



TOWN OF
VICTORIA PARK



Audit Committee Agenda – 14 October 2019



**WE'RE OPEN
VIC PARK**

Please be advised that an **Audit Committee** will be held at **5:30 pm** on **Monday 14 October 2019** in **Council Chambers**, Administration Centre at 99 Shepperton Road, Victoria Park.

Mr Anthony Vuleta – Chief Executive Officer
10 October 2019

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1 Declaration of opening

Acknowledgement of Country (by Presiding Member)

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 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

Banksia Ward

Cr Claire Anderson
Cr Karen Vernon (Deputy Presiding Member)

Jarrah Ward

Cr Jennifer Ammons Noble (Presiding Member)
Cr Brian Oliver

Independent Committee Members

Mr Neil Formosa
Mr Jonathan Carley

Chief Financial Officer Manager Governance & Strategy

Mr Michael Cole
Ms Danielle Uniza

Secretary

Mr Liam O'Neill

2.1 Apologies

2.2 Approved leave of absence

3 Declarations of interest

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

Declaration of financial interests

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

Declaration of proximity interest

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

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

Declaration of interest affecting impartiality

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

4 Confirmation of minutes

Recommendation

That the Audit Committee confirms the minutes of the Audit Committee held on 19 August 2019.

5 Presentations

6 Method of dealing with agenda business

Recommendation

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

7 Reports

7.1 CEO Review of Systems and Procedures on Risk Management

Location	Town-wide
Reporting officer	Danielle Uniza
Responsible officer	Anthony Vuleta
Voting requirement	Simple majority
Attachments	<ol style="list-style-type: none">1. Town of Victoria Park - Business Continuity Plan [7.1.1 - 157 pages]2. Policy 301 Procurement [7.1.2 - 13 pages]

Recommendation

That the Audit Committee recommends that Council:

1. Receives the results of the Chief Executive Officer's Review of systems and procedures relating to risk management, in accordance with regulation 17 of the *Local Government (Audit) Regulations 1996*.
2. Endorses the eight recommended further actions identified as part of the review.
3. Requests that the Chief Executive Officer provides a further report to the Audit Committee on the progress of recommended further actions by April 2020.

Purpose

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

In brief

- Regulation 17 of the Regulations require the CEO to conduct a review of systems and procedures relating to legislative compliance, risk management and internal controls on a triennial basis.
- To ensure that a thorough review is conducted, each area is being reviewed and reported on individually. All three areas are to be reviewed in 2019. This report is a review on risk management.
- In conducting a review of systems and processes relating to internal controls, the Town has used the Local Government Operational Guidelines No. 9 – Audit in Local Government (the Guidelines) to establish eight key areas of review.
- Of the eight areas reviewed, two areas have been deemed to have 'inappropriate' systems and processes, three areas are deemed to have some systems and processes in place that are 'needing improvement', and three areas have been deemed to be 'appropriate'. Eight further actions have been identified as a result of this review.

Background

1. In 2013, regulation 17 of the Regulations were amended to include a requirement for the CEO to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal controls and legislative compliance on a biennial basis. In 2018, regulation 17 was amended to change the frequency of the review requirement from biennial to triennial.
2. In accordance with regulation 16 of the Regulations, a local government's audit committee is responsible for reviewing the CEO's report, before providing a copy of the report and the results of its review to Council.
3. The first and only review conducted by the Town was a full review of all three areas – legislative compliance, risk management and internal control. The result of this review was presented to the Finance and Audit Committee at its meeting held in November 2016, before being presented to Council at its meeting held on 13 December 2016. This initial review found the Town's systems and processes relating to both risk management and legislative compliance to be 'appropriate and effective', and its systems and processes relating to internal controls to be 'in its infancy'. No further actions were recommended as part of that review.
4. As the last review was conducted in 2016, the CEO is required to conduct a review of all three systems in 2019. While the initial review assessed the appropriateness and effectiveness of all three systems in one report, the approach to this review has been to assess, and report on, each system individually within the calendar year. The reason for this staggered approach is to ensure that the CEO has an opportunity to review each area thoroughly. The most recent review conducted under this approach was on internal controls and was presented to Council at its August Ordinary Council Meeting.
5. While there is no mandatory or minimum requirement for conducting the reviews under regulation 17, the Town has used the Guidelines as a basis for reviewing the 'appropriateness and effectiveness' of the Town's risk management programs.
6. Risk management, alongside internal control, are key expressions of a local government's attitude towards effective controls. Good risk management programs typically include:
 - a) Effective risk management framework which considers both operational and strategic risks
 - b) Current business continuity plan that is tested from time to time
 - c) Management of material operating risks in line with the local government's risk tolerance
 - d) Presenting regular risks reports to the Audit Committee
 - e) Adequate insurance cover and management of insurable risks
 - f) Regular review of the effectiveness of the internal control system with management, and both internal and external auditors
 - g) Effective procurement framework which focuses on probity, transparency and its application across the organisation
 - h) Fraud and misconduct risks have been identified, analysed, evaluated and have an on-going monitoring and reporting program
7. The eight aspects identified above have been used in conducting the CEO's review of the appropriateness of procedures and systems relating to risk management.

Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact

CL08 - Visionary civic leadership with sound and accountable governance that reflects objective decision-making.	The Town has a responsibility to its community to ensure that its current internal controls systems are appropriate and in line with industry best practice to promote principles of good governance.
CL10 - Legislative responsibilities are resourced and managed appropriately, diligently and equitably.	By conducting a thorough review of the appropriateness of the Town's system and processes relating to internal controls, review areas that need further action are presented transparently.

Engagement

Internal engagement

Stakeholder	Comments
Corporate Services	Provided response to Review Area 5, 6 and 7
Human Resources	Provided response to Review Area 2

Legal compliance

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

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

Risk management consideration

Risk and consequence	Consequence rating	Likelihood rating	Overall risk analysis	Mitigation and actions
Compliance The Town's current systems relating to risk management not meeting requirements	Moderate	Low	Moderate	Proactively improving risk management processes and completing the proposed further actions as a result of this review.

Financial implications

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

Analysis

8. The review has been based on current systems and procedures. It is to be noted that while several areas of improvement are already underway, the review has not considered those as they are not currently in place. An officer comment has been provided relating to each of the eight review areas. Where it has been deemed that there is appropriate procedures and systems relating to an area of review, it is assessed with 'appropriate', where there is some form of procedure/ system relating to an area of review, it is assessed with a 'needing improvement', and where there is little to no evidence of procedures and systems relating to an area of review, it has been assessed with an 'inappropriate'. The eight areas of review have been assessed as follows:

Review Area 1: Effective risk management framework which considers both operational and strategic risks

Officer Comment	<p>The Town's Risk Management Framework was adopted by Council at its meeting held on 5 October 2016. The Town keeps two risk registers: an operational risk register which was created in 2016, and a strategic risk register which was created in 2018. Despite the creation of necessary documents, a review of the existing registers show that both documents are updated and used infrequently.</p> <p>At the 2018 Annual Electors' Meeting, a decision was made by to review the Town's Risk Management Framework and Matrix.</p>
Assessment	Needing improvement
Recommended further action	<ul style="list-style-type: none"> (1) Review the Town's Risk Management Framework and Framework (2) Review and update operational and strategic risk registers
Supplementary Documents	Item 15.3 Adoption of the Town of Victoria Park Risk Management Framework (November 2017)

Review Area 2: Current business continuity plan that is tested from time to time

Officer Comment	The Town's Business Continuity Plan is currently under review to reflect changes to the Town's
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	<p>structure, service delivery framework, and best practice guidelines.</p> <p>The Town’s Manager People & Culture and Health and Safety Coordinator are currently working with the City of Belmont and the Local Government Insurance Service (LGIS) to update the framework for business continuity compliance within the Town.</p> <p>This will be followed with service area workshops to develop the business continuity procedures necessary to ensure each service area has effective measures in place to respond to service interruptions as they occur.</p> <p>On completion of the business continuity and service area response plans, they will be rolled out to all staff to ensure understanding of the new response requirements for each specific service area.</p>
Assessment	Needing improvement
Recommended further action	Compliance to standards and development of responsive service interruption procedures.
Supplementary Documents	Attachment 7.1.1

Review Area 3: Management of material operating risks in line with the local government’s risk tolerance

Officer Comment	The local government’s risk tolerance is neither set within the Council-adopted Risk Management Framework nor the Risk Management Policy.
Assessment	Inappropriate
Recommended further action	(3) Risk tolerances to be set as part of the Risk Management Framework, matrix and/or policy review
Supplementary Documents	Risk Management Framework and Policy p. 105

Review Area 4: Presenting regular risk reports to the Audit Committee

Officer Comment	A review of the (former) Finance and Audit Committee meeting minutes, from the time of adopting the Risk Management Framework in 2016, do not show any risk reports being presented to the Committee for its review.
Assessment	Inappropriate
Recommended further action	(4) Present regular risk reports to the Audit Committee, in line with its Terms of Reference, and the reviewed Risk Management Framework
Supplementary Documents	None

Review Area 5: Adequate insurance cover and management of insurable risks

Officer Comment	The Town reviews insurance cover each year as part of the renewal of covers with LGIS.
Assessment	Appropriate
Recommended further action	The Town is considering inviting proposals for an independent review of the insurance needs of the Town.
Supplementary Documents	None

Review Area 6: Regular review of the effectiveness of the internal control system with management, and both internal and external auditors

Officer Comment	The CEO has recently reported on the appropriateness of internal system controls. For further information, see item 14.1 from the Ordinary Council Meeting held on 17 September
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	2019.
Assessment	Appropriate
Recommended further action	As per OCM report, while marked appropriate, some areas for improvement were identified by 2018/19 interim audit and have been actioned.
Supplementary Documents	Item 14.1 CEO Review of Systems and Processes on Internal Controls (September 2019)

Review Area 7: Effective procurement framework which focuses probity, transparency and its application across the organisation

Officer Comment	The Town has effective procurement policies and processes in place. The Procurement Policy is currently under review and will be presented to the Audit Committee in October, and to Council in November.
Assessment	Appropriate
Recommended further action	(5) Review of the Procurement Policy to be presented to Council
Supplementary Documents	Policy 301 Procurement (attachment 7.1.2)

Review Area 8: Fraud and misconduct risks have been identified, analysed, evaluated and have an on-going monitoring and reporting program

Officer Comment	Both fraud and misconduct risks are identified in the Town's operational risk register. Both risk types have been identified, analysed and evaluated on July 2017. No other monitoring or reporting has occurred since.
Assessment	Needing improvement
Recommended further action	(6) Implementing an ongoing monitoring and reporting program for both operational and strategic risks, inclusive of risks relating to fraud

	and misconduct
Supplementary Documents	None

9. It is to be noted that the approach to this review is similar to that which was undertaken with the previous Regulation 17 review on both internal controls and legislative compliance. Those reviews were presented to both the Audit Committee (formerly the Finance and Audit Committee) and Council. The findings of those reviews were formally endorsed and accepted by Council at its meetings held in September and March.

Relevant documents

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

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

7.2 Information Systems Security

Location	Town-wide
Reporting officer	Mahalakshmi Shankar
Responsible officer	Graham Patrick
Voting requirement	Simple majority
Attachments	1. Policy 331 Information Systems Security [7.2.1 - 3 pages]

Recommendation

That the Audit Committee recommends that Council that it approve approves Policy 331 Information Systems security as at attachment 7.2.1.

Purpose

To ensure appropriate information security controls are in place to protect the Town's systems and data from theft, fraud, malicious or accidental damage, and privacy or confidentiality breaches.

In brief

- All information, stored in Town's system will be protected by appropriate security controls to ensure the highest levels of confidentiality, integrity, and availability
- Where possible, information systems will check entered information for accuracy, completeness, validity, and authenticity
- Information systems will be configured such that they prevent unauthorised and unintended information transfer
- Only authorised personnel will be allowed to enter information into Town's information system. Inputs will be restricted according to granted permissions, though these restrictions may be lifted on a temporary basis based on pre-defined responsibilities and approvals
- Further, information systems will protect the integrity and confidentiality of transmitted information using security controls.

Background

1. The Town has a strategic priority to implement an Information Security Management System (ISMS). An ISMS consists of a suite of policies, procedures, guidelines and relevant resources to manage all information assets.
2. The strategic objectives are drawn from the Western Australian Whole of Government Digital Security Policy, published in June 2017.
3. In August 2019, Council approved to review security controls on Town's computer applications and information systems standards.

Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL04 - Appropriate information management that is easily accessible, accurate and reliable.	The Town has a responsibility to ensure information system security controls are correctly implemented, and they are operating as intended, and they are producing the desired level of security on its current systems and data.

Engagement

Internal engagement	
Stakeholder	Comments
Corporate Services	Provided response to the draft document

Legal compliance

[Section 2.8 of the Local Government Act 1995](#)

Risk management consideration

Risk and consequence	Consequence rating	Likelihood rating	Overall risk analysis	Mitigation and actions
Compliance The Town's current systems relating to security controls not meeting requirements	Major	Likely	High	Implement and manage the internal information systems security controls
Reputational The Town will face reputational damage if a lack of appropriate internal systems security controls is in breach	Moderate	Likely	High	Proactively improve information systems security controls on Town's systems

Financial implications

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

Analysis

1. To better align with the Information security standards, it is proposed that the information Security controls are improved and managed to align with the ICT strategic plan

Relevant documents

- [ICT Strategic Plan](#)
- [Information and Communications Technology Asset Management Plan](#) (as part of the Integrated planning and reporting framework)
- [Information Statement](#)

7.3 Review of Procurement policy and practice

Location	Town-wide
Reporting officer	Ann Thampoe
Responsible officer	Graham Pattrick
Voting requirement	Simple majority
Attachments	<ol style="list-style-type: none"> 1. Policy 301 Procurement - Revised [7.3.1 - 5 pages] 2. Procurement Management Practice - Revised [7.3.2 - 12 pages]

Recommendation

That the Audit Committee recommends to Council:

1. Rescinds Policy 301 Procurement and Policy 311 Budget expenditure authorisation;
2. Adopts Policy 301 Procurement as at attachment 7.3.1; and
3. Notes the associated procurement management practice.

Purpose

To present the revised Procurement policy and management practice.

In brief

- The procurement policy and practice was last reviewed in July 2016
- No significant changes within the Local Government Act 1995 or relevant legislations has occurred since the last review.
- Recommendations made by the external auditors within the 2018-2019 Interim audit management letter has been considered when updating the Procurement policy and practice.
- The review has looked to strengthen key policy components and to better align the policy with the Town's current policy approach.

Background

1. Regulation 11A of the *Local Government (Functions and General) Regulation 1996* requires a Local Government to prepare or adopt, and implement a purchasing policy in relation to contracts for other persons to supply goods or services were the consideration under the contract is, or is expected to be \$150,000 or less or worth \$150,000 or less.
2. The Town's current procurement policy and practice was adopted in July 2016. The review included significant changes to the policy and practice due to changes within *Local Government (Functions and General) Regulation 1996*.
3. A review of the policy and practice has been completed with amendments made to reflect alignment to strategic direction, changes within the organisational structure and external auditor recommendations.

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL06 - Finances are managed appropriately,	To ensure the procurement of goods and services are

sustainability and transparently for the benefit of the community.	managed appropriately, sustainably and transparently for the benefit of the community.
CL10 - Legislative responsibilities are resourced and managed appropriately, diligently and equitably.	Ensure the Town meets its legislative responsibility in accordance with Regulation 11A of the <i>Local Government (Functions and General) Regulation 1996</i> .

Engagement

Internal engagement	
Service areas within the Town	Ongoing feedback from service areas were taken into consideration when revising the current procurement management practice.

Legal compliance

[Local Government Act 1995 Section 3.57](#)

[Part 4 of the Local Government \(Functions and General\) Regulation 1996](#)

[Local Government \(Financial Management\) Regulation 1996 Section 11](#)

Risk management consideration

Risk and Consequence	Consequence rating	Likelihood rating	Overall risk analysis	Mitigation and Actions
Financial impact Misappropriation of funds	Major	Likely	High	Ensure segregation of duties when authorising payments. Internal controls through automated system. Internal audits to monitor adherence to policy and procedures. Continuous training.
Compliance Non-compliance with Act and Regulation	Moderate	Likely	Moderate	Ensure segregation of duties when authorising payments. Internal controls through automated system. Internal audits to monitor adherence

				policy and procedures. Continuous training.
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Financial implications

Current budget impact	There are no financial implications in adopting an updated Procurement Policy. This Policy is in place to put controls around spend across the organisation.
Future budget impact	Nil

Analysis

4. These minor amendments are listed below:

a. Policy amendments

- i. A section for the "Objective" of the policy has been included within the review. The objective confirms that the policy is to guide all procurement practices to achieve value for money through cost effective and efficient methods. This is also to align the policy to the Town's new policy template.
- ii. Policy Statement: The review has included that in addition to good financial management practices, the procurement process should ensure sustainability is taken into consideration and be conducted for the benefit of the community.
- iii. Procurement thresholds: The procurement thresholds have been shifted from the management practice into the policy. It is considered appropriate for Council to set in policy the thresholds for the CEO to implement in relation to procurement, the thresholds remain unchanged. The exact nature of how each thresholds procurement is to occur remains in management practice, with some guidance provided in Policy.
- iv. Approval of expenditure: Discussed in paragraph 6.
- v. Section 10 – Waiver of quotation: This section has been added to provide the Chief Executive Officer the authority to waive the requirement for quotes where obtaining quotes are impractical due to significant financial or other adverse impact to the Town.
- vi. Principals of procurement: A summary significant principals of procurement has been included within the revised Policy. These have been covered within the headings of Ethical principles, Responsible financial management, value for money and sustainability.
- vii. Sustainable and ethical procurement: Certain content has additionally been transferred from the management practice relating to ethical and sustainable procurement. This includes reinforcing the Town's support for Aboriginal Businesses and Australian Disability Enterprises.

b. Management practice:

- i. Section 11.4.3 Band C: This section has been included to reflect the organisational restructure changes. The previous practice included approval thresholds that were the same for Managers and Service area leaders (\$50,000). This created operational inefficiencies. The revised practice has increased the approval thresholds for Manager bands from \$50,000 to \$100,000. The Service Area Leaders are now reflected within Band D and will have an approval limit of \$50,000.

- ii. Section 12.3 Procurement variations - Management practice has been amended to include a dollar value (\$5,000) in addition to the percentage variance of 20% when identifying a material variance. This change has been made to reflect external auditor recommendations within the Interim audit management letter.
 - iii. Section 15 Corporate Credit Card – The corporate credit card section within the practice has been summarised and redirected to the recently adopted Transaction Card policy and practice.
5. The proposed amended Procurement policy and management practice has been prepared having taken into consideration internal operational requirements and external auditor recommendations. The revised policy and management practice is in line with Legislative requirements.

Policy 311 Budget expenditure authorisation

1. In the process of reviewing the procurement policy, specifically the bands for approval, Policy 311 Budget expenditure authorisation was considered. This policy which contains a single policy statement stating that management staff can expend from their budget is considered to not require a separate policy of its own. It is proposed in order to reduce the number of policies of the Town that this policy instead be merged into the procurement policy.

Relevant documents

Not applicable.

8 Motion of which previous notice has been given

9 Meeting closed to the public

9.1 Matters for which the meeting may be closed

9.2 Public reading of resolutions which may be made public

10 Closure