



TOWN OF
VICTORIA PARK

Audit and Risk Committee Minutes – 13 February 2023



WE'RE OPEN
VIC PARK

Please be advised that an **Audit and Risk Committee** was held at **5.30 PM** on **Monday 13 February 2023** in the **Council Chambers**, Administration Centre at 99 Shepperton Road, Victoria Park.

Mayor Karen Vernon – Presiding Member
16 February 2023

Table of contents

Item	Page no
1 Declaration of opening	3
2 Attendance	4
2.1 Apologies.....	4
2.2 Approved leave of absence	4
3 Declarations of interest.....	5
4 Confirmation of minutes	5
5 Presentations.....	6
6 Method of dealing with agenda business	6
7 Reports.....	7
7.1 Internal Audit Report - Misuse of Assets & Resources.....	7
7.2 Audit Committee meeting dates for 2023.....	11
7.3 Audit Activity Update	15
7.4 Compliance Audit Return 2022	19
7.5 Cyber Security Audit Report.....	25
8 Motion of which previous notice has been given	31
9 Meeting closed to the public	31
10 Closure	31

1 Declaration of opening

Mayor Karen Vernon opened the meeting at 5.30pm.

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
Jarraah Ward	Cr Jesvin Karimi Cr Jesse Hamer
Independent Committee Members	Mr Brian Martin Mr Robert Poepjes
Chief Financial Officer	Mr Duncan Olde
Chief Community Planner	Ms Natalie Martin Goode
A/Coordinator Governance and Strategy	Ms Jelette Edwards
Meeting secretary	Ms Natasha Horner
Other	Mr Ian Ekins – Associate Director (Paxon Group) Mr Cameron Palasiss – Executive Director (Paxon Group) Ms Natalie Martin Goode - Chief Community Planner

2.1 Apologies

Nil.

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

Name/Position	Cr Wilfred Hendriks
Item No/Subject	7.3 - Audit Activity Update
Nature of interest	Impartiality
Extent of interest	I am a member of the Rotary Club of Victoria Park and on the Board of Harold Hawthorne Community Centre. Both of these organisations receive funding from the Town.

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 7 November 2022.

Carried (6 - 0)

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

Against: Nil

5 Presentations

A presentation was received from Mr Ian Ekins and Mr Cameron Palasiss from Paxon Group on item 7.1 - Internal Audit Report - Misuse of Assets & Resources and its attachment 7.1.1 - Misuse Assets Resources Report.

The Committee asked questions on:

- item 5.1 and what level of testing was done regarding offboarding
- item 5.3 and what the preferred method for log books is
- whether Paxon Group would ordinarily review management's review actions
- whether Paxon Group was satisfied with the management's review actions
- understanding the high-risk rating given for item 5.1
- item 5.1 and the sample size of five compared to the number of leavers during the audit period
- whether the building access audit is IT or asset based
- what Paxon Group's view was on the worst case risk of item 5.1
- whether staff can access the network remotely
- the robustness of Big Red Sky system for item 5.1
- whether the value of item 5.2 is mainly fleet vehicles
- whether both the Practice 223.1 Light Vehicle Management and a new vehicle authorisation/transfer form for item 5.2 is required
- whether Paxon Group is aware of any self-management booking programs for item 5.2
- the leasing for item 5.4 Servicing of Vehicles.

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 (6 - 0)

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

Against: Nil

7 Reports

7.1 Internal Audit Report - Misuse of Assets & Resources

Location	Town-wide
Reporting officer	Manager Governance and Strategy
Responsible officer	Chief Executive Officer
Voting requirement	Simple majority
Attachments	1. CONFIDENTIAL - Misuse Assets Resources Report [7.1.1 - 16 pages]

Recommendation

That the Audit and Risk Committee recommends that Council:

1. Notes that an internal audit on misuse of the Town's assets & resources was conducted that resulted in the identification of one high-risk matter, one medium-risk matter and five low-risk matters.
2. Notes that the high and medium-risk matters will be listed on the Internal Audit Activity Confidential Report until completed.

Purpose

To inform Council of the outcome of the misuse of assets & resources audit.

In brief

- An audit on misuse of the Town's assets & resources was completed in 2022.
- The audit identified one high-risk matter, one medium-risk matter and five low-risk matters.
- The confidential audit report details all findings and actions to improve or rectify the findings.

Background

1. An audit on misuse of the Town's assets & resources was included in the 2021-2022 internal audit program, adopted by Council in September 2021.
2. Auditors were engaged to complete the audit focusing on the appropriateness and effectiveness of the Town's systems and procedures in relation to the misuse of assets and resources.
3. The final report that is an attachment to this item was received in January 2023.

Strategic alignment

Civic Leadership	
Community priority	Intended public value outcome or impact
CL1 – Effectively managing resources and performance.	Internal audits promote integrity and identify areas for improvement.

CL3 - Accountability and good governance.	Internal audits allow for an assessment of whether legislation, policies and practices are being followed to ensure intended outcomes are achieved.
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Engagement

Internal engagement

Stakeholder	Comments
Technology & Digital Strategy	Provided the information requested and comments on the draft audit report.
Financial Services	
Technical Services	

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 applicable.				Low	
Environmental	Not applicable.				Medium	
Health and safety	Not applicable.				Low	
Infrastructure/ ICT systems/ utilities	Not applicable.				Medium	
Legislative compliance	Not applicable.				Low	
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

4. The audit identified one high-risk matter, one medium-risk matter and five low-risk matters.
5. All matters identified will be addressed in accordance with management comments by the target completion date.
6. An Internal Audit Activity Report summarising the status of all medium and high-risk findings will be provided to a future Audit and Risk Committee.

Relevant documents

[Internal Audit Program 2021-2022](#)

COMMITTEE DISCUSSION:

The committee discussed:

- whether it is common practice for staff to return assets in the existing practices
- who is responsible for the outgoing staff process
- whether there are more management comments for the high risk item
- whether the failed sample for item 5.1 had been affected during working from home/COVID19 restrictions
- that this is the Town's first internal audit
- whether the Asset Procurement Coordinator is a new role
- whether any of the completion dates could be brought forward before 23 March 2023
- the checking of the staff exit checklist
- items 5.1.1 and 5.1.2 and whether the audits have been completed

The Presiding Member directed for the Chief Financial Officer to take on notice whether the audits referred to in items 5.1.1 and 5.1.2 had been completed and when.

- the status of items 5.2 and 5.3 of the attachment
- item 5.1 and the length of time to complete audit actions
- clarity on the status provided for item 5.7
- whether there is a robust process for changing a due date and who changes the dates
- whether it is possible to retain the original due dates for high and medium risk items
- the possible due date for the proposed amendment
- the proposed audit committee meeting dates and whether June is the appropriate time for the next committee meeting
- the likelihood of another Special Audit and Risk Committee meeting being called once the OAG and annual audit financial reports have been received.

AMENDMENT:

Moved: Mayor Karen Vernon

Seconded: Cr Jesse Hamer

1. Amend point 1 of the recommendation to add the following words at the end:

“as set out in the attached Confidential Misuse Assets Resources Report”.

2. Delete point 2 of the recommendation and substitute the following:

“endorses management’s proposed actions to address the identified risks as set out in the Confidential Misuse Assets Resources Report”.

3. Insert a new point 3 as follows:

“requests the Chief Executive Officer to provide an Internal Audit Activity Completion Report to the Committee by no later than 30 June 2023 as to completion of management’s actions as set out in the Confidential Misuse Assets Resources Report.”

Carried (6 - 0)

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

Against: Nil

Reason:

1. The first amendment is necessary to identify the Auditor’s Report in which the risks are identified.
2. The second amendment is necessary to ensure the actions proposed by management in response to the risks identified are approved by the Committee and Council.
3. The third amendment is necessary to ensure that action is taken to address the identified risks and that the Committee and Council, is kept informed of progress in completing the management actions to address the risks.

COMMITTEE RESOLUTION:

Moved: Cr Jesse Hamer

Seconded: Cr Jesvin Karimi

That the Audit and Risk Committee recommends that Council:

1. Notes that an internal audit on misuse of the Town’s assets & resources was conducted that resulted in the identification of one high-risk matter, one medium-risk matter and five low-risk matters as set out in the attached Confidential Misuse Assets Resources Report.
2. Endorses management’s proposed actions to address the identified risks as set out in the Confidential Misuse Assets Resources Report.
3. Requests the Chief Executive Officer to provide an Internal Audit Activity Completion Report to the Committee by no later than 30 June 2023 as to completion of management’s actions as set out in the Confidential Misuse Assets Resources Report.

Carried 6 - 0

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

Against: Nil

The Chief Community Planner left the meeting at 6.45pm.

7.2 Audit Committee meeting dates for 2023

Location	Town-wide
Reporting officer	Manager Governance and Strategy
Responsible officer	Chief Executive Officer
Voting requirement	Simple majority
Attachments	Nil

Recommendation

That the Audit and Risk Committee recommends that Council schedules its future meetings to be held on:

1. 19 June 2023
2. 13 November 2023.

Purpose

To set the future meeting dates for the Audit and Risk Committee.

In brief

- The Audit and Risk Committee, through recommendations, provides guidance and assistance to Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control, risk management and external audit.
- The committee's terms of reference allow the committee to set their meeting schedule.
- The dates recommended have been proposed to allow the Audit and Risk Committee to perform their functions.
- If other matters arise that need to be considered by the Audit and Risk Committee, the Town will liaise with the committee's chair to organise a meeting of the committee.

Background

1. In line with the Local Government (Audit) Regulations 1996, the purpose of the Audit Committee is to:
 - a) Support council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems and external audit functions and ethical accountability.
 - b) Critically examine the audit and management reports from external audits and ensure that the Town appropriately implements any actions.
 - c) Receive and review reports prepared by the Chief Executive Officer in accordance with the Regulations and present a report back to Council on its findings and recommendations.
2. The role of the committee is to provide guidance and assistance to Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control, risk management and external audit. This guidance is provided through recommendations from the committee to Council.

3. As per the committee's terms of reference, a schedule of meetings is to be developed and agreed to by the committee.

Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL3 Accountability and good governance	Having the meeting dates for the committee set allows for the committee to be aware of when they are expected to be across all items that fall within their terms of reference.

Engagement

Internal engagement	
Stakeholder	Comments
Financial Services	Provided items that will need to be considered by the Audit and Risk Committee.
Governance and Strategy	Provided items that will need to be considered by the Audit and Risk Committee.

Legal compliance

[Part 7 – Audit of the Local Government Act 1995](#)

[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	If meeting dates are not set, the committee may not fulfil their responsibilities or there may be delays in doing so.	Minor	Unlikely	Low	Low	TREAT risk by setting meeting dates.
Reputation	Not applicable.				Low	
Service	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

4. These meeting dates are being recommended to meet deadlines for items that fit the terms of reference of the Audit Committee. Meeting dates, with expected agenda items, are provided below. The timing of agenda items is subject to change if matters out of the Town’s control arise.

Meeting date	Agenda items
19 June 2023	<ul style="list-style-type: none"> • Internal audit plan for 2023-2026 report • Internal audit – community funding and grants internal report • Regulation 17 review report • Strategic risk review report • Audit activity report (to include medium and high-risk findings from the misuse assets resources internal audit).
13 November 2023	<ul style="list-style-type: none"> • Appointment of independent committee members report • Interim audit report • Audit activity report (to include medium and high-risk findings from the community funding and grants internal audit report).

5. The proposed meeting dates have been scheduled to flow into the Council meeting schedule in a timely manner, allowing for decisions of Council to be made. They also provide enough time for the Town to deal with items administratively between meetings, ensuring that deadlines for agenda settlement and creation are met.
6. In the case of other matters arising that need to be considered by the Audit and Risk Committee, the Town will liaise with the committee’s chair in the first instance to identify suitable scheduling.

Relevant documents

[Audit and Risk Committee terms of reference](#)

COMMITTEE DISCUSSION:

The committee discussed:

- whether the Committee determines its meetings schedule without Council ratification
- whether another date instead of 19 June 2023 is preferred by the Committee
- how the Audit & Risk Committee work plan will be set
- whether Regulation 17 is required to be completed by 30 June 2023 and whether it is by the Chief Executive Officer or by the Committee.

COMMITTEE RESOLUTION:

Moved: Mayor Karen Vernon

Seconded: Cr Jesse Hamer

That the Audit and Risk Committee recommends that Council schedules its future meetings to be held on:

1. 19 June 2023
2. 13 November 2023.

Carried (6 - 0)

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

Against: Nil

Cr Jesse Hamer left the meeting at 7.17pm.

7.3 Audit Activity Update

Location	Town-wide
Reporting officer	Manager Governance and Strategy
Responsible officer	Chief Executive Officer
Voting requirement	Simple majority
Attachments	1. Audit Update Report February 2023 (1) [7.3.1 - 9 pages]

Recommendation
That the Audit and Risk Committee recommends that Council receives the confidential Audit Activity Report, as at Attachment 1.

Purpose

For Council to receive an update on progress related to internal audit findings.

In brief

- This report is a standard item on the agenda for the Audit and Risk Committee meeting. It reports progress against audit findings.
- There are six medium risk items outstanding.
- Details about activities to address findings are included in the confidential attachment.

Background

1. Under its terms of reference, the Audit and Risk Committee assists Council in overseeing the Town’s internal audit program.
2. The Town has performed internal audits into - processes and systems for the management of conflicts of interest and gifts, integrity snapshot and fraud and corruption and on employment practices.
3. All audits identified high and medium risk findings. The risk findings and associated recommendations were addressed in accordance with management responses.

Strategic alignment

Civic Leadership	
Community priority	Intended public value outcome or impact
CL1 – Effectively managing resources and performance.	Performance of internal audits helps the Town to identify improvements to ensure ethics, integrity and probity in decision-making towards greater accountability and transparency.
CL3 - Accountability and good governance.	

Engagement

Internal engagement

Stakeholder	Comments
Governance and Strategy	Provided updates on actions taken to address audit findings.
Community Development	
People and Culture	

Legal compliance

[Section 7.13 of the Local Government Act 1995](#)

[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	Failure to take appropriate management action will mean poor practices in decision-making in vulnerable areas are not identified and rectified, with risks of improper conduct and fraud and corruption resulting in legal penalties.	Moderate	Possible	Medium	Low	TREAT risk by ensuring commitment to management actions to address findings.

Reputation	Failure to take appropriate management action will mean poor practices in decision-making in vulnerable areas are not identified and rectified, with risks of improper conduct and fraud and corruption resulting in brand and reputational damage, as well as community distrust.	Major	Unlikely	Medium	Low	TREAT risk by ensuring commitment to management actions to address findings.
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

4. This report is a standard item on the agenda for the Audit and Risk Committee meeting. It provides a status of implementation of outstanding audit recommendations from audits undertaken.
5. A further three high and two medium outstanding risk items have been included since the committee received the integrity snapshot and fraud and corruption internal audit.
6. There are now six medium risk items outstanding. Comments against these have been provided in the confidential attachment.
7. Findings from the misuse assets resources internal audit will be included in the next report presented to the committee.

Relevant documents

Not applicable.

COMMITTEE DISCUSSION:

The committee discussed:

- item 3 and clarification the length of time taken on the due date, and whether it can be brought forward
- item 4 and whether a more accurate date can be given
- item 9 and what is being done to address the lack of resources to complete the item
- item 4 and clarification on management's comments provided.

AMENDMENT:

Moved: Mayor Karen Vernon

Seconded: Cr Jesvin Karimi

1. Delete the word "receives" and substitute the word "notes".
2. Insert the following words to the end of the current recommendation:

"and draws to Council's attention the dates for completion of a number of the items in the report now require review and revision".

3. Insert a new point 2 to read:

"requests the Chief Executive Officer to provide an Audit Activity Update report to the Committee by no later than 30 June 2023 as to completion of management's actions as set out in Attachment 1."

Carried (5 - 0)

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

Against: Nil

Reason:

The amendment is necessary to ensure that action is being taken to address the identified risks and that the Committee and Council, is kept informed of progress in completing the management actions to address those risks.

COMMITTEE RESOLUTION:

Moved: Robert Poepjes

Seconded: Cr Jesvin Karimi

That the Audit and Risk Committee recommends that Council:

1. Notes the confidential Audit Activity Report, as at Attachment 1 and draws to Council's attention the dates for completion of a number of the items in the report now require review and revision.
2. Requests the Chief Executive Officer to provide an Audit Activity Update report to the Committee by no later than 30 June 2023 as to completion of management's actions as set out in Attachment 1.

Carried (5 - 0)

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

Against: Nil

7.4 Compliance Audit Return 2022

Location	Town-wide
Reporting officer	Chief Executive Officer
Responsible officer	Manager Governance and Strategy
Voting requirement	Simple majority
Attachments	1. Compliance Audit Return 2022 for submission [7.4.1 - 29 pages]

Recommendation

That the Audit and Risk Committee recommends that Council:

1. Adopts the Compliance Audit Return for the period of 1 January 2022 to 31 December 2022, 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 2023.

Purpose

To present the response to the 2022 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 2023.
- Regulation 15 of the Audit Regulations requires a joint certification to be completed by the Mayor and Chief Executive Officer. The document is to be forwarded to the Department via its temporary online portal.
- The Town remains compliant in the most part with the CAR for the 2022 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 2022 to 31 December 2022 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 2023 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	
Community priority	Intended public value outcome or impact
CL3 - Accountability and good governance.	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 2023.

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 2023.
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 2022 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
 - Optional Questions
 - Tenders for Providing Goods and Services.

10. The following table summarises the Town's performance in each of the compliance categories, along with a comparison between the 2021 and 2022 CARs.

11. The Town is 97% compliant for the 2022 CAR.

Category	2021 Audit Questions	Compliance Rating	2022 Audit Questions	Compliance Rating
Commercial Enterprises by Local Governments	5	100%	5	100%
Delegation of Power/Duty	13	100%	13	100%
Disclosure of Interest	25	92%	21	90.5%
Disposal of Property	2	100%	2	100%
Elections	3	100%	3	100%
Finance	7	86%	7	86%
Integrated Planning & Reporting	3	100%	3	100%
Local Government Employees	6	100%	5	100%
Official Conduct	3	100%	4	100%
Optional questions	9	89%	9	89%
Tenders for Providing Goods and Services	22	100%	22	100%
TOTAL	98	97%	94	97%

12. Four areas of non-compliance were identified in the 2022 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

- Primary returns - 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 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 have already been disclosed to the Department.
- Annual returns - section 5.76 of the Act (Admin Reg 23) –
 - One annual return was received late due to the officer being on maternity leave during the return period. The relevant return was completed and lodged as soon the employee returned from maternity leave.
 - One annual return hasn't been received yet because the employee is still on maternity leave. The relevant return will be completed and lodged as soon as employee returns from maternity leave.
 - One annual return wasn't received because the employee finished employment with the Town on 29 July 2022.

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 2021/22 financial year was received hasn't been received yet. This matter of non-compliance is out of the Town’s control. This noncompliance 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. One disclosure made under section 5.87A of the Act was made outside of 10 days.

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 hasn’t been received yet. Once the report is received matters raised will be presented to the future Audit and Risk Committee.

Relevant documents

Not applicable.

AMENDMENT:

Moved: Mayor Karen Vernon

Seconded: Cr Jesvin Karimi

Amend point 1 to add the following words:

"subject to the amendment of the following responses:

a) optional question 1 - insert the following comment "Last review undertaken in June 2020, OCM 21 July 2020, item 15.2"

b) optional question 2 - response change from "yes" to "no"; and for Town staff to provide an appropriate comment to explain the change.

c) optional question 3 - insert a response to the second part of the question as "no" and insert the following comment: "All 4 disclosures were completed as per section 5.87C of the Local Government Act 1995."

d) Tenders for Goods & Services Question 8 - change the response from "N/A to "no"."

Carried (5 - 0)

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

Against: Nil

Reason:

To reflect the identified errors in the draft Compliance Audit Return.

COMMITTEE RESOLUTION:

Moved: Mayor Karen Vernon

Seconded: Cr Jesvin Karimi

That the Audit and Risk Committee recommends that Council:

1. Adopts the Compliance Audit Return for the period of 1 January 2022 to 31 December 2022, as shown in Attachment 1, subject to the amendment of the following responses:
 - a) optional question 1 - insert the following comment "Last review undertaken in June 2020, OCM 21 July 2020, item 15.2".
 - b) optional question 2 - response change from "yes" to "no"; and for Town staff to provide an appropriate comment to explain the change.
 - c) optional question 3 - insert a response to the second part of the question as "no" and insert the following comment: "All 4 disclosures were completed as per section 5.87C of the Local Government Act 1995."
 - d) Tenders for Goods & Services Question 8 - change the response from "N/A" to "no".
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 2023.

Carried (5 - 0)

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

Against: Nil

7.5 Cyber Security Audit Report

Location	Town-wide
Reporting officer	Manager Technology and Digital Strategy
Responsible officer	Chief Financial Officer
Voting requirement	Simple majority
Attachments	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	Severe	Almost Certain	Extreme	Medium	TREAT risk by Creation and implementation of cyber security policies and procedures in line

	attack.					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

Current budget impact	Sufficient funds exist within the annual budget to address this recommendation.
Future budget impact	<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>Progress: Previous Comment: 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. Updated comment: Detailed IT System review undertaken by third party. A prioritised work list has been produced indicating project and resource hours required. Staff are systematically working through implementation including allocating appropriate internal and/or external resources. Some high priority tasks have already been actioned, lower order priority actions will be actioned subsequently.</p>	<p>31/12/2022</p> <p>31/12/2023</p>
Risk Management	<p>Update risk register with identified cyber and information security risks.</p> <p>Progress: 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>Progress: This work is currently in progress and is expected to be completed in November 2022. Update comment: In progress. Initial review indicates probable complete rewrite to allow for significant change in use of work from home, video conferencing, online chat (Teams) and file sharing. Elements are captured in recently updated staff Code of Conduct. Discussions with People and Culture occurring. Likely to be completed in June 2023.</p>	<p>30/11/2022</p> <p>30/06/2023</p>
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>Progress: Completed. The ongoing training schedule will commence in October 2022. Further comment: Compulsory training videos and awareness ongoing. Mentioned in staff meetings. White hat hacker services engaged for phishing program.</p>	<p>31/10/2022</p> <p>Ongoing.</p>
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>Progress: 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.</p>	31/12/2022

	<p>Negotiations for a suitable service are continuing.</p> <p>Updated comment: Quotes being sought for possible managed service for some elements. Number of tasks identified in IT System review that address this finding,</p>	30/06/2023
Disaster Recovery Plan (DR Plan)	<p>Develop Disaster Recovery Plan and document.</p> <p>Establish testing regime for the Disaster Recovery Plan.</p> <p>Schedule regular fail-over test to ensure veracity of the plan.</p> <p>Progress:</p> <p>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> <p>Updated comment: Following the detailed IT system review (listed above), current DR plan needs review in light of further findings in that review.</p>	<p>31/12/2022</p> <p>TBC</p>
Business Continuity Plan	<p>Ensure that the Business Continuity Plan (BCP) is up to date.</p> <p>Investigate options for testing the BCP.</p> <p>Progress:</p> <p>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. Some findings from the original OAG report have been completed. Other elements are still a work in progress with a revised end date, some which will be ongoing, such as cyber security training.

Relevant documents

Not applicable.

COMMITTEE DISCUSSION:

The committee discussed:

- the type of 2022 instead of 2023 in paragraph 7 of the report
- the reasons for the increase in the due dates
- the due date for the Disaster Recovery Plan item and the potential for more definitive comments to be provided
- whether future similar reports can include comments on original due date, estimated completion date, and status.

The A/Coordinator Governance & Strategy left the meeting at 8.07pm and returned at 8.10pm.

AMENDMENT:

Moved: Mayor Karen Vernon

Seconder: Robert Poepjes

1. To add in the following words after the recommendation:

"subject to the amendment of the estimated completion date for the Disaster Recovery plan to 31 December 2023".

2. To add a second point:

"Request the Chief Executive Officer to present a report to the Committee by 13 November 2023 outlining a process for the Town's future reporting against any outcomes from any audits (external and internal audits) and a separate process for developing future projects based upon the learnings from the said Audit findings".

Carried (5 - 0)

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

Against: Nil

Reason:

1. It is not appropriate to have "TBC" in an Audit Update report.
2. The additional point is to enable the Committee and Council to have input into the appropriate reporting on audit outcomes and best practice governance.

COMMITTEE RESOLUTION:

Moved: Cr Jesvin Karimi

Seconded: Cr Wilfred Hendriks

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", subject to the amendment of the estimated completion date for the Disaster Recovery plan to 31 December 2023.
2. Request the Chief Executive Officer to present a report to the Committee by 13 November 2023 outlining a process for the Town's future reporting against any outcomes from any audits (external and internal audits) and a separate process for developing future projects based upon the learnings from the said audit findings.

Carried (5 - 0)

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

Against: Nil

8 Motion of which previous notice has been given

Nil.

9 Meeting closed to the public

Nil.

10 Closure

There being no further business, Mayor Karen Vernon closed the meeting at 8.26pm.

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: 2023