



TOWN OF  
VICTORIA PARK

# Audit and Risk Committee Minutes – 19 April 2021

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

Please be advised that an **Audit and Risk Committee** was held at **6.30pm** on **Monday 19 April 2021** as an electronic meeting.

**Cr Jesvin Karimi Presiding Member**  
23 April 2021

## 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.....	5
6 Method of dealing with agenda business .....	5
7 Reports.....	6
7.1 Independent Audit Report and Annual Financial Report 2019-2020 .....	6
7.2 Internal Audit Report: Conflicts of Interest and Gifts.....	12
8 Motion of which previous notice has been given .....	17
9 Meeting closed to the public .....	17
9.1 Matters for which the meeting may be closed.....	17
9.2 Public reading of resolutions which may be made public.....	17
10 Closure .....	17

# 1 Declaration of opening

Cr Jesvin Karimi opened the meeting at 6:30pm.

## Acknowledgement of Country

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

*Ngany yoowart Noongar maam, ngany wadjella maam. Ngany djerapiny Wadjak – Noongar boodja-k yaakiny, nidja bilya bardook.*

I acknowledge the traditional custodians of this land and respect past, present and emerging leaders, their continuing cultural heritage, beliefs and relationship with the land, which continues to be important today.

*Ngany kaaditj Noongar moort keny kaadak nidja Wadjak Noongar boodja. Ngany kaaditj nidja Noongar birdiya – koora, ye-ye, boorda, baalapiny moorditj Noongar kaadijtin, moort, wer boodja ye-ye.*

I thank them for the contribution made to life in the Town of Victoria Park and to this region.

*Ngany youngka baalapiny Noongar birdiya wer moort nidja boodja.*

## **2 Attendance**

<b>Mayor</b>	Mayor Karen Vernon
<b>Banksia Ward</b>	Cr Wilfred Hendriks
<b>Jarraah Ward</b>	Cr Jesvin Karimi (residing Member)
<b>Independent Committee Member</b>	Mr Jonathan Carley
<b>Chief Executive Officer</b> <b>Chief Financial Officer</b>	Mr Anthony Vuleta Mr Michael Cole
<b>Manager Governance and Strategy</b> <b>Coordinator Governance and Strategy</b> <b>Finance Manager</b>	Ms Bana Brajanovic Ms Jasmine Bray Mr Stuart Billingham
<b>KPMG</b> <b>Office of the Auditor General</b>	Mr Matthew Beevers Ms Mona Loo
<b>Secretary</b>	Ms Natasha Horner

### **2.1 Apologies**

<b>Jarraah Ward</b>	Cr Brian Oliver
<b>Independent Committee Member</b>	Mr Dane Etheridge
<b>Chief Executive Officer</b>	Mr Anthony Vuleta

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

Nil.

### 3 Declarations of interest

#### Declaration of financial interest

Nil.

#### Declaration of proximity interest

Nil.

#### Declaration of interest affecting impartiality

Nil.

### 4 Confirmation of minutes

#### COMMITTEE RESOLUTION (55/2021):

**Moved:** Mr Jonathan Carley

**Seconded:** Cr Wilfred Hendriks

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

**Carried (4 - 0)**

**For:** Cr Jesvin Karimi, Cr Wilfred Hendriks, Mayor Karen Vernon, Mr Jonathan Carley

**Against:** nil

### 5 Presentations

Nil.

### 6 Method of dealing with agenda business

#### COMMITTEE RESOLUTION (56/2021):

**Moved:** Cr Wilfred Hendriks

**Seconded:** Mr Jonathan Carley

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

**Carried (4 - 0)**

**For:** Cr Jesvin Karimi, Cr Wilfred Hendriks, Mayor Karen Vernon, Mr Jonathan Carley

**Against:** nil

## 7 Reports

### 7.1 Independent Audit Report and Annual Financial Report 2019-2020

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Bonnie Hutchins
<b>Responsible officer</b>	Michael Cole
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	<ol style="list-style-type: none"><li>02750 Annual Report 19-20 Revised A 4- Low Res [7.1.1 - 34 pages]</li><li>Annual Financial Statements - V 14 Audit &amp; Risk [7.1.2 - 58 pages]</li></ol>

#### Recommendation

That the Audit and Risk Committee recommends that Council:

1. Receives the Audit Completion Report and draft Independent Auditor's Report (Note – yet to be provided).
2. Accepts the Annual Report 2019/2020 and the Annual Financial Report for the 2019-2020 financial year, as attached.
3. Requests the Chief Executive Officer to convene a Special Council Meeting, to be held at 6pm on Tuesday 4 May 2021 in the Council Chambers, 99 Shepperton Road, Victoria Park WA 6100, for the purpose of considering the Independent Audit Report and Annual Financial Report 2019-2020.
4. Requests the Chief Executive Officer to convene the Annual Meeting of Electors, to be held at 6pm on Thursday 20 May 2021 in the Council Chambers, 99 Shepperton Road, Victoria Park WA 6100, for the purpose of presenting the annual report for 2019/2020 and any other general business.

#### Purpose

To present the Audit Completion Report, Draft Independent Auditor's report and the Annual Report 2019-2020, inclusive of the Annual Financial Report for that year, and set the date for the Annual Meeting of Electors.

#### In brief

- As part of the Council's committee structure, the Audit and Risk Committee has been established to review areas of an audit or risk/compliance nature. The Audit completion report, draft Independent Auditor's report and the audited Annual Financial report are presented as attachments to this report.
- The Annual Financial Report gives a true and fair view of the financial position of the Town of Victoria Park as at 30 June 2020 and of its financial performance for the year ended on that date.
- The Annual Financial Report complies with the *Local Government Act 1995*, the *Local Government (Financial Management) Regulation 1996* and the Australian Accounting Standards.

## Background

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

## Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL06 - Finances are managed appropriately, sustainably, and transparently for the benefit of the community.	To make available timely and relevant information on the annual financial position and performance of the Town so Council and public can make informed decisions for the future.
CL10 - Legislative responsibilities are resourced and managed appropriately, diligently, and equitably.	Ensure Town meets its legislative responsibility in accordance with Sect. 7 of the Local Government Act 1995.

## Engagement

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

External engagement	
Tamala Park Regional Council	Tamala Park Regional Council were contacted to obtain responses to additional auditor enquiries.
Mindarie Regional Council	Mindarie Regional Council were contacted to obtain responses to additional auditor enquiries.
Griffin Valuers	Griffin valuers were contacted to obtain responses to additional auditor enquiries.
Tallis	Tallis were contacted to obtain responses to additional auditor enquiries.

## Legal compliance

[Local Government Act 1995 Sect 7](#)

[Local Government Act 1995 Sect 5.27](#)

[Local Government \(Financial Management\) Regulation 1996](#)

[Australian Accounting Standards](#)

## 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	Council not accepting Independent Auditor's report	Moderate	Unlikely	Medium	Low	TREAT Risk by providing reasoning and detailed explanations to Council to enable informed decision making.
	Misstatement or significant error in Annual Financial Report	Major	Unlikely	Medium	Low	TREAT risk by conducting daily and monthly reconciliations and internal audits. External internal audits and audit of annual report.
	Fraud and illegal acts	Major	Unlikely	Medium	Low	TREAT risk by ensuring stringent internal controls, internal audits and segregation of duties.
Environmental	Not Applicable					



Health and safety	Not Applicable					
Infrastructure/ ICT systems/ utilities	Not Applicable					
Legislative compliance	Annual financial report not complying with the requirement of the <i>Local Government (Financial Management) Regulations 1996</i>	Moderate	Unlikely	Medium	Low	TREAT risk by engaging with external auditors to audit the annual financial statements.
Reputation	Council does not accept the Independent Auditor's report, and this delays the Annual Meeting of Elector's	Moderate	Likely	High	Low	TREAT risk by ensuring council have been kept up to date in relation to current delays with the external audit, which have been out of the Town's control. The proposed meeting date is the soonest possible date following adoption of the Auditors report post OCM and within regulatory requirements.
Service delivery						

## Financial implications

<b>Current budget impact</b>	Sufficient funds exist within the annual budget to address this recommendation.
<b>Future budget impact</b>	Acceptance of the Annual financial report will confirm the closing financial position for the 2019-2020 financial year which was estimated during the preparation of the 2020-2021 Annual Budget. Once accepted, a report will be forwarded to council with recommendations on any adjustments which may be required to the 2019-2020 budget to accommodate movements within opening position and adjustments to carry forward budgets.

## Analysis

### Audited Financial Report 2019-2020

3. The Annual Financial Report was audited by the Office of Auditor General and given there were no identified areas of non-compliance, it is recommended that the Committee recommend to Council to accept the 2019-2020 Annual Financial Report. In accordance with the *Local Government Act 1995* (Section 7.12a – Duties of local government with respect to audits) a representative(s) who conducted the audit, will also be in attendance at the meeting to speak to the audit and take questions from committee members.
4. That said, a few matters were identified by the auditor in their report which is explained in further detail below. (Note – to updated, if any, on receipt of OAG report)
5. The auditor notes that the financial report:
  - (a) Gives a true and fair view of the financial position of the Town of Victoria Park as at 30 June 2020 and its financial performance for the year ended on that date; and
  - (b) Complies with the *Local Government Act 1995* (as amended) and the *Australian Accounting Standards*.
  - (c) In the auditor report the previous material matter of significant adverse trend in the financial position of the Town in relation to the Asset Sustainability Ratio has been rectified and is on an upward trend at 30 June 2020. The ratio is now above the Department of Local Government after being below for the previous 3 years.
6. The Auditors have provided the following recommendation/s: (Note – to be updated on receipt of OAG report).
7. The Town's comment to the above is as follows: (as above – to be updated on receipt of OAG report).

### Annual Report 2019-2020

8. In accordance with s5.53(2) of the *Local Government Act*, it is proposed that the additional information (attached as Annual Report 2019-2020) be adopted by Council alongside the Annual Financial Report 2019-2020.
9. Once the above content and the audited financial statement are adopted by Council, the final Annual Report 2019-2020 will be collated and published shortly after.

### Annual Meeting of Electors

10. Section 5.27 of the *Local Government Act 1995* requires that the Annual General Elector's Meeting be held on a day and time selected by the local government, but not more than 56 days after the annual report is accepted. The Town also needs to give 14 days' public notice of the meeting.
11. In order to comply with its statutory obligations, following the adoption of the Annual Report 2019-2020, it is recommended that the Annual Meeting of Electors be held on 20 May 2021, commencing at 6pm in the Council Chambers (99 Shepperton Road, Victoria Park WA 6100) for the purpose of discussing the annual report and any other general business.
12. To hold the Annual Meeting of Electors on this date, a Special Council Meeting will need to be convened to allow for Council to accept the Annual Report 2019/2020 and the Annual Financial Report for the 2019-2020 financial year.

## Relevant documents

[Policy 053 – Meetings of electors](#)

On behalf of KPMG and the Office of the Auditor General, the Chief Financial Officer tabled the draft audit report (Attachment 3 – Draft report to Audit and Risk Committee) and it was discussed at the meeting.

#### **AMENDMENT:**

**Moved:** Mayor Karen Vernon

**Seconded:** Cr Wilfred Hendriks

That point 1 removes the words '(note - yet to be provided)'

**Carried (4 - 0)**

**For:** Cr Jesvin Karimi, Cr Wilfred Hendriks, Mayor Karen Vernon, Mr Jonathan Carley

**Against:** nil

#### **Reason:**

We do have a draft audit report now.

#### **COMMITTEE RESOLUTION (57/2021):**

**Moved:** Mr Jonathan Carley

**Seconded:** Cr Jesvin Karimi

That the Audit and Risk Committee recommends that Council:

1. Receives the Audit Completion Report and draft Independent Auditor's Report.
2. Accepts the Annual Report 2019/2020 and the Annual Financial Report for the 2019-2020 financial year, as attached.
3. Requests the Chief Executive Officer to convene a Special Council Meeting, to be held at 6pm on Tuesday 4 May 2021 in the Council Chambers, 99 Shepperton Road, Victoria Park WA 6100, for the purpose of considering the Independent Audit Report and Annual Financial Report 2019-2020.
4. Requests the Chief Executive Officer to convene the Annual Meeting of Electors, to be held at 6pm on Thursday 20 May 2021 in the Council Chambers, 99 Shepperton Road, Victoria Park WA 6100, for the purpose of presenting the annual report for 2019/2020 and any other general business.

**Carried (4 - 0)**

**For:** Cr Jesvin Karimi, Cr Wilfred Hendriks, Mayor Karen Vernon, Mr Jonathan Carley

**Against:** nil

*Mr Matthew Beever and Ms Mona Loo left the meeting at 7:37pm.*

## 7.2 Internal Audit Report: Conflicts of Interest and Gifts

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Bana Brajanovic and Natalie Ong
<b>Responsible officer</b>	Anthony Vuleta
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. CONFIDENTIAL REDACTED - Internal Audit Report - Conflicts of Interest and Gifts (confidential) [7.2.1 - 15 pages]

### Recommendation

That the Audit and Risk Committee recommends that Council:

1. Notes that an internal audit on the Management of Conflicts of Interest and Gifts has been conducted and there were four medium risk and one low-medium risk matters identified that require action.
2. Notes that the 'medium' rated observations be listed on the Internal Audit Activity Confidential Report for Audit and Risk Committee review until completed.

### Purpose

To inform Council of the outcome of the Management of Conflicts of Interest and Gifts Internal Audit review (with particular focus on decision-making in key administrative functions).

### In brief

- The Town performed an internal audit into processes and systems for the management of conflicts of interest and gifts (with particular focus on decision-making in key administrative functions) as per the current Internal Audit Program for 2020-2021.
- Overall, the audit identified low and medium risk findings. There are some areas with significant opportunities for improvement, while adequate controls and practices were evidenced in others.
- The risk findings and associated recommendations will be addressed in accordance with management responses.

### Background

1. The Town's Council-approved annual Internal Audit Program 2020/2021 outlined an audit to determine the adequacy of the Town of Victoria Park's governance controls for the management of Conflicts of Interest and Gifts, Benefits & Hospitality.
2. The review was performed by the Governance Coordinator (Audit & Risk). It was conducted in accordance with the Institute of Internal Auditors' International Standards for Professional Practice Internal Auditing.

## 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.	Performance of this internal audit helps the Town to identify improvements to ensure ethics, integrity and probity in decision-making towards greater accountability and transparency.

## Engagement

Internal engagement	
Stakeholder	Comments
C-Suite Operational Managers	Chiefs were briefed on the scope of the internal audit and which administrative functions in their areas of responsibility would be affected.
Operational Managers	Operational managers of functions that made up the focus areas of the internal audit were briefed on the scope and findings of the internal audit and requested to provide management responses, including: <ul style="list-style-type: none"> <li>• Manager People &amp; Culture</li> <li>• Manager Governance &amp; Strategy</li> <li>• Finance Manager</li> <li>• Manager Community</li> <li>• Manager Place Planning</li> <li>• Manager Development Services.</li> </ul>

## Legal compliance

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

[Regulation 17 of the Local Government \(Audit\) Regulations 1996](#)

[Local Government \(Model Code of Conduct\) Regulations 2021](#)

[Local Government Regulations Amendment \(Employee Code of Conduct\) Regulations 2021](#)

## 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	Failure to perform this audit and take appropriate management action will mean poor practices in decision-making in	Minor	Possible	Medium	Low	TREAT risk by conducting this internal audit and ensuring commitment to management

	vulnerable areas are not identified and rectified, with risks of improper conduct and fraud					actions to address findings.
Environmental	Not Applicable					
Health and safety	Not Applicable					
Infrastructure/ ICT systems/ utilities	Not Applicable					
Legislative compliance	Failure to perform this audit and 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 conducting this internal audit and ensuring commitment to management actions to address findings.
Reputation	Failure to perform this audit and 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 conducting this internal audit and ensuring commitment to management actions to address findings.
Service delivery	Not applicable.					

## Financial implications

<b>Current budget impact</b>	Sufficient funds exist within the annual budget to address this recommendation.
<b>Future budget impact</b>	Not applicable.

## Analysis

3. This cross-functional audit included a review of relevant internal controls and processes in the following high-risk areas where decision-making may be compromised by impartiality interests:
  - Reporting of gifts (including benefits, travel and hospitality)
  - Procurement processes
  - Remuneration of personnel – payroll employees who are also contractors
  - Grants and sponsorship administration – assessment of applications (business and community)
  - Planning and development applications
  - Recruitment processes – selection panels
  - Secondary employment – declarations
  - This internal audit was conducted with regard for the principles for the Professional Practice of Internal Auditing (Institute of Internal Auditors) which include:
    - Integrity and independence
    - Competence and due professional care
    - Alignment with organisational strategy and risk management
    - Risk-based assurance
    - Insight, proactivity and future focus
    - Quality and continuous improvement.
4. The internal audit was conducted with a 'beyond compliance' focus by considering business improvements and risk management towards good governance.
5. There were four medium risk items and one low-medium risk item raised because of the internal audit, which will be addressed in accordance with management comments. Management stakeholders have been debriefed on the findings and recommendations and accordingly, they have provided management responses with timeframes for action. In several cases, actions have commenced in response to recommendations to address areas of need.
6. The audit did identify several low-risk issues regarding process improvement options and matters which may need further follow up action. These have been discussed with management and have been reported to management for their action by way of a separate "Low Risk Items Report".
7. Processes are being developed to monitor and report on the progress of management responses to audit findings, as part of the Town's governance commitment to greater accountability and transparency, in line with integrity and risk management principles. An Internal Audit Activity Report summarising the status of all medium findings and management updates will be provided to a future Audit and Risk Committee.

## Relevant documents

[Town of Victoria Park Audit & Risk Committee Terms of Reference](#)

### COMMITTEE RESOLUTION (58/2021):

**Moved:** Mr Jonathan Carley

**Seconded:** Mayor Karen Vernon

That the Audit and Risk Committee recommends that Council:

1. Notes that an internal audit on the Management of Conflicts of Interest and Gifts has been conducted and there were four medium risk and one low-medium risk matters identified that require action.
2. Notes that the 'medium' rated observations be listed on the Internal Audit Activity Confidential Report for Audit and Risk Committee review until completed.

**Carried (4 - 0)**

**For:** Cr Jesvin Karimi, Cr Wilfred Hendriks, Mayor Karen Vernon, Mr Jonathan Carley

**Against:** nil



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

Nil.

**9 Meeting closed to the public**

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

Nil.

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

Nil.

**10 Closure**

There being no further business, Cr Jesvin Karimi closed the meeting at 7:39pm.

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

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

Dated this: ..... Day of: ..... 2021