



TOWN OF
VICTORIA PARK

Audit and Risk Committee Agenda – 14 September 2020



WE'RE OPEN
VIC PARK

Please be advised that an **Audit and Risk Committee meeting** will be held at **5:30 pm** on **Monday 14 September 2020** in **Council Chambers**, Administration Centre at 99 Shepperton Road, Victoria Park.

Mr Anthony Vuleta – Chief Executive Officer
10 September 2020

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1 Declaration of opening

Acknowledgement of Country (by Presiding Member)

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

Ngany yoowart Noongar maam, ngany wadjella maam. Ngany djerapiny Wadjak – Noongar boodja-kyakiny, 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 kenya 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 Brian Oliver (Presiding Member)

Independent member

Mr Jonathan Carley
Mr Dane Etheridge

Chief Executive Officer

Mr Anthony Vuleta

Chief Financial Officer

Mr Michael Cole

Manager Governance and Strategy

Ms Bana Brajanovic

Coordinator Governance (Audit and Risk)

Ms Natalie Ong

Secretary

Mr Liam O'Neill

2.1 Apologies

2.2 Approved leave of absence

3 Declarations of interest

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

Declaration of financial interests

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

Declaration of proximity interest

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

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

Declaration of interest affecting impartiality

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

4 Confirmation of minutes

Recommendation

That the Audit and Risk Committee confirms the minutes of the Audit and Risk Committee held on 22 June 2020.

5 Presentations

6 Method of dealing with agenda business

Recommendation

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

7 Reports

7.1 CEO Review of Systems and Procedures (Reg. 17) - Update on Outstanding Actions

Location	Town-wide
Reporting officer	Liam O'Neill
Responsible officer	Anthony Vuleta
Voting requirement	Simple majority
Attachments	1. Update on Outstanding Actions from Reg 17 Review [7.1.1 - 6 pages]

Recommendation

That the Audit Committee recommends that Council:

1. Receives the update on actions resulting from the Chief Executive Officer's Review of systems and procedures relating to legislative compliance, internal controls, and risk management, in accordance with regulation 17 of the *Local Government (Audit) Regulations 1996*.
2. Requests that the Chief Executive Officer provides a further report to the Audit Committee on the progress of recommended further actions by March 2021.

Purpose

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

In brief

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

Background

1. In 2013, regulation 17 of the Regulations were amended to include a requirement for the CEO to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal controls, and legislative compliance on a biennial basis. In 2018, regulation 17 was amended to change the frequency of the review requirement from biennial to triennial.

2. In accordance with regulation 16 of the Regulations, a local government’s audit committee is responsible for reviewing the CEO’s report, before providing a copy of the report and the results of its review to Council. In 2019, the Audit Committee received three separate reports for their consideration, relating to risk management, internal controls, and legislative compliance.
3. Upon receiving the results of the review, Council resolved, at its meetings held on 16 April 2019, 17 September 2019, and 17 December 2019, to request that the Chief Executive Officer provide updates to the Audit Committee on the progress of the opportunities for improvement actions identified as part of the reviews.
4. As many actions are already underway, the Town has sought to provide an update on all identified actions, rather than presenting a separate report for each individual area of review.

Strategic alignment

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

Engagement

Internal engagement	
Corporate Services	Supplied response to 1.5 and 3.5
Human Resources	Supplied response to 1.3 and 2.2

Legal compliance

[Section 4.20\(4\) of the Local Government Act 1995](#)

Risk management consideration

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

ICT systems/ utilities						
Legislative compliance	The Town's current systems relating to internal controls not meeting requirements	Moderate	Likely	Moderate	Low	Treat risk by proactively improving processes relating to legislative compliance, internal controls, and risk management as identified by the review.
Reputation	The Town will face reputational damage if a lack of appropriate internal controls results in a breach of the Local Government Act 1995, and other relevant legislation	Minor	Possible	Moderate	Low	Treat risk by completing the actions as a result of this review. and Ensure that internal controls, as outlined in the Guidelines, meets best practice standard
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

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

Review area	Total actions	No. not started	No. in progress	No. completed
Legislative Compliance	11	0	3	8
Internal Controls	7	0	4	3
Risk Management	6	0	3	3

6. The full report on each action, inclusive of officer comments, are attached to this report as Attachment 1.

Relevant documents

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

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

7.2 Strategic Risks Update

Location	Town-wide
Reporting officer	Natalie Ong
Responsible officer	Anthony Vuleta
Voting requirement	Simple Majority
Attachments	Nil

Recommendation

That the Audit and Risk Committee:

1. Receives the Chief Executive Officer's bi-annual report on the status of the Town's strategic risks as at September 2020.
2. Notes the inclusion of newly identified strategic risks in the Town's Strategic Risk Register for further assessment and treatment in line with the approved Risk Management Framework.

Purpose

To present a report with recommendations to the Audit & Risk Committee on the status of the Town's strategic risks as part of the bi-annual update, commencing September 2020, as requested by Council.

In brief

- At the Ordinary Council Meeting of 18 February 2020, Council requested the Chief Executive Officer to present a bi-annual report (this report) to the Audit Committee on the status of the Town's strategic risks, with the first report to be submitted in September 2020.
- The Chief Executive Officer's report summarises the Town's current strategic risks as at September 2020.
- The Strategic Risk Register has been updated with the status of risk treatment actions to address identified strategic risk events as part of the strategic risk review currently in progress. The strategic risk review has also identified a number of additional strategic risks that have emerged since the Strategic Risk Register was last adopted by Council in February 2020.
- It is anticipated that the strategic risks identified will also inform strategy development within the Strategic Community Planning process.

Background

1. The Strategic Risk Register was last reviewed in November 2019 through facilitated workshops involving elected members and the executive team to identify and discuss strategic risks faced by the organisation. The assessment of identified risks and the proposed subsequent risk treatment actions were then completed internally by relevant officers.
2. From this process and subsequent comment period through the Councilor Portal and review by the Audit Committee, the following strategic risk events were identified and documented in the updated Strategic Risk Register approved by Council at the Ordinary Council Meeting of 18 February 2020:

- a. Non-compliance with Council’s governance obligations under the Local Government Act
 - b. Failure to maintain a sustainable long-term financial position
 - c. Boundary change
 - d. Dissolution of the Mindarie Regional Council
 - e. Failure to meet the infrastructure needs of future growth requirements
 - f. Failure to take action to reduce the Town’s impact on climate change
 - g. Failure to prevent occurrences of fraud and corruption.
3. At the Ordinary Council Meeting of 18 February 2020, Council requested the Chief Executive Officer to present a bi-annual report (this report) to the Audit Committee on the status of the Town’s strategic risks, with the first bi-annual report to be presented in September 2020.
 4. A series of facilitated strategic risk review workshops is being conducted with the executive team and their nominated management representatives over August to September 2020.
 5. The objectives of the strategic risk review workshops are to:
 - a. Review and update the Strategic Risk Register with the risk settings and statuses of risk treatment actions for the above seven (7) identified risk events
 - b. Identify any additional strategic risks that have emerged since the Strategic Risk Register was last adopted by Council in February 2020.
 6. Thus far, the strategic risk review process has:
 - a. Established the current state of the status of the existing risks listed at point 2 above.
 - b. Identified a number of new risks as shown below.
 7. The strategic risk review is a work in progress and is expected to conclude by the end of September 2020, with newly identified risks to be assessed and risk treatment actions to be proposed and assigned to risk owners, The outcomes of the strategic risk review will be captured in the Strategic Risk Register with a further update provided to the Audit and Risk Committee for noting.
 8. The table below summarises the status of Strategic Risks identified in the Strategic Risk Register as at 31 August 2020. The strategic risks identified at the previous strategic risk review conducted in November 2019 have been retained as current risks. Note that the risk relating to climate change has been separated into internal and external components as it is considered that the internal and external aspects of the Town’s management of climate change differ in impact and therefore should be assessed and treated separately.

Ref. ID	RISK DESCRIPTION	EXISTING CONTROLS EFFECTIVENESS	RESIDUAL RISK RATING	STATUS UPDATE
1	Non-compliance with Council’s governance obligations under the Local Government Act.	PARTIALLY OR SUBSTANTIALLY EFFECTIVE	MEDIUM	31-Aug-20
2	Failure to maintain a sustainable long-term financial position.	PARTIALLY OR SUBSTANTIALLY EFFECTIVE	MEDIUM	31-Aug-20

Ref. ID	RISK DESCRIPTION	EXISTING CONTROLS EFFECTIVENESS	RESIDUAL RISK RATING	STATUS UPDATE
3	Boundary change	PARTIALLY OR SUBSTANTIALLY EFFECTIVE	MEDIUM	31-Aug-20
4	Dissolution of Mindarie Regional Council.	SUBSTANTIALLY EFFECTIVE	MEDIUM	31-Aug-20
5	Failure to meet the infrastructure needs of future growth requirements.	SUBSTANTIALLY TO FULLY EFFECTIVE	LOW	31-Aug-20
6a	Failure to take action to reduce the Town's impact on climate change INTERNALLY within the organisation.	PARTIALLY EFFECTIVE	MEDIUM	31-Aug-20
6b	Failure to take action to reduce the Town's impact on climate change EXTERNALLY in the community.	LIMITED	HIGH	31-Aug-20
7	Failure to detect and prevent occurrences of fraud and corruption.	SUBSTANTIALLY EFFECTIVE	MEDIUM	31-Aug-20
8	New - proposed Significant external disruptive events e.g. current and future pandemics, harmful cyberactivity.	Newly identified risks to be assessed and treated as part of the strategic risk review August-September 2020		
9	New - proposed Devolution of certain decision-making powers.			

Ref. ID	RISK DESCRIPTION	EXISTING CONTROLS EFFECTIVENESS	RESIDUAL RISK RATING	STATUS UPDATE
10	New - proposed Changes to the legislative framework, including the Local Government Act.			
11	New - proposed Leadership culture impacting on the good functioning of our local government.			

Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL08 - Visionary civic leadership with sound and accountable governance that reflects objective decision-making.	The regular reviewing, reporting and monitoring of risks is part of good risk management practice and ensures accountability, commitment to continuous improvement and a bias for action.

Engagement

Internal engagement

Stakeholder	Comments
C-Suite	A series of workshops have been held with C-Suite to review the Strategic Risk Register and identify additional significant emergent strategic risks faced by the organisation.
Senior Managers and Managers	Management representatives nominated by their respective Chiefs have been participating in the above workshops, with representation across Finance, ICT and Business Services.

Other engagement

Stakeholder	Comments
Local Government sector	Environmental scan and networking to research contemporary Department of Local Government, Sports and Cultural Industries (DLGSC) and local government approaches relating to the identification and management of strategic risks.

Legal compliance

Not applicable.

Risk management consideration

Risk impact category	Risk event description	Consequence rating	Likelihood rating	Overall risk level score	Council's risk appetite	Risk treatment option and rationale for actions
Financial	Not having a regular strategic risk reporting regime to the Audit & Risk Committee as part of an actively maintained Strategic Risk Register increases the risk and possibility of significant risks not being identified and managed in timely fashion across all risk impact categories, especially in a rapidly changing and dynamic environment.	Major	Likely	High	Low	Regularly review strategic risks as part of good business-as-usual practice and ensure regular reporting to the Audit & Risk Committee.
Environmental						
Health and safety						
Infrastructure/ ICT systems/ utilities						
Legislative compliance						
Reputation						
Service delivery						

Financial implications

Not applicable.

Analysis

9. The Audit and Risk Committee's Terms of Reference include the following function: "Obtain and review regular risk reports, which identify key risks, the status and effectiveness of risk management systems, and report back to Council on any adverse trends identified, and any risks that need further attention".
10. The Strategic Risk Register has been updated with the status of risk treatment actions to address identified strategic risk events as part of a strategic risk review currently in progress.
11. As part of the analysis undertaken in the course of the strategic risk review, it was identified that there are a number of additional strategic risks which have emerged since the Strategic Risk Register was last adopted by Council in February 2020. Together with the COVID-19 pandemic, accelerating cybersecurity risks and changes in geopolitics are impacting on the business of local government in Australia. In addition, the publication of the report into the inquiry into the City of Perth in August 2020

highlighted culture and leadership as key factors for organisational dysfunction, and provides valuable lessons learnt for all local governments in terms of identifying risk areas to address.

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

Relevant documents

Policy 004 Risk Management

Risk Management Framework

Audit and Risk Committee Terms of Reference (latest approved version April 2020)

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

<https://www.dlgsc.wa.gov.au/docs/default-source/local-government/integrated-planning-and-reporting/integrated-planning-and-reporting---introduction-to-risk-management.pdf?sfvrsn=fa85ed64_3>

DLGSCI (2020), *Report of the inquiry into the City of Perth* <<https://www.dlgsc.wa.gov.au/local-government/inquiries/inquiry-into-the-city-of-perth>>

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

<<https://home.kpmg/au/en/home/insights/2020/03/covid-19-coronavirus-local-government-response-plan.html>>

PWC (2020), *2020 Global Risk Study*, accessed 18 August 2020, <<https://www.pwc.com/us/en/services/risk-assurance/library/2020-global-risk-study.html>>

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

<[KPMG, "Business Implications of COVID-19"](#)>

Sheppard, M. (2020), KPMG, *COVID-19: Governance, Risk & Controls*, accessed 18 August 2020, <[KPMG, "COVID-19: Governance, Risk & Controls"](#)>

8 Meeting closed to the public

8.1 Matters for which the meeting may be closed

Nil.

8.2 Public reading of resolutions which may be made public

Nil.

9 Closure