknowledged it was a long process and that the review is tied to the upgrade of Authority process and staffing shortages
- a recent internal audit has been conducted and the Town is aware of who the super users are and their access is being monitored
- the Town became aware that it would not be able to complete the upgrade in January 2022.
- Council and Committee were not informed of the delay
- March 2023 is considered the best timeline given all considerations
- seven super users have been identified
- the largest turnover of staff since receiving the Audit has been the Manager Technology and Digital Strategy and Business Analyst
- the Town's preference is to hire Authority contractors to train the staff in the knowledge gap however there is a small number of contractors trained in Authority
- the Town is currently mapping the existing access in the system and that will help mitigate those issues and any unauthorised changes can be rolled back.
- the Town is on track to go live for March 2023.

## AMENDMENT:

**Moved:** Mayor Karen Vernon

**Seconder:** Cr Jesvin Karimi

1. In point 2 delete the word 'endorses' and substitutes the word 'notes'.
2. Insert a new point 3 as follows:  
"Requests the Chief Executive Officer to bring a report back to the committee by February 2023 as to the progress on addressing those matters identified by the Auditor's 2021-2022 Interim Audit."

**Carried (5 - 0)**

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

**Against:** Nil

### **Reason:**

To ensure that the committee has sufficient oversight on the progress of the completion of the management responses.

## COMMITTEE RESOLUTION:

**Moved:** Mayor Karen Vernon

**Seconded:** Cr Jesse Hamer

That the Audit and Risk Committee recommends that Council:

1. Accepts the matters and comments arising from the Auditor's 2021-2022 Interim Audit.
2. Notes the Management Responses to those matters as contained within the body of the attached report.
3. Requests the Chief Executive Officer to bring a report back to the committee by February 2023 as to the progress on addressing those matters identified by the Auditor's 2021-2022 Interim Audit.

**Carried (5 - 0)**

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

**Against:** Nil

## 7.2 Cyber Security Audit Report

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Manager Technology and Digital Strategy
<b>Responsible officer</b>	Chief Financial Officer
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	Nil

### Recommendation

That the Audit and Risk Committee recommends that Council notes the progress achieved to date in delivering the program of works that was created in response to the Office of the Auditor General's (OAG) report "Cyber Security in Local Government".

### Purpose

To update Council with the progress made to date in implementing the program of works created in response to the findings contained in the OAG's report "Cyber Security in Local Government" presented to Council in February 2022.

### 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 was developed to address the documented issues.
- The Town's Information Technology team has been working with subject matter experts in the field of cyber security to deliver the actions contained in the program of works.

### 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.
6. The Town's Information Technology team has been working with subject matter experts in the field of cyber security to deliver the actions contained in the program of works.

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

						"Essential Eight".
Legislative compliance	Not applicable.					
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

<b>Current budget impact</b>	Sufficient funds exist within the annual budget to address this recommendation.
<b>Future budget impact</b>	<p>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.</p> <p>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.</p> <p>3. The cost of these initiatives will fluctuate based on market conditions and is not known at this point in time.</p>

## Analysis

7. Following is the program of works proposed in February 2022. The items have been updated with progress to date and the estimated completion date has been updated based on progress and available resources: -

Findings	Action Required	Estimated Completion Date
Vulnerability Management	<p>Create Vulnerability Management Process. Engage expertise to perform full vulnerability audit. Fix/mitigate issues identified.</p> <p><b>Progress:</b> This work is currently in progress. Vulnerability testing is currently being undertaken and a report is expected by the end of October. The identified vulnerabilities will then be addressed and remediated or mitigated as and where possible.</p>	31/12/2022
Risk Management	<p>Update risk register with identified cyber and information security risks.</p> <p><b>Progress:</b> Completed.</p>	31/03/2022
Cyber Security Strategy	<p>Review and amend HR Practice HRP010 – “Information Systems, Email and Internet Use” as required to address cyber security issues and risks.</p> <p><b>Progress:</b> This work is currently in progress and is expected to be completed in November 2022.</p>	30/11/2022
Cyber Security Awareness Training	<p>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.</p> <p><b>Progress:</b> Completed. The ongoing training schedule will commence in October 2022.</p>	31/10/2022
Incident Detection and Response	<p>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.</p> <p><b>Progress:</b> Work in progress. Investigations have revealed that managed services can deliver the required outcomes in a more cost-effective way than an internal resource. This also mitigates risk associated with staff leave / turnover. Negotiations for a suitable service are continuing.</p>	31/12/2022
Disaster Recovery Plan	<p>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.</p> <p><b>Progress:</b> Work in progress. The Disaster Recovery Plan is currently being updated to reflect the changes in the Town’s IT infrastructure and backup regimes.</p>	31/12/2022
Business Continuity Plan	<p>Ensure that the Business Continuity Plan (BCP) is up to date. Investigate options for testing the BCP.</p> <p><b>Progress:</b> Completed. The Business Continuity Plan has been continuously updated as part of the COVID-19 response by the Town. Business continuity testing is under investigation and will be addressed as part of the overall BCP.</p>	30/09/2022

7. Progress on these items is continuing and it is expected that all of the issues highlighted by the OAG's audit report will be completed by 31/12/2022.

## Relevant documents

Not applicable.

*Cr Jesse Hamer left the meeting at 7:16pm.*

### COMMITTEE DISCUSSION:

The committee discussed:

- concerns about the time it has taken to progress and complete actions
- concerns that there are not enough resources to complete the actions at acceptable times
- clarification on the prioritisation of the actions process
- the lifecycle of data held by the Town
- whether a report on a project could be provided before budget time
- data management and cyber security; and the importance of understanding the gaps to understand the extent of the Town's vulnerabilities
- the Information Security internal audit from the Committee minutes held on 25 July 2022
- the timing of bringing back a report.

The committee was advised that:

- constraints outside of the Town's control are responsible for the lack of progress on the actions and prioritisation assessment
- a majority of data is integrated between the Town's website, Authority and Content Manager however some data may be stored in peripheral systems
- a review of the data lifecycle is not currently underway but the service areas could undertake such a review.



## AMENDMENT:

**Moved:** Mayor Karen Vernon

**Seconded:** Cr Jesvin Karimi

1. Insert a new point 2 as follows:

"Requests the Chief Executive Officer to bring a report to the Audit and Risk Committee by February 2023 on the progress of completion of the Town's response to the OAG 2021 Cyber Security in Local Government report."

2. Insert a new point 3 as follows:

"Request the Chief Executive Officer to report to the Audit and Risk Committee by May 2023 on the feasibility of conducting an audit of the types of information the Town collects and stores through the Town's business services, how, where and the duration of that storage of information, including an outline of the resources necessary to conduct such an audit in the future."

**Carried (4 - 0)**

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

**Against:** Nil

### Reason:

To assist Council in ensuring that we have adequately addressed the findings of the OAG's 2021 Cyber Security in Local Government report to understand what information the Town collects and retains and the appropriate mitigation measures to prevent such information from being subject to cyberattack.

## COMMITTEE RESOLUTION:

**Moved:** Robert Poepjes

**Seconded:** Cr Jesse Hamer

That the Audit and Risk Committee recommends that Council:

1. Notes the progress achieved to date in delivering the program of works that was created in response to the Office of the Auditor General's (OAG) report "Cyber Security in Local Government".
2. Requests the Chief Executive Officer to bring a report to the Audit and Risk Committee by February 2023 on the progress of completion of the Town's response to the OAG 2021 Cyber Security in Local Government report.
3. Request the Chief Executive Officer to report to the Audit and Risk Committee by May 2023 on the feasibility of conducting an audit of the types of information the Town collects and stores through the Town's business services, how, where and the duration of that storage of information, including an outline of the resources necessary to conduct such an audit in the future.

**Carried (4 - 0)**

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

**Against:** Nil

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

Nil.

**9 Meeting closed to the public**

Nil.

**10 Next meeting date**

The next Audit and Risk Committee meeting will be held on 13 February 2023.

**11 Closure**

There being no further business, Mayor Karen Vernon closed the meeting at 7.53pm.

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

Signed: .....  
.....

Dated this: ..... Day of: ..... 2022