



**CITY OF VINCENT**

# **MINUTES**

**Audit Committee**

**4 May 2023**

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**MINUTES OF CITY OF VINCENT  
AUDIT COMMITTEE  
HELD AS E-MEETING AND AT THE  
ADMINISTRATION AND CIVIC CENTRE  
244 VINCENT STREET, LEEDERVILLE  
ON THURSDAY, 4 MAY 2023 AT 4.00PM**

<b>PRESENT:</b>	Cr Ross Ioppolo Cr Ashley Wallace Cr Susan Gontaszewski Cr Ron Alexander Mr Olaf Goy Mr George Araj	South Ward (Acting Presiding Member) South Ward South Ward North Ward Independent External Member Independent External Member
<b>IN ATTENDANCE:</b>	David MacLennan Rhys Taylor  Joslin Colli  Main Bhuiyan Peter Ferguson  Mark Ambrose  Danielle England  Wendy Barnard	Chief Executive Officer Chief Financial Officer (Arrived during Item 2) A/Executive Manager Corporate Strategy & Governance Financial Controller (Item 5.1 only) Executive Manager Information and Communication Technology (left at 4.43pm, after Item 5.7) Senior Director, Financial Audit (electronically, Item 5.1 only) Principal Auditor, Financial Audit (electronically, Item 5.1 only) Council Liaison Officer

## 1 INTRODUCTION AND WELCOME

The Presiding Member, Cr Ross Ioppolo, declared the meeting open at 4.00pm and read the following Acknowledgement of Country statement:

“The City of Vincent would like to acknowledge the Traditional Owners of the land, the Whadjuk people of the Noongar nation and pay our respects to Elders past and present”.

## 2 APOLOGIES / MEMBERS ON APPROVED LEAVE OF ABSENCE

Conley Manifis was an apology for this meeting.

## 3 DECLARATIONS OF INTEREST

Nil

## 4 CONFIRMATION OF MINUTES

### COMMITTEE DECISION

**Moved:** Cr Wallace, **Seconded:** Cr Gontaszewski

That the minutes of the Audit Committee held on 2 March 2023 be confirmed.

**CARRIED (6-0)**

**For:** Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

**Against:** Nil (Mr Manifis was an apology for the Meeting.)

## 5 BUSINESS ARISING

### 5.1 OAG ENTRANCE MEETING 2022/23 AUDIT

Attachments: 1. Planning Summary - 30 June 2023 [↓](#)

#### RECOMMENDATION:

That the Audit Committee recommends to Council that it NOTES the audit planning summary for the 2022/2023 financial year.

A representative from the OAG spoke to the planned audit process.

#### COMMITTEE DECISION ITEM 5.1

Moved: Cr Gontaszewski, Seconded: Cr Wallace

That the recommendation be adopted.

**CARRIED (6-0)**

**For:** Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

**Against:** Nil

**(Mr Manifis was an apology for the Meeting.)**

At 4.21pm Mark Ambrose and Danielle England left the meeting and did not return.

At 4.25pm the Financial Controller left the meeting and did not return.

Office of the Auditor General  
Western Australia

# Annual Financial Audit Planning Summary

City of Vincent

Year ending 30 June 2023

4 May 2023



## 1. The planning summary

This Summary of our Audit Plan explains our approach to the audit of controls, financial statements and key performance indicators.

In particular, this Summary includes:

- Introduction
- Our audit approach
- Significant risks and other audit issues
- Audit emphasis and significant account balances
- Internal audit
- Management representation letter
- Related entities
- Reporting protocols
- Proposed audit schedule
- Audit evidence - specific audit requirements
- Audit fee
- Your audit team
- Other audit work
- Other audit activities

If there are any matters in the Summary that you would like clarified, please do not hesitate to contact us.

There may be areas where you would like us to increase the audit focus. We would be pleased to discuss these to determine the most efficient and effective approach to performing this work.

## 2. Introduction

The Auditor General audits and provides an opinion to the Councillors of the local government on each local government's annual financial report. We have elected to use our OAG staff to perform your audit in-house.

Our audit approach is designed to specifically focus audit attention on the key areas of risk you face in reporting on your finances and performance.

It is important to note that:

- Under the *Local Government Act 1995* and associated regulations, the Council and the CEO are responsible for keeping proper accounts and records, maintaining effective internal controls, preparing the annual financial report, and complying with the Local Government Act and Regulations, and other legislative requirements.
- An audit does not guarantee that every amount and disclosure in the annual financial report is error free. Also, an audit does not examine all evidence and every transaction. However, our audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the annual financial report.
- The Council and CEO are responsible for ensuring the accuracy and fair presentation of all information in its annual report, and that it is consistent with the audited annual financial report. We do not provide assurance over your annual report.
- Under the *Local Government Act 1995* and associated regulations, the Council and the CEO have responsibility for maintaining internal controls that prevent or detect fraud or error and to ensure regulatory compliance. The Audit Committee and the Auditor General should be informed by management of any fraud or material errors. During the audit we will make inquiries with management about their process for identifying and responding to the risks of fraud, including management override. It should be noted that our audit is not designed to detect fraud, however, should instances of fraud come to our attention, we will report them to you.

The *Auditor General Act 2006* was amended by the Auditor General Amendment Act 2022, which received Royal Assent on 29 November 2022 with gazettal expected by the end of March 2023. This new legislation provides the Auditor General with an unambiguous statutory right to access confidential information, including Cabinet documents and the Government's legal advice, for the purposes of audits. It also provides for the adoption of appropriate processes and procedures so requests for access to confidential information can be managed appropriately.

Our audit is conducted in accordance with Australian Auditing Standards. Our aim is to provide reasonable assurance whether the annual financial statement is free of material misstatement. We perform procedures to assess whether in all material aspects the financial statements are presented fairly in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

The nature of the audit is influenced by factors such as:

- the use of professional judgement
- selective testing

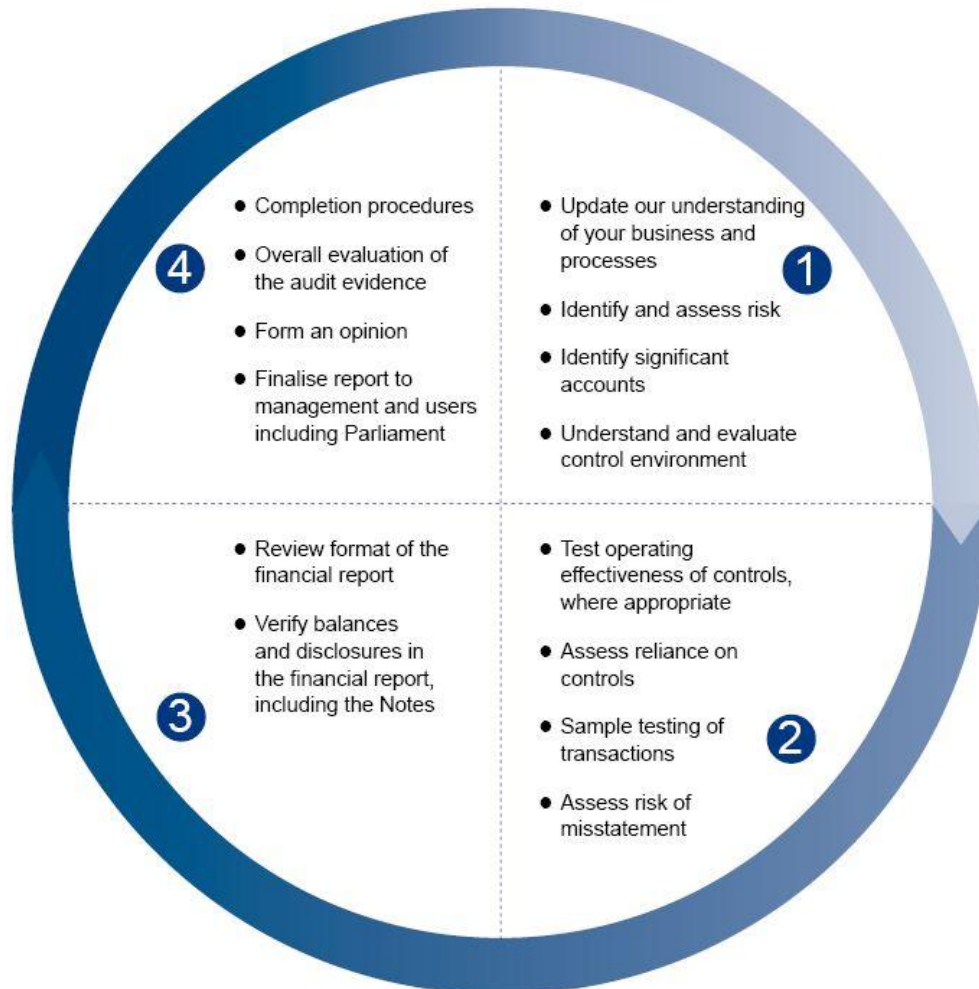
- the inherent limitations of internal controls
- the availability of persuasive rather than conclusive evidence.

As a result an audit cannot guarantee that all material misstatements will be detected. We examine, on a test basis, information to provide evidence supporting the amounts and disclosures in the annual financial report and assess the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by management.



### 3. Our audit approach

Our nationally recognised audit approach comprises four steps:



## 4. Significant risks and other audit issues

Through discussions with your staff and our prior knowledge of your operations, we have identified the following issues and key areas of risk affecting the audit.

Details of risk / issue	Audit approach
<p>Audit findings reported in the previous audit</p> <p>Financial audit</p> <ul style="list-style-type: none"> <li>• 3 significant and 5 moderate</li> </ul> <p>Information systems audit</p> <ul style="list-style-type: none"> <li>• 1 significant, 10 moderate and 8 minor</li> </ul> <p>Refer to Appendix A for a brief description of the findings.</p>	<p>We will follow up these issues to assess the extent of action taken.</p>
<p>Key changes to accounting standards that impact your entity for the first time this year:</p> <ul style="list-style-type: none"> <li>• AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments</i></li> </ul> <p>This Standard amends a number of existing Standards including, among others:</p> <ul style="list-style-type: none"> <li>- AASB 116 <i>Property, Plant and Equipment</i>, to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset.</li> <li>- AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, to specify the costs that an entity includes when assessing whether an onerous contract exists.</li> <li>• AASB 2022-3 <i>Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15</i></li> </ul> <p>This Standard adds Illustrative Example 7A to the examples attached to AASB 15 to clarify the accounting for upfront fees. The amendments do not change the requirements of AASB 15. The amendments are relevant only to not-for-profit entities.</p>	<p>We will review management’s assessment of the impact of the new standards, determine whether, to the extent necessary, your entity has applied the standards correctly, and ensure the financial statements comply with the revised requirements of each standard.</p>

Details of risk / issue	Audit approach
<p>Key changes to auditing standards that impact your entity for the first time this year:</p> <ul style="list-style-type: none"> <li>• <i>ASA 315 Identifying and Assessing the Risks of Material Misstatement</i></li> </ul> <p>ASA 315 has been significantly enhanced to require a more robust risk assessment process and to promote consistency in application. The requirements also include obtaining understanding of the Information Technology (IT) environment and system of controls at the application level that support the preparation of the financial report.</p>	<p>We will request and review information such as policies and procedures related to the entity's IT environment and system of controls, and interview IT staff to identify risks arising from the use of IT. The review will result in an increase in audit scope and therefore lead to additional cost.</p>
<p>The following financial statement items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> <li>• provision for annual and long service leave</li> <li>• fair value of assets</li> <li>• impairment of assets</li> <li>• reasonableness of useful lives for property, plant, equipment &amp; infrastructure</li> <li>• expected credit loss assessment</li> </ul>	<p>We will review the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. This will include considering the reasonableness of assumptions and corroborating representations.</p>
<p>Significant accounting matters in 2022-23:</p> <ul style="list-style-type: none"> <li>• Fair value of infrastructure assets</li> <li>• Fair value of land and buildings</li> </ul>	<p>Management will be conducting the following valuations this year:</p> <ul style="list-style-type: none"> <li>• Independent full valuation of infrastructure assets (last revalued 30 June 2018)</li> <li>• Independent desktop valuation of land and building assets (last revalued 30 June 2021)</li> </ul> <p>We will review management's assessment of the impact of the transaction, and determine whether, to the extent necessary, your entity has treated the transaction appropriately.</p>
<p>Involvement of Information Systems audit</p>	<p>General computer controls audit will be performed by the OAG Information Systems team. Any issues or findings will be communicated and presented separately; the impact of these findings (if any) will be considered as part of the overall audit strategy.</p>

## 5. Audit emphasis and significant account balances

Our audit approach involves an assessment of your overall control environment and internal financial controls over individual key business cycles.

We have determined that for all balances it is more efficient and effective for the audit to not rely on the financial controls. For all balances, analytical review and sample testing of transactions is more appropriate.

Our audit of your agency for the current year will be split into two components:

- interim audit
- final audit.

The interim audit includes:

- addressing prior year's audit findings
- updating our understanding of the city's business
- updating our understanding of the control environment
- identifying significant accounting issues

The final audit focuses on verifying the financial statements and notes and includes:

- assessing the design and implementation of key controls
- sample testing transactions to confirm the accuracy and completeness of processing accounting transactions
- verifying material account balances using a combination of analytical procedures, tests of details; substantiation to subsidiary records and confirmation with external parties
- reviewing the financial statements and notes for compliance the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

In addition, we will audit key information systems controls and perform a capability maturity assessment of your information system management processes and controls. This will be based on the assessment of our information system audit staff, but will also give consideration to a self-assessment by your ICT staff.

The key objectives of the information systems audit are to:

- Provide a preliminary conclusion over the General IT Controls covering the following:
  - IT Risk Management
  - Information and Cyber Security
    - Information Security Framework
    - Human Resource Security
    - Access Management

- Network Security
- Endpoint Security
- Physical Security
- Change Management
- IT Operations Management
- Manage Continuity

The planned approach is as follows:

- Gain an understanding of the entity's IT governance, management and IT environment.
- Determine whether appropriate controls are in place.
- Prepare and execute test plans to obtain assurance of the operation of controls.
- Interview entity staff and review appropriate documentation.
- Evaluate the effectiveness of the controls.
- Internal vulnerability scans of Finance, HR systems and key operational systems identified.

The table below lists those items in the Statement of Financial Position and the Statement of Comprehensive Income that are significant account balances, and our planned audit approach for these balances. When selecting significant account balances, we consider materiality, the nature of the balance, inherent risk and sensitivity of disclosure.

Significant account	2022 Audited balance \$'000	Audit approach
<b>Statement of Financial Position</b>		
Cash and cash equivalents	7,586	<ul style="list-style-type: none"> <li>• Review internal controls and reconciliations</li> <li>• Verify year-end balance through bank confirmations</li> <li>• Analytical review</li> </ul>
Trade and Other Receivables (current and non-current)	4,747	<ul style="list-style-type: none"> <li>• Year-end cut-off testing</li> <li>• Review subsequent receipts</li> <li>• Review provision for doubtful debts</li> <li>• Analytical review</li> </ul>
Financial assets measured at amortised cost	18,500	<ul style="list-style-type: none"> <li>• Verify year end balances through bank confirmations</li> </ul>
Investment in associate	14,211	<ul style="list-style-type: none"> <li>• Confirm fair value of investments to audited financial statement of associates from investment funds</li> </ul>
Property, plant and equipment	220,825	<ul style="list-style-type: none"> <li>• Review key processes/controls</li> <li>• Verify asset additions and disposals</li> </ul>

Infrastructure	175,576	<ul style="list-style-type: none"> <li>Assess the recoverable amount of fixed assets for impairment</li> <li>Test items posted to construction in progress to assess appropriateness of expenses being capitalised</li> <li>Where relevant, confirm balances to independent valuation reports</li> <li>Review management's assessment</li> </ul>
Inventories (current and non-current)	1,451	<ul style="list-style-type: none"> <li>Review of key processes/ controls</li> <li>Verify inventory balances to relevant local government reports</li> <li>Review management's assessment and compliance with accounting standards</li> </ul>
Trade and other payables	7,193	<ul style="list-style-type: none"> <li>Review of key processes/controls</li> <li>Test for unrecorded liabilities</li> <li>Year-end cut off testing</li> <li>Analytical review</li> </ul>
Borrowings (current and non-current)	13,735	<ul style="list-style-type: none"> <li>Agree amounts to WATC confirmation</li> <li>Review the current – non-current classification of the borrowings in the financial statements</li> </ul>
Other Liabilities	2,027	<ul style="list-style-type: none"> <li>Review key processes/controls</li> <li>Test for unrecorded liabilities</li> <li>Analytical review</li> </ul>
Employee related Provisions (current and non-current)	5,990	<ul style="list-style-type: none"> <li>Agree amounts to actuary report</li> <li>Assess Actuary's assumptions</li> <li>Analytical review</li> </ul>
<b>Statement of Comprehensive Income</b>		
Rates revenue	36,824	<ul style="list-style-type: none"> <li>Review of key processes/controls</li> <li>Analytical review</li> <li>Year-end cut off testing</li> </ul>
Operating grants and subsidies	1,887	<ul style="list-style-type: none"> <li>Review of key processes and controls</li> <li>Sample testing of transactions</li> <li>Year end cut off testing</li> </ul>
Non-operating grants and subsidies	2,394	
Fees and charges	19,037	<ul style="list-style-type: none"> <li>Review of key processes/ controls</li> <li>Sample testing of transactions</li> <li>Analytical review</li> <li>Year end cut off testing</li> </ul>
Employee related expenses	27,834	<ul style="list-style-type: none"> <li>Review of key processes/ controls</li> </ul>

		<ul style="list-style-type: none"> <li>Analytical review</li> </ul>
Material and contracts	27,197	<ul style="list-style-type: none"> <li>Review of key processes/ controls</li> <li>Sample testing of transactions</li> <li>Year end cut off testing</li> </ul>
Depreciation and amortisation	11,802	<ul style="list-style-type: none"> <li>Review of management's assessment of the useful lives of assets and assess reasonableness.</li> <li>Analytical review</li> </ul>
Net share of Profit/(Loss) in associate	7,288	<ul style="list-style-type: none"> <li>Verify management's take up of share to relevant local government reports</li> <li>Review management's assessment and compliance with accounting standards</li> </ul>
Other expenses and utility charges	3,576	<ul style="list-style-type: none"> <li>Review of key processes/controls</li> <li>Sample testing of transactions</li> <li>Analytical review</li> </ul>
<b>Financial statement note disclosure</b>		
Elected members remuneration and key management personnel compensation	1,261	<ul style="list-style-type: none"> <li>Verify to contracts/ agreements</li> <li>Review accounting treatment</li> </ul>
Trust fund	3,935	<ul style="list-style-type: none"> <li>Verify year end balances through bank confirmations</li> <li>Sample testing of transactions</li> <li>Review disclosure for compliance with the relevant legislation</li> </ul>
Capital commitments	2,756	<ul style="list-style-type: none"> <li>Review of transactions</li> <li>Sample testing of transactions</li> </ul>
Major land transactions		<ul style="list-style-type: none"> <li>Review disclosure for compliance with the relevant legislation</li> <li>Verify transactions to underlying source documents</li> </ul>
Related parties transactions		<ul style="list-style-type: none"> <li>Obtain representation from relevant parties</li> <li>Review of transactions</li> </ul>
Reserves		<ul style="list-style-type: none"> <li>Review of transactions</li> <li>Sample testing of transactions</li> </ul>
Contingent assets and liabilities		<ul style="list-style-type: none"> <li>Obtain representation from management</li> <li>Obtain confirmations from relevant agencies</li> <li>Review of minutes and legal expenditure</li> <li>Assess reasonableness of disclosures</li> </ul>

## 6. Internal audit

We seek to rely on internal audit work to reduce our own audit work wherever possible. This avoids duplication of audit effort and the associated workload on your operational and administrative staff. We will assess internal audit reports that have been issued or in progress for areas of reliance and/or risk identification.

## 7. Management representation letter

The above audit procedures assume that management expects to be in a position to sign a management representation letter. The proposed letter for this purpose will be provided in due course. The letter should be reviewed and tailored to meet your local government's particular circumstances, and be signed and dated by the CEO and Chief Financial Officer (CFO) as close as practicable to the date of the proposed audit opinion. Ordinarily, this would be no longer than five working days prior to the issue of the opinion.

Please bring to the attention of the Mayor that we will also be relying on the directors signing the financial statements as evidence that they confirm:

- they have fulfilled their responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including their fair presentation
- they have provided us with access to all relevant information necessary or requested for the purpose of the audit
- All transactions have been recorded and are reflected in the financial report.

## 8. Related entities

Section 7.12AL of the *Local Government Act 1995* applies section 17 of the *Auditor General Act 2006* to a local government. Section 17 requires a local government to advise the Auditor General in writing of details of all related entities that are in existence.

## 9. Reporting protocols

Significant issues identified during the course of the audit will be discussed with relevant staff and management as soon as possible after being identified. Draft management letters will be provided to your CFO for coordination of comments from appropriate members of your management. We request that these be returned quickly and within the 14-day requirement of Section 34 of the *Auditor General Act 2006*.

At the conclusion of the audit, the abovementioned management letter will accompany the auditor's report and the audited annual financial report forwarded to the Mayor, the CEO and the Minister for Local Government. The management letter is intended to communicate issues arising from the audit that may impact on internal control, compliance, and financial reporting.

Where considered appropriate, and to ensure timely reporting of audit findings and action by management, interim management letters may be issued to the CEO.



On conclusion of the audit we propose to discuss the audit outcomes with the audit committee, CEO and Councillors.

Thereafter, as required by section 7.12AD(2) of the *Local Government Amendment (Auditing) Act 2017* we will give our auditor's report to the CEO, the Mayor and Minister

A copy of the management letter is forwarded to your Minister on completion of the audit. We may also provide the parliamentary Standing Committee on Estimates and Financial Operations and/or the Public Accounts Committee with copies of the management letters issued for any or all audits during the year.

Specific matters resulting from issues identified during the audit may be reported in the Auditor General's Report to Parliament. Should this occur, you will be consulted in advance to assure the context and facts of the issue are adequately represented.

## 10. Proposed audit schedule

	Date	
Planning and interim audit	24 – 28 April	
Information Systems Audit	June/July 2023	
Interim Management Letter	by 19 May	
Receipt of information for the following certifications: <ul style="list-style-type: none"> <li>• Roads to Recovery</li> <li>• Local Roads and Community Infrastructure Program</li> <li>• Deferred Pensioner Rates</li> </ul>	By 15 September	
Final Trial Balance	By 30 September	
Receipt of Financial Statements	By 30 September	
Audit opinions issued for the following certifications <ul style="list-style-type: none"> <li>• Roads to Recovery</li> <li>• Local Roads and Community Infrastructure Program</li> <li>• Deferred Pensioner Rates</li> </ul>	By 31 October	
Final Audit	30 October – 24 November	
Audit committee meeting (exit meeting) Papers circulated 5 business days prior	December 2023	*
Receipt of signed financial statements	December 2023	*
Issue of audit opinion and management letter	8 December	*

\* To be agreed with management at the entrance meeting / based on timely receipt of audit information and reporting documentation

## 11. Audit Evidence – Specific Audit Requirements

We will discuss our requirements with your staff to facilitate a timely, efficient and effective audit. We will formally agree our information requirements and timeframes for the final audit with your CFO using our Prepared by Client Listing. This Listing is intended to help your staff to have various documents readily available when we perform our audit. Please note however that in several instances, particularly during our audit sampling at the interim visits, audit staff will need to retrieve some evidence themselves, rather than being given the evidence by your staff. This is essential for an independent audit.

Information obtained during the audit can be used to carry out an examination or investigation for one or more of the purposes mentioned in Section 18 of the *Auditor General Act 2006*.

We also refer you to our various Better Practice guides which are available on our website.

## 12. Audit fee

Our indicative audit fee for this year's audit is currently under review and will be communicated as soon as available.

We are constantly searching for ways to improve efficiency and reduce audit costs within the constraints of legislative requirements and auditing standards. However, your entity can also contribute to reducing the cost of your audit. Well prepared financial statements, working papers, and internal audit programs that dovetail well with the work we are required to perform are some ways that costs can be contained.

Additional costs requiring a supplementary fee can arise from such things as significant accounting issues, errors in the financial statements, breakdowns in internal controls, delays in providing information to audit staff, or your staff being unavailable to discuss issues with the audit team.

## 13. Your audit team

	Name	Contact
Assistant Auditor General	Grant Robinson	6557 7526 <a href="mailto:Grant.Robinson@audit.wa.gov.au">Grant.Robinson@audit.wa.gov.au</a>
Engagement leader	Mark Ambrose	6557 7521 <a href="mailto:Mark.Ambrose@audit.wa.gov.au">Mark.Ambrose@audit.wa.gov.au</a>
Team Leader	Huei Chie Soh	6557 7715 <a href="mailto:Hueichie.Soh@audit.wa.gov.au">Hueichie.Soh@audit.wa.gov.au</a>
Engagement team	Danielle England Kasheeban Sureshan Bianca Ko Tiffany Foo	<a href="mailto:Danielle.England@audit.wa.gov.au">Danielle.England@audit.wa.gov.au</a> <a href="mailto:Kasheeban.Sureshan@audit.wa.gov.au">Kasheeban.Sureshan@audit.wa.gov.au</a> <a href="mailto:Bianca.Ko@audit.wa.gov.au">Bianca.Ko@audit.wa.gov.au</a> <a href="mailto:Tiffany.Foo@audit.wa.gov.au">Tiffany.Foo@audit.wa.gov.au</a>
Information systems audit consultant	Paul Tilbrook	6557 7514 <a href="mailto:Paul.Tilbrook@audit.wa.gov.au">Paul.Tilbrook@audit.wa.gov.au</a>

Mark Ambrose is responsible for the overall quality of the audit. As your primary contact, Mark will communicate progress and any emerging issues to you

## 14. Other Audit Work

The OAG will also perform the following other audit work in addition to the audit of the Annual Financial Report:

Audit	Expected Commencement
Local Roads and Community Infrastructure Program	18 September 2023
Roads to Recovery	18 September 2023
Rates and Charges (Rebates and Deferments) Certification	30 October 2023

## 15. Other audit activities

The OAG has recently tabled the following reports in Parliament, which are available at [www.audit.wa.gov.au](http://www.audit.wa.gov.au) along with details of other audits we are currently performing. In reporting, we aim to identify good practice and opportunities for improvement. You may therefore wish to review these reports as the recommendations may have relevance to your agency:

Report	Date tabled
Information Systems Audit – Local Government 2021-22	29 March 2023
Information Systems Audit – State Government 2021-22	22 March 2023
Administration of the Perth Parking Levy	16 February 2023
Funding of Volunteer Emergency and Fire Services	22 December 2022
Financial Audit Results – State Government 2021-22	22 December 2022
Compliance with Mining Environmental Conditions	20 December 2022
Regulation of Commercial Fishing	7 December 2022
Management of Long Stay Patients in Public Hospitals	16 November 2022
Forensic Audit Results 2022	16 November 2022
Compliance Frameworks for Anti-Money Laundering and Counter-Terrorism Financing Obligations	19 October 2022
Payments to Subcontractors Working on State Government Construction Projects	11 August 2022
Public Trustee's Administration of Trusts and Deceased Estates	10 August 2022
Financial Audit Results – Universities and TAFEs 2021	21 July 2022

## Appendix A

FINDINGS	RATING		
	Significant	Moderate	Minor
<b>Reporting and financial control issues</b>			
1. Fair value of infrastructure assets – Frequency of valuations	✓		
2. Access levels within Authority	✓		
3. Review of Landgate triennial GRV update	✓		
4. Year-end reconciliations		✓	
5. Bank reconciliations – reconciling items		✓	
6. Accounting for lease incentives		✓	
7. Timing of rates receivable reconciliations		✓	
8. Untimely write-off of fixed assets		✓	
<b>Information system control findings identified</b>			
1. Database security	✓		
2. Privileged access management		✓	
3. Finance and payroll user access management		✓	
4. Email authentication		✓	
5. Human resource security – staff onboarding		✓	
6. Human resource security – disciplinary process		✓	
7. Vulnerability management		✓	
8. Classification of information		✓	
9. Finance and payroll system event monitoring		✓	
10. Incident and problem management		✓	
11. Business continuity plan testing		✓	
12. Corporate executive – terms of reference review			✓
13. Remove access controls			✓
14. IT asset register contents			✓
15. Information security policy contents			✓
16. Information risk management			✓
17. Human resource security – cessation process			✓
18. Data centre management			✓
19. Unauthorised device connectivity			✓

As the Executive Manager Information and Communications Technology had to leave at 4.30pm, the Acting Presiding Member brought Items 5.6 and 5.7 forward for discussion.

**5.6 OFFICE OF THE AUDITOR GENERAL - INFORMATION SYSTEMS AUDIT - LOCAL GOVERNMENT 2021-22**

**Attachments:** Nil

**RECOMMENDATION:**

**That the Audit Committee recommend to Council that it NOTES findings from Office of the Auditor General's Information Systems Audit Report – Local Government 2021-22 (published March 2023).**

**COMMITTEE DECISION ITEM 5.6**

**Moved: Mr Araj, Seconded: Mr Goy**

**That the recommendation be adopted.**

**CARRIED (6-0)**

**For:** Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

**Against:** Nil

**(Mr Manifis was an apology for the Meeting.)**

**NOTE:** Executive Manager Information and Communication Technology agreed to request additional overlays (regional, metro and tier) from the OAG and present to the next meeting.

**5.7 REVIEW OF THE CITY'S AUDIT LOG**

- Attachments:
1. Audit Log as at 27 April 2023 [↓](#)
  2. Audit Log as at 27 April 2023 - Confidential

**RECOMMENDATION:**

That the Audit Committee recommends to Council that it:

1. NOTES the status of the City's Audit Log at Attachment 1; and
2. APPROVES proposed completion dates as specified at Attachment 1.

**COMMITTEE DECISION ITEM 5.7**

**Moved: Mr Goy, Seconded: Mr Araj**

That the recommendation be adopted.

**CARRIED (6-0)**

**For:** Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

**Against:** Nil

**(Mr Manifis was an apology for the Meeting.)**

**NOTE:** Administration agreed to invite Executive Manager Human Resources to the next Audit Committee meeting to provide an update on the electronic timesheet project and delivery date.

At 4.43pm Executive Manager Information and Communication Technology left the meeting and did not return.



# AUDIT LOG



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# AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<b>Stanton Reg 5 &amp; 17 Review</b>				
<p><b>EA:2020/12 (8) Manual Timesheet</b>  <b>Stanton Reg 5 &amp; 17 Review – Manual Timesheet</b></p>		December 2021	Partially completed: Beatty Park are now partially using mobile application for rostering and time-sheeting. Further rollout subject to Beatty Park change management resourcing.	March-2022
<p><b>Finding</b>                      The City uses manual timesheets, predominately for those employees who work in the depot and recreational leisure centre.</p>	<p><b>Management Comment</b>  <i>The City requires a robust online time-sheeting system which is fit for purpose of a casual workforce (i.e. Beatty Park) that is flexible, easy to use and aligned to the relevant cost centres and employment.</i></p>		<p>In progress: for Depot staff with mobile application AND job costing requirements for time-sheeting, two solutions are being reviewed:</p> <ol style="list-style-type: none"> <li>1. The City will help Civica test their new mobile time-sheeting (currently in development) in early 2022.</li> <li>2. A CRM-based approach where jobs are electronically work-flowed to staff who can then update and complete the job using a mobile application.</li> </ol>	
<p><b>Recommendation</b>                      The use of manual timesheets should be eliminated, it is worth noting that the City has already noted this as a finding within their own audit log.</p>	<p><i>Administration has determined that Civica’s online time-sheeting module will be suitable for the City. The module however can only be implemented once work orders are activated as part of the Chart of Accounts project scheduled for completion in July 2021. Online time-sheeting will have a mobile option as well. The scoping of this project will be requested to commence in March next year with implementation in December 2021.</i></p>			
<p><b>Recommendation</b></p>				
<p><b>Risk Rating (prior to controls)</b>                      Moderate</p>			<p><b>March 2022</b>                      No further progress. Resources have not been available to progress the Beatty Park roll-out; Civica have not completed their new mobile time-sheet. CRM project in early phases.</p>	
<p><b>Risk Rating (with current controls)</b>                      Minor</p>			<p><b>May 2022</b>                      No update.</p>	
<p><b>Responsible Officer:</b>                      Executive Manager Human Resources and Executive Manager Information and Communication Technology</p>			<p><b>July 2022</b>                      Ongoing HR team challenges have impacted attempts to resource this initiative. The HR/IT plan is now to:</p> <ol style="list-style-type: none"> <li>1. Prepare a change management plan in November &amp; December</li> <li>2. Implement in January &amp; February 2023</li> </ol>	<p><del>Estimated August 2022</del></p>
			<p><b>November 2022</b>                      In line with WA Government announcement (1st November 2022) that all WA Local Governments will transition to the State IR Legislation effective 1st January 2023, the City is now procuring a timesheet solution to meet legislative requirements. An electronic system will initially be rolled out to administrative staff, followed by transition of other teams using manual timesheets (Rangers, Depot field staff, Beatty Park). The City is aiming for go-live in January 2023.</p>	<p>February-2023</p>
			<p><b>February 2023</b>                      Go-live delayed while extensive testing continues to ensure smooth rollout to staff and future application to field-based staff. Final technical changes being made for late February 2023 release.</p>	<p>January-2023</p>
			<p><b>April 2023</b>                      Timesheet functionality considered too basic for effective go-live. Additional functionality requires Payroll integration works to ensure workflow approvals, flexi leave management and job costing details for field staff. HR progressing this work.</p>	<p>February-2023</p>
				<p>August 2023</p>



# AUDIT LOG

Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<b>Office of the Auditor Financial Audit for 2021/22</b>				
<p><b>EA: 2022/12 (1) Fair value of Infrastructure Assets – Frequency of Valuations</b>  <b>Office of the Auditor Financial Audit for 2021/22</b></p>	<p><b>Management Comment</b>  <i>Management performed a high-level review of the infrastructure asset carrying values as at 30 June 2022 to assess if these values were materially correct.</i></p>	<p><b>June 2023</b></p>		<p><b>June 2023</b></p>
<p><b>Finding</b>                      The City has performed an assessment to determine whether its infrastructure assets represent fair value.</p> <p>Management performed a high-level desktop assessment of its infrastructure assets as a whole and not across each sub-category of the infrastructure asset class. This assessment relied on the City's internal assessment by management of the current market conditions. This review indicated there were no significant movement or impact on its infrastructure assets relevant to 30 June 2022.</p>	<p><i>The City did not conduct an external valuation of these assets during 2021-22 as in line with Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996, the 5-year detailed external valuation of infrastructure assets has been budgeted and due to be conducted in 2022-23. After the detail valuation has been performed in 2022-23, the City will be able to conduct more robust internal assessments moving forward.</i></p>			
<p><b>Rating: Significant</b></p>				
<p><b>Implication</b>                      Without a robust assessment of fair value of the City's Infrastructure Assets there is a risk that the fair value of infrastructure assets may not have been assessed adequately and in compliance with AASB 13 Fair Value Measurement, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).</p>	<p><i>Management notes the OAG's recommendation but does not agree with the rating of this finding as if no internal assessment of carrying values were performed, the rating would still be the same.</i></p>			
<p><b>Recommendation</b>                      The City should consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of Infrastructure Assets. Where indicators exist a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Movements. This process is to ensure that the LG Entity's infrastructure assets are recorded at fair value in compliance with AASB 13 Fair Value Measurement and the Regulations.</p>				
<p>This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets are likely to have been impacted to any significant / material extent from the prior year. Where a fair value assessment has been performed internally the LG entity may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.</p>				



# AUDIT LOG

Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
Office of the Auditor General Information Systems Audit for 2021/22	<p><b>Management Comment:</b>  <i>The City accepts this finding.</i></p> <ul style="list-style-type: none"> <li>a. <i>Domain administrator accounts have been reviewed: 12 are system accounts. 3 are staff accounts. 9 are contractors. 2 are now disabled. Changes are now being planned to reduce the permission levels of system and contractor accounts to their minimum requirements.</i></li> <li>b. <i>City ICT officers require administrative access to the finance application. No ICT officer has a financial approval role. ICT officers will be provisioned new administrative accounts to mitigate any risk per the OAG finding.</i></li> <li>c. <i>The City will be introducing Privileged Access Manager in 2023. This will be used to limit and control administrative sessions required by the application vendor.</i></li> </ul>	May 2023	February 2023	May 2023
<p>EA: 2022/12 (3) Privileged Access Management                      Office of the Auditor General Information Systems Audit for 2021/22</p> <p><b>Finding</b>                      We found there is no formal process in place for granting, revoking and reviewing privileged access to ICT systems. Our testing identified:</p> <ul style="list-style-type: none"> <li>• A high number of domain administrator accounts (26) including 10 contractors.</li> <li>• All City ICT officers (3) have been granted administrator access to the finance application. Additionally, these users do not use separate day-to-day accounts to perform their normal duties.</li> <li>• The finance application vendor has ongoing full administrator access.</li> </ul> <p><b>Rating: Moderate</b></p> <p><b>Implication</b>                      Without appropriate management of privileged access there is an increased risk that unauthorised or unintentional modifications of information and financial systems will occur. This could impact the confidentiality, integrity, and availability of the City's information.</p> <p><b>Recommendation</b>                      The City should:</p> <ul style="list-style-type: none"> <li>• develop a formal process for granting, revoking, and reviewing privileged access</li> <li>• only assign high level privileges to individuals that require them to perform their role based on the principle of 'least privilege'</li> <li>• enforce the use of separate accounts for administrator activities across all applications</li> <li>• implement, where appropriate, just-in-time access controls for external vendors that need to access City's systems.</li> </ul>		December 2022	<ul style="list-style-type: none"> <li>a. Complete</li> <li>b. Admin accounts are now used for privileged access to Authority. Staff accounts do not have privileged roles.</li> <li>c. No further progress.</li> </ul>	Completed
			April 2023	<ul style="list-style-type: none"> <li>• Privileged Identity Management introduced for administrative roles</li> </ul>



# AUDIT LOG

Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p><b>EA: 2022/12 (4) Finance And Payroll User Access Management</b>  <b>Office of the Auditor General Information Systems Audit for 2021/22</b></p> <p><b>Finding</b>                      We found that the City's user access management process for the finance and payroll application is not effective. We identified:</p> <ul style="list-style-type: none"> <li>17 terminated employees who still have access to the system. One of these employee's accounts was used to access finance and payroll system 2 weeks after their termination. We note that city has identified integrity issues with login date reporting that may have resulted in some of these exceptions and are working with its vendor to resolve the issue.</li> <li>Over 45 accounts that could did not belong to current employees.</li> <li>5 out of 12 sampled new employees on fixed term contracts did not have account end dates applied in the system.</li> <li>1 generic account without documented purpose that was created in 2012 but has never been used.</li> </ul> <p><b>Rating: Moderate</b></p> <p><b>Implication</b>                      There is an increased risk of unauthorised access if the accounts of individuals leaving the City are not disabled timely.</p> <p><b>Recommendation</b>                      To ensure only current and valid users are able to access the City's finance and payroll system, the user account management process should be improved. This process must ensure all user accounts are immediately removed or disabled upon termination of employment or when an individual's engagement with the City ceases.</p>	<p><b>Management Comment:</b></p> <ul style="list-style-type: none"> <li>Terminated and contract staff cannot access the finance and payroll systems without an active network account. Staff access can be managed exclusively via Active Directory. The one account logged as accessing the system after their termination date is in dispute. the City is waiting on further investigation from the application vendor.</li> <li>The City will continue to improve its processes in this space, in particular stronger electronic workflows between HR and ICT business teams for staff movements and terminations.</li> </ul>	<p>March 2023</p>	<p><b>February 2023</b></p> <ul style="list-style-type: none"> <li>On track</li> <li>Application vendor not able to provide further analysis of reporting anomaly.</li> <li>HR and ICT workflows being digitised for staff movements.</li> </ul> <p><b>April 2023</b></p> <ul style="list-style-type: none"> <li>Electronic processes between HR and IT for staff movements</li> </ul>	<p>March 2023</p> <p><b>Completed</b></p>



# AUDIT LOG

Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p><b>EA: 2022/12 (6) Human Resource Security – Staff Onboarding</b>  <b>Office of the Auditor General Information Systems Audit for 2021/22</b></p> <p><b>Finding</b>                      The City engages third-party contractors who perform privileged activities on the City's network and systems. We found that these third-party contractors sign an agreement with their organisation however, they do not sign an appropriate agreement with the City covering confidentiality/non-disclosure or the acceptable use of its IT assets. This agreement is used to confirm that individuals understand and accept the rules and their personal responsibilities when using the City's information systems and protecting confidentiality of information.</p> <p>In addition, there is no centralised record of individual contractors currently engaged by the City.</p> <p>Furthermore, we found that not all senior positions are required to undergo police or background checks.</p> <p><b>Rating: Moderate</b></p> <p><b>Implication</b>                      Without an appropriately signed agreement covering the acceptable use of IT, and confidentiality/non-disclosure for all third-party contractors accessing the City's information systems, there is an increased risk of inappropriate actions or misuse. This may impact the confidentiality, integrity, and availability of the City's information.</p> <p><b>Recommendation</b>                      The City should review its current process to ensure all relevant contracted individuals fully understand the rules and their personal responsibilities relating to the use of the City's information systems and confidentiality/non-disclosure. An appropriate statement should be signed by contractors to confirm they fully understand and agree to the IT acceptable use requirements and non-disclosure requirements. Suitable records of these signed statements must be maintained.</p> <p>The City should also establish a centralised register of all individual contractors engaged by the City.</p>	<p><b>Management Comment:</b>                      The City accepts this finding.</p> <ul style="list-style-type: none"> <li>• The City currently requires a 100 point identity check for all staff positions.</li> <li>• New processes will be introduced to:                             <ul style="list-style-type: none"> <li>○ Ensure contractors understand and agree to i) confidentiality/non-disclosure of City information and ii) acceptable use of City assets. This will include maintaining a register of acceptance from individual contractors</li> <li>○ Ensure senior positions are required to undergo police or background checks</li> </ul> </li> </ul>	<p><b>February 2023</b></p>	<p>HR are working towards the development of a Confidentiality/non-disclosure agreement ready for use by April 2023. A register of suppliers and their compliance will be maintained.</p> <p><b>April 2023</b></p> <ul style="list-style-type: none"> <li>• IT acceptable use agreement established for contractors</li> <li>• Contractor register established with contractors now being onboarded as part of operations.</li> </ul>	<p><b>April 2023</b></p> <p><b>Completed</b></p>



# AUDIT LOG

Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p><b>EA: 2022/12 (7) Human Resource Security – Disciplinary Process</b>  <b>Office of the Auditor General Information Systems Audit for 2021/22</b></p> <p><b>Finding</b>                      We found there is no documented process in place for disciplining staff or other relevant individuals who commit an information security breach.</p> <p>We acknowledge the City is in the early stages of reviewing their disciplinary process.</p> <p><b>Rating: Moderate</b></p> <p><b>Implication</b>                      Without a disciplinary process in place, there is a risk that information security breaches are not fairly managed and disincentivised.</p> <p><b>Recommendation</b>                      The City should establish a formal disciplinary process for staff or other relevant individuals who commit an information security breach.</p>	<p><b>Management Comment:</b>                      The City accepts this finding.</p> <ul style="list-style-type: none"> <li>Currently, the City advises staff via its Responsible Use of ICT Resources:  <i>Users are to abide by the City's Code of Conduct when using the City's ICT resources. Inappropriate use of IT Resources by users may lead to disciplinary action up to and including dismissal or legal action depending on the severity of the breach.</i></li> <li>The City will document a new process that provides clearer information to staff regarding inappropriate use and also how the City might assess severity.</li> </ul>	<p>March 2023</p>	<p>No further progress</p> <p><b>April 2023</b></p> <ul style="list-style-type: none"> <li>Disciplinary process added to the City's IT Security Policy and Responsible Use of Information and Communication Technology Resources ... the latter to be disseminated to all staff via HR and the onboarding process</li> </ul>	<p>March 2023</p> <p><b>Completed</b></p>

# AUDIT LOG



<i>Audit Details</i>	<i>Action</i>	<i>Approved Completion Date</i>	<i>Status</i>	<i>Proposed Completion Date</i>
<p><b>EA: 2022/12 (8) Corporate Executive – Terms Of Reference Review</b>  <b>Office of the Auditor Information Systems Audit for 2021/22</b></p> <p><b>Finding</b>                      We found that <i>Terms of Reference</i> for Corporate Executive that provides direction and oversight of City's ICT has not been reviewed since November 2019.</p> <p><b>Rating: Minor</b></p> <p><b>Implication</b>                      Without an appropriately approved and up-to-date terms of reference, there is an increased risk that IT resources (e.g., finance, systems and people) will not be aligned to the business strategy and priorities.</p> <p><b>Recommendation</b>                      The City should review and update terms of reference to ensure direction and oversight of ICT is adequate.</p>	<p><b>Management Comment:</b>  <i>The City accepts this finding.</i></p> <ul style="list-style-type: none"> <li><i>The Terms of Reference will be reviewed and updated in light of the City's current use of ICT.</i></li> </ul>	<p>February 2023</p>		<p>April 2023                      July 2023</p>





# AUDIT LOG

Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA: 2022/12 (9) Remote Access Controls Office of the Auditor General Information Systems Audit for 2021/22</p> <p>This has been added to the confidential register.</p>		April 2023		
<p>EA: 2022/12 (11) Information Security Policy Contents Office of the Auditor General Information Systems Audit for 2021/22</p> <p><b>Finding</b> The City has implemented a new information security policy, but the following key information security areas are not covered:</p> <ul style="list-style-type: none"> <li>System Audit Logging and Monitoring</li> <li>Wireless Network Management</li> <li>Connection of Unauthorised Devices.</li> </ul> <p>Furthermore, the following was identified around the management of Information Security Policies:</p> <ul style="list-style-type: none"> <li>There is no formal process in place to review information security policies</li> <li>There is no process in place to communicate changes to information security policies to staff.</li> </ul> <p>Additionally, we found that there is no Cyber Security Strategy in place at the City or is not part of the overall information security framework.</p> <p><b>Rating: Minor</b></p> <p><b>Implication</b> Without adequate policies and procedures, there is an increased risk that the City will not achieve its objectives for information security. Additionally, staff may not be aware of management expectations relating to security of information.</p> <p><b>Recommendation</b> The City should continue to work on the Information security policies to appropriately address all relevant areas of information security. Management should endorse the new policies and notify all employees and relevant stakeholders of updates. A Cyber Security Strategy should be developed or incorporated into the overall information security framework.</p>	<p><b>Management Comment:</b> <i>The City accepts this finding.</i></p> <ul style="list-style-type: none"> <li>Policy gaps will be reviewed and addressed as part of ongoing policy improvement processes.</li> <li>Elements from the City's existing IT Security Policy will be separated into a new Cyber Security Strategy so as to give the latter heightened visibility.</li> </ul>	February 2023	Partially closed. All policy gaps closed.	April 2023
		April 2023	<p><b>April 2023</b></p> <ul style="list-style-type: none"> <li>Process in place for review of Information Security policies and stakeholder communication</li> <li>Cyber Security outcomes now embedded into ICT Strategy House</li> </ul>	Completed



# AUDIT LOG

Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<b>ITEMS OUTSTANDING FROM PRIOR AUDITS</b>				
<p>EA: 2022/12 (12) Database Security Office of the Auditor General Information Systems Audit for 2021/22</p>				
<p>This has been added to the confidential register.</p>				
<p>EA: 2022/12 (13) Vulnerability Management Office of the Auditor General Information Systems Audit for 2021/22</p> <p><b>Update 2022</b> We reviewed vulnerability scans conducted by the City in July 2022 and found that of 158 devices discovered, 157 scans were performed without credential check, as a result not all vulnerabilities would be identified.</p> <p>We also performed vulnerability scans and identified:</p> <ul style="list-style-type: none"> <li>17 critical and 38 high severity vulnerabilities in total across 15 servers. 12 unique vulnerabilities have exploits available and patches released before 2018.</li> <li>7 critical and 11 high severity vulnerabilities in total across 3 sampled workstations. 9 unique vulnerabilities have patches released before 2018.</li> </ul> <p>These vulnerabilities are mostly due to unsupported versions and missing software updates for third-party product (Adobe, Java, Oracle).</p> <p>In addition, the City has not yet performed a penetration test, however, it is in the process to schedule this test.</p> <p>Furthermore, the City currently has 5 servers and 16 workstations with unsupported operating systems on the network. These include Windows Server 2003, Windows Server 2008 R2 Standard, Windows 10 Enterprise and Windows 10 Pro.</p> <p>We acknowledge that the City is conducting quarterly vulnerability scans and are working on resolving the configuration to enable effective identification of vulnerabilities. The City is still in the process of decommissioning Windows Server 2003 and 2008 servers.</p> <p><b>Finding 2021</b> The finding remains open as scans conducted as part of the audit identified:</p> <ul style="list-style-type: none"> <li>Unique 16 critical severity vulnerabilities which totals 48 across 15 servers</li> <li>Unique 56 high severity vulnerabilities which totals 152 across 15 servers</li> </ul> <p>These vulnerabilities relate to unsupported windows operating systems and vendor related vulnerabilities (i.e., Windows Server 2008, Oracle Java, Microsoft SQL Server).</p> <p>We acknowledge that the City has implemented vulnerability management process and are regularly conducting internal and external vulnerability assessments. We reviewed the internal vulnerability assessments completed in June 2021 and September 2021 and found that the majority of the workstations failed the scans due to misconfiguration, therefore not all vulnerabilities were detected.</p>	<p><b>Management Comment:</b></p> <ul style="list-style-type: none"> <li>The City accepts this finding, noting that it has made considerable effort to mature its processes in this space, however improvements still need to be made.</li> <li>The OAG finding includes servers that will soon be decommissioned.</li> <li>Quarterly vulnerability scans have been run since the previous OAG audit. Remediation actions have been prioritised accordingly. The process continues.</li> <li>A Group Policy change will be made to help improve the coverage of scans.</li> <li>An internal penetration test has been scheduled for early 2023.</li> </ul>	<p>May 2023</p>	<p>On track. Remediation actions in progress.</p> <p><b>April 2023</b> On track. Internal penetration testing being completed May 2023.</p>	<p>May 2023</p>

# AUDIT LOG



<i>Audit Details</i>	<i>Action</i>	<i>Approved Completion Date</i>	<i>Status</i>	<i>Proposed Completion Date</i>
<p><b>Rating: Moderate (2021: Moderate)</b></p> <p><b>Implication</b> Without having effective procedures for identifying, assessing, and addressing potential vulnerabilities within a timely manner, the system and/or data may not be adequately protected against potential threats. Failure to patch operating systems effectively and timely also exposes the City to similar threats. These vulnerabilities could be exploited and may result in unauthorised access to sensitive data or the loss of system operation.</p> <p><b>Recommendation</b> The City should continue to enhance its vulnerability management process and ensure software updates (patches) to fix known vulnerabilities, and operating system updates, are evaluated, tested and where appropriate, applied to systems within a timely manner.</p> <p>The City should increase the frequency of their vulnerability scans to align to their patching cycle, and errors reported in the scan should be reviewed and result to ensure their effectiveness.</p>				



# AUDIT LOG

Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p><b>EA: 2022/12 (14) Classification Of Information</b>  <b>Office of the Auditor General Information Systems Audit for 2021/22</b></p> <p><b>Update 2022</b>                      The finding remains open as the City has recently conducted an independent review of their information classification requirements and development of an information management system is in early stages.</p> <p><b>Finding 2020</b>                      We found that the City does not classify and secure information in terms of legal requirements, value, criticality and sensitivity of the information. A classification policy and guidelines are not in place to label and protect information based on its sensitivity.</p> <p><b>Rating: Moderate (2021: Moderate)</b></p> <p><b>Implication</b>                      Without protecting its information in line with its sensitivity, there is an increased risk that information will be misused. This could result in unauthorised access or disclosure of the City's information.</p> <p>Additionally, there is a risk that inappropriate levels of security will be applied to protect information that does not require it. This may result in wasted resources and increased costs.</p> <p><b>Recommendation</b>                      The City should continue to develop its information classification process to identify and assess the sensitivity and value of its information assets.</p>	<p><b>Management Comment:</b>                      The City accepts this finding.</p> <ul style="list-style-type: none"> <li>An independent review of the City's record-keeping and information classification requirements has been completed. A project to design and implement a solution that meets the modern needs of staff while also addressing these issues will commence in December 2023</li> </ul>	<p>June 2023</p>	<p>On track, currently being piloted by IT team. Classification in line with Federal standard and as being referenced by WA Government Information Classification Policy:</p> <ul style="list-style-type: none"> <li>Unofficial</li> <li>Official</li> <li>Official – Sensitive</li> </ul> <p><b>April 2023</b></p> <ul style="list-style-type: none"> <li>On track. Pilot extended to Directors and Managers for awareness pre-rollout to all staff.</li> </ul>	<p><b>June 2023</b></p>

# AUDIT LOG



<i>Audit Details</i>	<i>Action</i>	<i>Approved Completion Date</i>	<i>Status</i>	<i>Proposed Completion Date</i>
<p><b>EA: 2022/12 (15) Finance And Payroll System Event Monitoring</b>  <b>Office of the Auditor General Information Systems Audit for 2021/22</b></p> <p><b>Update 2022</b>                      This finding remains open as there is no process in place to manage the logging and monitoring of application.</p> <p><b>Finding 2020</b>                      We found that there are no formalised requirements for pro-active or regular review of event logs generated by key business application to identify unauthorised access or malicious activity.</p> <p><b>Rating: Moderate (2021: Moderate)</b></p> <p><b>Implication</b>                      Without effective pro-active monitoring of high-risk events, such as administration actions, there is an increased risk that any potential problems, trends, or ongoing attempts to compromise systems or data will not be detected.</p> <p><b>Recommendation</b>                      The City should continue to work towards an appropriate application event logging and monitoring process and capacity to report on inactivity and account creation dates.</p>	<p><b>Management Comment:</b>  <i>The City accepts this finding.</i></p> <ul style="list-style-type: none"> <li>• <i>New logging and monitoring processes will target:</i> <ul style="list-style-type: none"> <li>○ <i>Requestor/Approver separation for financial changes</i></li> <li>○ <i>Change of bank details</i></li> <li>○ <i>Unusual hours of activity</i></li> <li>○ <i>Unusual locations</i></li> <li>○ <i>Failed logins</i></li> <li>○ <i>Priv access activities – non-IT (CFO, HR) person to review</i></li> </ul> </li> </ul>	<p>February 2023</p>	<p>Behind schedule. Vendor consultant still being scheduled for support.</p> <p><b>April 2023</b></p> <ul style="list-style-type: none"> <li>• Still delayed by vendor consulting services. Expected to be completed May 2023.</li> </ul>	<p><b>April 2023</b>  <b>May 2023</b></p>



# AUDIT LOG

Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p><b>EA: 2022/12 (17) Business Continuity Plan – Testing</b>  <b>Office of the Auditor General Information Systems Audit for 2021/22</b></p> <p><b>Update 2022</b>                      This finding remains open, as the business continuity plan has not been tested during the audit period. Additionally, the business continuity plan does not have any approval details.</p> <p><b>Finding 2020</b>                      We found that appropriate tests of the business continuity plan (BCP) have not been undertaken. Due to the lack of testing, the effectiveness of the plans and the City’s ability to execute them is unknown.</p> <p><b>Rating: Moderate (2021: Moderate)</b></p> <p><b>Implication</b>                      Without appropriate testing of the BCP there is an increased risk that key business functions and processes may not operate as expected during a major incident. In addition, the key business functions may not be appropriately recover following a major incident. This is likely to impact business operations and the delivery of key services.</p> <p><b>Recommendation</b>                      The City should create a business continuity test schedule to ensure appropriate tests are regularly conducted to verify the effectiveness of the BCP. These tests should also verify that key staff are familiar with the plans and their specific roles and responsibilities in a disaster situation. The results of these tests should be recorded, and the relevant actions taken to improve the plan where necessary.</p>	<p><b>Management Comment:</b>  <i>The City accepts this finding.</i></p> <ul style="list-style-type: none"> <li>• <i>The City notes that its technical capability to recover data or operate from a failover/recovery site is operational.</i></li> <li>• <i>The City will review its BCP and workshop some scenarios for testing.</i></li> <li>• <i>Two “playbooks” with Executive tabletop sessions have now been commissioned:</i> <ul style="list-style-type: none"> <li>○ <i>Data breach</i></li> <li>○ <i>Ransomware</i></li> </ul> </li> </ul>	<p>March 2023</p>	<ul style="list-style-type: none"> <li>• BC failover site testing in February has identified several technical improvements to be made.</li> <li>• Scenarios and Playbooks delayed.</li> </ul> <p><b>April 2023</b></p> <ul style="list-style-type: none"> <li>• Back on track.</li> <li>• BC failover site successfully tested March 2023</li> </ul>	<p><b>May 2023</b></p>



# AUDIT LOG

Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p><b>EA: 2022/12 (20) Data Centre Management</b>  <b>Office of the Auditor General Information Systems Audit for 2021/22</b></p> <p><b>Update 2022</b>                      The finding remains open as the City still does not have an adequate process to manage data centre access. Our testing identified:</p> <ul style="list-style-type: none"> <li>• Third party/ Contractor access is not set to expire in line with their contract.</li> <li>• User access is not periodically reviewed to verify if their access is still appropriate</li> <li>• There was no humidity sensor in place to provide an early warning/detection if the room’s humidity exceeds maximum/minimum levels.</li> </ul> <p>We acknowledge that the City has enforced swipe card access and has recently implemented humidity controls as part of a broader data centre security upgrade that is in progress.</p> <p><b>Finding 2021</b>                      The finding remains open as the City does not have adequate policies or documented procedures defining responsibility for managing the primary data centre and access management processes.</p> <p>We found that the swipe card reader for primary data centre is not functional and there is no logbook to record access to the data centre.</p> <p>Additionally, we also found non-IT related hardware located in the data centre.</p> <p><b>Rating: Minor (2021: Minor)</b></p> <p><b>Implication</b>                      Without adequate protection against various physical and environmental threats there is an increased risk of unauthorised access, damage, and theft to the City’s IT systems. This may impact the confidentiality, integrity, and availability of the City’s information.</p> <p><b>Recommendation</b>                      The City should:</p> <ul style="list-style-type: none"> <li>• develop appropriate data centre access management policies and procedures</li> <li>• perform regular access reviews and remove inappropriate users in a timely manner. Records of the reviews should be retained.</li> <li>• Appropriate environmental controls and alerts are in place.</li> </ul>	<p><b>Management Comment:</b>  <i>The City accepts this finding.</i></p> <ul style="list-style-type: none"> <li>• <i>The City’s current building security access system does not provide the functionality necessary to meet all recommendations. A new solution has been procured and is currently being implemented as a cross-team project with Rangers.</i></li> </ul>	<p>March 2023</p>	<p>In progress, however contractor-led project not expected to complete until May 2023</p> <p><b>April 2023</b></p> <ul style="list-style-type: none"> <li>• Back on track.</li> <li>• Security model reviewed and approved with contractors. Cutover estimated late May or early June 2023.</li> </ul>	<p><b>May 2023</b></p>

# AUDIT LOG



<i>Audit Details</i>	<i>Action</i>	<i>Approved Completion Date</i>	<i>Status</i>	<i>Proposed Completion Date</i>
<p><b>EA: 2022/12 (21) Unauthorised Device Connectivity</b>  <b>Office of the Auditor General Information Systems Audit for 2021/22</b></p> <p><b>Update 2022</b>                      The City has implemented controls to prevent unauthorised devices from connecting to some physical network ports. However, our testing found that 2 out of 3 sampled networks ports did not prevent an unauthorised device from connecting to the City's network.</p> <p><b>Finding 2020</b>                      We found that the City does not have adequate controls in place to restrict the use of unauthorised devices on their network.</p> <p><b>Rating: Minor (2021: Moderate)</b></p> <p><b>Implication</b>                      Without appropriate controls in place to restrict the use of unauthorised devices on the network, there is an increased risk that they could be used to attack internal systems.</p> <p>Additionally, unauthorised devices that connect to the network could result in the spread of malware to the City's network.</p> <p><b>Recommendation</b>                      The City should ensure that current controls extend to all physical network ports.</p>	<p><b>Management Comment:</b>  <i>The City accepts this finding.</i></p> <ul style="list-style-type: none"> <li><i>Controls are now in place. An audit of all physical network ports has now been undertaken to remedy issues raised during the OAG audit.</i></li> </ul>	<p>November 2022</p>	<p>Completed</p>	<p>Completed</p> <p>November 2022</p>



**5.2 BUDGET PROCESS AND CARRY FORWARDS**

Attachments: 1. [Budget Presentation - Audit Committee 4 May 2023](#) ↓

**RECOMMENDATION:**

That the Audit Committee NOTES the information provided in this report at Attachment 1.

Chief Financial Officer presented on the Budget Process.

**COMMITTEE DECISION ITEM 5.2**

**Moved: Mr Araj, Seconded: Cr Gontaszewski**

That the recommendation be adopted.

**CARRIED (6-0)**

**For:** Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

**Against:** Nil

**(Mr Manifis was an apology for the Meeting.)**

**NOTE:** Committee requested that the Chief Financial Officer review other similar sized Local Governments to compare their budgeted vs actual opening surplus.



CITY OF VINCENT

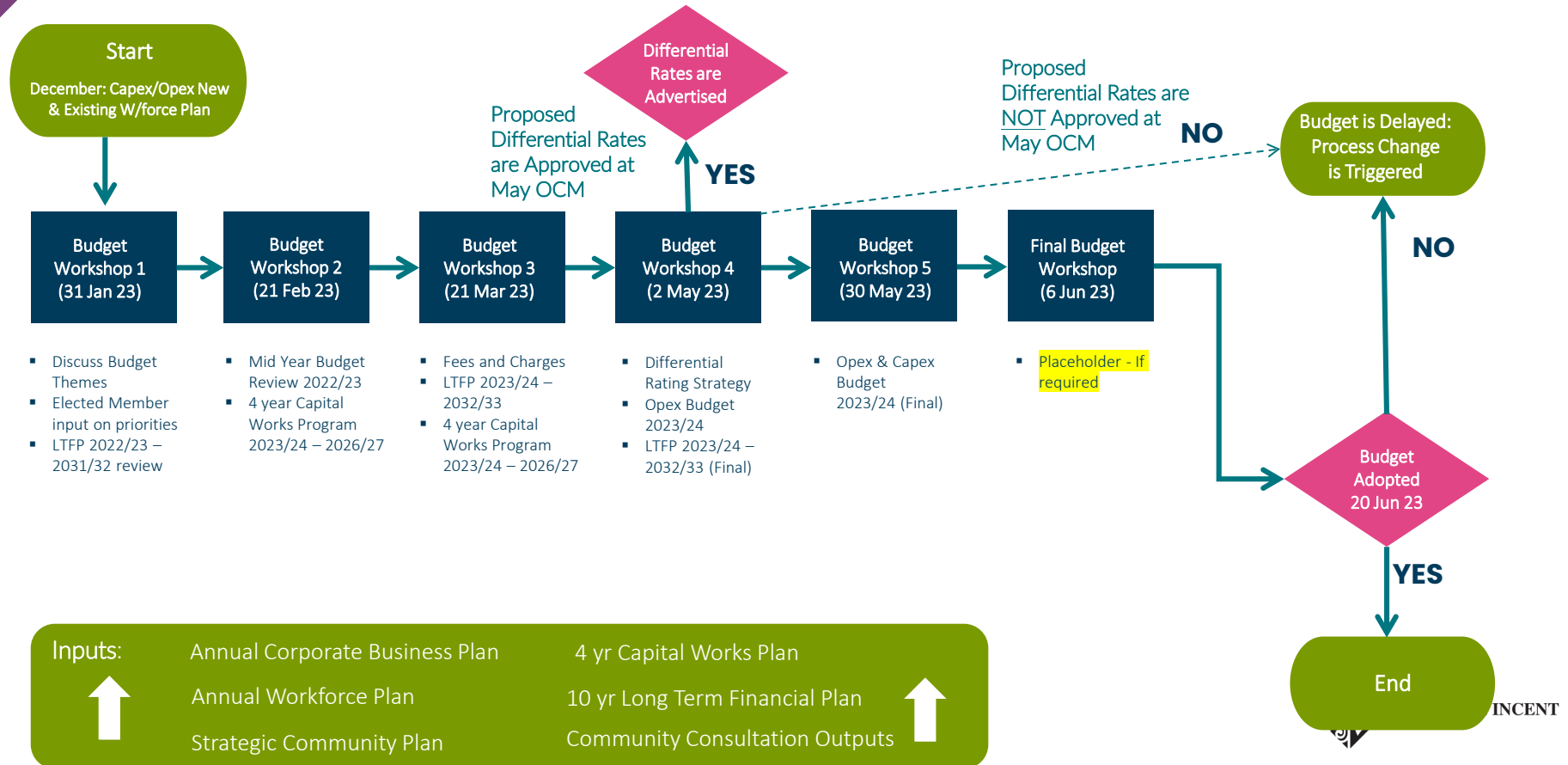
# Annual Budget Process 2023/24





CITY OF VINCENT

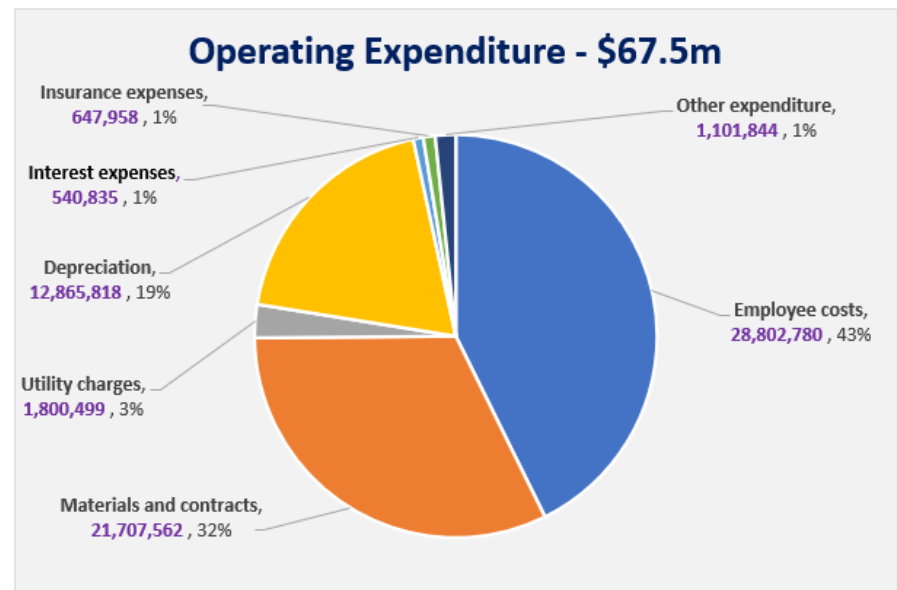
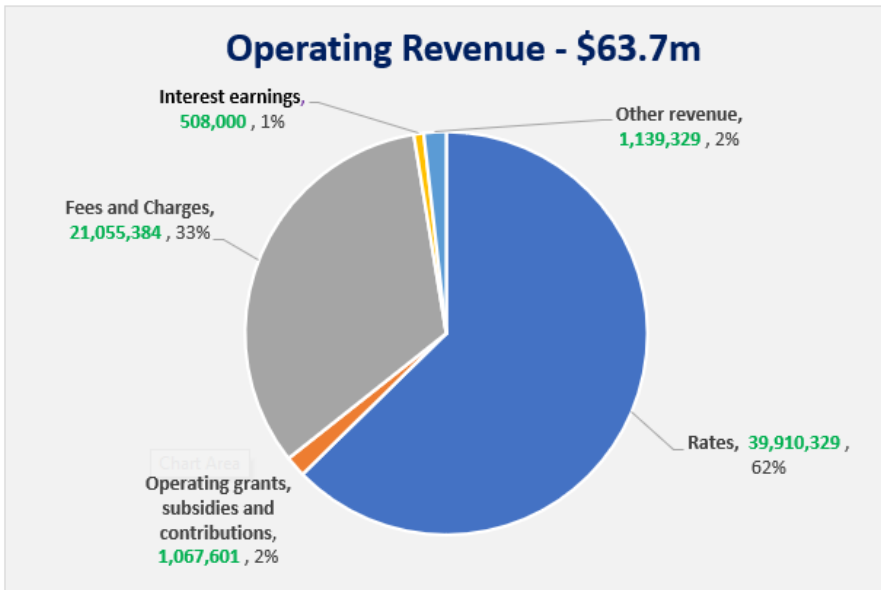
# Annual Budget Setting



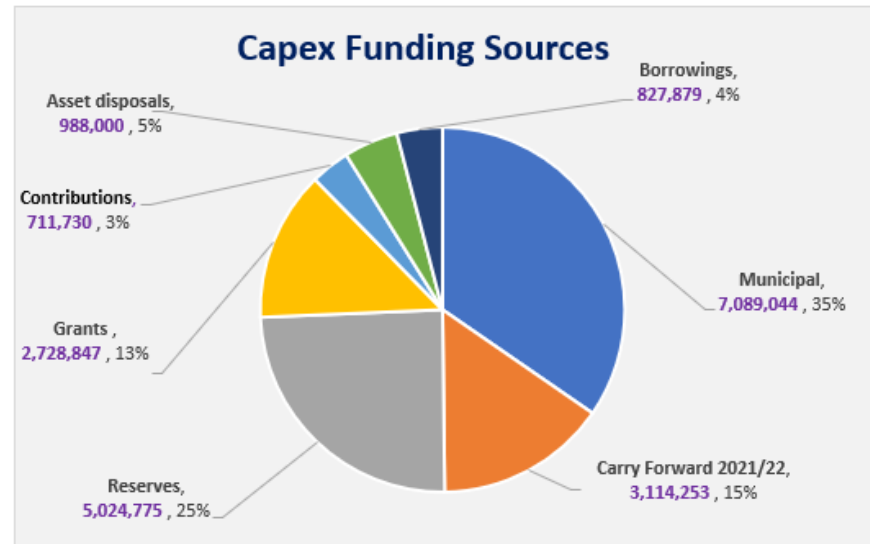
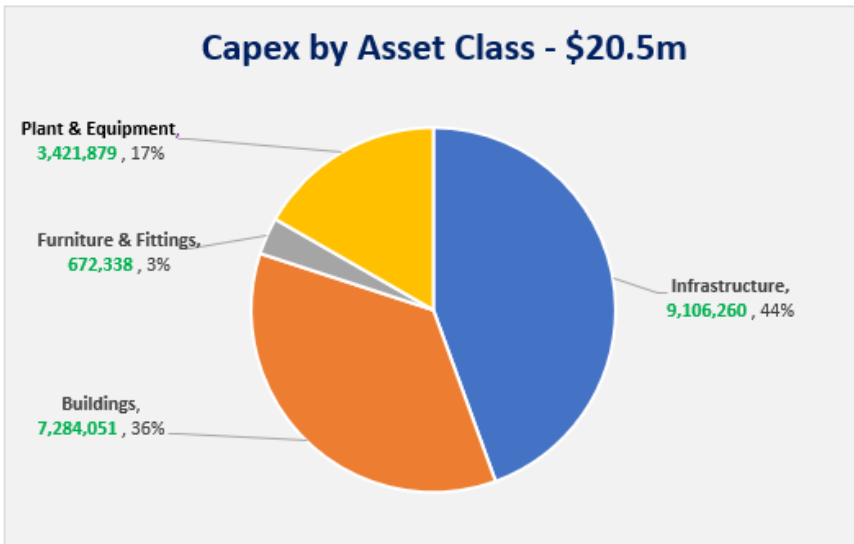
# Annual Budget 2022/23 Recap



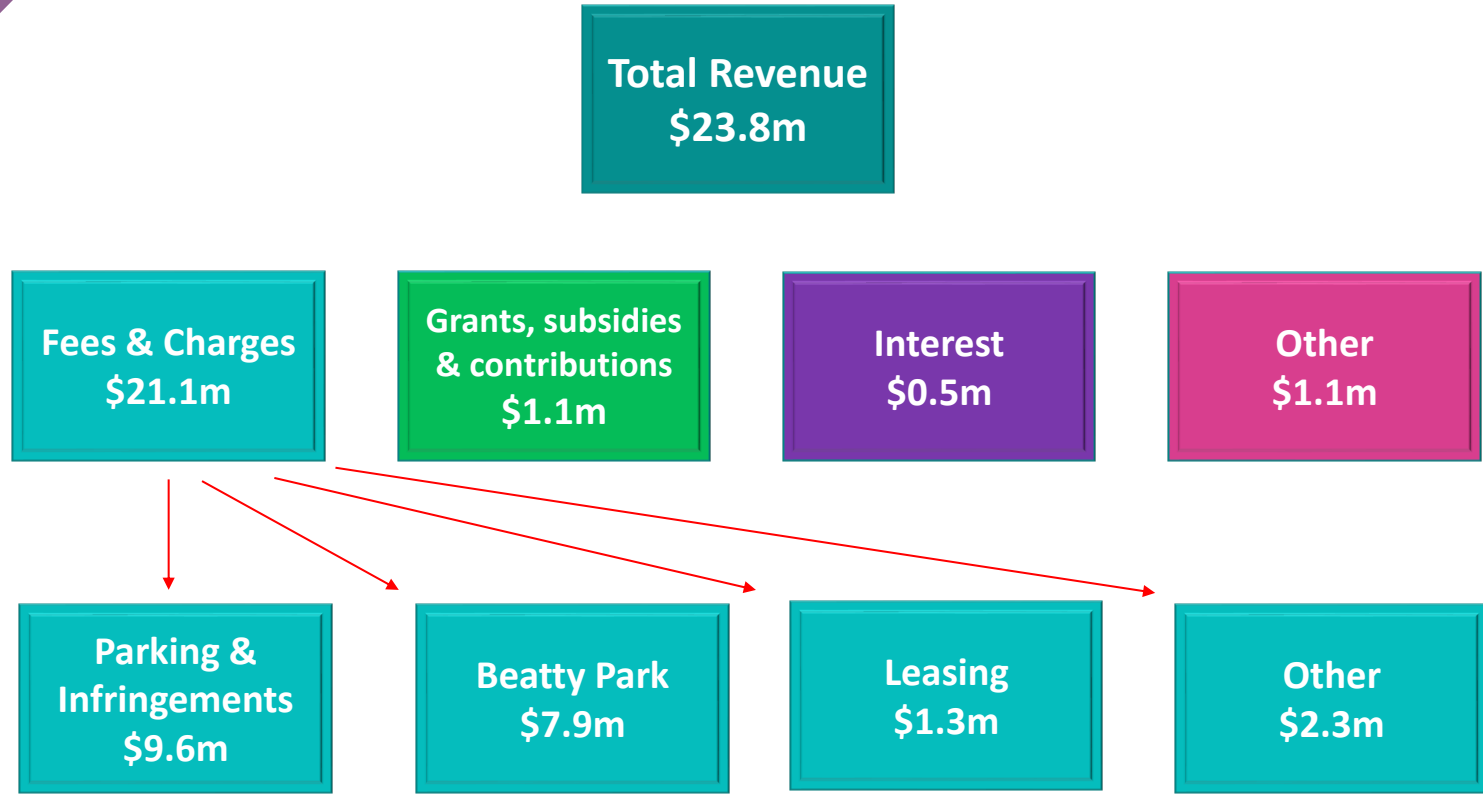
# Operating Result Budget 2022/23



# Capex Budget 2022/23



# Revenue Sources (excl Rates)



# Budget 2022/23 Overview

**What we Funded  
(\$58.5m)**

**Net Opex cost  
(\$30.8m)**

**Capex  
(\$20.5m)**

**Reserve Transfer  
(\$5.6m)**

**Loans & Leases  
(\$1.6m)**



CITY OF VINCENT



# Budget 2022/23 Overview

How we funded it  
\$58.6m

Rates  
\$39.9m

Opening Surplus  
\$5.7m

Reserves  
\$5.2m

Non-Operating  
Grants &  
Contributions  
\$3.4m

Proceeds from  
Disposal  
\$1.9m

TRPC  
Distributions  
\$1.7m

Loans  
\$0.8m

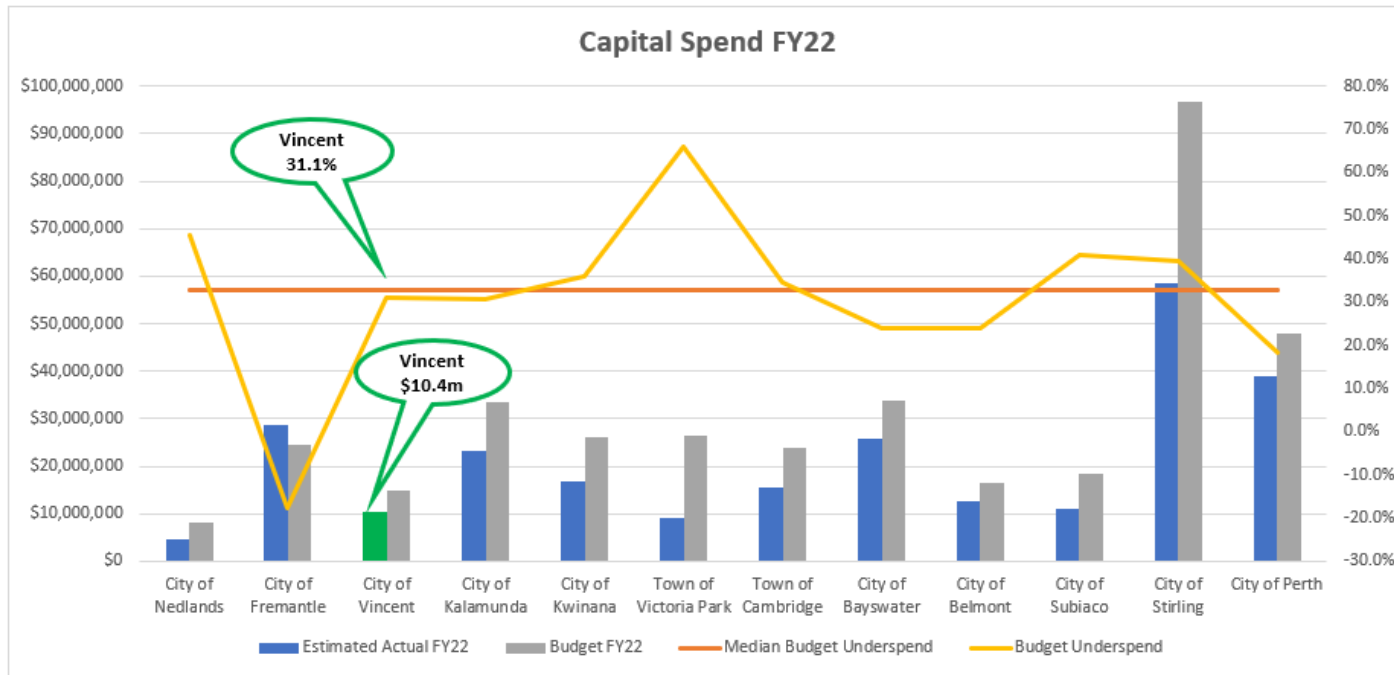


CITY OF VINCENT

# Budget 2022/23 Carry Forwards



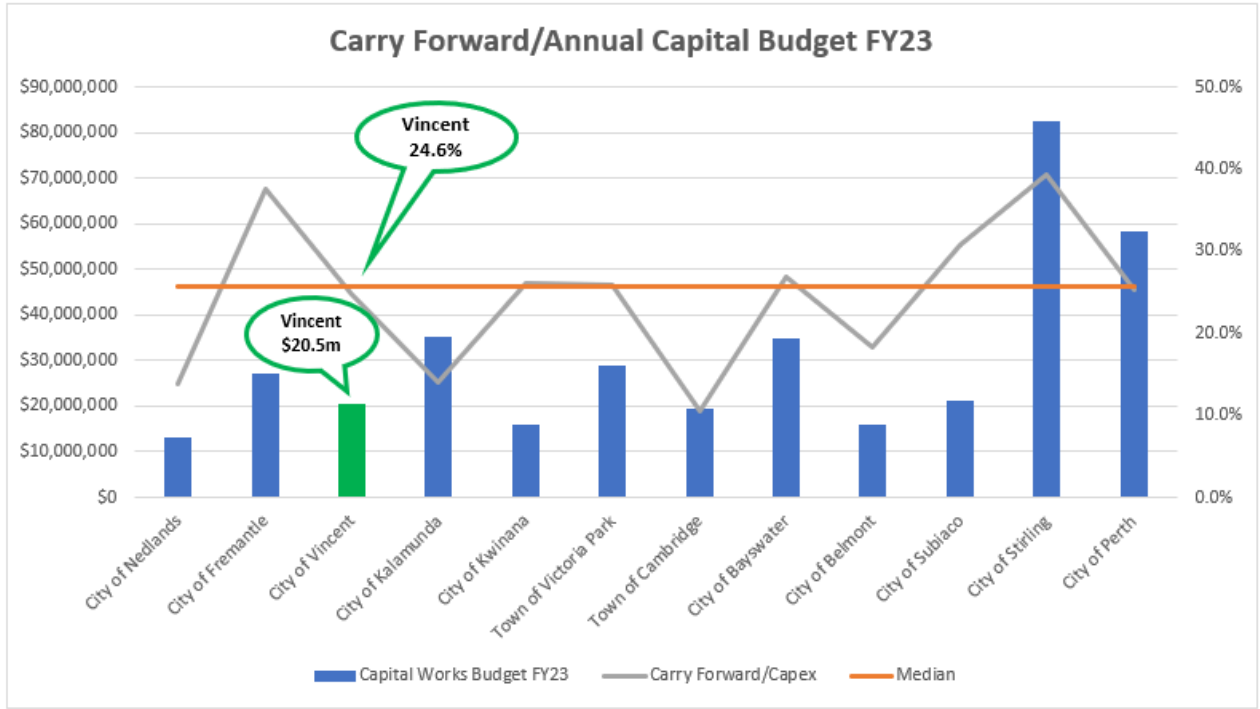
# Local Government Capital Spend



	FY22 Capital Underspend	Budget Underspend/Budget
Median	8,235,452	32.9%
Average	9,688,514	31.1%
Vincent	4,677,909	31.1%



# Local Government Carry Forwards



	FY23 Carry Forward	FY23 Original Capital Budget	Carry Forward/Budget
Median	5,804,846	24,325,166	25.6%
Average	8,494,147	31,149,689	24.4%
Vincent	5,045,917	20,484,528	24.6%



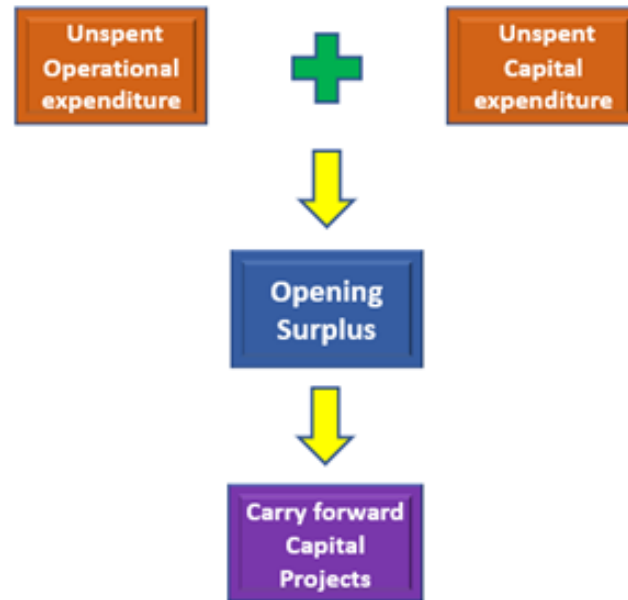
# Project Cycle

## How do I run a Project at the City of Vincent?

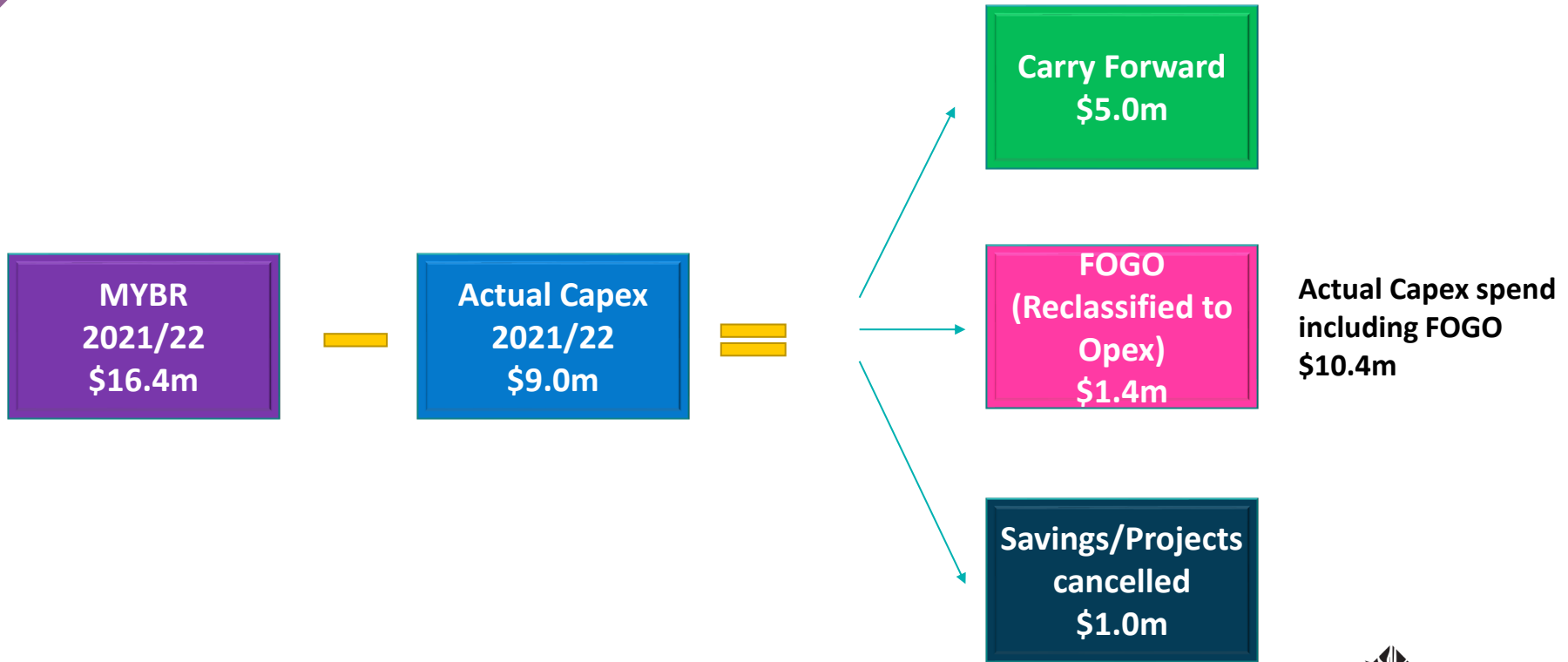
The City uses the following framework to govern and complete projects.



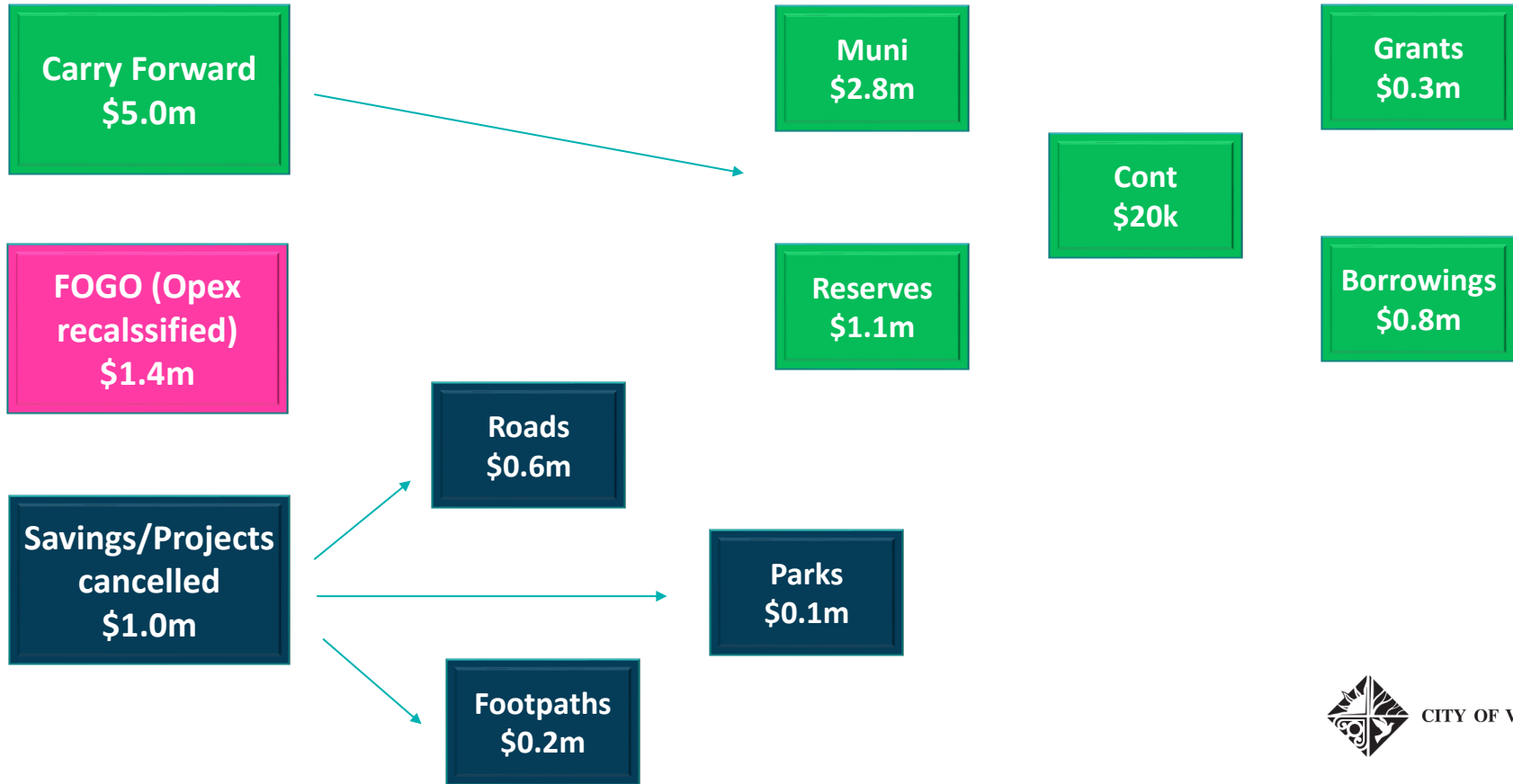
# Carry Forwards



# Carry Forward 2021/22



# Carry Forward 2021/22





# Carry Forward 2021/22

	Carry Forward 2021/22	Extrapolated 8 Years into the future
Muni	\$2.8m	~\$22.2m
Reserves	\$1.1m	~\$8.8m
Grants	\$0.3m	~\$2.6m
Contributions	\$20k	~\$0.2m
Borrowings	\$0.8m	~\$6.6m
<b>Total</b>	<b>\$5.0m</b>	<b>~\$40.4m</b>
Savings/cancelled projects	\$1.0m	~\$8.0m
<b>Total</b>	<b>\$6.0m</b>	<b>~\$48.4m</b>

- Rated previously so ratepayers not charged again
- Funds not transferred from reserves in original budget year
- Grants not received in original budget year
- Contributions not received in original budget year
- Funds not borrowing in original budget year
- Muni portion of savings/cancelled projects transferred to opening surplus to reduce rate increase in the following year



The Acting Presiding brought this item forward for discussion.

**5.4 AUDIT COMMITTEE - FORWARD AGENDA 2023**

**Attachments:** 1. **Audit Committee Forward Agenda 2023** [↓](#)

**RECOMMENDATION:**

**That the Audit Committee recommends to Council that it NOTES the Audit Committee Forward Agenda at Attachment 1.**

**COMMITTEE DECISION ITEM 5.4**

**Moved: Mr Goy, Seconded: Mr Araj**

**That the recommendation be adopted.**

**CARRIED (6-0)**

**For:** Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

**Against:** Nil

**(Mr Manifis was an apology for the Meeting.)**

## Audit Committee Forward Agenda 2023

Standing Items	February (no meeting scheduled)	2 March 2023
<ul style="list-style-type: none"> <li>Review and update of Audit Committee Forward Agenda 2023</li> <li>Review status of pending action items from the last meeting</li> <li>Review audit log - internal &amp; external audit recommendations</li> <li>Review of the internal audit activities, progress against plan, and internal audit reports issued during the period</li> <li>Review of the City's Corporate Risk Register</li> <li>Review the status of any fraud investigation reports</li> <li>Briefing by CAE on performance audits or OAG reports carried out for the state government or other LGAs along with any action plans put in place by the City</li> </ul>		<ul style="list-style-type: none"> <li>Consideration of Audit Committee Forward Agenda 2023</li> <li>Fraud and Corruption Plan – Annual Review</li> <li>Local Government Statutory Compliance Audit Return 2022 – Annual Review</li> <li>Refresher by CAE on Local Government Act 1995 and key legislation impacting the City.</li> <li>Briefing by CEO on the City's Strategy, progress of key initiatives, and external events impacting the City (e.g., new regulation, macro-economic factors, etc.)</li> </ul> <p>Note: Reports and recommendations to <b>14 March 2023 OMC</b></p>
April (no meeting scheduled)	4 May 2023	29 June 2023
	<ul style="list-style-type: none"> <li>Training and professional development session determined by Committee Chair</li> <li>Review the Audit Committee Terms of Reference</li> <li>Review and recommend to the Council any changes to the proposed annual Internal Audit Plan (6 months prior to the initial review).</li> </ul> <p>Note: Reports and recommendations to <b>20 June 2023 OMC</b></p>	<ul style="list-style-type: none"> <li>Meet privately with the external auditor (OAG) without management present to discuss any matters deemed appropriate</li> <li>Entry Meeting - OAG</li> <li>Meet privately (without management present) with the CAE to discuss any matters deemed appropriate.</li> <li>Meet privately with the internal audit service provider every six months.</li> </ul> <p>Note: Reports and recommendations to <b>25 July 2023 OMC</b></p>
July (no meeting scheduled)	10 August 2023	September (no meeting scheduled)
	<ul style="list-style-type: none"> <li>Recommend to the Council the proposed annual Internal Audit Plan along with aspects of coordination with the external auditor's plan and those of other assurance providers.</li> <li>Evaluate the performance of the internal audit service provider and CAE</li> <li>Review and recommend changes (if any) to the internal audit charter.</li> <li>Review of business risk reports issued by management including corresponding action plans</li> <li>Briefing by CEO on the City's Strategy, progress of key initiatives, and external events impacting the City (e.g., new regulation, macro-economic factors, etc.)</li> </ul> <p>Note: Reports and recommendations to <b>19 September 2023 OMC</b></p>	
5 October 2023	30 November 2023	December (no meeting scheduled)
<ul style="list-style-type: none"> <li>Annual financial report for year end 30 June 2023 – draft annual financials</li> <li>Briefing by CFO of significant accounting policies and significant judgements made in preparing the financial statements.</li> <li>Review the OAG's audit plan including view of significant accounts and fraud risk.</li> <li>Annual acknowledgement of the City's Code of conduct, evaluation of member independence &amp; committee performance.</li> <li>Commence EOI for external Committee Members.</li> <li>Review risk management processes and activities (including Risk Mgmt. Policy and Appetite Statements)</li> <li>Review the City's response to the Public Sector Commission Integrity Survey</li> <li>Review adequacy of procedures for the confidential, anonymous submission by employees regarding possible fraud or irregularities</li> </ul> <p>Note: Reports and recommendations to <b>21 November 2023</b></p>	<ul style="list-style-type: none"> <li>Exit Meeting - OAG</li> <li>Meet privately (without management present) with the CAE to discuss any matters deemed appropriate. Meet privately with the internal audit service provider every six months.</li> <li>Briefing by CEO on the City's Strategy, progress of key initiatives, and external events impacting the City (e.g., new regulation, macro-economic factors, etc.)</li> </ul> <p>Note: Reports and recommendations to <b>12 December 2023</b></p>	

**CATEGORIES:**

1. Committee Operations
2. Financial Reporting & External Audit (OAG)
3. Internal Audit Activities
4. Risk Management & Internal Control
5. Ethics and Compliance
6. Other Matters

**5.5 REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCE**

Attachments: 1. **Audit Committee Terms of Reference - marked up** [↓](#)

**RECOMMENDATION:**

That the Audit Committee recommends to Council that it:

1. **APPROVES** the amendments to the Audit Committee Terms of Reference as at Attachment 1; and
2. **APPROVES BY ABSOLUTE MAJORITY** the appointment of the following external independent members to the City's Audit Committee for the term 21 October 2023 to 31 December 2023:
  - **Mr George Araj**
  - **Mr Olaf Goy**
  - **Mr Conley Manifis**

**DEFERRED**

**Moved: Mr Araj, Seconded: Mr Ioppolo**

That the motion be deferred to the next meeting so that the following changes can be made:

- **Suggested adjustments previously provided from Mr Araj in relation to Forward Agenda can be incorporated in the report; and**
- **Consideration as to whether the Committee be renamed the Audit and Risk Committee.**

**CARRIED (6-0)**

**For:** Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

**Against:** Nil

**(Mr Manifis was an apology for the Meeting.)**

**NOTE:** Chief Audit Officer to include information regarding the change of name and whether this is consistent with approach of other Local governments in the Officer's recommendation at the next meeting.

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# AUDIT COMMITTEE

## TERMS OF REFERENCE

### 1. OBJECTIVES

The Audit Committee (**Committee**) provides independent advice and assurance to Council over the City of Vincent's (**City's**) risk management, internal controls, legislative compliance and financial management.

### 2. POWERS

- The role of the Committee is prescribed by the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996*.
- The Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its terms of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government.
- The Committee is a formally appointed committee of the Council and is responsible to the Council.
- The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility.
- The Committee does not have any management functions and cannot involve itself in management processes or procedures.

### 3. MEMBERSHIP

- The committee shall comprise up to seven members, consisting of :
  - Up to three external independent members; and
  - Council Members from the City.
- External independent members will be selected based on the following criteria:
  - A demonstrated high level of expertise and knowledge in financial management, reporting, governance and audit;
  - Relevant skills and experience in providing independent expert advice; and
  - They must be a resident or property owner within the City of Vincent.
- An external independent member will be a person with no operating responsibilities with the City, nor will that person provide paid services to the City either directly or indirectly.
- Appointments of external independent persons will be made following a public advertisement. The evaluation of potential members will be reviewed by the CEO and appointments will be approved by Council.
- Council may terminate the appointment any member prior to the expiry of his/her term, if:
  - The Chairperson considers that the member is not making a positive contribution to the committee; or
  - The member is found to be in breach of the City's Code of Conduct or a serious contravention of the *Local Government Act 1995*; or
  - A member's conduct, action or comments brings the City of Vincent into disrepute.
- New members are to comply with the induction checklist at Attachment 1.
- The CEO will appoint a Chief Audit Executive (**CAE**) to be responsible for internal audit and communication with the Audit Committee. The CAE must be independent of management of the financial functions. The CAE is not a member of the Audit Committee. The CAE has the following functions:
  - Communicates with the Audit Committee
  - Manages the induction of new members and any training during the membership term;
  - Finalises the meeting agendas in consultation with the Chair;
  - Oversees the internal audit program and provides updates to the Audit Committee;
  - Prepares a forward agenda for the Audit Committee meetings each year; and
  - Provides updates on any external or performance audits or emerging issues.

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- The CAE, CEO and any other staff as directed by the CAE will attend meetings to provide advice and guidance to the committee, however the CAE, CEO and any other staff are not members of the Committee.
  - The City shall provide secretarial and administrative support to the Committee.
  - Membership of Council Members shall be for a period of up to two years terminating on the day of the Ordinary Council elections.
  - Membership of Independent Members shall be for a period of up to two years terminating 31 December following each Ordinary Council election.
  - Members will be eligible for reappointment.
  - Members will be entitled to receive reimbursement of reasonable expenses.
  - Members will be provided with appropriate training and professional development to be determined by the committee and provided that adequate funds are available in the Council budget for this purpose.

#### 4. CHAIRPERSON

- The position of Chairperson shall be appointed by a vote of the committee following a call for nominations for the position;
- The Chairperson shall be appointed for a period of not more than 12 months, after which a new process of appointment shall occur;
- A Chairperson may be reappointed; and
- The Chairperson shall not be the Mayor.

#### 5. MEETINGS

- The Committee shall meet approximately every two months and more regularly as required at the discretion of the Chairperson.
- An annual forward agenda will be prepared and approved by the Committee each year to govern the matters to be discussed at each meeting.
- The agenda for each meeting will be finalised by the CAE in consultation with the Chair.
- The agenda for each meeting will be provided to the Committee members one week prior to the meeting.
- A quorum will consist of a simple majority of committee members and will include at least one external member. The quorum must be in place at all times during the meeting.

#### 6. REPORTING

- Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.

#### 7. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee will be:

- provide guidance and assistance to Council as to the carrying out of the functions of the local government in relation to audits.
- meet with the auditor at least once in each year, prior to the auditor meeting with Council in accordance with section 7.12(A)(2) of the *Local Government Act 1995*, to ensure that:
  - the auditor is supported in carrying out his or her other duties under the *Local Government Act 1995*
  - the audit is conducted successfully and expeditiously.
- examine the reports of the auditor after receiving a report from the CEO on the matters and:
  - determine if any matters raised require action to be taken by the local government; and
  - ensure that appropriate action is taken in respect of those matters.
- review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or six months after the last report prepared by the auditor is received, whichever is the latest in time.
- monitor and advise the CEO on the scope of the internal audit plan and program and its

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effectiveness.

- review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO.
- review the level of resources allocated to internal audit and the scope of its authority.
- review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised.
- facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
- review the local government's draft annual financial report, focusing on:
  - accounting policies and practices;
  - changes to accounting policies and practices;
  - the process used in making significant accounting estimates;
  - significant adjustments to the financial report (if any) arising from the audit process;
  - compliance with accounting standards and other reporting requirements; and
  - significant variances from prior years.
- consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed.
- address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference.
- seek information or obtain expert advice through the CAE on matters of concern within the scope of the committee's terms of reference.
- review the annual Compliance Audit Return and report to the Council the results of that review.
- to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under *Local Government (Audit) Regulations 1996* regulation 17(1) and the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- oversee the implementation of any action arising from an audit that the City is required to take; or has stated it has taken or intends to take; or has accepted should be taken.

## 8. DELEGATED AUTHORITY

In accordance with section 7.1B of the *Local Government Act 1995*, the only powers and duties that can be delegated to a committee are any of the powers and duties of the local government under Part 7 of the Act; that is, those relating to audit. The Committee cannot on-delegate the powers and duties delegated to it. Council has not delegated any of its powers or duties to the Audit Committee.

## 9. BI-ANNUAL REVIEW OF THE AUDIT COMMITTEE TERMS OF REFERENCE

The audit committee will ensure that this Terms of Reference complies with relevant legislative and regulatory requirements and will propose amendments when necessary to ensure that it accurately reflects the committee's current role and responsibilities.

The audit committee will review this Terms of Reference bi-annually at the first meeting of the calendar year, following each ordinary local government election, to align with the appointment of new audit committee members.

## ANNEXURE 1: AUDIT COMMITTEE MEMBER INDUCTION CHECKLIST

Activity	Completed
<b>Authority, composition and meetings</b>	
Meet with all members of the City's Executive Management Team.	
Read and understand the Audit Committee Terms of Reference	
Read the audit committee minutes for the last 2 years.	
Review the Audit Committee Forward Agenda	
<b>External reporting</b>	
Read and understand the City's summary of significant accounting policies and significant judgements made in preparing the financial statements	
Read and understand the City's legislative compliance requirements, as set out in the City's Compliance Calendar and reported in the Compliance Audit Return (CAR)	
Read the financial reports and any associated non-financial disclosures for the past 3 years	
<b>External Audit</b>	
Meet with senior members of the external auditor's audit team at the entrance meeting (May)	
Read and understand the external auditor's findings and recommendations, and management's response for the last 3 years. This includes any OAG performance audits.	
<b>Internal audit</b>	
Meet with the Chief Audit Executive (head of internal audit) and internal auditors (firm engaged for the internal audit, if applicable)	
Review the City's internal audit plan	
Read and understand the City's Audit Log	
Read and understand the process for coordinating the planned activities of internal audit and the OAG, and risk and compliance management, including the reg 17 review	
<b>System of internal control and risk management</b>	
Read and understand the City's risk management framework, including the risk management policy and risk appetite and tolerance statements	
Read and understand the City's processes for identifying and managing material risks including business, financial, legal and compliance risks, including the reporting process via the Corporate Calendar	
Read any reports on suspected, alleged and actual frauds, thefts and material breaches of laws for the last 3 years.	
<b>Compliance and ethics</b>	
Read and understand the entity's processes for managing complaints and public interest disclosures.	
Attend a briefing or training on public sector probity and accountability requirements, including ethical considerations.	
<b>Fraud</b>	
Read and understand the City's fraud prevention and detection framework and monitor suspected, alleged and actual instances of fraud.	
Read any instances of fraud reported during the last 3 years.	
<b>Related-party transactions</b>	
Read and understand processes for related-party transactions.	
Read related-party transaction reporting for the last 3 years.	
<b>Governance framework</b>	
Read and understand the City's governance framework	
Read and understand the organisational structure.	
Read and understand the City's delegation register.	



Document Control	
Initial Council Adoption	15/09/2020 - D20/165439
Reviewed / Amended	
Next Review Date	
Document Responsibilities	
Responsible Officer	Executive Manager Corporate Strategy and Governance
Compliance Requirements	
Legislation	<i>Local Government Act 1995</i> <i>Local Government (Administration) Regulations 1996</i>
Industry	Department of Local Government Sport and Cultural Industries, Local Government Operational Guidelines Number 9 <a href="#">Audit in Local Government</a> The Office of the Auditor General (OAG) - <a href="#">Audit Committees — Better Practice Guide</a>

DRAFT

**5.3 INTERNAL AUDIT PROGRAM - PROPOSED AMENDMENTS TO INCORPORATE REGULATION 5 AND 17 REVIEW REQUIREMENTS**

- Attachments:
1. Internal Audit Program 2022/23-2024/25 (marked up) [↓](#)
  2. Internal Audit Implementation Timetable Y2 (revised) [↓](#)

**RECOMMENDATION:**

That the Audit Committee recommends to Council that it APPROVES the:

1. Proposed amendments to years 2 and 3 of the City's Internal Audit Program 2022/23 – 2024/25 at Attachment 1; and
2. Revised Implementation Timetable at Attachment 2.

That the recommendation be adopted.

**AMENDMENT**

**Moved:** Cr Ioppolo, **Seconded:** Cr Gontaszewski

That the recommendation be amended as follows:

That the Audit Committee recommends to Council that it:

1. **APPROVES the internal audit program year 2, as amended, which includes the Regulation 5 and 17 Audit and defers consideration of all other internal audits until the June 2023 meeting, subject to inclusion of review against risk register.**
2. **NOTES Implementation Timetable at Attachment 2 (as amended).**

**COMMITTEE DECISION ITEM 5.3**

**Moved:** Cr Ioppolo, **Seconded:** Cr Gontaszewski

That the Audit Committee recommends to Council that it:

1. **APPROVES the internal audit program year 2, amended to include the Regulation 5 and 17 Audit, and defers consideration of all other internal audits until the June 2023 meeting, subject to a risk register review.**
2. **NOTES Implementation Timetable at Attachment 2 (as amended).**

**CARRIED (6-0)**

**For:** Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

**Against:** Nil

**(Mr Manifis was an apology for the Meeting.)**

## INTERNAL AUDIT PROGRAM 2022/23 – 2024/25



<b>Responsible directorate</b>	Office of the CEO.
<b>Responsible team</b>	Corporate Strategy and Governance.
<b>Responsible officer</b>	Executive Manager, Corporate Strategy and Governance.
<b>Affected teams</b>	All
<b>Legislation / local law requirements</b>	Regulation 17 <i>Local Government (Audit) Regulations 1996</i> .
<b>Relevant delegations</b>	Nil.
<b>Related policy procedures and documents</b>	Risk Management Policy and Procedure Corporate Risk Register

### PURPOSE

To set out the City of Vincent's internal audit program for the next three years, commencing in 2022/23.

The internal audit program takes a risk-based approach. It is aimed at addressing the City's key high risks, which relate to non-compliance and fraud, corruption and misconduct (see below). The purpose of this internal audit program is to test the effectiveness and adequacy of the City's controls, processes and practices aimed at managing these two high risks.

### BACKGROUND

The internal audit program has been developed based on the following:

- City's key strategic risks as set out in the Corporate Risk Register
- Results and recommendations of the regulation 5 and regulation 17 audits completed by Stantons International in November 2020
- Office of the Auditor General's Financial and Information Systems Audit for 2019/20

The City's Corporate Risk register includes the following two high risks:

- Non-compliance with the City's legislative and governance obligations under the *Local Government Act 1995*; and
- Failure to ensure robust corporate governance, including preventing occurrences of fraud, corruption and misconduct.

## INTERNAL AUDIT PROGRAM 2022/23 – 2024/25



The actions identified in response to these risks are:

- Develop and implement an internal audit program to monitor compliance and performance.
- Undertake independent audits of high risk areas, including payments made and services delivered pursuant to high value / high risk contracts.
- Conduct regular internal audits on fraud and corruption.
- Conduct regular audits against findings by integrity bodies like CCC, PSC and OAG (for example, OAG performance audits).

The internal audit program includes the audit item (with the associated risks listed based on the critical success factor risk identification), the risk causes, the inherent risk rating, the risk categories and the associated audit actions required. The audit items have been prioritised based on the high risk areas and when an audit was last undertaken.

There are six internal audits proposed for each year.

### IMPLEMENTATION OF PROGRAM AND REPORTING

The City will engage a suitable qualified auditor to undertake the audits set out in this program independently. The auditor will be appointed for a one year term, with two one year extensions, subject to the satisfactory completion of all the audits listed for the first year.

The audit plans for each specific audit will be prepared by the appointed internal auditor (party independent of the City) in consultation with the Executive Manager Corporate Strategy and Governance and the Audit Committee.

The appointed auditor will liaise only with the Executive Manager Corporate Strategy and Governance and the Audit Committee Chair, if required.

The outcomes of each audit will be reported to the City's Executive Management Committee and the Audit Committee.

Actions identified as a result of the audits will be added to the City's Audit Log and monitored until complete. It is intended that the findings of the audits will lead to improvements to the effectiveness of risk management, internal controls, legislative compliance and governance processes.



# INTERNAL AUDIT PROGRAM 2022/23 – 2024/25

## AUDIT PLAN 2021/22 – 2023/24

Audit Item	Risk causes identified	Risk rating (inherent)	Audit Focus Area	Admin comment - March 2021
<b>YEAR 1 – 2021/22</b>				
<b>Beatty Park Infrastructure Renewals Project</b> - project control oversight and management of variances	Project management has highlighted the importance of project control oversight, management of variances and the need for more rigor in change requests.	Please provide	Review of governance, expenditure and project management processes.	Council resolution 14/12/2021
<b>Tender contracts/contractors</b> – risk of failure to detect and prevent overcharging, fraud and corruption	Lack of oversight/review of expenditure on high value maintenance contractors/contracts	Medium risk – reputation, compliance and finance	Review and assessment of items charged/invoiced to the City by contractors where that contractor was procured via a tender process. To include one or more of the City’s general maintenance contractor/contracts.	Identified by Council as an area of risk, requires separate review
<b>Fleet, assets and CCTV management</b> – risk of misuse of fleet and resources, including ICT assets and buildings	Lack of verification and controls	High risk – property, reputation, financial, safety	Review relevant strategies, policies and processes – Asset Strategy and CCTV Policy	Not previously reviewed independently. Ageing assets pose significant risk to City. High risks relating to ICT systems.
<b>HR policies and procedures</b> , including payroll – risk of failure to maintain staff health and wellbeing, and act in compliance with legislation and good governance (moved from Year 2)	Outdated policies and processes	Low risk – reputation, compliance, financial	Review policies and procedures and communication to staff. Review payroll practices / compliance testing.	Policies updated in 2018 and in need of review.



# INTERNAL AUDIT PROGRAM 2022/23 – 2024/25

YEAR 2 – 2022/23				
<b>Regulation 5 Review</b> - Review of the appropriateness and effectiveness of the financial management systems and procedures in accordance with Regulation 5 of the <i>Local Government (Financial Management) Regulations 1996</i>				
<b>Regulation 17 Review</b> - Review the appropriateness and effectiveness of the City’s systems and procedures in relation to risk management, internal control, and legislative compliance in accordance with Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i> .				
Scope to include but no limited to:				
Gifts and COI; Detection and reporting of fraud and corruption, PID disclosures, whistleblowing and cyber security; Risk management; Documentation of processes; and Legislative compliance and Council processes				
<b>Remaining Year 2 and Year 3 Audits are to be determined at the June 2023 Audit Committee Meeting</b>				
<b>Credit card use</b> — risk of failure to detect and prevent occurrences of fraud and corruption (move from year 1)	Lack of oversight in use/lack of checks	High risk— reputation, compliance, financial	Review relevant policies and processes	High risk area, needs separate review.
<b>Business continuity and emergency planning</b> — risk of lack of service continuity in business disruption or emergency (including ICT response)	Unclear roles and responsibilities, lack of documented processes	Medium risk— reputation, financial, people, safety, property	Review BCP and emergency management plans, and communication to staff. Annual business continuity scenario / workshop.	Not previously reviewed independently. Need to test BCP which was developed in March 2020 and reviewed in March 2021.
<b>Project management</b> — risk of failure to ensure projects are delivered within scope	Unclear framework and roles and responsibilities	Medium risk— reputation, financial, project	Review effectiveness and adequacy of current framework and how it aligns with current practices	Not previously reviewed independently. Significant changes implemented since 2019. Need to review effectiveness and adequacy.
<b>Audit Committee role and functions</b> — risk of failure to detect and prevent occurrences of fraud and corruption and non-compliance with	Unclear roles and responsibilities and lack of knowledge across organisation	Medium risk— reputation, financial, people, compliance	Review Audit Committee Terms of Reference and current practices and processes.	Audit Committee not previously reviewed independently.



## INTERNAL AUDIT PROGRAM 2022/23 – 2024/25

good governance and legislative requirements			Review OAG Better Practice Guide. Review induction materials and training for members.	Significant changes made in 2020 – need to review adequacy and effectiveness of current practices.
<b>Gifts and COI</b> — risk of failure to detect and prevent occurrences of fraud and corruption and non-compliance with good governance and legislative requirements (moved from year 1)	Unclear gift provisions and lack of understanding by staff	High risk— reputation, compliance, financial	Review Governance Framework and COI requirements, including communication to all staff Review induction and training material Review COI and gift registers and record-keeping	Stantons Audit Nov 2020 recommended that legislative compliance form part of internal audit. Noted governance framework created, need to check implementation
<b>Detection and reporting of fraud and corruption, PID disclosures, whistleblowing and cyber security</b> — risk of failure to detect and prevent occurrences of fraud and corruption and non-compliance with good governance and legislative requirements (moved from year 1)	Unclear roles and responsibilities and avenues for reporting	High risk— reputation, compliance, financial	Review Fraud Plan and Policy, Governance Framework and anonymous reporting system, and implementation / communication to organisation	Stantons Audit Nov 2020 noted that anonymous reporting system had been set up, needs to be tested. OAG Performance Audit 2019— Fraud Prevention— Plan prepared to meet requirements of Audit, Training provided in April 2021
<b>Swimming pool inspection process</b> — risk of non-compliance with legislative requirements and damage to public health (move from year 1)	Documentation of processes. Clarity of delegations.	Medium risk— reputation, compliance, financial, public safety	Random review of approval assessment process, including online processes and disclosure of COI.	Not previously reviewed independently.
<b>YEAR 3 – 2023/24</b>				
<b>Risk management</b> — Lack of robust (financial and non-financial) risk management	Unclear roles and responsibilities and knowledge across organisation. Lack of ownership by managers / directors.	Low risk— property, reputation, compliance, financial	Review effectiveness and adequacy of Risk Management Policy and Procedure. Review reporting of risks through Corporate Risk Register. Review risk appetite and tolerance statements.	Stantons Audit Nov 2020 found that RMF well documented. Senior staff received training on applying Risk Management Policy and Procedure in December 2021. Need to assess adequacy and effectiveness of new RMF annually.



## INTERNAL AUDIT PROGRAM 2022/23 - 2024/25

<p><b>Documentation of processes</b> — risk of lack of continuity of services and inconsistency in decision-making / service delivery</p>	<p>Poor documentation of processes due to time / training / access</p>	<p>High risk – property, reputation, compliance, financial</p>	<p>Review Corporate Process Management Charter and documentation by teams. Review use of Promapp – including consistency and controls. Review use of Content Manager.</p>	<p>Corporate process management charter and framework adopted and licence with ProMapp. Documentation of processes occurring by some teams (available to all teams). Testing of adequacy and effectiveness of documentation required.</p>
<p><b>Legislative compliance and Council processes</b> — risk of failure to detect and prevent occurrences of fraud and corruption and non-compliance with good governance and legislative requirements</p>	<p>Unclear processes, lack of checks</p>	<p>Medium risk – reputation, compliance, financial</p>	<p>Review processes – compliance calendar, CAR, Council reporting, Governance Framework</p>	<p>The City now has a compliance calendar and dedicated communication channel for legislative changes / requirements. Stantons Audit Nov 2020 recommended that legislative compliance form part of the internal audit plan. CAR also assists with legislative compliance (annual).</p>
<p><b>Records management</b> — including FOI process — risk of non-compliance with governance and legislative requirements (move from year 1)</p>	<p>Unclear processes and roles and responsibilities</p>	<p>Medium risk – reputation, compliance, financial</p>	<p>Review use of document management system Review FOI process</p>	<p>Stantons Audit Nov 2020 recommended that a review of the useability of the Records Management System occur. Compliance testing of record keeping required.</p>
<p><b>Electoral Roll</b> — risk of failure to detect and prevent occurrences of fraud and corruption and non-compliance with good governance and legislative requirements</p>	<p>Lack of oversight / random checks of electoral roll</p>	<p>High risk – reputation, compliance, financial</p>	<p>Undertake random checks of electoral roll, identify patterns</p>	<p>Identified as risk area in City of Perth Inquiry. Random compliance testing will be conducted by Rates Team prior to 2021 election.</p>
<p><b>Integrated planning and reporting framework (SCP, CBP, CWP, LTFP, budget)</b> — risk of failure to make decisions and delivery projects ad services in line with strategic priorities and legislation</p>	<p>Unclear roles and responsibilities</p>	<p>Medium risk – reputation, compliance, financial</p>	<p>Review corporate calendar and IPRF process for compliance and best practice.</p>	<p>Not previously reviewed independently.</p>



# INTERNAL AUDIT PROGRAM 2022/23 – 2024/25



OFFICE USE ONLY	
Approved by CEO	DATE: <APPROVAL DATE>, REF# <TRIM REF>
Reviewed / Amended	DATE: <APPROVAL DATE>, REF#: <TRIM REF>
Next Review Date	DATE: <REVIEW DATE>,

# Internal Audit Implementation Timetable – Y2

## Year 2 23/24

Task	Detail	Estimated timeline
Year 2, audit 1 - <b>Regulation 5 Review</b>	Complete year 2, audit 1 and report results to City	June – October 2023
Year 2, audit 2 – <b>Regulation 17 Review</b>	Complete year 2, audit 2 and report results to City	October – March 2024
Remaining Year 2 and Year 3 Audits are to be determined at the June 2023 Audit Committee Meeting		



## 6 GENERAL BUSINESS

### 6.1 Confidential Pre-Meeting

The Audit Committee agreed the existing 3:30pm in camera session to be cancelled as this time was not suitable for all members.

Consistent with the OAG Audit Committee Better Practice Guide the Audit Committee meets privately before each meeting. The Committee agreed future meetings will commence at 4pm to allow time for the Committee to meet privately. The full meeting with management present would commence once members have finished any discussions.

### 6.2 Response to question asked at 2 March 2023 Meeting

At the March 2023 meeting, during discussion on the Review of Purchasing Policy – Procurement item, it was requested that the next report includes procurement method and comparison with peer Councils, noting the difference between open market vs pre-qualified suppliers, and what would the risks of change have on the comparison. This information is provided below.

- Pre-qualified and General Purchases Data - The City currently does not have the data available to compare pre-qualified and open market purchases. The City is currently looking at ways to improve the accuracy of data collected so that this level of detail can be analysed in the future.
- Comparison with other Councils – The below table shows the following metro Councils general market versus pre-qualified quotation requirements for purchases up to \$20,000 and if it matches the City's proposed purchasing requirements amendment:

Council	Comment	Open Market Requirements	Pre-qualified Requirements	Panel	Matches City of Vincent Purchasing Requirements for purchases up to \$20,000
City of Perth	Different requirements for open market and pre-qualified suppliers	Up to 2 quotes required	Direct Purchase		YES
City of Subiaco	No split between open market and pre-qualified suppliers	Up to 2 quotes required	Up to 2 quotes required		NO
Town of Cambridge	Different requirements for open market and pre-qualified suppliers	Up to 3 quotes required	Up to 2 quotes required		NO
City of South Perth	Different requirements for open market and pre-qualified suppliers	Up to 3 quotes required	Direct purchase		YES
Town of Victoria Park	No split between open market and pre-qualified suppliers	Up to 3 quotes required	Up to 3 quotes required		NO
City of Melville	Different requirements for open market and pre-qualified suppliers	Up to 3 quotes required	Direct purchase		YES
City of Cockburn	Different requirements for open market and pre-qualified suppliers	Direct purchase	Direct purchase		YES
City of Fremantle	No split between open market and pre-qualified suppliers	Up to 3 quotes required	Up to 3 quotes required		NO
City of Swan	Different requirements for open market and pre-qualified suppliers	One quote required	One quote required		YES
Town of Bassendean	No split between open market and pre-qualified suppliers	Up to 3 quotes required	Up to 3 quotes required		NO
City of Nedlands	No split between open market and pre-qualified suppliers	Up to 3 quotes required	Up to 3 quotes required		NO
City of Bayswater	Different requirements for open market and pre-qualified suppliers	Up to 3 quotes required	Direct Purchase		YES

City of Stirling	No split between open market and pre-qualified suppliers	Up to 2 quotes required	Up to 2 quotes required	NO
City of Belmont	No split between open market and pre-qualified suppliers	Up to 2 quotes required	Up to 2 quotes required	NO
City of Kwinana	Different requirements for open market and pre-qualified suppliers	Up to 2 quotes required	Direct Purchase	YES

## 7 NEXT MEETING

29 June 2023

## 8 CLOSURE

There being no further business the meeting closed at 5.35pm.

These Minutes were confirmed at the 29 June 2023 meeting of the Audit Committee as a true and accurate record of the Audit Committee meeting held on 4 May 2023

Signed: Mr Ross Ioppolo

Dated: