



TOWN OF  
VICTORIA PARK

## Audit and Risk Committee Agenda – 25 July 2022



**WE'RE OPEN**  
VIC PARK

Please be advised that an **Audit and Risk Committee** will be held at **6.00 PM** on **Monday 25 July 2022** as an electronic meeting.

**Ms Natalie Martin Goode and Ms Bana Brajanovic – Acting Chief Executive Officers**  
21 July 2022

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## **Acknowledgement of Country**

*Ngany djerapiny Wadjak – Noongar boodja-k yaakiny, nidja bilya bardook.*

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

*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 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 youngka baalapiny Noongar birdiya wer moort nidja boodja.*

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

## **2 Attendance**

**Mayor**

Mayor Karen Vernon

**Banksia Ward**

Cr Wilfred Hendriks

**Jarrah Ward**

Cr Jesvin Karimi

Cr Jesse Hamer

**Independent Committee Members**

Mr Brian Martin

Mr Robert Poepjes

**A/Chief Executive Officer**

Ms Bana Brajanovic

**A/Chief Executive Officer**

Ms Natalie Martin Goode

**Chief Financial Officer**

Mr Duncan Olde

**A/Manager Governance and Strategy**

Ms Amy Noon

**A/Manager People and Culture**

Ms Donna Smith

**Executive Director (Paxon)**

Mr Cameron Palassis

**Associate Director (Paxon)**

Mr Ian Ekins

**Secretary**

Ms Felicity Higham

### **2.1 Apologies**

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

Nil.

### **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 meeting held on 7 February 2022.

## 5 Presentations

Nil.

## 6 Method of dealing with agenda business

### Recommendation

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.

## 7 Reports

### 7.1 Internal Audit Report - Employment Practices

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Coordinator Governance and Strategy
<b>Responsible officer</b>	Manager Governance and Strategy
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. CONFIDENTIAL REDACTED - Employment practices internal audit report [7.1.1 - 16 pages]

#### Recommendation

That the Audit and Risk Committee recommends that Council:

1. Notes that an internal audit on employment practices was conducted that resulted in the identification of four high-risk matters, two medium-risk matters and one low-risk matter.
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 employment practices internal audit.

#### In brief

- An audit of the Town's employment practices was completed in June 2021.
- The audit identified four high-risk matters, two medium-risk matters and one low-risk matter.
- The confidential audit report details all findings and actions to improve or rectify the findings.

#### Background

1. An audit of the Town's employment practices was included in the 2021-2022 internal audit program, adopted by Council in September 2021.
2. Auditors were engaged to complete the audit focusing at minimum on pre-employment, selection, secondary employment and executive employment.
3. The audit began in December 2021 and was completed in June 2022.

## 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.

## Engagement

Internal engagement	
Stakeholder	Comments
People and Culture	Provided the information requested and comments on the draft audit report.

## 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

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

## Analysis

4. The audit identified four high-risk matters, two medium-risk matters and one low-risk matter.
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. An action to “Implement actions from employment practices internal audit” has already been proposed in the Corporate Business Plan 2022-2027.

## Relevant documents

[Internal Audit Program 2021-2022](#)

[Minutes of the Ordinary Council Meeting held on 21 September 2022](#)

[Western Australian Auditor General’s Report - Verifying Employee Identity and Credentials](#)

## 7.2 Internal Audit Plan 2022-2023

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Coordinator Governance and Strategy
<b>Responsible officer</b>	Manager Governance and Strategy
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	Nil

### Recommendation

That the Audit and Risk Committee recommends that Council:

1. Adopts the following internal audits as the Internal Audit Program to be undertaken in the 2022/2023 financial year:
  - (a) Procurement.
  - (b) Records Management.
2. Adopts the Information Security internal audit to be undertaken in the 2022/2023 financial year, subject to funds being available.
3. Notes that the Misuse of Assets and Resources internal audit has been delayed and will be completed in 2022/2023.
4. Notes that the Community Funding and Grants internal audit has been delayed and will be undertaken in 2022/2023.
5. Notes that the CEO Review of Systems and Procedures (Regulation 17) will take place in the 2022/2023 financial year.

### Purpose

To set the internal audit program for 2022/2023 and inform elected members of delays to planned audits for 2021/2022.

### In brief

- Two internal audits for the 2021/2022 financial year are outstanding but will be completed in 2022/2023.
- A further three internal audits are recommended to be undertaken in 2022/2023 - procurement, records management and, if funding allows, information security.
- The CEO Review of Systems and Procedures (Regulation 17) is due to be completed once again in the 2022/2023 financial year.

## Background

1. At its meeting held on 17 September 2019, Council, at the Audit Committee's recommendation, resolved to request the Chief Executive Officer (CEO) to investigate the establishment of a regular internal audit program and report back to the Audit Committee by March 2020.
2. At its meeting held on 21 April 2020, Council, on the recommendation of the Audit Committee, requested that the CEO present a report back to the Audit & Risk Committee with a proposed Internal Audit Program to be undertaken in the 2020/2021 financial year by July 2020. This was presented in July 2020 and also identified audits to be undertaken in 2021/2022 and 2022/2023.
3. To date, the following internal audits have been completed:
  - (a) Conflicts of interest.
  - (b) Gifts.
  - (c) Integrity.
  - (d) Fraud and corruption.
  - (e) Employment practices.
4. The misuse of assets and resources internal audit is currently being finalised and the community grants and funding internal audit has been initiated but not yet undertaken.
5. The Office of the Auditor General conducted a review of cyber security in local government in 2021. This was presented to the Audit and Risk Committee in February 2022.
6. The last CEO Review of Systems and Procedures was presented to the Audit and Risk Committee in 2019.

## Strategic alignment

Civic Leadership	
Community priority	Intended public value outcome or impact
CL1 – Effectively managing resources and performance.	As internal audit is a key pillar of organisational governance, a robust internal audit program, with oversight from the Audit Committee, will enable the Town to have a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls, and governance processes. The business improvements that result from an effective internal audit program will ultimately add value to the way the Town runs its business.
CL3 - Accountability and good governance.	

## Engagement

Internal engagement	
Stakeholder	Comments
Financial Services	Supported the procurement internal audit taking place and raised no issues.

Technology and Digital Services	Requested that timing of the internal audit doesn't take place at the same time as Authority upgrade.
Records Management	No concerns raised.

## Legal compliance

[Section 7.1a of the Local Government Act 1995](#)

[Regulation 16 of the Local Government \(Audit\) Regulations 1996](#)

[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	Failure to review procurement processes could result in poor financial management.	Severe	Possible	High	Low	TREAT risk by including audit of procurement in internal audit program.
Environmental	Not applicable.				Medium	
Health and safety	Not applicable.				Low	
Infrastructure/ ICT systems/ utilities	Failure to complete a follow-up review of information security could result in low confidence that information security has improved.	Severe	Possible	High	Medium	TREAT risk by including audit of information security in internal audit program if funds allow.
Legislative compliance	Failure to review records management processes could result in legislative compliance not being met.	Moderate	Possible	Medium	Low	TREAT risk by including audit of records management in internal audit program.
Reputation	Failure to identify issues could result in negative public perception if	Moderate	Possible	Medium	Low	TREAT risk by maintaining an internal audit program.

	avoidable incidents were to occur.	
Service delivery	Not applicable.	Medium

## Financial implications

<b>Current budget impact</b>	<p>As funds for the community funding and grants internal audit were not carried forward to the 2022/2023 financial year, there will be some impact to the current budget.</p> <p>There is \$44,000 budgeted for the 2022/2023 financial year. This includes funds for the CEO Review of Systems and Procedures. For the three audits proposed for the 2022/2023 internal audit plan to occur, it is estimated that an additional \$10,000 (excluding GST) will be needed.</p> <p>An internal auditor will be engaged to deliver two of the three internal audits. The third will be undertaken if funds become available.</p>
<b>Future budget impact</b>	Not applicable.

## Analysis

7. There are several internal audit activities being proposed for the 2022/2023 financial year.

### Delayed audits

8. Two of the audits adopted for the 2021/2022 financial year have been delayed – misuse of assets and resources, and community funding and grants. The internal audit program was only adopted by Council in September 2021. This meant three months of the financial year had already passed by the time the internal audit plan was known. A procurement process was undertaken to appoint an internal auditor and the program commenced once the auditors were appointed.
9. The employment practices internal audit was completed in June 2022. The misuse of assets and resources internal audit is almost complete, with only one information request outstanding. This will be presented to the Audit and Risk Committee at its next meeting. The community funding and grants internal audit has not commenced. This audit will begin as soon as the final audit report for misuse of assets and resources has been presented to the Town.

### Audits proposed for 2022/2023

10. In line with the internal audit plan presented to Council in 2020 and 2021, and as adopted in the Corporate Business Plan 2022-2027, the Town recommends that internal audits of procurement and records management be undertaken in 2022/2023.
11. While scopes will be developed with the appointed auditors, relevant information about each of these is provided below.

## Procurement

Poor procurement practices that ignore principles of probity, accountability and transparency expose the organisation to procurement risks and jeopardise the delivery of good outcomes for ratepayers. When procurement processes are not followed, or local governments are seen not to be acting in the best interests of their communities, they face reputational damage and expose themselves to the risk of fraud and misconduct.

Suggested minimum criteria	Strategic risk events addressed	Risk impact category	Inherent risk rating
<ul style="list-style-type: none"> <li>• Good procurement policies and guidelines.</li> <li>• Procurement practices are in alignment.</li> <li>• Appropriate training is provided to staff.</li> <li>• Controls over raising and approving purchase orders.</li> <li>• Processes for checking goods and services when receiving them.</li> <li>• Appropriate segregation of duties.</li> <li>• Exemptions from seeking quotes are well documented and justified.</li> <li>• Recording of tender processes and conflicts of interests.</li> <li>• Supplier credentials are checked, particularly for high-risk or high value purchases, including:               <ul style="list-style-type: none"> <li>○ confirming ABN</li> <li>○ confirming directors are not bankrupt or disqualified.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Non-compliance with Council's governance obligations under the <i>Local Government Act 1995</i>.</li> <li>• Failure to detect and prevent occurrences of fraud and corruption.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial.</li> <li>• Reputation.</li> <li>• Legislative compliance.</li> </ul>	High

## Records management

Local governments have record management responsibilities under the *State Records Act 2000*. The keeping of records assists with demonstrating accountable and transparent decision-making. Failure to maintain good records management affects a local government's ability to maintain corporate knowledge and keep a historical record.

Suggested minimum criteria	Strategic risk events addressed	Risk impact category	Inherent risk rating
<ul style="list-style-type: none"> <li>• Implementation and adherence to Recordkeeping Plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-compliance with Council's governance obligations under the</li> </ul>	<ul style="list-style-type: none"> <li>• Reputation.</li> <li>• Legislative compliance.</li> <li>• Service delivery.</li> </ul>	Extreme/High

<ul style="list-style-type: none"> <li>Recordkeeping practices are in alignment.</li> <li>Adequate staff training.</li> </ul>	<p><i>Local Government Act 1995.</i></p> <ul style="list-style-type: none"> <li>Failure to maintain and protect data and information technology systems.</li> </ul>		
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12. It is also proposed that an information security internal audit be undertaken if funds allow. Delays in commencing the community funding and grants internal audit mean that the audit could not be funded from the 2021/2022 financial year. This will need to be paid for in 2022/2023, reducing the amount of funds available for completing the internal audit program. There could be an opportunity to request further budget for internal audit as part of the annual budget review.

### Information security

Information security and cyber risk is an increasing risk area in public organisations due to:

- changes in the threat landscape
- rapid changes in technology
- changing regulatory environments
- social change impacting on employee work behaviours
- capabilities and techniques used by hackers.

The Town was audited by the Office of the Auditor General in 2021. This audit is proposed to be a follow up audit against the audit findings.

Suggested minimum criteria	Strategic risk events addressed	Risk impact category	Inherent risk rating
<ul style="list-style-type: none"> <li>Progress on audit findings from Office of the Auditor General audit.</li> </ul>	<ul style="list-style-type: none"> <li>Failure to maintain and protect data and information technology systems.</li> <li>Failure to detect and prevent occurrences of fraud and corruption.</li> </ul>	<ul style="list-style-type: none"> <li>Financial.</li> <li>Reputation.</li> <li>Legislative compliance.</li> <li>Service delivery.</li> </ul>	Extreme/High

### CEO Review of Systems and Procedures (Regulation 17)

13. In 2013, Regulation 17 of the *Local Government (Audit) Regulations 1996* was 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.

14. With the last review taking place in 2019, it is now time for the Town to complete another review. This review will take place in 2022/2023.

### Next steps

15. Upon resolution of Council, the Town will complete the outstanding internal audits and then engage an internal auditor to complete the program for 2022/2023. This will include the CEO Review of Systems and Procedures.

16. If possible, the Town will request funds as part of the annual budget review to allow for the information security audit to take place.
17. Audit findings will be presented to the Audit and Risk Committee for recommendation to Council as and when they are completed.

## **Relevant documents**

Internal audit program

[Minutes of the Ordinary Council Meeting held on 21 July 2020](#)

[Minutes of the Ordinary Council Meeting held on 21 September 2021](#)

Office of the Auditor General cyber security audit

[Minutes of the Ordinary Council Meeting held on 15 February 2022](#)

[Auditor General's Report - Cyber Security in Local Government](#)



### 7.3 Audit Activity Update

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Coordinator Governance and Strategy
<b>Responsible officer</b>	Manager Governance and Strategy
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. CONFIDENTIAL REDACTED - Audit Update Report - July 2022 [7.3.1 - 5 pages]

<b>Recommendation</b>	
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 were six medium risk items outstanding since the last report presented to the committee in September 2021.
- There are now two 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, and on the integrity snapshot and fraud and corruption.
3. Both audits identified low and medium risk findings. The risk findings and associated recommendations were addressed in accordance with management responses.

#### Strategic alignment

<b>Civic Leadership</b>	
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
CL3 - Accountability and good governance.	

probity in decision-making towards greater accountability and transparency.

## 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	Moderate	Possible	Medium	Low	TREAT risk by ensuring commitment to management actions to address findings.

	and corruption resulting in legal penalties.					
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

<b>Current budget impact</b>	Sufficient funds exist within the annual budget to address this recommendation.
<b>Future budget impact</b>	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. There was one medium risk item outstanding in the last report presented to the committee in September 2021. A further five outstanding medium risk items have been included since the committee received the integrity snapshot and fraud and corruption internal audit.
6. Four medium risk findings remain outstanding. Comments against these have been provided in the confidential attachment.
7. Findings from the employment practices internal audit will be included in the next report presented to the committee.

## Relevant documents

Not applicable.

## **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**