

12.1 REPORT AND MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 6 SEPTEMBER 2021

- Attachments:**
1. **Audit Committee Meeting Minutes - 6 September 2021**
 2. **Attachments to Audit Committee Minutes - 6 September 2021**
 3. **Audit Log - 6 September 2021 - Confidential**
 4. **Corporate Risk Register - 6 September 2021 - Confidential**

RECOMMENDATION:**That Council:**

1. **RECEIVES** the minutes of the Audit Committee Meeting of 6 September 2021, as at Attachment 1;
2. **NOTES** the recommendation of the Audit Committee with respect to item 5.2 and 5.4;
3. **ADOPTS** the recommendations of the Audit Committee with respect to items 5.3, 5.5 and 5.6.

PURPOSE OF REPORT:

To report to Council the proceedings of the Audit Committee at its meeting held on 6 September 2021 in accordance with clause 2.21(1) of the City's Meeting Procedures Local Law 2008.

BACKGROUND:

The City's Audit Committee is a statutory committee of Council, established in accordance with section 7.1A of the *Local Government Act 1995*. The role of the Audit Committee is to provide independent advice and assurance to Council over the City's risk management, internal controls, legislative compliance and financial management.

The Audit Committee meets approximately every two months and comprises of three external independent members (one of which is the Audit Committee Chair) and four Elected Members.

DETAILS:

At its meeting on 6 September 2021 the Audit Committee considered six agenda items as follows:

- 5.1 Report on the non-structural risks associated with the City's ageing sporting infrastructure assets
- 5.2 External audit interim management letter 2020/2021
- 5.3 Internal Audit Program – Appointment of Auditor
- 5.4 Privacy Policy Framework Review
- 5.5 Review of the City's Audit Log
- 5.6 Review of the City's Corporate Risk Register

Details of the agenda items are set out below.

5.1 Report on the non-structural risks associated with the City's ageing sporting infrastructure assets

This report was postponed. The Committee requested that the CEO provide an update (via email to Committee Members) on this report inter-sessionally before the next meeting.

5.2 External audit interim management letter 2020/2021

The Committee received the external audit interim management letter and noted that there were 3 significant and 2 moderate findings, and that they would be added to the Audit Log.

5.3 Internal Audit Program – Appointment of Auditor

The Committee received the proposed Internal Audit Program and requested that additional quotes be obtained through the CUA for the 2021/22 audit program, and that Administration provide an updated risk based prioritisation schedule for internal audit to the Audit Committee by March 2022.

5.4 Privacy Policy Framework Review

The Committee noted that the Privacy Policy Framework is under review, using the checklist provided by the Office of the Australian Information Commissioner.

5.5 Review of the City's Audit Log

A summary of the items completed and ongoing as at 31 August 2021 is below. No items were added to the Audit Log at this meeting.

A summary of the Audit Log items is below, including the risk rating:

	Total	Significant	High	Moderate	Minor
Closed at 6 July 2021	6	1	1	4	
Open at 31 August 2021	5	2	0	2	2
Confidential items open at 31 August 2021	11	1	1	9	0
Complete at 31 August 2021	4	2	0	2	0
Total Ongoing as at 31 August 2021	15	3	1	11	0
New items at 31 August 2021	4	3	0	2	-
Items overdue from original due date	-	-	-	0	0
Items overdue for 3 months	-	-	-	0	0
Items overdue for 6 months	-	-	-	-	-

The only current significant items are:

1. EA: 2021/08 (3) Office of the Auditor General Interim Audit for 2020/21 – Access Levels within Authority
2. EA: 2020/12 (14) Office of the Auditor General – Financial Audit – Access Levels within Authority.

5.6 Review of the City's Corporate Risk Register

The Committee reviewed the City's Risk Register and noted the management actions for the high and extreme risks.

CONSULTATION/ADVERTISING:

Nil.

LEGAL/POLICY:

Clause 2.21 of the City's Meeting Procedures Local Law 2008 states that the report and minutes of a Committee meeting are to be provided to Council.

The Audit Committee Terms of Reference govern the functions, powers and membership of the Audit Committee.

RISK MANAGEMENT IMPLICATIONS:

Low: It is low risk for Council to consider the report and minutes of the Audit Committee meeting on 4 May 2021.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Innovative and Accountable

Our resources and assets are planned and managed in an efficient and sustainable manner.

We are open and accountable to an engaged community.

SUSTAINABILITY IMPLICATIONS:

This does not contribute to any environmental sustainability outcomes. This action/activity is environmentally neutral.

PUBLIC HEALTH IMPLICATIONS:

There are no implications to the priority health outcomes of the City's *Public Health Plan 2020-2025*.

FINANCIAL/BUDGET IMPLICATIONS:

Nil.

AUDIT COMMITTEE MINUTES

6 SEPTEMBER 2021

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AUDIT COMMITTEE MINUTES

6 SEPTEMBER 2021

**MINUTES OF CITY OF VINCENT
AUDIT COMMITTEE
HELD AS E-MEETING AND AT
ADMINISTRATION AND CIVIC CENTRE
244 VINCENT STREET, LEEDERVILLE
ON MONDAY, 6 SEPTEMBER 2021**

PRESENT:	Mr Conley Manifis	Independent External Member (Chair) (electronically) (Left at 2.27pm after item 5.3)
	Cr Joshua Topelberg	South Ward (left at 2.28pm after Item 5.3 and rejoined electronically during Item 5.4)
	Cr Dan Loden	North Ward (electronically joined at 1.47pm during item 5.4)
	Cr Ashley Wallace	South Ward
	Mr Robert Piper	Independent External Member
	Cr Susan Gontaszewski	South Ward (Presiding Member from Item 5.5)
IN ATTENDANCE:	David MacLennan	Chief Executive Officer
	Virginia Miltrup	Executive Director Community & Business Services
	Vanisha Govender	Executive Manager Financial Services
	Peter Ferguson	Executive Manager Information and Communication Technology (left after item 5.4)
	Peter Varris	Executive Manager Corporate Strategy & Governance
	Jordan Koroveshi	Coordinator, Policy & Place
	Wendy Barnard	Council Liaison Officer

1 INTRODUCTION AND WELCOME

The Presiding Member, Conley Manifis, declared the meeting open at 1.07pm 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, present and emerging".

2 APOLOGIES / MEMBERS ON APPROVED LEAVE OF ABSENCE

Mr Aaron Smith was an apology for this meeting.

3 DECLARATIONS OF INTEREST

Conley Manifis declared an impartiality interest. The extent of his interest is that his company is contracted by the Office of the Auditor General to complete external audits.

4 CONFIRMATION OF MINUTES**COMMITTEE DECISION**

Moved: Mr Piper, **Seconded:** Cr Wallace

That the minutes of the Audit Committee held on 31 August 2021 be confirmed.

CARRIED (5-0)

AUDIT COMMITTEE MINUTES

6 SEPTEMBER 2021

For: Mr Manifis, Cr Topelberg, Cr Wallace, Mr Piper and Cr Gontaszewski

Against: Nil

(Cr Loden was an apology for this Item.)

(Mr Smith was an apology for the Meeting.)

5 BUSINESS ARISING**5.1 REPORT ON THE NON-STRUCTURAL RISKS ASSOCIATED WITH THE CITY'S AGEING SPORTING INFRASTRUCTURE ASSETS**

Attachments: Nil

This report has been postponed to allow time for RiskWest to provide their report.

The Chief Executive Officer provided a brief summary on the specific sporting infrastructure being assessed.

ACTION: The Committee requested that the CEO provide an update (via email to Committee Members) on this report inter-sessionally before the next meeting.

AUDIT COMMITTEE MINUTES

6 SEPTEMBER 2021

At 1.47pm Cr Dan Loden joined the meeting electronically.

5.4 PRIVACY POLICY FRAMEWORK REVIEW

Attachments: Nil

RECOMMENDATION:

That the Audit Committee:

1. **NOTES** that the City's Privacy Management Policy is being reviewed; and
2. **NOTES** a review of the City's privacy framework is being undertaken using a checklist provided by the Office of the Australian Information Commissioner.

Moved: Cr Topelberg, **Seconded:** Cr Gontaszewski

That the recommendation be adopted.

AMENDMENT

Moved: Cr Topelberg, **Seconded:** Cr Gontaszewski

That the recommendation be amended as follows:

3. **NOTES** an update will be provided on the framework review as part of the CBP quarterly review and a further report to be provided no later than March 2022.

CARRIED (6-0)

For: Mr Manifis, Cr Topelberg, Cr Loden, Cr Wallace, Mr Piper and Cr Gontaszewski

Against: Nil

(Mr Smith was an apology for the Meeting.)

COMMITTEE DECISION ITEM 5.4

That the Audit Committee:

1. **NOTES** that the City's Privacy Management Policy is being reviewed; and
2. **NOTES** a review of the City's privacy framework is being undertaken using a checklist provided by the Office of the Australian Information Commissioner.
3. **NOTES** an update will be provided on the framework review on as part of the CBP quarterly review and a further report to be provided no later than March 2022.

CARRIED (6-0)

For: Mr Manifis, Cr Topelberg, Cr Loden, Cr Wallace, Mr Piper and Cr Gontaszewski

Against: Nil

(Mr Smith was an apology for the Meeting.)

AUDIT COMMITTEE MINUTES

6 SEPTEMBER 2021

5.2 EXTERNAL AUDIT INTERIM MANAGEMENT LETTER 2020/2021

Attachments: 1.  Interim Management Letter Attachment - City of Vincent - 30 June 2021 [↓](#)

RECOMMENDATION:

That the Audit Committee:

NOTES the external audit interim management letter for 2020/2021 at Attachment 1.

AMENDMENT**Moved: Cr Gontaszewski, Seconded: Mr Piper**

That recommendations be added as follows:

2. NOTES that there were 3 significant and 2 moderate findings
3. NOTES that these items will be added to the Audit Log.

AMENDMENT CARRIED (6-0)**For:** Mr Manifis, Cr Topelberg, Cr Loden, Cr Wallace, Mr Piper and Cr Gontaszewski**Against:** Nil**(Mr Smith was an apology for the Meeting.)****COMMITTEE DECISION ITEM 5.2****Moved: Cr Wallace, Seconded: Cr Gontaszewski**

That the Audit Committee:

1. NOTES the external audit interim management letter for 2020/2021 at Attachment 1.
2. NOTES that there were 3 significant and 2 moderate findings
3. NOTES that these items will be added to the Audit Log.

CARRIED (6-0)**For:** Mr Manifis, Cr Topelberg, Cr Loden, Cr Wallace, Mr Piper and Cr Gontaszewski**Against:** Nil**(Mr Smith was an apology for the Meeting.)**

ATTACHMENT

CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Findings identified in the current audit			
1. Review of Landgate triennial GRV update	✓		
2. Accounting for lease incentives		✓	
Finding from prior year audits			
3. Access levels within Authority	✓		
4. Evidence of review of changes to employee masterfile	✓		
5. Timing of monthly reconciliations		✓	

KEY TO RATINGS

The ratings in this management letter are based on the audit team’s assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

ATTACHMENT

CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

1. Review of Landgate triennial GRV update

Finding

We noted that the upload of Gross Rental Value (GRV) revaluation provided by Landgate triennially and effective 1 July 2020 was not reviewed or approved by an independent officer.

Rating: Significant**Implication**

Without an independent review, there is a risk that errors may not be detected and resolved promptly, resulting in incorrect rate notices being issued.

Recommendation

Management should review the GRV upload as at 1 July 2020 and ensure this was correctly reflected within Authority, any adjustments required should be processed for the year ended 30 June 2021. In addition, we recommend that the City ensure the triennial GRV revaluation data uploaded into the Authority Rates Module is reviewed by an appropriate independent officer, and evidence of the review retained.

Management comment

The GRV re-valuation received from Landgate triennially will be reviewed by Management and reconciled to the uploaded GRV data.

Responsible person: Executive Manager Financial Services

Completion date: 31 July 2021

ATTACHMENT

CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

2. Accounting for lease incentives

Finding

The City has extended a lease agreement with the Department of Finance – Minister for Works for a period of 10 years commencing December 2020. As part of the lease agreement a lease incentive of \$3,044,200 was provided. \$1,625,000 of this incentive is provided by way of cash payments over three annual payments beginning from 1 July 2020.

The City in the current year has accounted for the cash payment of \$558,333 as an operating expense.

The above accounting treatment is likely not consistent with the requirements of AASB 16 *Leases* paragraph 81, this states "a lessor shall recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished."

AASB 16 defines lease payments as being net of lease incentives.

**Rating: Moderate
Implication**

Accounting for the lease incentive paid in the current year as an operating expense likely overstates the City's expenses, revenues and understates their assets. The accounting is also likely not compliant with the requirements of AASB 16.

Recommendation

We recommend management review their accounting surrounding the lease incentive provided to Department and ensure the accounting aligns with the requirements of AASB 16. In addition, we recommend the City review their lease portfolio and ensure any lease incentives provided by the City are accounted for in accordance with AASB 16.

Management comment

The City will offset the annual incentive payment of \$162,500 to the rental income and the advance payment on the incentive payment will be transferred to the payment made in advance (debtor) account.

Responsible person: Executive Manager Financial Services
Completion date: 31 July 2021

ATTACHMENT

CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

3. Access levels within Authority

Finding

We noted numerous users with access to modules within Authority which appear to not be required to undertake their role within the City, identified as:

- Accounts payable (supplier masterfile, invoice entry and credit note entry)
- Accounts receivable (debtor masterfile, invoice entry and credit note entry)
- Rates module (debtor masterfile, invoice entry and credit note entry)

In some instances, the City does have mitigating controls in place, however these controls are generally of a manual and detective nature.

We understand the project the City has commissioned with their IT vendor to resolve this issue is expected to be completed in August 2021

A similar finding was raised in the 2019-20 financial year and the following management comment was received:

2019-20 Management Comment

The City accepts Finding 1. In response to this finding, the City has commissioned a project with Civica (vendor for Authority software) to provide 'Authority User Access and Security Restructure'. The overall objectives of the project are to provide:

- *A structured, consistent and more easily understood Authority security model*
- *Better visibility of user access and permissions*
- *Simpler administrative management control of users and permissions*

The project has been estimated to run for 8 – 10 weeks. The City is reviewing scheduling with Civica given several other Authority changes already in motion, in particular the software upgrade from version 6.11 to 7.1. If Civica is not able to commit additional resources to this project in early 2021, completion will be aligned to 7.1 go live in August 2021.

Responsible Person: Executive Manager ICT
Completion Date: August 2020

Rating: Significant Implication

Excessive user access to the accounting package may allow staff to use the system inappropriately. For example, this access could be used to undermine the effectiveness of system controls (such as segregation of duties) and diminish accountability.

Additionally, this weakness in financial controls is considered a matter of material non-compliance and impacts on the audit opinion for the current year. The following will be included under our report on other legal and regulatory compliance:

"Access controls over a key system of the City were inadequate to enforce adequate segregation of duties. This could lead to inappropriate use of the system, however our audit testing did not identify any inappropriate use."

Recommendation

Management should continue the project with their IT vendor to conduct a thorough user access review in consultation with its IT support with a view to restricting user access to the required and appropriate level of authority or delegation.

ATTACHMENT

CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

Management comment

Per the original 2019-20 Management Comment, access review and application of restrictions will complete as part of the Civica 7.1 upgrade project. The upgrade project is currently scheduled to go live in October 2021.

Responsible person: Executive Manager Information and Communication Technology
Completion date: 31 October 2021

ATTACHMENT

CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

4. Evidence of review of changes to employee masterfile

Finding

The City does not have a process to evidence of independent review and authorisation of changes made to the employee masterfile. This includes changes to an employee's bank account details.

A similar finding was raised in the 2019-20 financial year and the following management comment was received:

2019-20 Management Comment

Currently changes to the employee master file are checked by the Payroll Officer/Payroll Support Officer, however not recorded. Based on changes to the employee master file, Human Resources/Payroll will implement the following:

- 1. A change of bank details and superannuation form.*
- 2. All changes to employee master file are requested via a form or letter pertaining to a change of employee entitlements. These forms/letters are added to Content Manager (records system) and work-flowed to the applicable Payroll Officer/Support Officer depending on portfolio.*

Once adjustments are made to the employee master file based on the form/letter, the Payroll Officer changes the workflow item from 'action' to 'completed'. The Payroll Officer will then workflow the form/letter to the other Payroll representative in Content Manager for review. The Payroll representative will review and if approved, change the workflow from 'review' to 'completed'.

Each time a form/letter is added to Content Manager, an audit trail will be created of when an item is 'completed' and 'reviewed'.

Responsible Person: Executive Manager HR
Completion Date: 1. 30 December 2020
 2. 31 January 2021

Rating: Significant Implication

The absence of an independent review of changes made to the employee masterfile increases the risk of unauthorised or erroneous changes to key information.

Additionally, this weakness in financial controls is considered a matter of material non-compliance and impacts on the audit opinion for the current year. The following will be included under our report on other legal and regulatory compliance:

"No evidence was retained to demonstrate whether changes to the employee master file, including bank account details, were being authorised by an officer other than the person making the amendment. This increases the risk that unauthorised changes may be made, resulting in errors or funds being inappropriately transferred. Our audit did not identify any instance of unauthorised changes."

Recommendation

Management should implement a process for an independent review of changes to the employee masterfile.

ATTACHMENT

CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

Management comment

Fortnightly the employee master file maintenance report will be run and validated by an independent reviewer. The report will be validated to supporting documents and will be checked prior to the pay-run.

Responsible person: HR Manager

Completion date: 30 August 2021

ATTACHMENT

CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

5. Timing of monthly reconciliations

Finding

During our audit, we identified the following key reconciliations were prepared prior to close of the sub modules which led to variances between the reconciled balances within the end of month trial balance:

- Accounts payable
- Accounts receivable
- Rates receivable

In some instances a manual reconciliation was prepared to bridge the gap between the module close off and the end of month trial balance, however reconciling items were not appropriately adjusted for.

In addition, we identified the reconciliation of the fixed assets register, as at 30 April 2021, was not completed in a timely manner. Although the reconciliation report was dated as prepared on 30 April 2021, it was confirmed the system generates this preparation date to coincide with the month end. The actual date of preparation and review of the reconciliation is 3 June 2021.

A similar finding was raised in the 2019-20 financial year and the following management comment was received:

2019-20 Management Comment

All monthly reconciliations are undertaken as part of preparing the month end financial statements. However, due to a timing variance the reconciliation process will be reviewed and updated

Responsible Person: Coordinator Financial Services
Completion Date: 31 January 2021

Rating: Moderate**Implication**

Reconciliations are a key control for ensuring financial data is completely and accurately reflected in the general ledger from which financial statements are derived. The absence of a robust process by the City of Vincent over the reconciliations on period end balances can result in errors or omissions remaining undetected, leading to misstatements in the financial statements.

Recommendation

We recommend management review their current processes for monthly reconciliations and ensure balances reconciled are those reported and reconciling items are appropriate and where required adjustments are made as part of the monthly reconciliation process. Additionally, the City should ensure monthly reconciliations are reviewed in a timely manner.

Management comment

The City will ensure all sub ledger reconciliation are balanced to the monthly Trial Balance prior to finalising the reconciliation. The timeliness of reconciliation will be reviewed via the implementation of timetable.

Responsible person: Coordinator Financial Services
Completion date: 30 August 2021

AUDIT COMMITTEE MINUTES

6 SEPTEMBER 2021

5.3 INTERNAL AUDIT PROGRAM - APPOINTMENT OF AUDITOR

Attachments: 1. Draft Amended Internal Audit Program [↓](#) 

RECOMMENDATION:

Moved: Cr Gontaszewski, Seconded: Mr Piper

That the Audit Committee recommends to Council that it:

1. NOTES the Internal Audit Program 2021/22 – 2023/24 cannot be delivered within the timeframe without additional budget over the next three years in the order of \$150,000.
2. APPROVES the modified Internal Audit Program, as at Attachment 1, which reflects a prioritised list of audits with no target timeframes.

AMENDMENT - WITHDRAWNMoved: Cr Gontaszewski, Seconded: Mr Piper

That the recommendation be amended as follows:

3. REQUESTS that Administration obtain additional quotes through the State's Common Use Agreements (CUA) for the 2021/22 audit program.

NOTE: Due to Committee discussion on establishing three priority internal audits for 2021/2022 and to pursue further quotes for the internal audit program via the States Common Use Agreements, Cr Gontaszewski withdrew the above amendment with the consent of the seconder.

ALTERNATIVE RECOMMENDATIONMoved: Cr Gontaszewski, Seconded: Mr Piper

That Council:

1. RECOMMENDS that Council APPROVES an amended internal audit program for the 2021/22 financial year to perform 3 audits:
 - Tender contracts/contractors
 - Credit card use
 - Fleet, assets and CCTV Management
2. REQUESTS that Administration obtain additional quotes through the CUA for the 2021/22 audit program.
3. REQUESTS Administration provide an updated risk based prioritisation schedule for internal audit to the Audit Committee by March 2022.

REASON:

Due to concerns over lack of clear timeframes being a risk to the City and a desire to ensure that high risk audits are performed this financial year.

CARRIED (6-0)**For:** Mr Manifis, Cr Topelberg, Cr Loden, Cr Wallace, Mr Piper and Cr Gontaszewski**Against:** Nil**(Mr Smith was an apology for the Meeting.)**

INTERNAL AUDIT PROGRAM 2021/22-2023/24



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

PURPOSE

To set out the City of Vincent’s internal audit program prioritised by urgency and importance for the next three years, commencing in 2021/22.

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.

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.

Internal Audit Program 2021/22-2023/24 – D20/248510/1/147228

INTERNAL AUDIT PROGRAM 2021/22-2023/24



- 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 as a contractor or employee 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 2021/22-2023/24 – D20/248510/1/147228

INTERNAL AUDIT PROGRAM 2021/22-2023/24



AUDIT PLAN 2021/22 – 2023/24 PRIORITIES

Audit Item	Risk causes identified	Risk rating (inherent)	Audit Focus Area	Admin comment - March 2021
YEAR 1 – 2021/22				
1. Tender contracts/contractors – 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
2. Records management - including FOI process – risk of non-compliance with governance and legislative requirements	Unclear processes and roles and responsibilities	Medium risk - reputation, compliance, financial	Review use of document management system Review FOI process	Stantons Audit Nov 2020 recommended that a review of the useability of the Records Management System occur. Compliance testing of record keeping required.
3. Credit card use - risk of failure to detect and prevent occurrences of fraud and corruption	Lack of oversight in use/lack of checks	High risk - reputation, compliance, financial	Review relevant policies and processes	High risk area, needs separate review.
4. Swimming pool inspection process - risk of non-compliance with legislative requirements and damage to public health	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.
5. Gifts and COI – risk of failure to detect and prevent occurrences of fraud and corruption and non-compliance with good governance and legislative requirements	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

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Internal Audit Program 2021/22-2023/24 – D202485401/147228

AUDIT COMMITTEE MINUTES

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INTERNAL AUDIT PROGRAM 2021/22-2023/24



6. Detection and reporting of fraud and corruption, PID disclosures, whistleblowing and cyber security - risk of failure to detect and prevent occurrences of fraud and corruption and non-compliance with good governance and legislative requirements	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
7. Fleet, assets and CCTV management – 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.
YEAR 2 – 2022/23				
8. Procurement and contract management – risk of failure to detect and prevent occurrences of fraud and corruption and non-compliance with good governance and legislative requirements	Poor procurement and contract management awareness.	High risk – property, reputation, financial, compliance	Review relevant policies, frameworks and processes. Review training process. Review separation of duties. Compliance testing – contracts, quotes, journals, variations of POs.	External audits and Stantons Audit Nov 2020 identified this as high-risk area. Significant improvements made, need to test effectiveness.
9. HR policies and procedures, including payroll – risk of failure to maintain staff health and wellbeing, and act in compliance with legislation and good governance	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.
10. Business continuity and emergency planning – 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.
11. Project management – 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.
12. Audit Committee role and functions – 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. Review OAG Better Practice Guide.	Audit Committee not previously reviewed independently. Significant changes made in 2020 – need to review adequacy and effectiveness of current practices.

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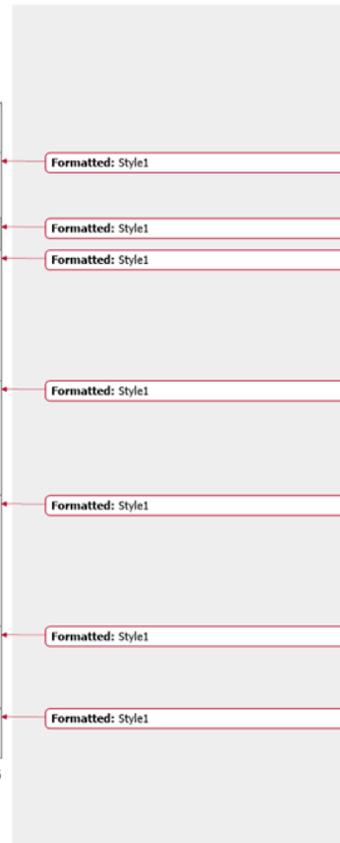
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good governance and legislative requirements			Review induction materials and training for members.	
13. Information security – risk of information loss, compromise and availability	Poor ICT systems (vulnerability and lack of controls)	Medium risk - reputation, compliance, financial	Review information security Review privacy policy	Compliance testing of information security required.
YEAR 3 – 2023/24				
14. Risk management - 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.
15.				
16. Documentation of processes – risk of lack of continuity of services and inconsistency in decision making / service delivery	Poor documentation of processes due to time / training / access	High risk - property, reputation, compliance, financial	Review Corporate Process Management Charter and documentation by teams. Review use of Promapp – including consistency and controls. Review use of Content Manager.	Corporate process management charter and framework adopted and licenced with ProMapp. Documentation of processes occurring by some teams (available to all teams). Testing of adequacy and effectiveness of documentation required.
17. Legislative compliance and Council processes - risk of failure to detect and prevent occurrences of fraud and corruption and non-compliance with good governance and legislative requirements	Unclear processes, lack of checks	Medium risk - reputation, compliance, financial	Review processes – compliance calendar, CAR, Council reporting, Governance Framework	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).
18. Electoral Roll – risk of failure to detect and prevent occurrences of fraud and corruption and non-compliance with good governance and legislative requirements	Lack of oversight / random checks of electoral roll	High risk - reputation, compliance, financial	Undertake random checks of electoral roll, identify patterns	Identified as risk area in City of Perth Inquiry. Random compliance testing will be conducted by Rates Team prior to 2021 election.
19. ICT systems and security – risk of failure to provide adequate and effective ICT systems, ensure good	Inadequate security, systems and controls	High risk - reputation,	Review changes implemented as a result of 2020 ICT audit by OAG.	OAG audit on ICT systems identified significant shortfalls in City's controls

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governance and prevent fraud and corruption		compliance, financial		and systems. Changes implemented to address these. Need to test these.
20. Integrated planning and reporting framework (SCP, CBP, CWP, LTFP, budget) – risk of failure to make decisions and delivery projects ad services in line with strategic priorities and legislation	Unclear roles and responsibilities	Medium risk – reputation, compliance, financial	Review corporate calendar and IPRF process for compliance and best practice.	Not previously reviewed independently.

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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>.

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AUDIT COMMITTEE MINUTES**6 SEPTEMBER 2021**

At 2.27pm Conley Manifis left the meeting.

As the Chair was no longer present and the Deputy Chair was unable to take the chair, a vote was taken to appoint a new Presiding Member.

PROCEDURAL MOTION

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

That Cr Gontaszewski be appointed as Presiding Member.

CARRIED (6-0)

For: Mr Manifis, Cr Topelberg, Cr Loden, Cr Wallace, Mr Piper and Cr Gontaszewski

Against: Nil

(Mr Smith was an apology for the Meeting.)

At 2.28pm Cr Joshua Topelberg left the meeting

At 2.35pm Cr Joshua Topelberg rejoined the meeting electronically.

5.5 REVIEW OF THE CITY'S AUDIT LOG

Attachments:

1. Audit Log as at 23 August 2021  
2. Confidential Audit Log as at 23 August 2021 - Confidential

RECOMMENDATION:

That the Audit Committee recommends to Council that it:

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

COMMITTEE DECISION ITEM 5.5

Moved: Cr Wallace, **Seconded:** Mr Piper

That the recommendation be adopted.

CARRIED (6-0)

For: Cr Topelberg, Cr Loden, Cr Wallace, Mr Piper and Cr Gontaszewski

Against: Nil

(Mr Smith was an apology for the Meeting.)

(Mr Manifis was an apology for this Item.)

AUDIT LOG



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Summary of open Confidential items (D21/61059)

Office of the Auditor General Information Systems Audit:

- 1. EA:2020/10 (1) (a) and (b) High
- 2. EA:2020/10 (3) Moderate
- 3. EA:2020/10 (9) Moderate
- 4. EA:2020/10 (10) Moderate
- 5. EA:2020/10 (11) Moderate
- 6. EA:2020/10 (12) Moderate
- 7. EA:2020/10 (14) Moderate
- 8. EA:2020/10 (22) Moderate

Stanton Reg 5 & 17 Review

- 9. EA 2020/12 (9) Moderate

Office of the Auditor General – Financial Audit

- 10. EA 2020/12 (14) Significant

AUDIT LOG



<i>Audit Details</i>	<i>Action</i>	<i>Approved Completion Date</i>	<i>Status</i>	<i>Proposed Completion Date</i>
Office of the Auditor General Information Systems Audit EA:2020/10 (1) (a) and (b) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit Risk Rating (prior to controls) High Management Response Responsible Officer: Executive Manager Information and Communication Technology			See Confidential log	
EA:2020/10 (3) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit Risk Rating (prior to controls) Moderate Management Response Responsible Officer: Executive Manager Information and Communication Technology			See Confidential log	
EA:2020/10 (9) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit Risk Rating (prior to controls) Moderate Management Response Responsible Officer: Executive Manager Information and Communication Technology			See Confidential log	
EA:2020/10 (10) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit Risk Rating (prior to controls) Moderate Management Response Responsible Officer: Executive Manager Information and Communication Technology			See Confidential log	
EA:2020/10 (11) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit Risk Rating (prior to controls) Moderate Management Response Responsible Officer: Executive Manager Information and Communication Technology			See Confidential log	

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA:2020/10 (12) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			See Confidential log	
<p>EA:2020/10 (14) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			See Confidential log	
<p>EA:2020/10 (19) Office of the Auditor General Information Systems Audit – Disaster Recovery Plan</p> <p>Finding We found that the City does not have an ICT disaster recovery plan (DRP).</p> <p>Implication Without an adequate DRP and appropriate testing, there is an increased risk that key business functions and processes may not be restored in a timely manner after a disruption, affecting the operations of the City.</p> <p>Recommendation The City should develop and test its DRP to confirm that systems can be recovered in accordance with business expectations and key staff should be familiar with the plan and their specific roles and responsibilities in a disaster situation. The results of testing should be recorded, and the relevant actions taken to improve the plan where necessary.</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Risk Rating (with current controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	<p>Administration will introduce managed backup and infrastructure services that include disaster recovery capability. Disaster recovery and information security continuity processes will then be formalised per the Information Security Program noted in OAG Finding 5. A formal plan will then be prepared for publication to staff and testing purposes.</p>	August 2021	<p>Disaster Recovery policy now in place. Operational systems (backup and recovery) now compliant for onsite backup. Bandwidth upgrade procured to enable transit of backup files for offsite storage.</p> <p>Offsite backup/recovery service commissioned and providing partial coverage. Bandwidth upgrade scheduled for April 2021 to enable full coverage.</p> <p>Formal DR plan being documented, including 6 monthly test schedule.</p> <p>DR/BCP plan drafted. Business teams to review Impact Assessments ahead of final report to EMC.</p>	December 2021

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA:2020/10 (20) Office of the Auditor General Information Systems Audit – Business Continuity Plan – Testing</p> <p>Finding 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>Implication 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>Recommendation The City should undertake appropriate tests 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>Risk Rating (prior to controls) Moderate</p> <p>Risk Rating (with current controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	<p>There has been 0% interruption to non-library/recreational facility services throughout COVID-19 disruptions in Perth. COVID-19 has been a major incident and required significant change to how business functions operated.</p> <p>City staff who continue to work remotely are effectively testing part of the City's business continuity systems on a daily basis. Through improvements to data backup and infrastructure recovery noted in OAG Finding 20, Administration will expand business continuity testing to include system and infrastructure incidents as part of a managed services agreement.</p>	<p>August 2021</p>	<p>On track per EA:2020/10 (19) above. Completion date updated to align with Disaster Recovery Plan activities.</p> <p>Backup recovery being tested in offsite environment for complete Admin building disaster scenario.</p> <p>DR/BCP plan drafted. Business teams to review Impact Assessments ahead of final report to EMC.</p>	<p>December 2021</p>
<p>EA:2020/10 (22) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>				

See Confidential log

AUDIT LOG



<i>Audit Details</i>	<i>Action</i>	<i>Approved Completion Date</i>	<i>Status</i>	<i>Proposed Completion Date</i>
<p>Stanton Reg 5 & 17 Review</p> <p>EA:2020/12 (8) Stanton Reg 5 & 17 Review – Manual Timesheet</p> <p>Finding The City uses manual timesheets, predominately for those employees who work in the depot and recreational leisure centre.</p> <p>Recommendation 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>Recommendation</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Risk Rating (with current controls) Minor</p> <p>Management Response Responsible Officer: Executive Manager Human Resources and Executive Manager Information and Communication Technology</p>	<p>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.</p> <p>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.</p>	<p>December 2021</p>	<p>On track. Beatty Park workforce now trialling mobile application rostering and time-sheeting solution. Future rollout to other casual staff (Depot) pending trial results. Authority ERP electronic time-sheeting to be reviewed post system upgrade in late 2021.</p> <p>Further rollout subject to Beatty Park change management resourcing.</p>	<p>December 2021</p>
<p>EA:2020/12 (9) (CONFIDENTIAL) Stanton Reg 5 & 17 Review</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			<p>See Confidential log</p>	

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Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA:2020/12 (11) Stanton Reg 5 & 17 Review – Record Keeping</p> <p>Finding Poor retrievability of information 'term container used' Record keeping of contract documentation is inefficient and leads to poor retrievability. The record keeping system does not facilitate the use of sub folders which results in all documented related to a subject/topic being saved in a 'container'. With regards to contracts, there are a large number of supporting documentations within these 'containers' thus it can take some time to retrieve the sought-after document</p> <p>Recommendations The City should review useability of their record keeping system ensuring that it is operating effectively. For process efficiency allow user to amend and delete own purchase requisition.</p> <p>Risk Rating (prior to controls) Minor</p> <p>Risk Rating (with current controls) Minor</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology Office of the Auditor General – Financial Audit</p>	<p>The City will review its record keeping system to ensure it is operating effectively.</p>	<p>August 2021</p>	<p>On track. Functionality of the system reviewed with external support provider: the use of folders will be introduced.</p> <p>A staff survey for system satisfaction as well as improvement suggestions has commenced.</p> <p>Contract management system now operational.</p> <p>Carry-over to operations: Record-keeping survey results will be collated and analysed in September 2021.</p>	<p>September 2021</p>
<p>EA:2020/12 (14) (CONFIDENTIAL) Office of the Auditor General – Financial Audit</p> <p>Risk Rating (prior to controls) Significant</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			<p>See Confidential log</p>	

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<i>Audit Details</i>	<i>Action</i>	<i>Approved Completion Date</i>	<i>Status</i>	<i>Proposed Completion Date</i>
<p>Office of the Auditor General Interim Audit for 2020/21</p> <p>EA: 2021/08 (1) Office of the Auditor General Interim Audit for 2020/21</p> <p>Review of Landgate triennial GRV update</p> <p>Finding We noted that the upload of Gross Rental Value (GRV) revaluation provided by Landgate triennially and effective 1 July 2020 was not reviewed or approved by an independent officer.</p> <p>Rating: Significant</p> <p>Implication Without an independent review, there is a risk that errors may not be detected and resolved promptly, resulting in incorrect rate notices being issued.</p> <p>Recommendation Management should review the GRV upload as at 1 July 2020 and ensure this was correctly reflected within Authority, any adjustments required should be processed for the year ended 30 June 2021. In addition, we recommend that the City ensure the triennial GRV revaluation data uploaded into the Authority Rates Module is reviewed by an appropriate independent officer, and evidence of the review retained.</p>	<p>The GRV re-valuation received from Landgate triennially will be reviewed by Management and reconciled to the uploaded GRV data.</p>	31 July 2021	Completed	<p>Completed 31 July 2021</p>

AUDIT LOG



<i>Audit Details</i>	<i>Action</i>	<i>Approved Completion Date</i>	<i>Status</i>	<i>Proposed Completion Date</i>
<p>EA: 2021/08 (2) Office of the Auditor General Interim Audit for 2020/21</p> <p>Accounting for lease incentives</p> <p>Finding The City has extended a lease agreement with the Department of Finance – Minister for Works for a period of 10 years commencing December 2020. As part of the lease agreement a lease incentive of \$3,044,200 was provided. \$1,625,000 of this incentive is provided by way of cash payments over three annual payments beginning from 1 July 2020. The City in the current year has accounted for the cash payment of \$558,333 as an operating expense. The above accounting treatment is likely not consistent with the requirements of AASB 16 <i>Leases</i> paragraph 81, this states "a lessor shall recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished." AASB 16 defines lease payments as being net of lease incentives.</p> <p>Rating: Moderate</p> <p>Implication Accounting for the lease incentive paid in the current year as an operating expense likely overstates the City's expenses, revenues and understates their assets. The accounting is also likely not compliant with the requirements of AASB 16.</p> <p>Recommendation We recommend management review their accounting surrounding the lease incentive provided to Department and ensure the accounting aligns with the requirements of AASB 16. In addition, we recommend the City review their lease portfolio and ensure any lease incentives provided by the City are accounted for in accordance with AASB 16.</p>	<p>The City will offset the annual incentive payment of \$162,500 to the rental income and the advance payment on the incentive payment will be transferred to the payment made in advance (debtor) account.</p>	<p>31 July 2021</p>	<p>Completed</p>	<p>Completed 31 July 2021</p>

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA: 2021/08 (3) Office of the Auditor General Interim Audit for 2020/21</p> <p>Access levels within Authority</p> <p>Finding We noted numerous users with access to modules within Authority which appear to not be required to undertake their role within the City, identified as: - Accounts payable (supplier masterfile, invoice entry and credit note entry) - Accounts receivable (debtor masterfile, invoice entry and credit note entry) - Rates module (debtor masterfile, invoice entry and credit note entry)</p> <p>In some instances, the City does have mitigating controls in place, however these controls are generally of a manual and detective nature.</p> <p>We understand the project the City has commissioned with their IT vendor to resolve this issue is expected to be completed in August 2021.</p> <p>A similar finding was raised in the 2019-20 financial year and the following management comment was received:</p> <p>Responsible Person: Executive Manager ICT Completion Date: August 2020</p>	<p>Per the original 2019-20 Management Comment, access review and application of restrictions will complete as part of the Civica 7.1 upgrade project. The upgrade project is currently scheduled to go live in October 2021.</p> <p>2019-20 Management Comment <i>The City accepts Finding 1. In response to this finding, the City has commissioned a project with Civica (vendor for Authority software) to provide 'Authority User Access and Security Restructure'. The overall objectives of the project are to provide:</i></p> <ul style="list-style-type: none"> • A structured, consistent and more easily understood Authority security model • Better visibility of user access and permissions • Simpler administrative management control of users and permissions <p><i>The project has been estimated to run for 8 – 10 weeks. The City is reviewing scheduling with Civica given several other Authority changes already in motion, in particular the software upgrade from version 6.11 to 7.1. If Civica is not able to commit additional resources to this project in early 2021, completion will be aligned to 7.1 go live in August 2021.</i></p>	31 October 2021	On track	31 October 2021
Rating: Significant				
<p>Implication Excessive user access to the accounting package may allow staff to use the system inappropriately. For example, this access could be used to undermine the effectiveness of system controls (such as segregation of duties) and diminish accountability. Additionally, this weakness in financial controls is considered a matter of material non-compliance and impacts on the audit opinion for the current year. The following will be included under our report on other legal and regulatory compliance: "Access controls over a key system of the City were inadequate to enforce adequate segregation of duties. This could lead to inappropriate use of the system, however our audit testing did not identify any inappropriate use."</p> <p>Recommendation Management should continue the project with their IT vendor to conduct a thorough user access review in consultation with its IT support with a view to restricting user access to the required and appropriate level of authority or delegation.</p>				

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AUDIT LOG



<i>Audit Details</i>	<i>Action</i>	<i>Approved Completion Date</i>	<i>Status</i>	<i>Proposed Completion Date</i>
<p>EA: 2021/08 (4) Office of the Auditor General Interim Audit for 2020/21</p> <p>Evidence of review of changes to employee Masterfile</p> <p>Finding The City does not have a process to evidence of independent review and authorisation of changes made to the employee masterfile. This includes changes to an employee's bank account details. A similar finding was raised in the 2019-20 financial year and the following management comment was received:</p> <p>Responsible Person: Executive Manager HR Completion Date:</p> <p>Rating: Significant</p> <p>Implication The absence of an independent review of changes made to the employee masterfile increases the risk of unauthorised or erroneous changes to key information. Additionally, this weakness in financial controls is considered a matter of material non-compliance and impacts on the audit opinion for the current year. The following will be included under our report on other legal and regulatory compliance: "No evidence was retained to demonstrate whether changes to the employee master file, including bank account details, were being authorised by an officer other than the person making the amendment. This increases the risk that unauthorised changes may be made, resulting in errors or funds being inappropriately transferred. Our audit did not identify any instance of unauthorised changes."</p> <p>Recommendation Management should implement a process for an independent review of changes to the employee masterfile.</p>	<p>2019-20 Management Comment Currently changes to the employee master file are checked by the Payroll Officer/Payroll Support Officer, however not recorded. Based on changes to the employee master file, Human Resources/Payroll will implement the following:</p> <ol style="list-style-type: none"> 1. A change of bank details and superannuation form. 2. All changes to employee master file are requested via a form or letter pertaining to a change of employee entitlements. These forms/letters are added to Content Manager (records system) and work-flowed to the applicable Payroll Officer/Support Officer depending on portfolio. <p>Once adjustments are made to the employee master file based on the form/letter, the Payroll Officer changes the workflow item from 'action' to 'completed'. The Payroll Officer will then workflow the form/letter to the other Payroll representative in Content Manager for review. The Payroll representative will review and if approved, change the workflow from 'review' to 'completed'.</p> <p>Each time a form/letter is added to Content Manager, an audit trail will be created of when an item is 'completed' and 'reviewed'.</p> <p>Fortnightly the employee master file maintenance report will be run and validated by an independent reviewer. The report will be validated to supporting documents and will be checked prior to the pay-run.</p>	<ol style="list-style-type: none"> 1. 30 December 2020 2. 31 January 2021 	<p>Completed</p>	<p>Completed 30 August 2021</p>

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA: 2021/08 (5) Office of the Auditor General Interim Audit for 2020/21</p> <p>Timing of monthly reconciliations</p> <p>Finding During our audit, we identified the following key reconciliations were prepared prior to close of the sub modules which led to variances between the reconciled balances within the end of month trial balance: - Accounts payable - Accounts receivable - Rates receivable</p> <p>In some instances a manual reconciliation was prepared to bridge the gap between the module close off and the end of month trial balance, however reconciling items were not appropriately adjusted for. In addition, we identified the reconciliation of the fixed assets register, as at 30 April 2021, was not completed in a timely manner. Although the reconciliation report was dated as prepared on 30 April 2021, it was confirmed the system generates this preparation date to coincide with the month end. The actual date of preparation and review of the reconciliation is 3 June 2021.</p> <p>A similar finding was raised in the 2019-20 financial year and the following management comment was received:</p> <p>Responsible Person: Coordinator Financial Services</p> <p>Rating: Moderate</p> <p>Implication Reconciliations are a key control for ensuring financial data is completely and accurately reflected in the general ledger from which financial statements are derived. The absence of a robust process by the City of Vincent over the reconciliations on period end balances can result in errors or omissions remaining undetected, leading to misstatements in the financial statements.</p> <p>Recommendation We recommend management review their current processes for monthly reconciliations and ensure balances reconciled are those reported and reconciling items are appropriate and where required adjustments are made as part of the monthly reconciliation process. Additionally, the City should ensure monthly reconciliations are reviewed in a timely manner.</p>	<p><i>The City will ensure all sub ledger reconciliation are balanced to the monthly Trial Balance prior to finalising the reconciliation. The timeliness of reconciliation will be reviewed via the implementation of timetable.</i></p> <p>2019-20 Management Comment <i>All monthly reconciliations are undertaken as part of preparing the month end financial statements. However, due to a timing variance the reconciliation process will be reviewed and updated</i></p>	<p>30 August 2021</p>	<p>Completed</p>	<p>Completed 30 August 2021</p>

AUDIT COMMITTEE MINUTES

6 SEPTEMBER 2021

5.6 REVIEW OF THE CITY'S CORPORATE RISK REGISTER

- Attachments:
1. 31 August 2021 Corporate Risk Register [↓](#) 
 2. 31 August 2021 Corporate Risk Register Confidential Items - Confidential

RECOMMENDATION:

That the Audit Committee recommends to Council that it:

1. RECEIVES the City's Corporate Risk Register as at Attachments 1 and 2; and
2. NOTES the status of risk management actions for the high and extreme risks.

COMMITTEE DECISION ITEM 5.6

Moved: Mr Piper, Seconded: Cr Wallace

That the recommendation be adopted.

CARRIED (5-0)

For: Cr Topelberg, Cr Loden, Cr Wallace, Mr Piper and Cr Gontaszewski

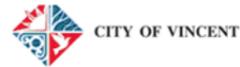
Against: Nil

(Mr Manifis was an apology for this Item.)

(Mr Smith was an apology for the Meeting.)

AUDIT COMMITTEE MINUTES

6 SEPTEMBER 2021



CITY OF VINCENT CORPORATE RISK REGISTER

Risk Category	Risk Description	Comment	Impact Analysis			RISK MANAGEMENT				ACCOUNTABILITY						
			Likelihood	Consequence	Remarks	Actual Risk	Current Risk Management Strategy (what happens now)	Risk Management Actions (RMA)	Strength (S-M-L)	Risk Acceptance (Y/N)	Net Risk (after RMA)	Direction of further RM	Risk Owner	Timetable	Assurances available	Last updated
Aging / unsafe assets (Beatty Park grandstand)	Emerging safety risk associated with Beatty Park grandstand, as buildings have electrical and structural issues and will require significant capital work in future to ensure they remain safe.	This risk has significant financial implications.	3	3		M	Essential maintenance is carried out, budget permitting. Money allocated in 2020/21 budget for essential works at Beatty Park Grandstand.	1. Develop an Asset Management Strategy to inform schedule for maintenance / upgrades required, and prioritise for assets. 2. If capital work is not undertaken it may be necessary for buildings to be left vacant, which results in a loss of rental income. 3. Beatty Park 2042 Option Project will identify future use and upgrade options and costs.	Medium - relies on budget for the works	H	L		CEO (report to Executive Management Committee)	01-Dec-20		08-Oct-20
Aging / unsafe assets (Litts Stadium grandstand and buildings)	Emerging safety risk associated with Litts Stadium grandstand and buildings, as buildings have electrical and structural issues and will require significant capital work in future to ensure they remain safe.	This risk has significant financial implications.	3	3		M	Essential maintenance is carried out, budget permitting. Grandstand and some buildings proposed for demolition.	1. Develop an Asset Management Strategy to inform schedule for maintenance / upgrades required, and prioritise for assets. 2. If capital work is not undertaken it may be necessary for buildings to be left vacant, which results in a loss of rental income.	Medium - relies on budget for the works	H	L		CEO (report to Executive Management Committee)	01-Dec-20		08-Oct-20
OH&S, employment practices																
Succession planning	Neglect of succession planning may result in a key person leaving the City, making City operationally vulnerable resulting in inefficient and ineffective operations, not meeting stakeholder needs.		2	3		M	Some work instructions	Continue developing corporate process management framework and develop a succession planning framework.	Strength - Once succession planning framework is completed for critical positions, risk will be low.	Y	L	Succession planning framework to be developed in 2021 per HR Strategy House.	CEO (report to Executive Management Committee)	30/06/2021 1 Dec 2020		08-Oct-20
Safety and security practices for staff	Staff working alone, after hours works, accessing building sites and/or private property, negative interaction with members of the community. Lack of comprehensive risk management in respect to safety practices leads to a lack of understanding of the appropriate training needs and potentially inadequate action against risks.		2	4		M	Staff training, patron education, emergency equipment provision and safety audits. Follow working alone procedures, toolbox weekly for handover, vehicle handover and audit of PPE, GPS monitoring enabled enforcement and communication devices. Regular reporting of incidents to foster safety awareness culture	1. Review of safety management plan and systems 2. Identify high risk positions 3. Identify gaps in OH&S procedures 4. Refer to OH&S Committee	Medium	Y	M	Note that this risk depends on behaviour of public - which City can not control. So remains medium risk.	Council (report to Audit Committee)	30-Dec-20		08-Oct-20
Volunteer and contractor management	There is a risk that inappropriate contract management in respect to contractor/volunteer induction and adherence to COV policies and procedures is not appropriately applied to leaving the City vulnerable to contractor/volunteer injury and legal action.		3	3		M	Induction process in place for Contractors, it does rely on the staff who get the contractors in to complete the induction and educate on policies and procedures.	1. Implement a centralised induction system to induct all contractors and volunteers. Ensure all contractors and volunteers have completed mandatory training/compliance (one off compliance training or yearly/bi-yearly) 2. Monitoring contractors and volunteer compliance	Strong - Implementation of a orientation and induction program	Y	L	Budget confirmed for online induction and orientation system and framework currently being developed by April 2020	CEO (report to Executive Management Committee)	30-Jun-20	Annually	08-Oct-20
Business service disruption																
Disaster Recovery Plan & Business Continuity Management for Beatty Park Leisure Centre	Building or pool failure leading to an unexpected closure of part or whole of facility may lead to not meeting shareholder expectations and experiencing financial losses.		3	3		M	Asset audits, maintenance programs in place and reviewed regularly, communication strategies for any shutdowns	Locate/create BCP for Beatty Park	Medium - Need to increase Audit of Assets and put plan in place for maintenance including contracts and agreements	Yes - note that Medium risk as plant failure can still occur despite strategies	M	No further action	CEO (report to Executive Management Committee)	01-Jul-20		08-Oct-20
Emergency Management (Interagency)	Ineffective collaboration with agencies results in a poor relationship and ineffective cooperation regarding emergency management leading to ineffective disaster management with an impact of extended service outages, worsened disaster outcomes		2	4		M	Local emergency management arrangements are in place with City of Perth and Western Central Councils	1. Provide additional training for relevant staff members and community agencies. 2. Working towards implementation of exercises with WC LEMC	Strong	Y	L	Conduct 4 desktop exercises per year	CEO (report to Executive Management Committee)	01-Sep-20	Audit of arrangements and the number of desktop exercises per year	08-Oct-20
Critical Incident response - Power outage to ICT server room	A lack of power to the on premise ICT systems though extended power outages will result in a failure after 1-2 hours of reserve power supply. If reserve power fails or cannot continue to be supplied, staff will lose access to all electronic systems, potentially leading to loss of data and service levels		2	3	Risk likelihood based on Admin Centre not being available to staff.	M	1. On-premise Back-up server with some offsite copies 2. Restoration of File servers, Email, Authority and Content Manager within 2 days. Up to 1 day data loss.	ICT Strategy House D19/98015 identifies several cloud-first objectives to mitigate server room dependency. July-2020: Offsite business systems (incl. telephony) on standby that can "go live" for Depot/remote access within 4 hours. Up to 1 day data loss. 2021/2022: File, email, records and core business system to move to cloud solutions. Depot/remote access continuous, no data loss.	Strong	Y	L	Link to BCP and BIA - need to understand the business service continuity needs	CEO (report to Executive Management Committee)	01-Jul-20 2021/22	Audit of the systems and server	08-Oct-20

AUDIT COMMITTEE MINUTES

6 SEPTEMBER 2021



CITY OF VINCENT CORPORATE RISK REGISTER



Risk Category	Risk Description	Comment	Impact Analysis			RISK MANAGEMENT				ACCOUNTABILITY						
			Likelihood	Consequence	Remarks	Actual Risk	Current Risk Management Strategy (what happens now)	Risk Management Actions (RMA)	Strength (S-M-L)	Risk Acceptance (Y/N)	Net Risk (after RMA)	Direction of further RM	Risk Owner	Timetable	Assurances available	Last updated
Primary site internet outage	Loss of internet will result in reduced staff access to business systems including web, email and cloud-based systems resulting in reduced or non compliance with service levels.	Impact - service outages	3	2	Communication Links review completed in 2019 to enable redundant architecture decisions.	M	1. Internet-based systems accessible via 4G-enabled tablets. 2. 2 x 4G Wi-Fi dongles available to business teams for up to 15 staff each. 3. Offsite backup to Library remains operational.	July-2020: Redundant internet supply (and supporting security infrastructure including firewalls) implemented. Up to 1 hour outage.	Strong	Y	L		CEO (report to Executive Management Committee)	01-Jun-20		08-Oct-20
Mapping data	Inaccurate mapping data may lead to poor or incorrect business decisions and possible safety issues resulting in financial loss to the City and potential harm to the community		4	2	Due to current limited use of spatial layers by staff. Public spatial layers have minimal data likely to cause more than Minor	M	GIS contract resource onsite fortnightly to respond to any data issues raised by staff.	Sep-2021: GIS and Assets officer is being recruited in and this will help mitigate this risk.	Strong	Y	L	Dependant on additional resources.	CEO (report to Executive Management Committee)	01-Jul-20	Process to check GIS updates and verify data	Aug-21
Cyber Security	The City suffers a material breach of information security through ineffective protocols and processes	This is trending as an escalating risk in many organisations	3	4	Technical Security Review completed against Australian Signals Directorate 'Essential 8'. For Technical Security Review and current action item status, see D19/128564	H	Anti-virus software deployed for computers, web traffic and email filtering, upgraded anti-virus software for computers and email filtering; new anti-virus software for server environment; data loss protection config in Office 365 for external file sharing; data loss protection controls are being deployed as part of Office 365 implementation - to be completed in 2019/2020; multi-factor authentication for Office 365 and remote access.	Staff awareness training being introduced;	Strong	Y	M		Council (report to Audit Committee)	Dec-21		Aug-21
COVID-19 pandemic	Disruption to City service delivery, local business and community group operations and staff and community well being	Global pandemic, declared state emergency and public health emergency	4	3	City has very limited capacity to control risk due to global nature	H	COVID-19 Relief and Recovery Committee formed, strategy and action plan developed and being implemented, staff working from home, public health directives are being implemented, community support is being provided, City's operations being reviewed	Implement COVID-19 Relief and Recovery Strategy - all risk management actions are encompassed within this document	Strong	Y	H	The Strategy and Implementation Plan are being updated every week	Council (report to Audit Committee)	Ongoing	Administration is accountable to the COVID-19 Relief and Recovery Committee	08-Oct-20
<p>Governance, misconduct and fraud</p> <p>Any additional row can only be added below this row</p>																
Corporate governance / legislative compliance	Lack of an effective governance framework and culture, including risk management, leads to complacency in corporate governance, risk management and legislative compliance, potentially resulting in a failure to comply with legislative requirements and poor decision making		3	3		M	1. Governance team undertakes manual checks to ensure legislative compliance and communicates governance principles and legislative requirements to organisation. 2. Audit Log monitors some financial and audit related risks, and improvements required, and is reported to EMC monthly and to Audit Committee. 3. Currently no clear documentation of requirements.	1. Compliance calendar and Governance Framework is being developed and will be communicated to all staff - August 2020 2. Internal audit plan and improvement plan are being reviewed and will be reported to Audit Committee (will be informed by reg 17 review) - November 2020 3. Regulation 17 review being undertaken in 2020 (internal controls, legislative compliance and risk management) - September 2020	Strong RMA once implemented, however, resourcing required to implement actions identified by previous reg 17 review (improvement plan) and implement a compliance calendar, and ongoing monitoring / compliance checks.	N	M		CEO (report to Executive Management Committee)	1. Complete - adopted 18 August 2020 2. Internal Audit Plan to be prepared by March 2021 3. Sept-20-Complete	1. reg 17 review 2. planned internal audit 3. Compliance calendar creates checklist 4. Audit Log is reported to EMC and Council	08-Oct-20
Fraud Risk Management	A lack of coordinated approach to identification, mitigation, management and monitoring of fraud, through a fraud risk framework increases the risk of fraud occurring potentially leading to reputational damage, and financial losses		4	3	Initial consideration by City has identified following fraud risk areas: 1. Payroll 2. Theft (property / money) 3. Credit card use 4. Procurement (invoices)	H	1. A number of fraud risks have been identified as a result of the OAG's Fraud Performance Audit in 2019, which recommended that the City have a coordinated approach to fraud management and a mechanism for reporting fraud. 2. These items are being actioned and progress is reported to Audit Committee. 3. Procurement risks are managed by two level approval process for purchases. 4. Note, No specific current policies & procedures to prevent, detect and respond to fraud other than step 3 above	1. Develop and communicate a fraud risk management plan, and provide staff training December 2020 (consultant to be engaged). 2. Testing for fraud will form part of the internal audit plan, and random checks will be undertaken by procurement. - December 2020 3. Recruitment and selection process review April 2020 4. Procurement review supplier verification - June 2020	Strong RMA, however, fraud risks must first be comprehensively identified and resourcing required to develop plan, train staff and undertake fraud testing / internal audits	H	M		Council (report to Audit Committee)	1. 30-Jun-20 2. 01-Dec-20 3. 01-Apr-20 4. 01-Jun-20	Audit Log is reported to EMC and Council; random checks on transactions, inventory and processes (e.g. HR and payroll)	08-Oct-20
Policies & Procedures	Outdated policies, procedures and controls leads to a failure to properly execute on its mandate and protect its assets leading to errors, omissions and delays in service delivery		3	2		M	1. Policies are reviewed and updated on an ad hoc basis. 2. New template, Policy Development and Review Policy and Policy Review Plan being prepared. 3. Council approval of policies is required, which functions as a form of control.	1. Finalise and implement the policy review plan - September 2020 2. Develop guidance on policy content - new Policy Development and Review Policy - Council approval required, align with SCP objectives - September 2020 3. Communicate to all staff - October 2020 4. process improvement - Continue trialling the use of a corporate process management	Strong	Yes, policy review plan and framework will provide clear guidance on policy requirements and drafting. Corporate Process Management is assisting with process documentation	M		CEO (report to Executive Management Committee)	1. 01-Sept-20 2. 01-Sept-20 3. 01-Oct-20 4. 01-Dec-20	Internal audit on policies and procedures, and their operational effectiveness	08-Oct-20



Risk Category	Risk Description	Comment	Impact Analysis			RISK MANAGEMENT			ACCOUNTABILITY							
			Likelihood	Consequence	Remarks	Actual Risk	Current Risk Management Strategy (what happens now)	Risk Management Actions (RMA)	Strength (S-M-W)	Risk Acceptance (Y/N)	Net Risk (after RMA)	Direction of further RM	Risk Owner	Timetable	Assurances available	Last updated
Complex land management / maintenance requirements	Management and maintenance of City controlled land within the Swan River Foreshore, Aboriginal Heritage Sites and Development Control Areas		3	3	Urgent remedial path works at Banks Reserve undertaken in Feb 2019, no s 18 consent obtained. Caution issued by DPLH, may result in reputational damage, and if further non-compliances occur that could adversely impact relationship with DPLH	M	No formalised approach/ checklist for ensuring compliance with legislation relevant to works / management of land within the Swan River Foreshore, Development Control Area or Aboriginal Heritage Site.	1. Governance to develop a checklist of approvals required and communicate to relevant staff - December 2020 2. DPLH (Director of Heritage) to present to relevant staff on changes to Aboriginal Heritage Act and explain approval process - by December 2020	Strong	Y	L		CEO (report to Executive Management Committee)	Dec-20	Annual review of process.	08-Oct-20
Non-compliance with drafting requirements for local laws	Additional administrative time and costs associated with redrafting of local laws to meet legislative requirements for local laws	Drafting of new Local Government Property Local Law, Parking Local Law and Animal Local Law occurring	4	2	JOINT Standing Committee on delegated legislation found errors in Parking Local Law which resulted in need for it to be repealed.	M	Drafting of local laws in line with Department of Local Government's guidelines	Discuss drafting further with Department, to ensure drafting meets Joint Standing Committee's requirements	Medium	Y	L		CEO (report to Executive Management Committee)	Jul-21		08-Oct-20
State-Wide Cladding Audit	Community safety and reputational impact associated with implementation of regulatory requirements following cladding audit undertaken by DMRS.		2	4		M	All directions to building owners are managed by the Executive Director.	Ensure safety measures are implemented where appropriate to reduce likelihood of fire events. Any further enforcement action considered by Executive Director in accordance with Risk Management Policy.	Strong	Y	L		CEO (report to Executive Management Committee)	Q2 2021		08-Oct-20
Information & Systems Management																
Authority database security - Confidential	See Confidential Log					H					L					
Community Services																
Fraudulent booking/use of City facilities resulting in damage to facilities and public nuisance	There are inadequate processes in place to prevent malicious or fraudulent bookings of a City facility, which could result in misuse of a City facility and potentially damage to the facility or nuisance to the public.		4	2		M	Administration reviews each booking; Applies a bond to bookings considered high risk;	1. Requirement for photo identification for all bookings in community facilities; 2. High scrutiny and review placed on weekend bookings; 3. Updated to Terms and Conditions to include requirement for bond for bookings on weekends from 6.00pm - midnight; 4. Update of Terms and Conditions to include requirement for photo identification 5. Reduction in number of bookings approved for use on weekends between 6.00pm and midnight	Medium	Y	L		CEO (report to Executive Management Committee)	01-Dec-20	Annual review of process	08-Oct-20

AUDIT COMMITTEE MINUTES**6 SEPTEMBER 2021**

6 GENERAL BUSINESS**7 NEXT MEETING****2 November 2021**

- Audit Log Review
- Internal Audit Program – first audit task report
- Fraud Update and Emerging Issues – Governance, Risk and Compliance
- OAG performance audit and other audit / best practice recommendations (if required)
- 3 grandstand structures (Leederville Oval, Litis Stadium and Beatty Park)

8 CLOSURE

There being no further business the meeting closed at 2.37pm.

These Minutes were confirmed at the 2 November 2021 meeting of the Audit Committee as a true record and accurate of the Audit Committee meeting held on 6 September 2021

Signed: Mr Conley Manifis

Dated

AUDIT LOG



<i>Audit Details</i>	<i>Action</i>	<i>Approved Completion Date</i>	<i>Status</i>	<i>Proposed Completion Date</i>
<p>EA: 2021/08 (4) Office of the Auditor General Interim Audit for 2020/21</p> <p>Evidence of review of changes to employee Masterfile</p> <p>Finding The City does not have a process to evidence of independent review and authorisation of changes made to the employee masterfile. This includes changes to an employee's bank account details. A similar finding was raised in the 2019-20 financial year and the following management comment was received:</p> <p>Responsible Person: Executive Manager HR Completion Date:</p> <p>Rating: Significant</p> <p>Implication The absence of an independent review of changes made to the employee masterfile increases the risk of unauthorised or erroneous changes to key information. Additionally, this weakness in financial controls is considered a matter of material non-compliance and impacts on the audit opinion for the current year. The following will be included under our report on other legal and regulatory compliance: "No evidence was retained to demonstrate whether changes to the employee master file, including bank account details, were being authorised by an officer other than the person making the amendment. This increases the risk that unauthorised changes may be made, resulting in errors or funds being inappropriately transferred. Our audit did not identify any instance of unauthorised changes."</p> <p>Recommendation Management should implement a process for an independent review of changes to the employee masterfile.</p>	<p>2019-20 Management Comment Currently changes to the employee master file are checked by the Payroll Officer/Payroll Support Officer, however not recorded. Based on changes to the employee master file, Human Resources/Payroll will implement the following:</p> <ol style="list-style-type: none"> 1. A change of bank details and superannuation form. 2. All changes to employee master file are requested via a form or letter pertaining to a change of employee entitlements. These forms/letters are added to Content Manager (records system) and work-flowed to the applicable Payroll Officer/Support Officer depending on portfolio. <p>Once adjustments are made to the employee master file based on the form/letter, the Payroll Officer changes the workflow item from 'action' to 'completed'. The Payroll Officer will then workflow the form/letter to the other Payroll representative in Content Manager for review. The Payroll representative will review and if approved, change the workflow from 'review' to 'completed'.</p> <p>Each time a form/letter is added to Content Manager, an audit trail will be created of when an item is 'completed' and 'reviewed'.</p> <p>Fortnightly the employee master file maintenance report will be run and validated by an independent reviewer. The report will be validated to supporting documents and will be checked prior to the pay-run.</p>	<p>1. 30 December 2020 2. 31 January 2021</p>	<p>Completed</p>	<p>Completed 30 August 2021</p>

AUDIT LOG



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Summary of open Confidential items (D21/61059)

Office of the Auditor General Information Systems Audit:

- 1. EA:2020/10 (1) (a) and (b) High
- 2. EA:2020/10 (3) Moderate
- 3. EA:2020/10 (9) Moderate
- 4. EA:2020/10 (10) Moderate
- 5. EA:2020/10 (11) Moderate
- 6. EA:2020/10 (12) Moderate
- 7. EA:2020/10 (14) Moderate
- 8. EA:2020/10 (22) Moderate

Stanton Reg 5 & 17 Review

- 9. EA 2020/12 (9) Moderate

Office of the Auditor General – Financial Audit

- 10. EA 2020/12 (14) Significant

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
Office of the Auditor General Information Systems Audit			See Confidential log	
<p>EA:2020/10 (1) (a) and (b) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p>			See Confidential log	
<p>Risk Rating (prior to controls) High</p>				
<p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			See Confidential log	
<p>EA:2020/10 (3) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p>			See Confidential log	
<p>Risk Rating (prior to controls) Moderate</p>				
<p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			See Confidential log	
<p>EA:2020/10 (9) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p>			See Confidential log	
<p>Risk Rating (prior to controls) Moderate</p>				
<p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			See Confidential log	
<p>EA:2020/10 (10) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p>			See Confidential log	
<p>Risk Rating (prior to controls) Moderate</p>				
<p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			See Confidential log	
<p>EA:2020/10 (11) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p>			See Confidential log	
<p>Risk Rating (prior to controls) Moderate</p>				
<p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>				

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA:2020/10 (12) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			See Confidential log	
<p>EA:2020/10 (14) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			See Confidential log	
<p>EA:2020/10 (19) Office of the Auditor General Information Systems Audit – Disaster Recovery Plan</p> <p>Finding We found that the City does not have an ICT disaster recovery plan (DRP).</p> <p>Implication Without an adequate DRP and appropriate testing, there is an increased risk that key business functions and processes may not be restored in a timely manner after a disruption, affecting the operations of the City.</p> <p>Recommendation The City should develop and test its DRP to confirm that systems can be recovered in accordance with business expectations and key staff should be familiar with the plan and their specific roles and responsibilities in a disaster situation. The results of testing should be recorded, and the relevant actions taken to improve the plan where necessary.</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Risk Rating (with current controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	Administration will introduce managed backup and infrastructure services that include disaster recovery capability. Disaster recovery and information security continuity processes will then be formalised per the Information Security Program noted in OAG Finding 5. A formal plan will then be prepared for publication to staff and testing purposes.	August 2021	<p>Disaster Recovery policy now in place.</p> <p>Operational systems (backup and recovery) now compliant for onsite backup. Bandwidth upgrade procured to enable transit of backup files for offsite storage.</p> <p>Offsite backup/recovery service commissioned and providing partial coverage. Bandwidth upgrade scheduled for April 2021 to enable full coverage.</p> <p>Formal DR plan being documented, including 6 monthly test schedule.</p> <p>DR/BCP plan drafted. Business teams to review Impact Assessments ahead of final report to EMC.</p>	December 2021

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA:2020/10 (20) Office of the Auditor General Information Systems Audit – Business Continuity Plan – Testing</p> <p>Finding 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>Implication 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>Recommendation The City should undertake appropriate tests 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>Risk Rating (prior to controls) Moderate</p> <p>Risk Rating (with current controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	<p>There has been 0% interruption to non-library/recreational facility services throughout COVID-19 disruptions in Perth. COVID-19 has been a major incident and required significant change to how business functions operated.</p> <p>City staff who continue to work remotely are effectively testing part of the City's business continuity systems on a daily basis. Through improvements to data backup and infrastructure recovery noted in OAG Finding 20, Administration will expand business continuity testing to include system and infrastructure incidents as part of a managed services agreement.</p>	<p>August 2021</p>	<p>On track per EA:2020/10 (19) above. Completion date updated to align with Disaster Recovery Plan activities.</p> <p>Backup recovery being tested in offsite environment for complete Admin building disaster scenario.</p> <p>DR/BCP plan drafted. Business teams to review Impact Assessments ahead of final report to EMC.</p>	<p>December 2021</p>
<p>EA:2020/10 (22) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			<p>See Confidential log</p>	

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>Stanton Reg 5 & 17 Review</p> <p>EA:2020/12 (8) Stanton Reg 5 & 17 Review – Manual Timesheet</p> <p>Finding The City uses manual timesheets, predominately for those employees who work in the depot and recreational leisure centre.</p> <p>Recommendation 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>Recommendation</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Risk Rating (with current controls) Minor</p> <p>Management Response Responsible Officer: Executive Manager Human Resources and Executive Manager Information and Communication Technology</p>	<p>The City requires a robust online time-sheets 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.</p> <p>Administration has determined that Civica’s online time-sheets 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-sheets 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.</p>	<p>December 2021</p>	<p>On track. Beatty Park workforce now trialling mobile application rostering and time-sheets solution. Future rollout to other casual staff (Depot) pending trial results. Authority ERP electronic time-sheets to be reviewed post system upgrade in late 2021.</p> <p>Further rollout subject to Beatty Park change management resourcing.</p>	<p>December 2021</p>
<p>EA:2020/12 (9) (CONFIDENTIAL) Stanton Reg 5 & 17 Review</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			<p>See Confidential log</p>	

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA:2020/12 (11) Stanton Reg 5 & 17 Review – Record Keeping</p> <p>Finding Poor retrievability of information 'term container used' Record keeping of contract documentation is inefficient and leads to poor retrievability. The record keeping system does not facilitate the use of sub folders which results in all documented related to a subject/topic being saved in a 'container'. With regards to contracts, there are a large number of supporting documentations within these 'containers' thus it can take some time to retrieve the sought-after document</p> <p>Recommendations The City should review useability of their record keeping system ensuring that it is operating effectively. For process efficiency allow user to amend and delete own purchase requisition.</p> <p>Risk Rating (prior to controls) Minor</p> <p>Risk Rating (with current controls) Minor</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology Office of the Auditor General – Financial Audit</p>	<p>The City will review its record keeping system to ensure it is operating effectively.</p>	<p>August 2021</p>	<p>On track. Functionality of the system reviewed with external support provider: the use of folders will be introduced.</p> <p>A staff survey for system satisfaction as well as improvement suggestions has commenced.</p> <p>Contract management system now operational.</p> <p>Carry-over to operations: Record-keeping survey results will be collated and analysed in September 2021.</p>	<p>September 2021</p>
<p>EA:2020/12 (14) (CONFIDENTIAL) Office of the Auditor General – Financial Audit</p> <p>Risk Rating (prior to controls) Significant</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			<p>See Confidential log</p>	

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<p>Office of the Auditor General Interim Audit for 2020/21</p> <p>EA: 2021/08 (1) Office of the Auditor General Interim Audit for 2020/21</p> <p>Review of Landgate triennial GRV update</p> <p>Finding We noted that the upload of Gross Rental Value (GRV) revaluation provided by Landgate triennially and effective 1 July 2020 was not reviewed or approved by an independent officer.</p> <p>Rating: Significant</p> <p>Implication Without an independent review, there is a risk that errors may not be detected and resolved promptly, resulting in incorrect rate notices being issued.</p> <p>Recommendation Management should review the GRV upload as at 1 July 2020 and ensure this was correctly reflected within Authority, any adjustments required should be processed for the year ended 30 June 2021. In addition, we recommend that the City ensure the triennial GRV revaluation data uploaded into the Authority Rates Module is reviewed by an appropriate independent officer, and evidence of the review retained.</p>	<p>The GRV re-valuation received from Landgate triennially will be reviewed by Management and reconciled to the uploaded GRV data.</p>	<p>31 July 2021</p>	<p>Completed</p>	<p>Completed 31 July 2021</p>

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<p>EA: 2021/08 (2) Office of the Auditor General Interim Audit for 2020/21</p> <p>Accounting for lease incentives</p> <p>Finding The City has extended a lease agreement with the Department of Finance – Minister for Works for a period of 10 years commencing December 2020. As part of the lease agreement a lease incentive of \$3,044,200 was provided. \$1,625,000 of this incentive is provided by way of cash payments over three annual payments beginning from 1 July 2020. The City in the current year has accounted for the cash payment of \$558,333 as an operating expense. The above accounting treatment is likely not consistent with the requirements of AASB 16 <i>Leases</i> paragraph 81, this states “a lessor shall recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.” AASB 16 defines lease payments as being net of lease incentives.</p> <p>Rating: Moderate</p> <p>Implication Accounting for the lease incentive paid in the current year as an operating expense likely overstates the City’s expenses, revenues and understates their assets. The accounting is also likely not compliant with the requirements of AASB 16.</p> <p>Recommendation We recommend management review their accounting surrounding the lease incentive provided to Department and ensure the accounting aligns with the requirements of AASB 16. In addition, we recommend the City review their lease portfolio and ensure any lease incentives provided by the City are accounted for in accordance with AASB 16.</p>	<p>The City will offset the annual incentive payment of \$162,500 to the rental income and the advance payment on the incentive payment will be transferred to the payment made in advance (debtor) account.</p>	<p>31 July 2021</p>	<p>Completed</p>	<p>Completed 31 July 2021</p>

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<i>Audit Details</i>	<i>Action</i>	<i>Approved Completion Date</i>	<i>Status</i>	<i>Proposed Completion Date</i>
<p>EA: 2021/08 (3) Office of the Auditor General Interim Audit for 2020/21</p> <p>Access levels within Authority</p> <p>Finding We noted numerous users with access to modules within Authority which appear to not be required to undertake their role within the City, identified as: - Accounts payable (supplier masterfile, invoice entry and credit note entry) - Accounts receivable (debtor masterfile, invoice entry and credit note entry) - Rates module (debtor masterfile, invoice entry and credit note entry)</p> <p>In some instances, the City does have mitigating controls in place, however these controls are generally of a manual and detective nature.</p> <p>We understand the project the City has commissioned with their IT vendor to resolve this issue is expected to be completed in August 2021.</p> <p>A similar finding was raised in the 2019-20 financial year and the following management comment was received:</p> <p>Responsible Person: Executive Manager ICT Completion Date: August 2020</p> <p>Rating: Significant</p> <p>Implication Excessive user access to the accounting package may allow staff to use the system inappropriately. For example, this access could be used to undermine the effectiveness of system controls (such as segregation of duties) and diminish accountability. Additionally, this weakness in financial controls is considered a matter of material non-compliance and impacts on the audit opinion for the current year. The following will be included under our report on other legal and regulatory compliance: "Access controls over a key system of the City were inadequate to enforce adequate segregation of duties. This could lead to inappropriate use of the system, however our audit testing did not identify any inappropriate use."</p> <p>Recommendation Management should continue the project with their IT vendor to conduct a thorough user access review in consultation with its IT support with a view to restricting user access to the required and appropriate level of authority or delegation.</p>	<p>Per the original 2019-20 Management Comment, access review and application of restrictions will complete as part of the Civica 7.1 upgrade project. The upgrade project is currently scheduled to go live in October 2021.</p> <p>2019-20 Management Comment <i>The City accepts Finding 1. In response to this finding, the City has commissioned a project with Civica (vendor for Authority software) to provide 'Authority User Access and Security Restructure'. The overall objectives of the project are to provide:</i></p> <ul style="list-style-type: none"> • A structured, consistent and more easily understood Authority security model • Better visibility of user access and permissions • Simpler administrative management control of users and permissions <p><i>The project has been estimated to run for 8 – 10 weeks. The City is reviewing scheduling with Civica given several other Authority changes already in motion, in particular the software upgrade from version 6.11 to 7.1. If Civica is not able to commit additional resources to this project in early 2021, completion will be aligned to 7.1 go live in August 2021.</i></p>	<p>31 October 2021</p>	<p>On track</p>	<p>31 October 2021</p>

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<p>EA: 2021/08 (5) Office of the Auditor General Interim Audit for 2020/21</p> <p>Timing of monthly reconciliations</p> <p>Finding During our audit, we identified the following key reconciliations were prepared prior to close of the sub modules which led to variances between the reconciled balances within the end of month trial balance: - Accounts payable - Accounts receivable - Rates receivable</p> <p>In some instances a manual reconciliation was prepared to bridge the gap between the module close off and the end of month trial balance, however reconciling items were not appropriately adjusted for.</p> <p>In addition, we identified the reconciliation of the fixed assets register, as at 30 April 2021, was not completed in a timely manner. Although the reconciliation report was dated as prepared on 30 April 2021, it was confirmed the system generates this preparation date to coincide with the month end. The actual date of preparation and review of the reconciliation is 3 June 2021.</p> <p>A similar finding was raised in the 2019-20 financial year and the following management comment was received:</p> <p>Responsible Person: Coordinator Financial Services</p> <p>Rating: Moderate</p> <p>Implication Reconciliations are a key control for ensuring financial data is completely and accurately reflected in the general ledger from which financial statements are derived. The absence of a robust process by the City of Vincent over the reconciliations on period end balances can result in errors or omissions remaining undetected, leading to misstatements in the financial statements.</p> <p>Recommendation We recommend management review their current processes for monthly reconciliations and ensure balances reconciled are those reported and reconciling items are appropriate and where required adjustments are made as part of the monthly reconciliation process. Additionally, the City should ensure monthly reconciliations are reviewed in a timely manner.</p>	<p><i>The City will ensure all sub ledger reconciliation are balanced to the monthly Trial Balance prior to finalising the reconciliation. The timeliness of reconciliation will be reviewed via the implementation of timetable.</i></p> <p>2019-20 Management Comment <i>All monthly reconciliations are undertaken as part of preparing the month end financial statements. However, due to a timing variance the reconciliation process will be reviewed and updated</i></p>	<p>30 August 2021</p>	<p>Completed</p>	<p>Completed 30 August 2021</p>