



TOWN OF  
VICTORIA PARK

## Audit and Risk Committee Agenda – 19 June 2023

---



**WE'RE OPEN**  
VIC PARK

Please be advised that an **Audit and Risk Committee** will be held at **5.30 PM** on **Monday 19 June 2023** in **Council Chambers**, Administration Centre at 99 Shepperton Road, Victoria Park.

**Mr Anthony Vuleta – Chief Executive Officer**

15 June 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 .....	6
5 Presentations .....	6
6 Method of dealing with agenda business.....	6
7 Reports.....	7
7.1 Strategic Risk Register Review .....	7
7.2 Regulation 17 Review of Systems and Procedures for Risk Management, Internal Control and Legislative Compliance.....	11
7.3 Internal Audit Guidelines .....	15
7.4 Risk Management Framework .....	19
7.5 Community Arts and Funding Final Audit Report.....	23
7.6 3-year Internal Audit Program.....	26
7.7 Audit Update Report .....	31
8 Meeting closed to the public.....	34
8.1 Matters for which the meeting may be closed .....	34
8.2 Public reading of resolutions which may be made public.....	34
9 Closure.....	34

# 1 Declaration of opening

## 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**

<b>Mayor</b>	Mayor Karen Vernon
<b>Banksia Ward</b>	Cr Wilfred Hendriks
<b>Jarraah Ward</b>	Cr Jesvin Karimi Cr Jesse Hamer
<b>Independent Committee Members</b>	Mr Brian Martin Mr Robert Poepjes
<b>Chief Executive Officer</b>	Mr Anthony Vuleta
<b>Chief Financial Officer</b>	Mr Duncan Olde
<b>A/Chief Community Planner</b>	Mr Paul Gravett
<b>Manager Governance and Strategy</b>	Ms Bernadine Tucker
<b>Corporate Performance Advisor</b>	Ms Kogilyn Titus
<b>Meeting Secretary</b>	Ms Natasha Horner

### **2.1 Apologies**

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

### **3 Declarations of interest**

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

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.

#### **3.2 Declarations 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.

#### **3.3 Declarations 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 Special Audit and Risk Committee meeting held on 26 April 2023.

## 5 Presentations

## 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 Strategic Risk Register Review

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Manager Governance and Strategy
<b>Responsible officer</b>	Chief Executive Officer
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	<ol style="list-style-type: none"><li>1. Strategic risk register current risk actions. [7.1.1 - 10 pages]</li><li>2. Strategic risk register new proposed risk actions [7.1.2 - 4 pages]</li><li>3. Strategic risk register summary page [7.1.3 - 1 page]</li></ol>

#### Recommendation

That the Audit and Risk Committee recommends that Council:

1. Notes the removal of current risk treatment action and control as detailed in Attachment 1.
2. Notes the addition of risks treatment actions as detailed in Attachment 2.
3. Adopts the amended strategic risk register and updates to controls and treatment actions, as contained in Attachment 1 and 2.

#### Purpose

To provide an update on the Town's management of strategic risks and proposed changes to the strategic risk register.

#### In brief

- At its meetings held in November 2018 and February 2019, Council resolved to request that the Chief Executive Officer conduct a review of the Town's Risk Management Framework (RMF).
- As part of this review, the Strategic Risk Register was also reviewed and updated. This has resulted in risks actions being recommended for removal, and inclusion.

#### Background

1. The Risk Management Policy was last reviewed by Council at its meeting held on 13 December 2022 (Item 15.6) with only minimal changes identified. To ensure the Town's overall risk management approach is effective the strategic risk register was also reviewed.
2. The Strategic Risk Register was distributed to SMT (Senior Management) and SALTs (Service Area lead Teams) for input and review on 8 December 2022. Since that time, the Governance and Strategy Business Unit has been working with Business Units to review the register, including moving all completed risk treatment actions to become current controls (controls column highlighted in green).
3. On 24 January 2023, SMT and SALTs were requested to identify any new risk treatment actions that may be relevant to the identified strategic risk events.

## Strategic alignment

Civic Leadership	
Community priority	Intended public value outcome or impact
CL3 - Accountability and good governance.	To display accountable governance, it is important to ensure that there is a relevant and reviewed risk management framework which aligns with industry best practice.

## Engagement

Internal engagement	
Stakeholder	Comments
C-Suite	Members of C-Suite reviewed the Strategic Risk Register
Business Services	The Strategic Risk Register was distributed to SMT and SALTs for input and review.

## Legal compliance

[Part 7 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
Legislative compliance	Compliance Regulation 17 of the Local Government (Audit) Regulations 1996 requires that the systems and procedures relating to risk management is appropriate and effective.	High	Likely	High	Low	The adoption of the reviewed strategic risk Register.
Financial	The Town will face financial damage if a lack	Moderate	Likely	High	Low	Treat risk by Adopting an internal

	of appropriate internal controls result in the occurrence of any strategic risks.					program with a focus area on high-risk financial processes and activities.
Environmental	Not applicable.					
Health and Safety	Not applicable.					
Reputation	The Town will face Reputational damage if a lack of appropriate internal controls result in the occurrence of any strategic risks.	Moderate	Possible	Medium	Low	Treat risk by completing the actions as a result of this review.
Infrastructure/ ICT systems/ utilities	Not applicable.					
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

4. The Strategic Risk Register was distributed to SMT and SALTs for input and review on 8 December 2022. Since that time, the Governance and Strategy Business Unit has been working with Business Units to review the register, including moving all completed risk treatment actions to become current controls (controls column highlighted in green).
5. On 24 January 2023, SMT and SALTs were requested to identify any new risk treatment actions that may be relevant to the identified strategic risk events.
6. In view of the above, the following is a summary of the attached Strategic Risk Register:
  - Number of new risk treatment actions identified: 27.
  - Number of risk treatment actions completed: 39 (moved to controls- highlighted in green).
  - Number of risk treatment actions still in progress: 51.
  - Total number of controls in place: 192

7. Within the Strategic Risk Event "Negative Media Exposure" a current risk action relates to "Investigate ability to control negative individual opinions in public" (highlighted in pink). It is considered this risk control action should be deleted as the Town does not have any control over how members of the public perceive the Town's performance. The Town does have a policy in relation to Communication and Engagement (Policy 103) which should help assist the Town with positive communication messaging and reinforcement. Within the strategic risk event "Failure to detect and prevent occurrences of fraud and corruption, the control relating to Policy 306-Business dealings with elected members and employees has been rescinded (these are highlighted in pink in attachment 1).
8. As part of the Risk Framework at the Town, risk management is operationalised by business units and reviewed as part of the annual service unit planning process (if not more frequently). The Town has developed an Operational Risk Register, but the software used to manage the Register was outdated and considered an ineffective management tool. Cascade is a new software solution that is currently being implemented across the Town. A risk management module will be developed within this software which will provide better risk management, reporting and oversight.
9. To improve risk oversight and corporate knowledge throughout the organisation, the following actions will be implemented:
  - an annual or bi-ennial corporate training program on risk management
  - Business Unit Managers to review operational risks in preparation for the Cascade risk management module

## **Relevant documents**

Not applicable.

## 7.2 Regulation 17 Review of Systems and Procedures for Risk Management, Internal Control and Legislative Compliance

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Manager Governance and Strategy
<b>Responsible officer</b>	Chief Executive Officer
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. Town of Victoria Park - Systems and Procedures Review [7.2.1 - 33 pages] 2. Management Responses - Regulation 17 Review [7.2.2 - 37 pages]

### Recommendation

That the Audit and Risk Committee recommends that Council:

1. Receive the completed Regulation 17 Review of Systems and Procedures for Risk Management, Internal Controls and Legislative Compliance, as detailed in Attachment 1 to this Report;
2. Notes the management responses to the review actions, as detailed in Attachment 2 to this Report;
3. Requests progress updates to address the actions identified in the review be reported to Council, through the Audit and Risk Committee, as part of the regular Internal Audit Update Report.

### Purpose

For Council to be presented with the findings and recommended actions as a result of the Chief Executive Officer's review of systems and procedures relating to risk management, internal controls and legislative compliance.

### In brief

- As defined by the International Standards for the Professional Practice of Internal Auditing (2017), Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Town's operations. It helps Council and the Town to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- Regulation 17 of the Local Government (Audit) Regulations 1996 requires the Chief Executive Officer to conduct a review of systems and procedures relating to risk management, internal controls and legislative compliance, not less than once in every three years.
- To ensure this review was conducted objectively and impartially, an external consultant (Civic Legal) was engaged to conduct the review on behalf of the Chief Executive Officer.
- The review identified some key points and areas of improvement which are addressed as part of management responses, of which the status of completion is to be reported regularly to Council, through the Audit and Risk Committee.

### Background

1. Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer to conduct a review of systems and procedures relating to risk management, internal controls and legislative compliance, not less than once in every three years (Regulation 17 Review).
2. Council last received reports on the Regulation 17 Reviews as follows:

Legislative Compliance – 16 April 2019 (Item 14.1.1 refers).

Internal Controls – 17 September 2019 (item 14.1 refers).

Risk Management – 17 December 2019 (Item 14.1 refers).

- Regular progress updates on the outcome of these reviews were provided to the Council (through the Audit and Risk Committee).
- For the 2023 Regulation 17 Review, the Town engaged Civic Legal to undertake an external and independent assessment of the required areas across the Town's operations. Interviews were conducted with relevant employees and reference documents supplied to give evidence of the Town's processes and systems.

## Strategic alignment

Civic Leadership	
Community priority	Intended public value outcome or impact
CL1 – Effectively managing resources and performance.	Resources and performance can be better managed when appropriate systems and processes are in place to drive effectiveness and efficiency.
CL3 - Accountability and good governance.	Regular reviews of systems and processes relating to risk management, internal controls and legislative compliance ensure appropriateness with industry best practice.

## Engagement

Internal engagement	
Stakeholder	Comments
Employees	Interviews with internal stakeholders responsible for certain business operations were conducted via Teams meetings on 3 and 10 March 2023.

## Legal compliance

[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 of controls that mitigate financial loss, administrative errors, fraud and corruption.	Moderate	Possible	Medium	Low	TREAT risk by undertaking regular reviews of systems and processes and implementing corrective

						solutions.
Environmental	Failure of controls to manage environmental issues.	Moderate	Possible	Medium	Medium	TREAT risk by undertaking regular reviews of systems and processes and implementing corrective solutions.
Health and safety	Failure of controls to protect health and safety of employees.	Moderate	Possible	Medium	Low	TREAT risk by undertaking regular reviews of systems and processes and implementing corrective solutions.
Infrastructure/ ICT systems/ utilities	Compromised ICT systems and information security breaches	Moderate	Possible	Medium	Medium	TREAT risk by undertaking regular reviews of systems and processes and implementing corrective solutions.
Legislative compliance	Failure to comply with legislative responsibilities.	Moderate	Possible	Medium	Low	TREAT risk by undertaking regular reviews of systems and processes and implementing corrective solutions.
Reputation	Town's reputation is affected through increased oversight from regulatory agencies	Moderate	Possible	Medium	Low	TREAT risk by undertaking regular reviews of systems and processes and implementing corrective solutions.
Service delivery	Failure deliver appropriate services to community.	Moderate	Possible	Medium	Medium	TREAT risk by undertaking regular reviews of systems and processes and implementing corrective solutions.

## Financial implications

<b>Current budget impact</b>	Sufficient funds exist within the annual budget to complete the review.
<b>Future budget impact</b>	Not applicable.

## Analysis

5. A risk management framework assists local governments to identify, evaluate and mitigate risks and can relate to a variety of topics including, but not limited to:
  - a. finance
  - b. asset management
  - c. work health and safety
  - d. environmental and health management.
6. Internal control comprises systems and procedures which optimise the efficiency of a local government and mitigate risk. Effective internal controls require a variety of strategies which include, but are not limited to:
  - a. up-to-date procedures and policies
  - b. effective asset and human resource management
  - c. compliance with relevant procedures, policies and standards
  - d. Systems designed to promote accountability.
7. Systems and procedures promoting legislative compliance support the principles of good governance and sound decision-making. These systems and procedures are driven by a culture of compliance, due diligence and high ethical standards. Legislative compliance includes compliance with the following:
  - a. Legislation.
  - b. Regulations.
  - c. Australian and industry standards
  - d. Internal policies.
8. Detailed in Attachment 1 to this report, is the outcome report for the Regulation 17 Review. It identifies some of the key points from each of the three review categories as well as further detail and suggested actions for the Town's administration to consider. In the main, the review made suggested recommendations as follows:
  - a. Risk Management - 26 recommended actions.
  - b. Internal Control – 22 recommended actions.
  - c. Legislative Compliance – 8 recommended actions.
9. In view of this, a management response has been prepared (Attachment 2) highlighting the suggested actions, the response to that action, and if supported what timeframe it is anticipated the action will be completed.
10. It is suggested monitoring of the management responses form part of the regular audit update to the Audit and Risk Committee, as well as being a standing item of business on internal C-Suite agendas until fully completed.

## Relevant documents

Not applicable.

### 7.3 Internal Audit Guidelines

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Manager Governance and Strategy
<b>Responsible officer</b>	Chief Executive Officer
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. To VP Internal Audit Guidelines [7.3.1 - 11 pages]

<b>Recommendation</b>	
That the Audit and Risk Committee recommends that Council adopt the <i>Internal Audit Guidelines</i> , as detailed in Attachment 1 to this Report.	

#### Purpose

For Council to adopt the Town’s *Internal Audit Guidelines*.

#### In brief

- As part of the 2022-23 Corporate Business Plan, Internal Audit Guidelines are to be developed.

#### Background

- As part of the 2022-23 Corporate Business Plan, Internal Audit Guidelines are to be developed.
- An assessment of internal audit documents across Australia has been undertaken.
- The Town’s new Internal Audit Guideline (Attachment 1 refers) has been developed to satisfy the Town’s Corporate Business Plan requirements.

#### Strategic alignment

<b>Civic Leadership</b>	
Community priority	Intended public value outcome or impact
CL1 – Effectively managing resources and performance.	The internal audit function will assist the Town in improving its performance and processes throughout its operations.
CL3 - Accountability and good governance.	The internal audit function enables oversight of C-Suite and Council so that good governance is maintained.

## Engagement

### Internal engagement

Stakeholder	Comments
C-Suite	The draft Internal Audit Guidelines were presented to C-Suite at its meeting held on 13 April 2023 for comment and feedback.

## Legal compliance

[Part 7 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	Documented processes are not in place to test financial controls, administrative errors, fraud and corruption.	Minor	Possible	Medium	Low	TREAT risk by adopting internal audit guidelines to guide internal audit activities.
Environmental	Documented processes are not in place to test environmental controls, documents and processes.	Minor	Possible	Medium	Medium	TREAT risk by adopting internal audit guidelines to guide internal audit activities.
Health and safety	Documented processes are not in place to test employee health and safety controls.	Minor	Possible	Medium	Low	TREAT risk by adopting internal audit guidelines to guide internal audit activities.
Infrastructure/ ICT systems/ utilities	Documented processes are not in place to test corporate IT systems and security.	Minor	Possible	Medium	Medium	TREAT risk by adopting internal audit guidelines to guide internal audit activities.
Legislative compliance	Documented processes are not in	Minor	Possible	Medium	Low	TREAT risk by adopting internal

	place to test legislative controls and compliance.					audit guidelines to guide internal audit activities.
Reputation	Not applicable.				Low	
Service delivery	Documented processes are not in place to test service delivery activities.	Minor	Possible	Medium	Medium	TREAT risk by adopting internal audit guidelines to guide internal audit activities.

## Financial implications

<b>Current budget impact</b>	Funds exist within the annual budget to undertake the internal audit function of the Town.
<b>Future budget impact</b>	Subject to Council approval funds are allocated to undertake the internal audit function in accordance with Council's adopted internal audit plan.

## Analysis

- Internal audit documents for various organisations, including local governments, vary depending on their need, and other supporting documents and guides that may be in place.
- Internal audit provides an independent and objective review and advisory service to provide advice to Council, the Audit and Risk Committee and the Chief Executive Officer about the Town's governance processes, risk management and control frameworks and its external accountability obligations.
- It also assists the Town to improve its business performance, and should be seen as a continuing opportunity to learn, build capacity and capability throughout the organisation.
- Local governments have a range of audit requirements under legislation and to ensure good governance is maintained and enhanced, internal audit activities should be undertaken. Currently the Town does not have an internal auditor and therefore the internal audit function is conducted by third-party organisations and suppliers.
- The draft Internal Audit Guidelines has been developed to support the current arrangements already in place at the Town (such as the three-year internal audit plan and annual audit plan) and the various reporting requirements and activities to the Audit and Risk Committee and Council. It also offers a communicated process for elected members and Town employees on the internal audit function of the Town.
- In 2017 the State Government announced a review of the *Local Government Act 1995*. In May 2020, the Final Report was published recommending a number of changes including reforming the role of Audit Committees in local government. It is expected that amendments will be made to legislation in late 2023 or early 2024 regulating the composition and function of Audit Committees. However, this report is presented to the Audit and Risk Committee to meet the Corporate Business Plan reporting requirements.

## Relevant documents

Not applicable.



## 7.4 Risk Management Framework

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Manager Governance and Strategy
<b>Responsible officer</b>	Chief Executive Officer
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. Risk Management Framework [7.4.1 - 14 pages]

### Recommendation

That the Audit and Risk Committee recommends that Council note the revised Risk Management Framework for the Town of Victoria Park, as detailed in Attachment 1 to this Report.

### Purpose

For Council to endorse the revised *Risk Management Framework* and to note the internal management practice developed for risk management.

### In brief

- The Town's *Risk Management Policy* was last reviewed by Council at its meeting held on 13 December 2022 (Item 15.6) with only minimal changes identified.
- To ensure the Town's overall risk management approach is current, both the Risk Management Framework and internal Management Practice for risk management have also been reviewed.

### Background

1. The Town has an embed risk management approach in accordance with the *Australian Standard AS/NZS 31000 – Risk Management*. As part of this approach, the Town had adopted the following:
  - (a) A *Risk Management Policy* (Policy 004) which sets out the general scope, expectations, roles and responsibilities for risk management, with reference to the *Risk Management Framework*.
  - (b) A *Risk Management Framework* which outlines the Town's approach to the management of risk by setting out key governing elements:
    - (i) Principles, framework and process and systems
    - (ii) Structure
    - (iii) Risk appetite statement for the Town
    - (iv) Risk assessment and acceptance criteria adopted by Council.
  - (c) A *Risk Management Practice* (004.1) which provides information to C-Suite, managers, senior staff and other employees on how risk management philosophies and practices are operationalised throughout the organisation.
2. Council last reviewed the Town's *Risk Management Policy* at its meeting held on 13 December 2022 (Item 15.6 refers) and only minimal changes were identified.
3. To ensure a comprehensive review of the Town's risk management approach, both the supporting framework and internal management practice have also been reviewed.

## Strategic alignment

Civic Leadership	
Community priority	Intended public value outcome or impact
CL1 – Effectively managing resources and performance.	Adopting an embedded risk management approach throughout the Town’s operations will enable the resources of the Town to be managed more effectively and improve performance.
CL3 - Accountability and good governance.	Sound risk management approaches and processes that are embedded into the Town’s operations and culture, promotes good governance and better accountability outcomes.

## Engagement

Internal engagement	
Stakeholder	Comments
Managers	Feedback was sought from SMT during March 2023.
C-Suite	The revised framework and management practice were endorsed by C-Suite at its meeting held on 13 April 2023.

## Legal compliance

[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	Increased financial loss, administrative errors, fraud and corruption due to risks not being managed.	Major	Unlikely	Medium	Low	TREAT risk by adopting an imbedded risk management approach throughout the organisation.
Environmental	Irreparable environmental damage due to risks not being managed.	Major	Unlikely	Medium	Medium	TREAT risk by adopting an imbedded risk management approach throughout the organisation.

Health and safety	Employees' health and safety is compromised due to risks not being managed.	Major	Unlikely	Medium	Low	TREAT risk by adopting an imbedded risk management approach throughout the organisation.
Infrastructure/ ICT systems/ utilities	Town systems and ICT infrastructure are compromised due to risks not being managed	Major	Unlikely	Medium	Medium	TREAT risk by adopting an imbedded risk management approach throughout the organisation.
Legislative compliance	Non-compliance with legislative requirements.	Minor	Unlikely	Low	Low	TREAT risk by adopting an imbedded risk management approach throughout the organisation.
Reputation	Town's reputation is damaged due to poor management of risks.	Minor	Unlikely	Low	Low	TREAT risk by adopting an imbedded risk management approach throughout the organisation.
Service delivery	Services are delivered that do not manage or treat risk	Major	Unlikely	Medium	Medium	TREAT risk by adopting an imbedded risk management approach throughout the organisation.

## Financial implications

<b>Current budget impact</b>	There are no budget implications associated with this report.
<b>Future budget impact</b>	Not applicable.

## Analysis

4. The *Risk Management Framework* ("the Framework") outlines the Town's approach to the management of risk by setting out the following key governing elements:
  - a) Principles, framework and process and systems.
  - b) Structure.

- c) Risk appetite statement for the Town.
  - d) Risk assessment and acceptance criteria adopted by Council.
5. Management Practice 004.1 Risk Management (“the Management Practice”), provides standard operating procedural guidelines for the risk management process and criteria for Town employees.
  6. It is essential that all areas of the Town adopt the guidance material contained in the Policy, the Management Practice and this Framework document to ensure:
    - a) strong corporate governance
    - b) compliance with relevant legislation, regulations and internal policies
    - c) the achievement of Integrated Planning and Reporting objectives.
    - d) an understanding of uncertainty, opportunities and threats and their effects on objectives.
  7. Both the Framework and Management Practice have been adopted as internal guiding documents for elected members and employees. Having Council adopt the Framework (and noting the internal management practice) demonstrates to the community the embedded risk management approach used within the Town’s operations in the management of risk.

## **Relevant documents**

[Policy 004 Risk Management](#)

## 7.5 Community Arts and Funding Final Audit Report

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Manager Community
<b>Responsible officer</b>	{Chief Community Planner}
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. ToVP - Internal Audit Report - Community Funding Grants Final [7.5.1 - 10 pages]

<b>Recommendation</b>	
That the Audit and Risk Committee recommends that Council notes the Community Arts and Funding final audit report.	

### Purpose

To inform Council of the outcome of the Community Arts and Funding audit.

### In brief

- An audit on The Community Arts and Funding was completed in 2023
- The audit identified one medium-risk matter, and 2 low risk matters.
- The confidential audit report details all findings and actions to improve or rectify the findings

### Background

1. An audit on the Town's Community Arts and Funding 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 Community Arts and Funding.
3. The final report (attached) was received in May 2023.

### Strategic alignment

<b>Civic Leadership</b>	
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
Community; and Place Planning	Provided the information requested and comments on the audit report
Csuite	The report was presented to C-Suite for noting

## 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 adopting an internal audit program means we can't test our financial controls and mitigate financial loss through administrative errors, fraud and corruption.	<i>Moderate</i>	<i>Likely</i>	<i>High</i>	<i>Low</i>	Treat risk by Adopting an internal program with a focus area on high-risk financial processes and activities.
Environmental	Not applicable.					
Health and safety	Not applicable.					
Infrastructure/ ICT systems/ utilities	Not applicable.					
Legislative compliance	Not applicable.					
Reputation	Not refining management practices to address audit findings could result in reputational risk to Council and the Town.	<i>Moderate</i>	<i>Likely</i>	<i>High</i>	<i>Low</i>	Treat risk by Adopting an internal program with a focus area on high-risk financial processes and activities.

Service delivery

Not applicable.

## 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 medium-risk matter, and 2 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

Not applicable.

## 7.6 3-year Internal Audit Program

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Manager Governance and Strategy
<b>Responsible officer</b>	Chief Executive Officer
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. Internal Audit Program 23-26 [ <b>7.6.1</b> - 7 pages]

### Recommendation

That the Audit and Risk Committee recommends that Council adopts the 3-year Internal Audit Program to be undertaken in the 2023/2024 - 2025/2026 financial year.

### Purpose

To present the Audit and Risk Committee with the proposed 3-year Internal Audit Program for the 2023-2026 financial years for review and recommendation to Council.

### In brief

- Under the Audit & Risk Committee's Terms of Reference, the Committee is responsible for reviewing the scope of internal audits and recommending an annual internal audit program to Council, in addition to reviewing the level of resources allocated to internal audit.
- The Internal Audit Program provides the Town with a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, internal controls, and governance processes.
- The 3-year Internal Audit Program for the 2023- 2026 financial year takes a risk-based approach to determine the effectiveness of organisational controls and processes for managing the High-Risk Events of non-compliance and fraud and corruption identified in the Strategic Risk Register.

### Background

1. The identified areas of focus within the 3 Year Audit Plan were based on the results of the strategic risk review process completed in February 2023, and being cognisant of reviews and audits previously undertaken.
2. The following audits have been conducted within the Town:
  - Conflicts of interest.
  - Gifts
  - Integrity
  - Fraud and corruption
  - Employment practices
  - The misuse of assets and resources
  - Community Grants funding

The following audits are in progress: (as per the approved audit plan for 2022/23):

- Procurement
- Record Management
- Information Security

3. 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.
4. The Town has undertaken a regulation 17 review of its systems, processes and practices risk management, internal controls and legislative compliance.

## Strategic alignment

Civic Leadership	
Community priority	Intended public value outcome or impact
CL3 - Accountability and good governance.	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 add value to the way The Town runs its business.

## Engagement

Internal engagement	
Stakeholder	Comments
C-Suite	C-Suite was briefed about the 3 Year Internal Audit Program and its submission to the Audit and Risk Committee.

## Legal compliance

[Part 7 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
Legislative Compliance	A poorly designed Internal Audit Program will make the Town vulnerable to noncompliance, fraud and corruption risks which adversely impact on the Town.	Severe	Possible	High	Low	Implementing an independent Internal Audit Program which assures a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes in line with Local Government operational guidelines for audit.
Reputation	A poorly designed Internal Audit Program will make the Town vulnerable to noncompliance, fraud and corruption risks which adversely impact on the Town's reputation.	Moderate	Possible	Medium	Low	Implementing an independent Internal Audit Program which assures a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes in line with Local Government operational guidelines for audit.
Financial	A poorly designed	Moderate	Likely	High	Low	Implementing an independent

	Internal Audit Program will make the Town vulnerable to noncompliance, fraud and corruption risks which adversely impact on the Town's finances.	Internal Audit Program which assures a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes in line with Local Government operational guidelines for audit.
Environmental	Not applicable.	
Health and Safety	Not applicable.	
Service Delivery	Not applicable.	
Infrastructure/ICT Systems/Utilities	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

- The Internal Audit Program for the 2023-2026 financial year takes a systematic risk-based approach to determine the effectiveness of organisational controls and processes for managing the High-Risk Events of non-compliance and fraud and corruption identified in the Strategic Risk Register. This evaluation's findings will inform improvements to the effectiveness of risk management, internal controls, and governance processes.
- The Program comprises a set of prioritised audits which cover compliance, fraud and corruption and other risks in selected high-risk Focus Areas.

7. Focus Areas which make up the scope of the risk-based Internal Audit Program were identified from an analysis of the Town of Victoria Park's Strategic Risk Register (current as at June 2023), addressing the following elements of the Register:
  - a) Risk Events
  - b) Risk Impact Category
  - c) Inherent Risk Rating
  - d) Risk Treatment Actions
  
8. The scope of the Internal Audit Program specifies cross-functional audits to be undertaken in the following high priority focus Areas for the 2023-2026 financial year:  
  
**23/24**
  - a) Environmental Sustainability
  - b) Workplace Health and Safety
  - c) Measuring Financial sustainability**24/25:**
  - d) Emergency Management
  - e) Leases and Licensing Management
  - f) Assessment of Operational Risks**25/26:**
  - g) Corporate Performance Management and Monitoring
  - h) Reporting of fraud and Corruption
  - i) Talent Management and Wellbeing
  
9. The Internal Audit Program proposes minimum Internal Audit Criteria for each Focus Area audit to enable evidence-based assessment of the extent to which the focus areas are being effectively managed by the Town, to meet compliance requirements and against best practice benchmarks.
  
10. A detailed Audit Plan will be developed for each Focus Area audit. The Internal Audit Criteria are subject to review and updates as part of detailed planning for each audit, considering emergent risks, internal and external trends and identified issues as they arise. A responsive, proactive, and agile approach to audit planning will ensure currency and relevance, through environmental scanning, research, and networking to keep abreast of industry and sector developments and changes in the regulatory environment.
  
11. In line with the Terms of Reference of the Audit and Risk Committee, the findings of each audit will be presented at the first Audit and Risk Committee meeting after the audit. Progress against internal audit recommendations will be tracked and a report presented to the Audit and Risk Committee at each quarterly meeting of the Committee.

## **Relevant documents**

Not applicable.

## 7.7 Audit Update Report

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Manager Governance and Strategy
<b>Responsible officer</b>	Chief Executive Officer
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. Audit Update Report June 2023 [ <b>7.7.1</b> - 15 pages]

### Recommendation

That the Audit and Risk Committee recommends that Council receives the Audit Update Report for June 2023 as contained in Attachment 1.

### Purpose

The Audit and Risk Committee recommends that Council receives the Audit Update Report for June 2023 as contained in Attachment 1. The update on actions relates to the Internal audits in accordance with the internal audit plan approved in September 2021.

### In brief

- The following audits have been completed within the Town:
  - ✓ Conflicts of interest.
  - ✓ Gifts.
  - ✓ Integrity.
  - ✓ Fraud and corruption.
  - ✓ Employment practices.
  - ✓ The misuse of assets and resources.
  - ✓ Community Grants funding

### Background

1. The 2021-2022 internal audit program was adopted by Council on 16th August 2022
2. The below audits are currently still in progress as per the 21/22 audit plan and will be reported on at the next Audit and Risk Committee meeting:
  - ✓ Procurement.
  - ✓ Record Management.
  - ✓ Information Security.

### Strategic alignment

Civic Leadership	
CL1 – Effectively managing resources and performance.	Internal audits promote integrity and identify areas for improvement
CL3 - Accountability and good governance.	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 add value to the way The Town runs its business.
--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## Engagement

### Internal engagement

Business units	Managers providing responses and supporting documentation to the Internal Auditors
----------------	------------------------------------------------------------------------------------

## Legal compliance

[Part 7 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 adopting an internal audit program means we can't test our financial controls and mitigate financial loss through administrative errors, fraud and corruption.	<i>Moderate</i>	<i>Likely</i>	<i>High</i>	Low	Treat risk by ensuring commitment to management actions to address findings.
Environmental	Not applicable.					
Health and safety	Not applicable.					
Infrastructure/ICT systems/utilities	Not applicable.					
Legislative	Not adopting an	<i>High</i>	<i>Likely</i>	<i>High</i>	<i>Low</i>	Treat risk by

compliance	internal audit program means we cannot test our legislative compliance and mitigate financial loss through administrative errors, fraud and corruption.					ensuring commitment to management actions to address findings.
Reputation	<i>A poorly designed Internal Audit Program will make the Town vulnerable to noncompliance, fraud and corruption risks which adversely impact on the Town's reputation.</i>	<i>Moderate</i>	<i>Possible</i>	<i>Medium</i>	Low	Treat risk by 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. Due to the above audits completed in the Town, 9 improvement opportunities were identified with their relevant action updates (as per Attachment 1).

## Relevant documents

Not applicable.

## **8 Meeting closed to the public**

### **8.1 Matters for which the meeting may be closed**

### **8.2 Public reading of resolutions which may be made public**

## **9 Closure**