

8.1 REPORT AND MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 27 JUNE 2024

- Attachments:**
1. Audit and Risk Committee Minutes - 27 June 2024
 2. Attachment Item 5.1 OAG Planning Summary - Confidential
 3. Attachment Item 5.5 - Audit Log - Confidential

RECOMMENDATION:**That Council:**

1. **RECEIVES** the minutes of the Audit and Risk Committee Meeting of 27 June 2024, at Attachment 1 and Confidential Attachments at Attachment 2 and Attachment 3; and
2. **APPROVES** the recommendations from the Audit Committee as follows:
 - 2.1 **DEFER** consideration of the Integrity Framework until the Integrity, Fraud and Corruption Risk Assessment is discussed with the CEO. Updated Integrity Framework to be presented to the October meeting of the Audit and Risk Committee;
 - 2.2 **APPROVES** progressing with the internal audit of the swimming pool inspection process;
 - 2.3 **REQUESTS** Administration review Corporate Risk Register and identify three priority audits for the remainder of the internal audit program. Having regard to audits already completed and feedback of Elected Members on the Audit and Risk Committee, to be tabled at the October Audit and Risk Committee Meeting;
 - 2.4. **APPROVES** the risk management actions for the high and extreme risks; and
 - 2.5. **APPROVES** closure of action items noted within the City's Audit Log.
3. **NOTES**
 - 3.1 The Audit Planning summary for the 2023/2024 financial year;
 - 3.2 The progress of the Fraud and Corruption Prevention Plan Actions;
 - 3.3 The summary of the Internal Audit Program for years 1 and 2;
 - 3.4 The alignment of Corporate Risks to risk appetite and tolerance ratings;
 - 3.5 The Audit and Risk Committee Forward Agenda; and
 - 3.6 The status of the City's Audit Log.
4. **RECEIVES**
 - 4.1 The Local Government 2022-23 Financial Audit and Information System Audit Results reports from the Officer of the Auditor General; and
 - 4.2 The City's Corporate Risk Register at Attachment 1.

PURPOSE OF REPORT:

To report to Council the proceedings of the Audit and Risk Committee (Committee) at its meeting held on 27 June 2024 in accordance with clause 2.21(1) of the City's Meeting Procedures Local Law 2008.

BACKGROUND:

The City's Audit and Risk 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 and Risk Committee is to provide independent advice and assurance to Council over the City's risk management, internal controls, legislative compliance and financial management.

DETAILS:

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

At its meeting on 27 June 2024, the Audit and Risk Committee considered seven items as follows:

- 5.1 OAG Entrance Meeting 2023/24 Audit
- 5.2 Progress Delivery of the Fraud and Corruption Prevention Plan Actions and Approval of Draft Integrity Framework
- 5.3 Internal Audit Program Outcomes and Proposed Year 3 Audits
- 5.4 Local Government 2022-23 Audit Results
- 5.5 Review of the City's Corporate Risk Register
- 5.6 Audit Committee - Forward Agenda 2024
- 5.7 Review of the City's Audit Log

A summary of each item is below:

5.1 - OAG Entrance Meeting 2023/24 Audit

Representatives from OAG attended to present and answer questions on the audit planning summary for the 2023/24 financial year.

5.2 - Progress Delivery of the Fraud and Corruption Prevention Plan Actions and Approval of Draft Integrity Framework

This report was to track progress on the Fraud and Corruption Prevention Plan Actions and to seek approval of the Draft Integrity Framework, which was one of the actions identified in the Plan. The draft Integrity Framework was based on resources provided by the Public Sector Commissioner and is necessary to ensure the City has appropriate systems and procedures in relation to internal control as prescribed by Regulation 5 of the *Local government (Financial Management) Regulations 1996*.

5.3 - Internal Audit Program Outcomes and Proposed Year 3 Audits

This report was to present a summary of the Internal Audit Program Outcomes for years 1 and 2 and consider the proposed year 3 audits.

5.4 - Local Government 2022-23 Audit Results

This report was to provide an update on an external or performance audits of emerging issues, as provided in the Committee Terms of Reference.

5.5 Review of the City's Corporate Risk Register

The report presents the City's Corporate Risk Register (Register), proposed risk management actions for high and extreme risks and alignment of Corporate Risks to Risk Appetite and Tolerance Statements.

5.6 Audit Committee – Forward Agenda 2024

The Audit and Risk Committee Forward Agenda (Agenda) is a 'live' document developed in consultation with Committee Members. The Agenda identifies key issues, performance, monitoring and/or reporting requirements scheduled for presentation to the Committee throughout the year.

5.7 - Review of the City's Audit Log

The report provides an update on the status of all outstanding items in the City's Audit Log. The Audit Log tracks all open audit items from audits and reviews, until closure, and provides a summary of the progress made against the management actions.

There are 6 items recommended for closure and 13 remaining actions logged.

There are no overdue actions.

CONSULTATION/ADVERTISING:

Nil.

LEGAL/POLICY:

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

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

RISK MANAGEMENT IMPLICATIONS:

Low: It is low risk for Council to consider the report and minutes of the Audit and Risk Committee meeting on 27 June 2024. The role of the Audit and Risk Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its terms of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government.

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.

FINANCIAL/BUDGET IMPLICATIONS:

Nil.



CITY OF VINCENT

MINUTES

Audit and Risk Committee

27 June 2024

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

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AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

**MINUTES OF CITY OF VINCENT
AUDIT AND RISK COMMITTEE
HELD AS E-MEETING AND ADMINISTRATION AND CIVIC CENTRE
244 VINCENT STREET, LEEDERVILLE
ON THURSDAY, 27 JUNE 2024 AT 4.15PM**

PRESENT:	Mr George Araj Mr Conley Manifis Mayor Alison Xamon Cr Alex Castle Cr Jonathan Hallett	Independent External Member (Chair) Independent External Member Presiding Member North Ward South Ward
IN ATTENDANCE:	Peter Varris Rhys Taylor Main Bhuiyan Joslin Colli Peter Ferguson Emma Simmons Punitha Perumal David Kilgren Wendy Barnard	A/Chief Executive Officer (joined at 4.27pm during Item 5.1) Chief Financial Officer A/Manager Financial Services Chief Audit Executive Executive Manager Information and Communication Technology Senior Governance Project Officer OAG, Director Financial Audit (Item 5.1 only) OAG Audit Manager (Item 5.1 only) Council Liaison Officer

1 INTRODUCTION AND WELCOME

The Presiding Member, Mr George Araj, declared the meeting open at 4.17pm 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

Chief Executive Officer David MacLennan on leave from 17 June 2024 to 05 July 2024.

Mr Baptiste Isambert is an apology for this meeting.

Cr Ron Alexander is 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.

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

4 CONFIRMATION OF MINUTES**COMMITTEE DECISION****Moved:** Mayor Xamon, **Seconded:** Cr Hallett

That the minutes of the Audit and Risk Committee held on 29 February 2024 be confirmed.

CARRIED (5-0)**For:** Mr Manifis, Mr Araj, Cr Castle, Cr Hallett and Mayor Xamon**Against:** Nil**(Cr Alexander was an apology for the Meeting.)****(Mr Isambert was an apology for the Meeting.)**

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

5 BUSINESS ARISING**5.1 OAG ENTRANCE MEETING 2023/24 AUDIT****Attachments:** 1. Planning Summary - 30 June 2024 - Confidential**RECOMMENDATION:**

That the Audit and Risk Committee recommends to Council that it **NOTES** the audit planning summary for the 2023/2024 financial year.

COMMITTEE DECISION ITEM 5.1**Moved:** Mr Manifis, **Seconded:** Mayor Xamon

That the recommendation be adopted.

CARRIED (5-0)**For:** Mr Araj, Mr Manifis, Cr Castle, Cr Hallett and Mayor Xamon**Against:** Nil

(Cr Alexander was an apology for the Meeting.)

(Mr Isambert was an apology for the Meeting.)

At 4.38pm the OAG representatives left the meeting and did not return.

AUDIT AND RISK COMMITTEE MINUTES

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5.2 PROGRESS DELIVERY OF THE FRAUD AND CORRUPTION PREVENTION PLAN ACTIONS AND APPROVAL OF DRAFT INTEGRITY FRAMEWORK

- Attachments:
1. Fraud and Corruption Prevention Plan
 2. Draft Integrity Framework

RECOMMENDATION:

That the Audit and Risk Committee recommends to Council that it:

1. NOTES the progress of Fraud and Corruption Prevention Plan Actions as detailed within this report, and
2. APPROVES the Integrity Framework at Attachment 2.

Moved: Cr Hallett, Seconded: Mr Manifis

That the recommendation be adopted.

AMENDMENT

Moved: Mr Manifis, Seconded: Cr Hallett

That the recommendation be amended as follows:

1. NOTES the progress of Fraud and Corruption Prevention Plan Actions as detailed within this report, and
2. ~~APPROVES the Integrity Framework at Attachment 2.~~
2. DEFER consideration of the Integrity Framework until the Integrity, Fraud and Corruption Risk Assessment is discussed with the CEO. Updated Integrity Framework to be presented to the October meeting of the Audit and Risk Committee.

AMENDMENT CARRIED (5-0)

For: Mr Araj, Mr Manifis, Cr Castle, Cr Hallett and Mayor Xamon

Against: Nil

(Cr Alexander was an apology for the Meeting.)

(Mr Isambert was an apology for the Meeting.)

COMMITTEE DECISION ITEM 5.2

That the Audit and Risk Committee recommends to Council that it:

1. NOTES the progress of Fraud and Corruption Prevention Plan Actions as detailed within this report, and
2. DEFER consideration of the Integrity Framework until the Integrity, Fraud and Corruption Risk Assessment is discussed with the CEO. Updated Integrity Framework to be presented to the October meeting of the Audit and Risk Committee.

CARRIED (5-0)

For: Mr Araj, Mr Manifis, Cr Castle, Cr Hallett and Mayor Xamon

Against: Nil

(Cr Alexander was an apology for the Meeting.)

(Mr Isambert was an apology for the Meeting.)

Fraud and Corruption Prevention Plan



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Fraud and Corruption Prevention Plan



Executive Summary

The City of Vincent (**City**) is committed to the prevention, deterrence, monitoring, investigation and reporting of all forms of fraud and corruption. Fraud and corruption is damaging to an organisation as it may cause financial loss, loss of public confidence (either perceived or real), reputational damage and adverse publicity.

Local governments are the custodians of significant public funds and assets. Therefore it is important that the community has assurance that these are adequately protected from fraud and corruption.

Fraud and corruption prevention forms part of the City's Risk Management Framework. It is a risk that the City actively seeks to identify and limit its exposure to, by reducing the potential opportunity (risk likelihood) for fraud and corruption to occur.

The purpose of this Plan is to clearly document the City's approach to the prevention of fraud and corruption at both strategic and operational levels. It is to be read in conjunction with the City's [Risk Management Policy](#) and relevant legislation.



Adapted from Office of Auditor General for Western Australia, Report 5: 2019-20, *Fraud Prevention in Local Government*

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Fraud and Corruption Prevention Plan



Section 1 - Background

1.1 Purpose

This Plan supports the City's Fraud and Corruption Prevention Policy to provide a structured framework and approach to fraud and corruption prevention, detection, monitoring and reporting.

This Plan aligns with the Australian Standards for Fraud and Corruption Control (AS8001-2008) and has been endorsed by the Executive Management Committee.

The Plan will be reviewed by the Audit Committee annually.

1.2 Communication

This Plan is communicated to all staff via annual training and is available on the City's internal Vintranet site. All new staff are also made aware of the Plan as part of their induction.

1.3 Zero Tolerance to Fraud and Corruption

The City has zero tolerance for corrupt conduct or fraudulent activities. The City is committed to preventing, deterring, detecting and investigating fraudulent and corrupt behaviour in the delivery of City services. Elected Members and Administration must not engage in practices that may constitute fraud or corruption.

The desired outcome of this commitment is the elimination of fraud and corruption throughout City operations both internally and externally. The City may prosecute people identified as committing fraud or undertaking corrupt behaviour. Employees may also face disciplinary action under the City's Code of Conduct, and restitution of money or property lost through fraudulent activity will be pursued through legislative means.

Fraudulent and corrupt activities may also be required to be referred to external agencies or may be referred at the discretion of the Council or CEO. These agencies include but are not limited to –

- WA Police
- Crime and Corruption Commission
- Public Sector Commission
- Local Government Standards Panel.

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Fraud and Corruption Prevention Plan



1.4 Definitions

Fraud is defined by Australian Standard AS8001-2008 as –

Dishonest activity causing actual or potential financial loss to any person or entity including theft of monies or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity.

Fraud can take many forms including –

- the misappropriation of assets;
- the manipulation of financial reporting (either internal or external to the organisation);
- corruption involving abuse of position for personal gain.

Corruption is defined by Australian Standard AS8001-2008 as –

Corruption is dishonest activity in which an employee or contractor of the entity acts contrary to the interests of the entity and abuses their position of trust in order to achieve some personal gain or advantage for themselves or for another person or organisation. The concept of 'corruption' can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interests of the entity, in order to secure some form of improper advantage for the entity.

Corrupt conduct tends to show a deliberate intent for an improper purpose and motivation and may involve misconduct such as: the deliberate failure to perform the functions of office properly; the exercise of a power or duty for an improper purpose; or dishonesty. Some examples of corrupt or criminal conduct which could be serious misconduct include –

- abuse of public office;
- blackmail;
- bribery, including bribery in relation to an election;
- deliberately releasing confidential information;
- extortion;
- obtaining or offering a secret commission;
- fraud or stealing;
- forgery;
- perverting the course of justice;
- an offence relating to an electoral donation;
- falsification of records.

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Fraud and Corruption Prevention Plan



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Fraud and Corruption Prevention Plan



1.5 Objective

The City is committed to meeting its legislative obligations under the *Local Government Act 1995* including ensuring that resources are maintained in a responsible and accountable manner.

The City's commitment to fraud control will be met by ensuring an environment in which fraudulent or corrupt conduct is discouraged, and conflicts of interest are avoided.

This commitment is reflected in the City's [Governance Framework](#), which has the following five principles:

1. Culture and Vision
2. Roles and Responsibilities
3. Decision Making and Management
4. Commitment to Sustainability
5. Accountability

1.6 Scope

This Plan applies to all Elected Members, employees, contractors and volunteers.

Elected Members must also adhere to the standards mandated by the *Local Government Act 1995*.

Further guidance on the City's responsibilities are detailed in the:

- Department of Local Government, Sport and Cultural Industries, *Fraud & Corruption Control Framework*, July 2015
- Office of Auditor General for Western Australia –
 - Report 24: 2018-2019, *Verifying Employee Identity and Credentials*
 - Report 5: 2019-2020, *Fraud Prevention in Local Government*
- Australian Standard AS 8001-2008

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Fraud and Corruption Prevention Plan



Section 2 - Context

2.1 Corporate Framework

This Plan supports the objectives in the City's Strategic Community Plan and Corporate Business Plan, both of which directly inform the City's budgets, strategies, policies and service delivery.

2.2 Legislative Framework

The *Local Government Act 1995 (LG Act)* requires local governments to develop and maintain adequate internal control systems. Local governments are also required to establish a Code of Conduct for employees, contractors and Council and have an Audit Committee.

The *Public Interest Disclosure Act 2003 (PID Act)* requires the local government to establish written procedures for handling of any protected disclosures.

The diagram below shows the interdependency of this Plan with complimentary programs and processes.



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Fraud and Corruption Prevention Plan



Local Government (Financial Management) Regulations 1996, Regulation 5

- (1) Efficient systems and procedures are to be established by the CEO of a local government –
- (a) for the proper collection of all money owing to the local government; and
 - (b) for the safe custody and security of all money collected or held by the local government; and
 - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and
 - (d) to ensure proper accounting for municipal or trust –
 - (i) revenue received or receivable; and
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities; and
 - (e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and
 - (f) for the maintenance of payroll, stock control and costing records; and
 - (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.
- (2) The CEO is to –
- (a) ensure that the resources of the local government are effectively and efficiently managed; and
 - (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
 - (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

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Local Government (Audit) Regulations 1996 Regulation 17 (1):

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 3 calendar years.
- (3) The CEO is to report to the audit committee the results of that review.

2.3 Australian Standards

Although not obligatory, Australian Standard for Fraud and Corruption Control (AS8001-2008) provide important guidance.

2.4 Roles and Responsibilities

Audit Committee

In relation to fraud control, the Audit Committee's responsibilities include –

- reviewing risk management frameworks and associated procedures for the effective identification and management of fraud risks;
- providing assurance that the City has appropriate processes and systems in place to prevent, detect and effectively respond to fraud-related information; and
- providing leadership in preventing fraud and corruption.

Chief Executive Officer (CEO)

The CEO applies the City's resources to fraud prevention and ensures the implementation of adequate controls for managing fraud and corruption risks within the City.

The CEO, under the *Corruption, Crime and Misconduct Act 2003* must notify the Corruption and Crime Commission or the Public Sector Commission if misconduct is suspected.

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Fraud and Corruption Prevention Plan



Executive Management Committee (EMC)

The Executive Management Committee is responsible for implementing this Plan. In particular, the EMC must –

- provide leadership, guidance, training and support to employees in preventing fraud and corruption;
- identify high fraud risk areas;
- participate in fraud and corruption risk assessment reviews;
- monitor the continued operation of controls;
- report suspected fraud and corruption promptly, maintaining confidentiality; and
- ensure the protection of complainants who report fraudulent and corrupt activities.

Chief Audit Executive (CAE)

The CAE (Executive Manager Corporate Strategy and Governance) is responsible for –

- coordinating the fraud and corruption risk assessment process;
- developing and maintaining this Plan, in consultation with key stakeholders;
- communicating the existence and importance of the Plan to all staff; and
- delivering and/or coordinating fraud and corruption training.

Executive Manager HR

The Executive Manager Human Resources is responsible for managing the grievance and discipline process.

Public Interest Disclosure (PID) Officer

The City's PID Officers (Executive Manager Corporate Strategy and Governance and Executive Manager Human Resources) investigate disclosures in accordance with the *Public Interest Disclosure Act 2003*.

All Employees

All employees have a responsibility to contribute to preventing fraud and corruption by following the Code of Conduct, complying with controls, policies and processes; resisting opportunities to engage in fraudulent or corrupt behaviour; and reporting suspected fraudulent or corrupt incidents or behaviour.

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Fraud and Corruption Prevention Plan



Section 3 - Planning and Resourcing

Australian Standard 8001/2008 list the following for consideration in planning and resourcing –

- control planning,
- review of control plans,
- control resourcing,
- internal audit activity.

3.1 Program for fraud and corruption control planning and review

The LG Act requires that all local governments establish an Audit Committee. An Audit Committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal controls, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

The Recommendation on p.7 of the WA Office of Auditor General's Report, Fraud Prevention in Local Government notes –

In line with better practice, all entities should ensure they implement a coordinated approach to manage their fraud risks. Entities should –

1. *assess fraud risks across their business*
2. *develop a Fraud and Corruption Control Plan and review it at least once every 2 years*
3. *develop and implement a periodic fraud awareness training program for all staff*
4. *ensure that all conflicts of interest are recorded, assessed and appropriate management plans are in place*
5. *have policies and procedures in place to verify the identity and integrity of employees and suppliers*
6. *document clear internal processes and systems to report any potential fraud, that include anonymous reporting*
7. *collect and analyse information received about potential fraud to identify any trends or emerging issues.*

This Plan is designed to achieve compliance with each of these recommendations.

The Plan operates in association with existing programs and initiatives throughout the City and forms an integral part of the overall risk management framework.

This Plan will be reviewed annually by the CAE with oversight from the Executive Management Committee. In reviewing the Plan the CAE shall give regard to the following –

- significant changes in business conditions
- strategies arising out of recently detected fraud or corruption control incidents
- results of fraud and corruption risk assessments completed
- changes in fraud and corruption control practices locally and internationally

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- resourcing requirements
- any identified changing nature of fraud and corruption within the sector.

The Plan will be presented to Audit Committee annually.

3.2 *Fraud control responsibility and resources*

The responsibility for implementation of this Plan is with the CAE. The CAE will report yearly to the Executive Management Committee, on the progress of delivery on the outcomes from this Plan.

The City is committed to allocating the required resources across the organisation to ensure appropriate controls in regards to fraud and corruption. In particular resources will be made available to –

- implement the Plan
- undertake fraud and corruption risk assessments
- deliver organisational training and awareness
- review incidents reports
- undertake investigations.

3.3 *External assistance*

Where required, external assistance will be engaged to support the delivery of any aspect of this Plan, including the delivery of training.

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Section 4 - Prevention

Australian Standard 8001/2008 list the following for consideration in planning and resourcing –

- implementing and maintaining an integrity framework
- senior management commitment
- line management accountability
- internal control
- assessing fraud and corruption risk
- communication and awareness
- employment screening
- supplier and customer vetting
- controlling the risk of corruption.

4.1 Implementing and maintaining an integrity framework

The City's Code of Conduct specifies the expected behaviour of employees and contractors, which includes reporting and preventing any fraud or corruption.

Recruitment materials will include information on values and conduct expectations

The City will provide a formal induction process for all new staff and contractors that includes a clear focus on integrity.

Managers will exercise and demonstrate high levels of integrity in the performance of their roles and functions and will remind employees of the importance of complying with the City's Code of Conduct.

Annual performance reviews will include a requirement for employees to review the City's Code of Conduct each year and to complete the online training programs for both Fraud Awareness and Accountable and Ethical Decision-making (AEDM).

4.2 Commitment to controlling the risk of fraud and corruption

Managers will not be complacent and will treat fraud and corruption risks as a serious threat to the City.

The Executive Management Committee and Audit Committee will regularly be briefed on the following:

- information on the program and robustness of the internal control environment in regards to preventing and detecting fraud
- the types of fraud and corruption common with the sector
- incidence of fraud and corruption generally in Australia
- information on the types of fraud and corruption that have been detected at the local government over the previous five years
- information of new or emerging trends in this area.

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4.3 Maintaining strong internal control systems and internal control culture

The City has an existing culture of continuous improvement. The implementation of effective systems of internal control is an integral part of this program, particularly for activities assessed as having a high predisposition to the risk of fraud and corruption.

Well planned and documented internal controls will be a major defence for avoiding fraud and corruption. When undertaking projects or reviewing existing practices into the future consideration will be given to appropriate fraud and corruption controls in the development of outcomes.

Internal controls will be:

- Appropriately documented
- Accessible
- Reviewed and amended regularly
- Communicated effectively to all relevant employees
- Subject to review of adherence.

4.4 Fraud and corruption risk assessment

Risk assessments will be undertaken for all identified fraud and corruption risks in accordance with the City's Risk Management Policy.

As a minimum the following risks will be assessed –

- theft of cash
- theft/misuse of assets
- misuse of confidential corporate information
- conflict of Interest
- accounts payable
- payroll practices
- procurement
- IT and information security
- recruitment
- misuse of credit cards.

Additional risks will be identified through normal business unit operations and through the regular review of the risk register.

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4.5 Communication and awareness of fraud and corruption

It is important that fraud and corruption is identified and reported at an early stage and that employees have understanding and confidence in the system.

Employees will be provided with the following –

- a dedicated page will be maintained on the City's Vintranet in regard to fraud and corruption, this will include links to all relevant documents in particular the process for reporting allegations and Public Interest Disclosures;
- fraud & corruption awareness training and AEDM training will be conducted annually, and learnings measured through staff assessment surveys;
- regular news feeds to remind staff of key integrity responsibilities including the process for reporting any instances of misconduct; and
- staff assessment surveys to measure staff confidence and attitudes about integrity, including confidence in speaking up about misconduct and integrity matters and identifying steps to address any findings

Our community will be provided with the integrity controls that have been implemented throughout the year. This will be published in each Annual Report.

4.6 Employment screening

Prior to appointment the following screening shall be undertaken with the express consent of the individual concerned, irrespective of whether they are internal or external applicants –

- verification of identity requiring at least two forms of identity (passport, birth certificate, drivers licence, rate certificate, at least one must include photo identification)
- Police criminal history check – relevant positions
- Working with Children check – relevant positions
- reference checks with two most recent employers
- consideration of any gaps on employment history and the reasons for the gaps
- verification of formal qualifications claimed – where relevant or required for position
- if necessary, residency or visa status.

The Recommendation on p.10 of the WA Office of Auditor General's Report, *Verifying Employee Identity and Credentials* notes –

Public sector entities should –

1. *have approved policies and procedures for verifying employee identity and credentials which cover –*
 - *using a 100-point identity check*
 - *criminal background checks, based on the risks associated with the position*
 - *periodic monitoring of existing employees*
2. *assess the positions which may require a criminal background or working with children check and ensure that these requirements are clearly documented in position description forms*

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3. *for high risk positions, or positions where there is an ongoing requirement to hold a licence or professional qualification, obtain regular declarations from employees that there is no significant change in their circumstances*
4. *ensure that sufficient documentary evidence is obtained prior to appointment which supports an employee's –*
 - *identification and right to work in Australia*
 - *professional qualifications and memberships*
 - *criminal background or capacity to work with children (where necessary)*
5. *perform appropriate referee checks for all potential employees and ensure that all employees' reference checks are retained in their employee or recruitment file*
6. *develop a procedure for monitoring the expiry dates of licences, certificates or working with children checks so that they can be followed up with the employee close to expiry date*
7. *perform periodic criminal background checks for positions which require it.*

4.7 Dealing with annual leave and job rotation

Directorates will consider job rotation for positions where there are multiple officers undertaking the same or similar functions and the position is deemed a high risk from a fraud or corruption perspective, local law enforcement, parking enforcement, planning officers, contract management, for example.

Excess annual leave will be monitored on a quarterly basis and reported to the Executive Management Committee.

4.8 Supplier vetting

The City will continue to undertake supplier vetting for new and ongoing suppliers in accordance with existing practices.

To avoid scams and incorrect payments, all suppliers are to have banking details verified upon initial entry of their details to the IT system and then periodically.

In accordance with the Procurement Policy, new suppliers with prospective business in excess of \$150,000, the minimum checks will include –

- search of Australian Securities & Investment Commission Company Register,
- Australian Business Register ABN verification,
- currency of insurances.

For new contracts exceeding, or potential to exceed \$500,000, the following additional checks should be considered –

- corporate scorecard check which looks at Bankruptcy search,
- assessment of credit rating,
- search of legal proceedings pending or judgements pending.

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Section 5 - Detection

Australian Standard 8001/2008 list the following for consideration in planning and resourcing –

- implementing a fraud and corruption detection program
- role of external auditor in detection of fraud
- avenues for reporting suspected incidents
- whistle-blower protection program.

5.1 Fraud and corruption detection program

As part of the development of the annual internal audit program the Audit Committee will consider opportunities to undertake pro-active fraud and corruption detecting activities that might include –

- (a) conducting unscheduled internal reviews and audits
- (b) post-transactional reviews – a review of transactions after they have been processed, with the aim of identifying or uncovering –
 - documentation that may be missing, altered, missing or falsified,
 - authorisations that may have been omitted or altered, or
 - inadequate documentary support.
- (c) Analysis of management accounting reports – using relatively straight forward techniques in analysing management accounting reports, trends can be examined and investigated which may be indicative of fraudulent or corrupt conduct.
- (d) Financial Management and Risk Reviews will include a review of –
 - IT and information security
 - grants and other payments
 - tendering processes, purchasing and contract management
 - services provided to the community
 - revenue collection
 - use of credit cards
 - travel allowance and other allowances
 - salaries
 - money, property and other physical assets.
- (e) internal audits.
- (f) annual reports to management, the Audit Committee and Council regarding the position of risk management, internal controls and legislative compliance.

In accordance with the LG Act, the CEO is required to –

- a) in accordance with the *Local Government (Financial Management) Regulations 1996* r.5, advise Council at least once every 3 years in respect to –
 - efficient systems and procedures
 - ensure efficient use of resources
 - appropriateness and effectiveness of systems

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b) in accordance with the *Local Government (Audit) Regulations 1996* r.17, at least once every 3 years review –

- risk management
- internal controls, and
- legislative compliance.

5.2 External auditor's role in the detection of fraud

Consistent with recent changes to international and Australian auditing standards, the auditor's accountability for the detection of fraud will form part of any audit. These provisions will increase the likelihood of detecting material mis-statements or errors in the City's financial statements.

5.3 Mechanisms for reporting suspected fraud and corruption incidents

The City's Public Interest Disclosure Procedures (PID) [Information Guidelines](#) set out how employees can report suspicious or known illegal or unethical conduct.

Reports can be made anonymously. Anonymous reports will be examined and investigated on the available evidence.

All employees have the right to make a disclosure in accordance with the PID Act. This is encouraged where any person wishes to access the protections afforded by the PID Act.

5.4 Whistle blowers

Whistle-blowers, whether internal or external, may be an important component in the detection and exposure of fraud or corrupt behaviour.

They will be protected to the extent permitted by law. Protection may include but is not limited to –

- ensuring the person's safety
- protecting their confidentiality
- arranging any necessary physical or mental support
- referral to an external agency having greater resources for investigation.

A whistle-blower who has been involved in the reported misconduct may be provided with immunity or due consideration from City initiated disciplinary proceedings by agreement, however, the City has no power to provide immunity from criminal prosecution.

Where victimisation or reprisals are reported, a record of the report and the action taken must be placed on the file relating to the public interest disclosure. Steps taken to prevent acts of victimisation or reprisal should be recorded in a manner that they will be accessible for reference, should legal action be taken against the City.

However, vexatious or malicious complaint will not be tolerated, and an appropriate response may be made against the complainant.

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Section 6 - Response

Australian Standard 8001/2008 list the following for consideration in planning and resourcing –

- policies and procedures
- investigations
- internal reporting and escalation
- disciplinary procedures
- external reporting
- civil action for recovery of loss
- review of internal controls
- insurance.

6.1 Procedures of the investigation of detected or suspected incidents

The City's Public Interest Disclosure Information Guidelines set out –

- appropriate measures for the comprehensive investigation of such matters based on the principles of independence, objectivity and fair due process (rules of natural justice)
- systems for internal reporting of all detected incidents
- process for reporting the matters of suspected fraud and corruption to appropriate external enforcement agencies.

The Guidelines will be reviewed regularly to ensure that it continues to meet these objectives.

6.2 Internal reporting

The CAE is to ensure that all incidents reported and investigated are documented and registered on the appropriate confidential file.

The documentation placed on the file must include the following minimum information –

- date and time of report
- date and time the incident was detected
- how the incident came to the attention of management
- the nature of the incident
- value of loss (if any) to the entity
- action taken following discovery of the incident.

6.3 Disciplinary procedures

The City's disciplinary guidelines and procedures outline the potential disciplinary outcomes that apply in regards to the application of this Plan.

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6.4 External reporting

The City's Public Interest Disclosure Information Guidelines provide direction to reporting any suspected fraudulent or corrupt conduct to any external enforcement agencies including –

- Department of Local Government, Sport and Cultural Industries;
- Public Sector Commission;
- Police; or
- Crime & Corruption Commission.

Employees may report any reasonable suspicion of minor misconduct involving a public officer to the Public Sector Commission (**PSC**), in accordance with the *Corruption, Crime and Misconduct Act 2003*.

Employees should consider what behaviours and circumstances constitute minor misconduct and whether the person/s involved is a public officer.

There is a good chance that if the public officer/s involved could be the subject of a disciplinary investigation at the City, then it might be minor misconduct. If you suspect the behaviour is minor misconduct employees can report it to the PSC or the CAE.

Department of Local Government Sport and Cultural Industries

Gordon Stephenson House, 140 William Street, Perth WA 6000

GPO Box R1250, Perth WA 6844

Telephone: (08) 6551 8700

Fax: (08) 6552 1555

Free call (Country only): 1800 620 511

Email: info@dlgc.wa.gov.au

Website: www.dlgc.wa.gov.au

Translating and Interpreting Service (TIS) – Tel: 13 14 50

Public Sector Commission

Two office locations:

- Dumas House, 2 Havelock St, West Perth WA 6005
- Hale House, 1 Parliament Place, West Perth WA 6005

Locked Bag 3002, West Perth WA 6872

Phone: (08) 6552 8500

Fax: (08) 6552 8501

Email: admin@psc.wa.gov.au

Website: <https://publicsector.wa.gov.au>

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Fraud and Corruption Prevention Plan



Corruption and Crime Commission

Level 5, 45 Francis Street, Northbridge WA 6003

PO Box 330, Northbridge Post Shop WA 6865

Phone: (08) 9215 4888

Fax: (08) 9215 4884

Toll-free: 1800 809 000

Email: info@ccc.wa.gov.au

Website: <https://www.ccc.wa.gov.au/>

Hearing impairment: If you are deaf, or have a hearing impairment or speech impairment, contact us through the National Relay Service:

TTY users phone 1800 555 677 then ask for 1800 809 000

Speak and Listen users phone 1800 555 727 then ask for 1800 809 000.

6.5 Civil proceeding to recover the proceeds of fraud and corruption

The City may seek recovery of any losses due to fraud or corruption where there is clear evidence of fraud and corruption and where the likely benefits of such recovery will exceed the funds and resources required to be invested in the recovery action.

6.6 Internal control review following discovery of fraud

Where fraud or corruption is detected the relevant Executive Manager will be responsible to assess the adequacy of the relevant internal control environment and provide a report to the Executive Management Committee on the improvements identified.

6.7 Maintaining and monitoring adequacy of insurance

The City will maintain a fidelity guarantee insurance policy that insures the risk of loss arising from internal fraudulent conduct. The level of the policy and other policies relevant to fraudulent or improper conduct will be reviewed annually by the Executive Management Committee.

OFFICE USE ONLY	
Approved by EMC	Date: 17/12/2021, Ref# D20/244570
Reviewed / Amended	EMC - Date: 18/11/2021, Ref#: D21/213617 Presented to Audit Committee: 15/02/2022, Ref# D22/24825 Presented to Audit Committee: 29/06/2023, Ref# D23/56408
Next review	Date 29/06/2024

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Integrity Framework

2024

Acknowledgement The City of Vincent acknowledges that its Integrity Framework is based upon the Public Sector Commission's Integrity Framework resources and thanks the Public Sector Commission for its guidance in development of this document.

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1. Introduction

The City has zero tolerance for corrupt conduct or fraudulent activities. The City is dedicated to fostering a culture of integrity and accountability and is committed to preventing, deterring, detecting and investigating fraudulent and corrupt behaviour in the delivery of City services.



The City's Integrity Framework (Framework) aligns with the WA Public Sector Commission's mandate to promote and maintain integrity, conduct and ethics.

1.1 Purpose of this Integrity Framework

The City's Framework aligns with the WA Public Sector Commission's mandate to promote and maintain integrity, conduct and ethics by bringing together the policies, procedures, tools and structures that shape the practices, management, and oversight of integrity at the City.

It serves as a comprehensive guide for Council Members, staff and our community providing:

- a clear framework for understanding and upholding integrity;
- a shared understanding of the City's commitment to ethical practices; and
- the tools and structures necessary for implementation and oversight with a consistent and ethical approach.

Draft Integrity Framework

AUDIT AND RISK COMMITTEE MINUTES

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1.2 Definition of Fraud

Fraud is defined by the Australian Standard AS 8001:2021 – Fraud & Corruption Control as:

Dishonest activity causing actual or potential gain or loss to any person or organisation including theft of moneys or other property by persons internal and/or external to the organisation and/or where deception is used at the time, immediately before or immediately following the activity.

1.3 Definition of Corruption

Corruption is defined by the Australian Standard AS 8001:2021 – Fraud & Corruption Control as:

Dishonest activity in which a person associated with an organisation (e.g. director, executive, manager, employee or contractor) acts contrary to the interest of the organisation and abuses their position of trust on order to achieve personal advantage or advantage for another person or organisation. This can also involve corrupt conduct by the organisation, or a person purporting to act on behalf of and in the interest of the organisation, in order to secure some form of improper advantage for the organisation either directly or indirectly.

Draft Integrity Framework

2. Integrity Model

The WA Public Sector Commission defines integrity as:

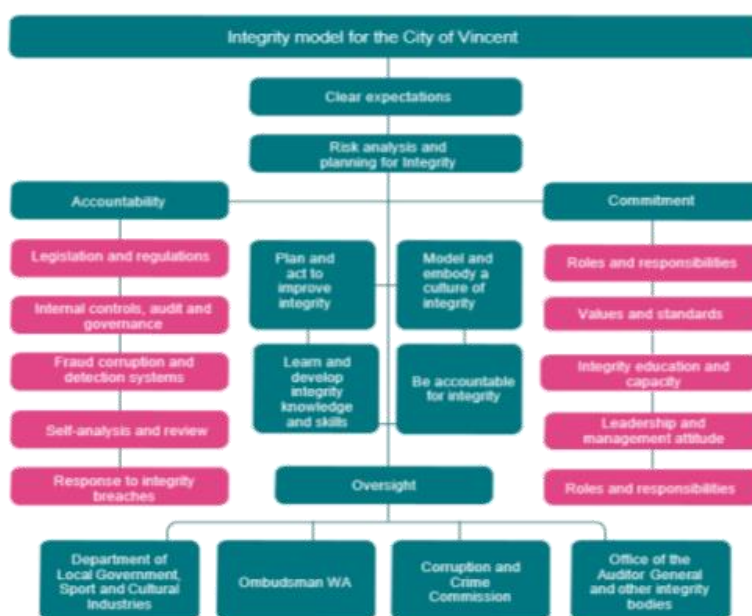
A non-negotiable to assure Western Australians that public authorities act in the interest of the community each and every day through the decisions we make and the actions we take.

Operating with integrity means using our powers responsibly for the purpose and in the manner for which they were intended. It means acting with honesty and transparency, making reasoned decisions without bias by following fair and objective processes.

It also means preventing and addressing improper conduct, disclosing facts without hiding or distorting them, and not allowing decisions or actions to be influenced by personal or private interests.

Earning and maintaining community trust is essential for us to deliver the services that families, individuals, businesses and industry need for them to prosper – and for the State to grow.

The City's Integrity Model reflects the integrity model in place for WA public authorities, and provides a visual structure to the City's integrated approach to the promotion of integrity:



Draft Integrity Framework

3. Plan & Act to Improve Integrity

The City's Integrity Framework includes areas with responsibilities for defining, supporting, controlling, and enforcing integrity across the organisation. These include core areas, such as the Council, Audit & Risk Committee and the Executive Management Committee or individuals responsible for implementing integrity policies and procedures.

3.1 Roles and responsibilities

Assigning clear responsibilities within the City's operations is necessary to ensure co-operation and to avoid overlaps and prevent fragmentation. Responsibilities include developing, implementing, monitoring, and evaluating integrity standards and tools, and are carried out by not only those areas within the organisation but outside the organisation.

The following table details the various bodies or positions within the City of Vincent that are key components of the City's integrity system:

Body or position	Integrity Role
Council	<ul style="list-style-type: none"> Operate in accordance with the <i>Local Government Act 1995</i> and relevant legislation, including in relation to integrity and governance. Sets integrity expectations and embodies these through the City's: <ul style="list-style-type: none"> Code of Conduct for Council Members, Committee Members and Candidates. Risk Management Framework. Governance Framework. Council Policy Set and endorse delegations for specific functions to the Chief Executive Officer and relevant officers. Endorse the City's Annual Compliance Audit Return. Adopt the Terms of Reference of the City's Audit and Risk Committee. Appoint members to the Audit and Risk Committee. Receive and approve recommendations from the City's Audit and Risk Committee.
Audit and Risk Committee	<ul style="list-style-type: none"> Operate in accordance with the <i>Local Government Act 1995</i> and relevant legislation, including in relation to integrity and governance. Adhere to and demonstrate the highest level of commitment and conduct for integrity. Review risk management frameworks and associated procedures for the effective identification and management of fraud risks. Provide assurance that the City has appropriate processes and systems in place to prevent, detect and effectively respond to fraud-related information.

Draft Integrity Framework

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Body or position	Integrity Role
	<ul style="list-style-type: none"> • Provide leadership in preventing fraud and corruption.
Council Members	<ul style="list-style-type: none"> • Operate in accordance with the <i>Local Government Act 1995</i> and relevant legislation, including in relation to integrity and governance. • Adhere to and demonstrate the highest level of commitment and conduct for integrity. • Model a culture of integrity through the active demonstration of the City's values and by communicating the importance of meeting integrity standards. • Participate in the Council's decision-making processes in an impartial and unbiased manner. • Manage, declare and record gifts and conflicts of interest.
All Employees	<ul style="list-style-type: none"> • Operate in accordance with the <i>Local Government Act 1995</i> and relevant legislation, including in relation to integrity and governance. • Adhere to and demonstrate the highest level of commitment and conduct for integrity. • Reflect the City's values and integrity standards. • Comply with policies, processes and systems developed for organisation integrity. • Apply appropriate practices for risk management, internal controls, and fraud and corruption prevention. • Report misconduct, corruption or fraud through established reporting mechanisms. • Participate in training and development opportunities to enhance integrity knowledge and capacity. • Manage, declare and record gifts and conflicts of interest.
Chief Executive Officer	<ul style="list-style-type: none"> • Apply the City's resources to fraud prevention and ensure the implementation of adequate controls for managing fraud and corruption risks within the City. • Drive a culture of integrity through the active demonstration of the City's values and by communicating the importance of meeting integrity standards. • Implement application of integrity policies and procedures for the City. • Report misconduct activities or suspected activities to external oversight bodies.
Executive Management Team	<ul style="list-style-type: none"> • Monitor and evaluate the effectiveness of this Framework. • Provide leadership, guidance, training and support to meet integrity standards. • Monitor and review the City's Corporate Risk register to identify fraud risk areas and the continued operation of controls. • Participate in integrity risk assessment reviews. • Report misconduct activities or suspected activities to external oversight bodies. • Ensure the protection of complainants who report fraudulent and corrupt activities.

Draft Integrity Framework

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Body or position	Integrity Role
All managers	<ul style="list-style-type: none"> Promote integrity and prevent misconduct and corruption. Ensure internal controls, policies and procedures are operationalised. Reduce organisation vulnerability to fraud and corruption by identifying new or emerging fraud risks and ensuring that they are reported, assessed and managed in accordance with the Risk Management Framework. Model appropriate behaviours and standards. Manage, respond to and report integrity breaches or issues as they arise.
Executive Manager Corporate Strategy and Governance (Chief Audit Executive (CAE))	<ul style="list-style-type: none"> Coordinate the biennial review of this Framework including maturity self-assessment and reporting. Implement core integrity instruments, processes and systems around governance, codes of conduct, delegations of authority, accountability and ethical decision-making. Maintain and report on legislative and regulatory compliance requirements. Facilitate ethical training and awareness. Maintain the City's Risk Management Framework including alignment assessment, review and reporting to reduce organisational vulnerability to fraud and corruption. Maintain public registers. Maintain the Delegations of Authority Manual.
Executive Manager Human Resources	<ul style="list-style-type: none"> Develop, review, and implement ethically guided procedures and systems relating to human resource practices including: <ul style="list-style-type: none"> recruitment and selection. performance review. workforce management. induction and training. complaints and grievances. Ensure employee induction covers integrity expectations. Facilitate ethical training and awareness. Develop, review, and implement the Employee Code of Conduct, ensuring the highest level of commitment to integrity and ethical conduct. Manage grievance and discipline processes.
Chief Financial Officer	<ul style="list-style-type: none"> Develop, review, and implement procedures and systems relating to purchasing and procurement; tendering and contracts; and utilisation of the City's finances ensuring the highest level of commitment to integrity and ethical conduct. Ensure compliance with legislative provisions, policies and procedures related to financial management and reporting, procurement, and financial audits. Ensure due diligence when engaging contractors and suppliers to deal with integrity matters to ensure they have the necessary qualifications, skills and/or experience (e.g. through reference and qualification checks).
Executive Manager Information and	<ul style="list-style-type: none"> Develop, review, and implement procedures and systems relating to ICT use and security.

Draft Integrity Framework

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Body or position	Integrity Role
Communication Technology	<ul style="list-style-type: none"> • Manage appropriate security testing of ICT system and develop responses to identified security risks. • Ensure employees are appropriately educated in ICT use and security practices.
Public Interest Disclosure Officers	<ul style="list-style-type: none"> • Investigate disclosures in accordance with the <i>Public Interest Disclosure Act 2003</i>.

3.2 Legislation and regulations

The *Local Government Act 1995* (Act) requires local governments to develop and maintain adequate internal control systems.

In accordance with the Act, the CEO:

- a) In accordance with the *Local Government (Financial Management) Regulations 1996* r.5, advise Council at least once every 3 years in respect to –
 - efficient systems and procedures
 - ensure efficient use of resources
 - appropriateness and effectiveness of systems
- b) In accordance with the *Local Government (Audit) Regulations 1996* r.17, at least once every 3 years review –
 - risk management
 - internal controls, and
 - legislative compliance.

Local governments are also required to establish a Code of Conduct for employees, contractors and Council and establish an Audit & Risk Committee.

The *Public Interest Disclosure Act 2003* (PID Act) requires the local government to establish written procedures for handling of any protected disclosures.

The City also has obligations under State legislation to report matters related to integrity including, but not limited to:

- *Corruption, Crime and Misconduct Act 2003*.
- *Financial Management Act 2006*.
- *State Records Act 2000*.

Draft Integrity Framework

3.3 Risk analysis and planning for integrity

The City has developed a comprehensive Risk Management Framework providing guidance to the organisation on risk identification, analysis, risk management procedure and responsibility.

Risk Appetite and Tolerance Statements

The City's Risk Appetite and Tolerance Statements (Statements) are crucial Risk Framework components that sit near the top of the Risk Management hierarchy.

The Statements affirm that the City place high importance on its values and a culture of integrity in conduct, performance excellence, innovation, equality and diversity, dignity and respect, collegiality, and cultural sensitivity.

The City has a **low risk appetite** for behaviour or conduct which does not meet these standards.

The City has **no appetite** for conduct that is unlawful, unethical, or otherwise breaches the Code of Conduct or reflects misconduct or serious misconduct.

The City has **no tolerance** for bribery or fraud.

Risk Management Policy

The City's Risk Management Policy sets the tone for the City's risk management approach and establishes the risk management responsibilities of Council, the Audit & Risk Committee, City employees, contractors and other relevant parties as required.

Risk Management Procedure

The City's Risk Management Procedure supports the Policy by defining the systems and processes in place to facilitate good practice risk management and further defines the roles and responsibilities of risk identification, analysis, evaluation, controls, and treatment.

Corporate Risk Register

The City's corporate risks are listed in the Corporate Risks Register (Register). Risks are listed across seven risk categories including governance, misconduct, and fraud. The Register includes risk assessment, existing controls, residual risk ratings, control ratings, risk management actions, forecast risk analysis (post treatment) and alignment to the City's Risk Appetite and Tolerance Statements.

The Register is a working document used to monitor and track risk management activities and ensure that they align with the established Risk Framework.

Draft Integrity Framework

AUDIT AND RISK COMMITTEE MINUTES

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The Corruption and Crime Commission have identified the following fraud and corruption risks in Local Government



Fraud & Corruption Risks In Local Government

FRAUD	CORRUPTION	OTHER
Procurement fraud Collusive tendering, favouritism in contract awards, inflated invoices/price gouging for goods and services	Bribery/Kickbacks Accepting payments/commissions/gifts or hospitality for preferential treatment: licensing, contracts, marketing opportunities	Data and Information Manipulation of data/statistics to secure funding, falsely claim achievements, obscure detriments
Payroll fraud Ghost employees, false overtime claims, unauthorised salary increases/payments	Conflict of Interest Using position to benefit themselves or family financially, owning businesses or partnering with private companies	Insider Trading Commercially sensitive or privileged information is used for benefit (e.g., shares)
Grant fraud Misuse of funds for personal gain	Extortion Demanding payments from businesses in exchange for permits, licences or favour	Misuse of Assets Using government owned assets for personal interests (e.g., work vehicles, equipment or technology)
Financial Fraud Embezzlement, false invoicing, skimming	Nepotism or Cronyism Hiring, promoting, rewarding individuals based on relationships not merit	

Draft Integrity Framework

AUDIT AND RISK COMMITTEE MINUTES

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3.4 Internal controls, audit and governance

The City undertakes activities and implements internal controls to minimise its integrity risks including the following:

Governance Framework

The City's Governance Framework highlights the City's commitment to providing good governance by defining systems, policies, processes and a methodology for ensuring accountability, probity and openness in the conduct of City business.

The framework describes the principles and key roles that guide Council in its decision-making and demonstrates to the community the processes which the City uses to achieve its strategic priorities and undertake its service delivery.

It also details how the community is involved in the City's affairs and decision-making processes.

Policy Development and Review

The City's Policy Development & Review Policy (Policy) provides guidance on the development and review of the City's strategies, policies and action plans (policy documents) to achieve transparent and consistent decision making which aligns with the City's objectives, strategic priorities and legislative requirements.

The Policy and supporting Policy Document Register and Review Plan ensures that Policy Documents remain current by facilitating their systematic review.

Publication of Registers

In the interest of openness and transparency, the following registers are made available on the City's [website](#).

- Register of Common Seal Usage
- Register of Complaints referred to under Section 5.121 of the *Local Government Act 1995*
- Contracts Register
- Council Member Contact with Developers Register
- Register of Freedom of Information (FOI) Requests
- Register of Gifts
- Council Member Sitting Fees, Allowances and Meeting Attendances
- Council Members Professional Development - Reporting Period - 2023/24
- Register of Interests Disclosed at Council Meetings
- Lease Register
- Tender Register
- Primary Returns Reporting
- Annual Returns Reporting
- Community Funding Grant Registers

Draft Integrity Framework

AUDIT AND RISK COMMITTEE MINUTES

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Financial and Procurement Controls

The following Financial Management and Procurement controls are in place:

- Annual Budget including detailed estimates of revenue and expenditure for the upcoming financial year.
- Regular reviews of budget performance against actual results are conducted to ensure financial targets are met.
- Segregation of duties to ensure that payment authorisation, processing and review is conducted by independent staff members.
- Independent maintenance of supplier masterfile.
- Mandatory training by all employees with authority to raise requisitions or approve purchase orders.
- Regular internal audits for both procurement and contract management to ensure compliance with procurement and contract management frameworks; threshold requirements; exemption requirements; split purchase orders; and targeted threshold audits.
- Documented procedures and/or guidelines for grant acquittals, credit card acquittals, asset management, inventory and stock management, revenue recognition, accounts receivable, accounts payable, end of period roll over, bank reconciliations, trust and bonds, month end and year end processes, budget processes.
- Comprehensive Purchasing policy and procurement framework ensure transparency, fairness, and value for money in the acquisition of goods and services.

Human Resource Management Controls

The following Human Resource Management Controls are in place;

- Employment screening including national police clearance certificate and/or working with children checks for relevant positions.
- Comprehensive induction process which includes training of accountable and ethical decision making.
- Approval of secondary employment is required.
- Probing for moral judgement capacities at interview by asking questions around ethical predicaments for positions of trust (i.e. Finance, HR, Customer Service, ICT, Public Health and Built Environment, Ranger Services, Coordinators, Management and Executives).
- Reference checks of applicants and a level of questioning based on the skills, knowledge and experience required for the position.
- Qualification checks and presentation of original documentation.
- The City's annual performance review process is also a mechanism for employees and supervisors to reinforce integrity standards; raise any integrity issues; or identify any training and development needs.

Information Management Controls

The following Information Management Controls are in place:

- The City's Recordkeeping Plan outlines the management of State records to fulfill obligations under the *State Records Act 2000*.
- The Code of Conduct for Council Members, Committee Members, and Candidates, as well as the Code of Conduct for Employees, includes provisions related to the use of information.
- Access to corporate records by employees and contractors is regulated according to designated access and security classifications set by the Coordinator of Information and the City's Policy and Procedure Manual.

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AUDIT AND RISK COMMITTEE MINUTES

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- Public access to the City's records is in accordance with the *Freedom of Information Act 1992* or other applicable laws.
- Council Members and committee members access the City's records through the Chief Executive Officer, in compliance with Section 5.92 of the *Local Government Act 1995*.
- The use of online services by Council Members, employees, and contractors is governed by the IT Acceptable Use Procedure and Remote Access Policy, which provide guidelines for acceptable business and personal use.
- The City liaises with the Ombudsman WA regarding effective complaint handling, investigations, and record keeping.

Audit & Risk Committee

The City's Audit & Risk Committee (Committee) provides advice and assists the Council to fulfil its governance and oversight responsibilities in relation to financial reporting, risk management, internal controls, legislative compliance, ethical accountability, and the internal and external audit functions.

The Committee comprises of four Council Members and three external independent members and is led by an independent Chairperson to align with the better practice principles for public sector entities.

Internal Audit Program

The City has an internal audit program which is developed using 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. 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 risks.

Audits are undertaken by an independent auditor and the outcome of each audit, along with proposed management actions, are presented to the Committee. Management actions are documented and tracked through the City's audit log which is presented to the Committee at each meeting.

3.5 Fraud and corruption detection systems

The City's [Fraud and Corruption Prevention Policy](#) sets out the City's approach to fraud and corruption prevention, detection, monitoring and reporting. The Policy documents the City's position of zero tolerance for fraud and corruption and reaffirms that the City will take all necessary steps to prevent fraud and corruption.

This Framework identifies the policies, procedures, tools, and structures that support the delivery of those Policy statements.

As part of the development of the internal audit plan the Audit & Risk Committee consider opportunities to undertake pro-active fraud and corruption detecting activities that might include –

- (a) conducting unscheduled internal reviews and audits
- (b) post-transactional reviews – a review of transactions after they have been processed, with the aim of identifying or uncovering –
 - documentation that may be missing, altered, missing or falsified,
 - authorisations that may have been omitted or altered, or
 - inadequate documentary support.

Draft Integrity Framework

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- (c) Analysis of management accounting reports – using relatively straight forward techniques in analysing management accounting reports, trends can be examined and investigated which may be indicative of fraudulent or corrupt conduct.
- (d) Financial Management and Risk Reviews will include a review of –
 - IT and information security
 - grants and other payments
 - tendering processes, purchasing and contract management
 - services provided to the community
 - revenue collection
 - use of credit cards
 - travel allowance and other allowances
 - salaries
 - money, property and other physical assets.
- (e) internal audits.
- (f) regular reports to management, the Audit Committee and Council regarding the position of risk management, internal controls and legislative compliance.

Financial management detection systems include:

- Internal audit programs, undertaken by an independent auditor, to evaluate the effectiveness of internal controls, risk management, and governance processes.
- Annual financial audits conducted by the Office of the Auditor General to ensure compliance with accounting standards and legislation.
- Independent review of manual uploads and financial management system (i.e. processing journals, uploading fees and charges, changes to employee payments).
- Monthly reconciliation of financial modules to general ledger balances to ensure the accuracy and completeness of financial records.
- Annual budget process and mid-year review to critically review and examine forward budget projections.

Governance detection systems includes:

- Review of conflicts of interest and gift declarations.
- Review of registers to ensure compliance with legislative/policy requirements.
- Public Interest Disclosure Procedures (PID) Information Guidelines to guide employees, or members of the public, on reporting suspicious or known illegal or unethical conduct.
- Anonymous reporting avenues are provided for reporting suspicious or known illegal or unethical conduct.

Draft Integrity Framework

4. Model and embody a culture of integrity

The Strategic Community Plan is the Council's key strategic document. It describes the vision the City of Vincent will strive to achieve, where it will focus its efforts, and how it will measure progress.

4.1 Values and standards

- Insert City's Vision Quote

- Insert City's Values image

The values of engaging, accountability, and making a difference are deeply interconnected with organisation integrity. By actively listening, understanding, and communicating, the City demonstrates respect and transparency, which are vital for maintaining integrity.

Accountability ensures that actions are transparent and subject to scrutiny, building trust and showing ethical responsibility.

The [City of Vincent Code of Conduct](#) expresses the City's commitment to high standards of ethical and professional behavior and outlines the principles in which individual responsibilities are based.

The City provides a formal induction process for all new staff and contractors that includes a clear focus on integrity. Managers exercise and demonstrate high levels of integrity in the performance of their roles and functions and reinforce standards of ethical and professional behavior.

Values and standards are included through recruitment materials and on the City's website.

5. Learn and develop integrity knowledge and skills

5.1 Integrity education and capacity

The City maintains a dedicated Fraud and Corruption internal webpage for employees that highlights the key integrity responsibilities of public sector employees and details reminder of:

- the City's position in relation to the acceptance of gifts and benefits;
- how to identify, disclose and manage conflicts of interest;
- appropriate use of public resources;
- appropriate management of corporate information;
- personal behaviour; and
- how to report suspected unethical, fraudulent, dishonest, illegal, or corrupt behaviour.

Draft Integrity Framework

Key integrity responsibilities are also communicated by the CEO to all staff.

6. Be accountable for integrity

6.1 Response to integrity breaches

The City provides a dedicated [webpage](#) to assist our community, employees, contractors, and visitors in navigating the proper process for reporting integrity breaches and lodging complaints.

Where complaints against elected members, committee members or candidates are upheld they will be included in the City's Complaints Registers, available on the City's website. Complaints (upheld) and reporting to external oversight bodies will also be reported on in the City's Annual Report.

For certain types of conduct, the Chief Executive Officer has a statutory obligation to notify the Public Sector Commission and Department of Local Government, Sport and Cultural Industries (minor misconduct), Corruption and Crime Commission (serious misconduct) and Western Australia Police (criminal conduct).

6.2 Self-analysis and review

The City will review the framework on a biennial basis undertaking a maturity self-assessment in line with the [Public Sector Commission Integrity Framework Maturity Self-Assessment](#) to identify the strengths and weaknesses of its approach to integrity in relation to 4 levels of maturity – emerging, developing, embedded and excelling – and develop a plan to reach its desired levels.

7. Oversight

The Chief Executive Officer, with the support of the Executive Management Team, is responsible for oversight of the Integrity Framework.

In addition, the Audit and Risk Committee assists by providing independent oversight on the effectiveness of the City's risk management framework. As part of its oversight role the committee receives regular reporting on:

- development of the internal audit program with considerations to undertake pro-active fraud and corruption detecting activities.
- internal audit reports and recommendations and management actions.

Draft Integrity Framework

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OFFICE USE ONLY	
Responsible Officer	Executive Manager Corporate Strategy and Governance
Initial Adoption	DD/MM/YYYY CM reference:D22/186318
Reviewed / Amended	DD/MM/YYYY
Next Review Date	MM/YYYY

Draft Integrity Framework

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5.3 INTERNAL AUDIT PROGRAM OUTCOMES AND PROPOSED YEAR 3 AUDITS

- Attachments:
1. Summary of the Internal Audit Program Outcomes (Y1 & Y2)
 2. Remaining Y2 & Y3 Audits (comment and recommendation)
 3. Internal Audit Program 2022/23 – 2024/25 (with tracked changes)
 4. Internal Audit Program 2022/23 – 2024/25 (clean)

RECOMMENDATION:

That the Audit and Risk Committee recommends to Council that it

1. NOTES the summary of the Internal Audit Program for years 1 and 2 Attachment 1; and
2. APPROVES the updated Internal Audit Program 2022/23 – 2024/25 at Attachment 4

Moved: Mr Manifis, Seconded: Cr Castle

That the recommendation be adopted.

AMENDMENT

Moved: Mayor Xamon, Seconded: Mr Manifis

That the recommendation be amended as follows:

1. NOTES the summary of the Internal Audit Program for years 1 and 2 Attachment 1; and
2. APPROVES progressing with the internal audit of the swimming pool inspection process; and updated Internal Audit Program 2022/23 – 2024/25 at Attachment 4
3. REQUESTS Administration review the Corporate Risk Register and identify three priority audits for the remainder of the internal audit program, having regard to audits already completed and feedback from Council Members representatives on the Audit and Risk Committee, to be tabled at the October Audit and Risk Committee Meeting.

CARRIED (5-0)

For: Mr Araj, Mr Manifis, Cr Castle, Cr Hallett and Mayor Xamon

Against: Nil

(Cr Alexander was an apology for the Meeting.)

(Mr Isambert was an apology for the Meeting.)

COMMITTEE DECISION ITEM 5.3

That the Audit and Risk Committee recommends to Council that it :

1. NOTES the summary of the Internal Audit Program for years 1 and 2 Attachment 1; and
2. APPROVES progressing with the internal audit of the swimming pool inspection process; and
3. REQUESTS Administration review Corporate Risk Register and identify three priority audits for the remainder of the internal audit program, having regard to audits already completed and feedback of Elected Members on the Audit and Risk Committee, to be tabled at the October Audit and Risk Committee Meeting.

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AUDIT AND RISK COMMITTEE MINUTES**27 JUNE 2024****CARRIED (5-0)**

For: Mr Araj, Mr Manifis, Cr Castle, Cr Hallett and Mayor Xamon

Against: Nil

(Cr Alexander was an apology for the Meeting.)

(Mr Isambert was an apology for the Meeting.)

NOTE: The A/CEO advised that Administration will report to Audit and Risk Committee on:

- The progress made in responding to previous findings from the Beatty Park project management audit;
- Project management maturity and working within the Framework, including the roles and responsibilities.

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Internal Audits Program Outcomes

Audit Item	Audit undertaken in relation to the following risks	Audit Finding	Risk Rating	Action Logged	Action Status
YEAR 1 – 2022/23					
Audit 1 Beatty Park Infrastructure Renewals Project Completed – May 2023	Lack of verification and controls Failure to ensure projects are delivered within scope and budget	Clarity of Project Scope, Budget and Reporting	High	No actions included. The following Management comments were provided and approved by the A&R Committee in June 2023: <i>The City has an adopted Project Management Framework which provides clear guidance on the steps for managing and delivering projects.</i> <i>The City has a project board who meet monthly to discuss and manage the City's projects.</i> <i>The concerns raised are considered to be addressed by the implementation of the PMF and introduction of the Project board to oversee management and delivery.</i>	
		Procurement	High	No actions included. The following Management comments were provided and approved by the A&R Committee in June 2023	
		Project Planning	High	<i>The BPLC project and related procurement occurred prior to the development and implementation of the City's Contract Management Framework. The City's current Procurement and Contract Management Frameworks address all the recommendations noted above</i>	
		Project meetings	Medium	No actions included.	

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Audit Item	Audit undertaken in relation to the following risks	Audit Finding	Risk Rating	Action Logged	Action Status
				The following Management comments were provided and approved by the A&R Committee in June 2023 <i>The concerns raised are considered to be addressed by the implementation of the PMF, new business unit and introduction of the Project board to oversee management and delivery</i>	
		Project Management Framework Improvements	Medium	EA:2023/08(1) Project on a Page	Completed 02/2024
				EA:2023/08(2) Project Prioritisation Calculator	Completed 12/2023
				EA:2023/08(3) Change Requests	Completed 02/2024
				EA:2023/08(4) Programs Register	Completed 12/2023
		Project Board Terms of Reference	Medium	EA:2023/07 Project Board	Completed 02/2024

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Audit Item	Audit undertaken in relation to the following risks	Audit Finding	Risk Rating	Action Logged	Action Status
Audit 2 Procurement and Contract Audits Completed – May 2023	Lack of oversight/ review of expenditure on high value maintenance contractors Failure to detect and prevent occurrences of fraud, corruption, and non-compliance.	Procurement process compliance	High	EA:2023/01(1) Mandatory Procurement Training Recommendation	Completed 10/2023
				EA: 2023/01 (2) Quote and Tender Process Exemptions	Completed 06/2023
				EA:2023/01(3) Invoice Approval within Authority	Due 30/06/2024
		Delegated authority & User Access	High	EA:2023/02(1) Purchasing Limits delegation	Completed 12/2023
				EA:2023/02(2) Purchasing Limits Register Review	Completed 12/2023
				EA: 2023/02(3) Executive Approval of Limits	Completed 12/2023
				EA:2023/02(4) Purchasing delegation compared to finance system user access limits	Completed 12/2023
		Procurement monitoring	High	EA:2023/03(1) Purchase Order before Invoice report provided to Executive	Completed 10/2023
				EA:2023/03(2) Procurement Compliance KPI	Completed 12/2023
				EA:2023/03(3) Invoice splitting	Completed 12/2023
		Evaluation panels and conflicts of interest	Medium	EA:2023/04 Evaluation Panels & Conflict of Interests	Completed 06/2023
		Contract management process compliance	High	EA:2023/05(1) Contract Management System	Completed 10/2023
				EA:2023/05(2) Contract Management Compliance Audits	Completed 06/2023
		Internal Guidance update	Low	EA:2023/06(1) Contract management process compliance	Completed 08/2023
				EA:2023/06(2) Document reviewal dates	Completed 10/2023

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Audit Item	Audit undertaken in relation to the following risks	Audit Finding	Risk Rating	Action Logged	Action Status
Audit 3 Fleet, assets and CCTV management. Completed – August 2023	Lack of verification and controls Misuse of fleet and resources, including ICT assets and buildings	Fleet Policy & Strategy	Medium	EA:2024/01 Fleet Policy & Strategy	Due 31/03/2024
		Pool Car Use	Low	EA 2024/02(1) Responsible Individual	Completed 02/2024
				EA 2024/02 (2) Formal process for allocating pool car keys	Completed 02/2024
				EA 2024/02 (3) ATO Compliant Logbooks	Completed 02/2024
		Private Usage of Vehicles	Low	EA: 2024/03 Restricted Private Use Forms	Due 31/03/2024
		Fleet Register	Medium	EA: 2024/04 Fleet Register	Completed 02/2024
				EA: 2024/04 (1) Fleet Register review	Completed 02/2024
				EA: 2024/04 (2) Fleet database	Completed 02/2024
				EA: 2024/04 (3) Implementing a fleet system	Completed 02/2024
		CCTV Internal Guidance	Medium	EA: 2024/05 (1) CCTV Internal Guidance – Internal Procedures	Due 31/12/2024
				EA: 2024/05 (2) CCTV Internal Guidance – Policy Review	Due 30/06/2024
		Employee Access to Buildings	Medium	EA: 2024/06 Terminated Employees Access to Buildings	Due 30/06/2024
		Key Register	Low	EA: 2024/07 Building Key Register	Due 30/06/2024

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Audit Item	Audit undertaken in relation to the following risks	Audit Finding	Risk Rating	Action Logged	Action Status
Audit 4 HR and Payroll Completed September 2023	Outdated policies and processes including payroll – risk of failure to maintain staff health and wellbeing, and act in compliance with legislation and good governance	Manual Timesheet	Medium	Previously raised in the Regulation 5 and 17 review performed in 2021 EA: 2020/12 (8)	Completed 11/2023
		Review and Update of Guidance Documents	Medium	EA: 2024/08 Review and Update of Guidance Documents	Completed 12/2023

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Audit Item	Audit undertaken in relation to the following risks	Audit Finding	Risk Rating	Action Logged	Action Status
YEAR 2 – 2023/24					
Audit 1 Regulation 17 Review <i>Audit Regulations 1996.</i>	Review the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control, and legislative compliance	Business Continuity Plan and Disaster Recovery	High	<p>No actions included.</p> <p>The following Management comments were provided and approved by the A&R Committee in February 2024.</p> <p><i>The finding replicates that of the Financial Audit and Information System Audit recently undertaken by OAG.</i></p> <p><i>The Financial Audit and Information System Audit findings were presented to Council (through the Audit Committee in December 2023). The following action has been added to the Audit Log ref EA: 2023/09 (6) Business Continuity Plan – Testing.</i></p> <p><i>To improve business continuity plan testing, the City will:</i></p> <p><i>Review and endorse its corporate business continuity plan; ensure appropriate tests are conducted with relevant staff and stakeholders as per the plan; record and analyse test results; and make improvements to the plan.</i></p>	
		Outdated Policy and Strategy Document	Low	EA: 2024/09 Outdated Policy and Strategy Documents	Ongoing
		Fraud Reporting Processes	Low	EA: 2024/10 Fraud Reporting Processes	Due 30/06/2024
		Legislative Compliance Framework	Low	EA: 2024/11 Legislative Compliance Framework	Due 30/06/2024
Audit 2 Regulation 5 Review	Review of the appropriateness and	Cash Receipts Evidencing of preparer and reviewer of cash	Medium	EA:2024/12 Cash Receipting Controls	Due 31/10/2024

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Audit Item	Audit undertaken in relation to the following risks	Audit Finding	Risk Rating	Action Logged	Action Status
<i>Financial Management Regulations 1996</i>	effectiveness of the financial management systems and procedures	counts at the beginning and end of day			
		Credit Card Employee Confirmation on Credit Card Statements	Low	EA:2024/13 Credit Card Policy	Due 31/10/2024

AUDIT AND RISK COMMITTEE MINUTES

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Remaining Year 2 and Year 3 Audits from original IAP

Audit Item	Risk causes identified in 2021	Risk rating (inherent)	Audit Focus Area	Admin comment / recommendation
Remaining YEAR 2 – 2023/24				
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	<p>Original comment – March 2021 High risk area needs separate review.</p> <p>Updated comment / recommendation The Office of the Auditor General (OAG) has responsibility for external audits for local government. Annual external audits relate to financial statements and information systems. The foundation of the current audit is in relation to process and procedure including fraud detection. Additional internal audits are not recommended for the Year 3 IAP.</p>
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	<p>Review BCP and emergency management plans, and communication to staff.</p> <p>Annual business continuity scenario / workshop.</p>	<p>Original comment – March 2021 Not previously reviewed independently.</p> <p>Need to test BCP which was developed in March 2020 and reviewed in March 2021.</p> <p>Updated comment / recommendation A review of the City's Business Continuity Plan Testing was undertaken by the OAG as part of the 2023 external audit. Management actions are underway and will be tracked and monitored through the City's Audit Action Log as ID EA2023/09(6) Business Continuity Plan Testing.</p> <p>Additional internal audits are not recommended for the Year 3 IAP.</p>

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Audit Item	Risk causes identified in 2021	Risk rating (inherent)	Audit Focus Area	Admin comment / recommendation
Remaining YEAR 2 – 2023/24				
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	<p>Original comment – March 2021 <i>Not previously reviewed independently. Significant changes implemented since 2019. Need to review effectiveness and adequacy.</i></p> <p>Updated comment / recommendation The project management framework and project prioritisation are in place. The maturity of framework implementation has improved with audit recommendations adopted. Ongoing staff training, monitoring, and reporting is in place including monthly reporting to Council.</p> <p>The likelihood of the ineffective management of projects resulting in financial losses and potentially poor project outcomes for the City, has reduced from 3 (possible) to 2 (unlikely) and the residual risk rating classified to low. This risk was removed from the Corporate Risk Register in February 2024.</p> <p>Implementation of the Framework is regularly reported to Council.</p> <p>This risk is residually rated as low. Inclusion should be prioritised accordingly.</p>

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Audit Item	Risk causes identified in 2021	Risk rating (inherent)	Audit Focus Area	Admin comment / recommendation
Remaining YEAR 2 – 2023/24				
Audit Committee role and functions – 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 lack of knowledge across organisation	Medium risk – reputation, financial, people, compliance	<p>Review Audit Committee Terms of Reference and current practices and processes.</p> <p>Review OAG Better Practice Guide.</p> <p>Review induction materials and training for members.</p>	<p>Original comment – March 2021 <i>Audit Committee not previously reviewed independently.</i></p> <p><i>Significant changes made in 2020 – need to review adequacy and effectiveness of current practices.</i></p> <p>Updated comment / recommendation The Audit & Risk Committee Terms of Reference (ToR) were last reviewed and updated in December 2023.</p> <p>Duties and responsibilities have been categorised for clarification and detailed in Annexure 1 to facilitate delivery of the Committee objective and further align to the OAG Better Practice Guide</p> <p>The ToR are reviewed every two years to align with the appointment of new Committee members and induction training is undertaken incorporating:</p> <ul style="list-style-type: none"> • Why an Audit Committee is Important. • Governance and Assurance. • WA Local Government Audit Committee Requirements. • WA Office of the Auditor General Public Sector Audit Committees Better Practice Guide. • Audit Committee Essentials and Good Practice. <p>The risk of unclear roles and responsibilities is low. Internal audits are not recommended for the Year 3 IAP.</p>

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Audit Item	Risk causes identified in 2021	Risk rating (inherent)	Audit Focus Area	Admin comment / recommendation
Remaining YEAR 2 – 2023/24				
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	<p>Original comment – March 2021 Stanton's Audit Nov 2020 recommended that legislative compliance form part of internal audit. Noted governance framework created, need to check implementation.</p> <p>Updated comment / recommendation The foundation of the current OAG audit is in relation to processes and procedure of the City's fraud detection. Additional internal audits are not recommended for the Year 3 IAP.</p>
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	<p>Original comment – March 2021 Stanton's Audit Nov 2020 noted that anonymous reporting system had been set up, needs to be tested.</p> <p>Updated comment / recommendation IAP Y2 Audit 1 was undertaken in relation to the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control, and legislative compliance. Management actions are underway and will be tracked and monitored through the City's Audit Action Log as: EA: 2024/10 Fraud Reporting Processes</p>

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Audit Item	Risk causes identified in 2021	Risk rating (inherent)	Audit Focus Area	Admin comment / recommendation
Remaining YEAR 2 – 2023/24				
				<p>Additionally, the foundation of the current OAG audit is in relation to processes and procedure of the City's fraud detection.</p> <p>Additional internal audits are not recommended for the Year 3 IAP.</p>
Swimming pool inspection process - risk of non-compliance with legislative requirements and damage to public health	<p>Documentation of processes.</p> <p>Clarity of delegations.</p>	<p>Medium risk – reputation, compliance, financial, public safety</p>	<p>Random review of approval assessment process, including online processes and disclosure of COI.</p>	<p>Original comment – March 2021 Not previously reviewed independently.</p> <p>Updated comment / recommendation Administration is recommending that this form part of the Year 3 IAP</p>

AUDIT AND RISK COMMITTEE MINUTES

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Audit Item	Risk causes identified	Risk rating (inherent)	Audit Focus Area	Admin comment / recommendation
YEAR 3 – 2023/24				
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.	<p>Original comment – March 2021 Stanton's 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.</p> <p>Updated comment / recommendation IAP Y2 Audit 1 was undertaken in relation to the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control, and legislative compliance.</p> <p>Management actions are underway and will be tracked and monitored through the City's Audit Action Log as:</p> <ul style="list-style-type: none"> EA2023/09(6) Business Continuity Plan Testing. EA: 2024/09 Outdated Policy and Strategy Documents EA: 2024/10 Fraud Reporting Processes <p>Additional internal audits are not recommended for the Year 3 IAP.</p>
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.	<p>Original comment – March 2021 Corporate process management charter and framework adopted and licence with ProMapp. Documentation of processes occurring by some teams (available to all teams). Testing of adequacy and effectiveness of documentation required.</p>

AUDIT AND RISK COMMITTEE MINUTES

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Audit Item	Risk causes identified	Risk rating (inherent)	Audit Focus Area	Admin comment / recommendation
YEAR 3 – 2023/24				
			Review use of Content Manager.	<p>Updated comment / recommendation The foundation of the current OAG audit is in relation to the City's processes and procedures.</p> <p>Should the committee wish to include this Audit specific areas of concern within the business should be identified to narrow the scope.</p>
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	<p>Original comment – March 2021 <i>The City now has a compliance calendar and dedicated communication channel for legislative changes / requirements. Stanton's Audit Nov 2020 recommended that legislative compliance form part of the internal audit plan. CAR also assists with legislative compliance (annual).</i></p> <p>Updated comment / recommendation IAP Y2 Audit 1 was undertaken in relation to the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control, and legislative compliance.</p> <p>Management actions are underway and will be tracked and monitored through the City's Audit Action Log as:</p> <ul style="list-style-type: none"> EA: 2024/11 Legislative Compliance Framework <p>Additional internal audits are not recommended for the Year 3 IAP.</p>
Records management - including FOI process – risk of non-	Unclear processes and	Medium risk - reputation,	Review use of document management system	<p>Original comment – March 2021</p>

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Audit Item	Risk causes identified	Risk rating (inherent)	Audit Focus Area	Admin comment / recommendation
YEAR 3 – 2023/24				
compliance with governance and legislative requirements.	roles and responsibilities	compliance, financial	Review FOI process	<p><i>Stanton's Audit Nov 2020 recommended that a review of the useability of the Records Management System occur. Compliance testing of record keeping required.</i></p> <p>Updated comment / recommendation The City has a Recordkeeping Plan and Clear Policy and Procedures that sets out Roles and Responsibilities. These are available on the City's website and documented through Promapp. The risk of non-compliance with governance and legislative requirements is low. Internal audits are not recommended for the Year 3 IAP.</p>
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	<p>Original comment – March 2021 <i>Identified as risk area in City of Perth Inquiry. Random compliance testing will be conducted by Rates Team prior to 2021 election.</i></p> <p>Updated comment / recommendation The electoral roll is created 45 days prior to a local government election, the WAEC compiles the electoral roll. This involves gathering and verifying enrolment data from various sources, including:</p> <ul style="list-style-type: none"> • The State electoral roll maintained by the WAEC. • The City's owners and occupiers roll, which includes non-resident owners and occupiers of rateable property within the local government area. <p>The final electoral roll is prepared and certified by the Electoral Commissioner. This risk is owned by the WAEC. Internal audits are not recommended for the Year 3 IAP.</p>

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Audit Item	Risk causes identified	Risk rating (inherent)	Audit Focus Area	Admin comment / recommendation
YEAR 3 – 2023/24				
Integrated planning and reporting framework (SCP, CBP, CWP, LTFF, budget) – risk of failure to make decisions and delivery projects and 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.	<p>Original comment – March 2021 <i>Not previously reviewed independently.</i></p> <p>Updated comment / recommendation A clear IPRF process has been established through the development of SOAPs, POAPS and PROAPs that inform the (SCP, CBP, CWP, LTFF and budget).</p> <p>Roles and responsibilities are established through the organisation and delivery projects and services in line with strategic priorities and legislation are regularly reported to Council.</p> <p>The risk of unclear roles and responsibilities and failure to make decisions and deliver projects and services in line with strategic priorities and legislation is low. Internal audits are not recommended for the Year 3 IAP.</p>

AUDIT AND RISK COMMITTEE MINUTES

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INTERNAL AUDIT PROGRAM 2022/23 – 2024/25



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> . Regulation 5 of the <i>Local Government (Financial Management) 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 for the next three years, commencing in 2022/23.

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

BACKGROUND

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

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

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

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

Internal Audit Program D23/61195

1

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

INTERNAL AUDIT PROGRAM 2022/23 – 2024/25



The actions identified in response to these risks are:

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

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

There are six internal audits proposed for each year.

IMPLEMENTATION OF PROGRAM AND REPORTING

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

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

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

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

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

Internal Audit Program D23/61195

2

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024



INTERNAL AUDIT PROGRAM 2022/23 – 2024/25



Audit Item	Risk causes identified	Risk rating (inherent)	Audit Focus Area	Admin comment - March 2021
YEAR 1 – 2022/23				
Beatty Park Infrastructure Renewals Project - project control oversight and management of variances	Project management has highlighted the importance of project control oversight, management of variances and the need for more rigor in change requests.	Please provide	Review of governance, expenditure and project management processes.	Council resolution 14/12/2021
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
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.
HR policies and procedures , including payroll – risk of failure to maintain staff health and wellbeing, and act in compliance with legislation and good governance (moved from Year 2)	Outdated policies and processes	Low risk – reputation, compliance, financial	Review policies and procedures and communication to staff. Review payroll practices / compliance testing.	Policies updated in 2018 and in need of review.

Internal Audit Program D23/61195

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CITY OF VINCENT

INTERNAL AUDIT PROGRAM 2022/23 – 2024/25

YEAR 2 – 2023/24
Regulation 5 Review - Review of the appropriateness and effectiveness of the financial management systems and procedures in accordance with Regulation 5 of the <i>Local Government (Financial Management) Regulations 1996</i>
Regulation 17 Review - Review the appropriateness and effectiveness of the City’s systems and procedures in relation to risk management, internal control, and legislative compliance in accordance with Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i> . Scope to include but no limited to: Gifts and COI; Detection and reporting of fraud and corruption, PID disclosures, whistleblowing, and cyber security. Risk management; Documentation of processes; and Legislative compliance and Council processes
Remaining Year 2 and Year 3 Audits are to be determined following establishment of the scope of Audits required for the Reg-17 review.

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

INTERNAL AUDIT PROGRAM 2022/23 – 2024/25



Audit Item	Risk causes identified	Risk rating (inherent)	Audit Focus Area	Admin comment
YEAR 3 – 2024/25				
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.
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 licence with ProMapp. Documentation of processes occurring by some teams (available to all teams). Testing of adequacy and effectiveness of documentation required. Note: specific areas of concern within the business should be identified to narrow the scope.
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.
Implementation risk management actions – risk of failure to adequately implement RMAs exposes the City to unmitigated risks, ineffective risk management, lack of accountability and inaccurate risk reporting.	Longstanding corporate risks and ongoing RMAs	High risk - property, reputation, compliance, financial	Review effectiveness and adequacy of ongoing RMAs for medium, high, and extreme Corporate Risks	RMA implementation audits will enhance risk management, ensure accountability, and promote continuous improvement to the City's Risk Management Framework.

Internal Audit Program D23/61195

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INTERNAL AUDIT PROGRAM 2022/23 - 2024/25



OFFICE USE ONLY	
Approved by Council	DATE: 18/05/2021, REF# OMC ITEM
Reviewed / Amended	DATE: 07/09/2022, REF#: A&R Committee Item 5.2 OMC Item 12.4 04/05/2023 A&R Committee Item 5.3 OMC Item 12.4 29/06/2023 A&R Committee Item 6.1 OMC Item 12.2
Next Review Date	DATE: 27/06/2024,

Internal Audit Program D23/61195

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

INTERNAL AUDIT PROGRAM 2022/23 – 2024/25



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> . Regulation 5 of the <i>Local Government (Financial Management) 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 for the next three years, commencing in 2022/23.

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

BACKGROUND

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

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

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

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

Internal Audit Program D23/61195

1

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

INTERNAL AUDIT PROGRAM 2022/23 – 2024/25



The actions identified in response to these risks are:

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

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

There are six internal audits proposed for each year.

IMPLEMENTATION OF PROGRAM AND REPORTING

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

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

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

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

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

Internal Audit Program D23/61195

2

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

INTERNAL AUDIT PROGRAM 2022/23 – 2024/25



Audit Item	Risk causes identified	Risk rating (inherent)	Audit Focus Area	Admin comment - March 2021
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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.
HR policies and procedures , including payroll – risk of failure to maintain staff health and wellbeing, and act in compliance with legislation and good governance (moved from Year 2)	Outdated policies and processes	Low risk – reputation, compliance, financial	Review policies and procedures and communication to staff. Review payroll practices / compliance testing.	Policies updated in 2018 and in need of review.

Internal Audit Program D23/61195

3

INTERNAL AUDIT PROGRAM 2022/23 – 2024/25



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AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

INTERNAL AUDIT PROGRAM 2022/23 – 2024/25



Audit Item	Risk causes identified	Risk rating (inherent)	Audit Focus Area	Admin comment
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Internal Audit Program D23/61195

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INTERNAL AUDIT PROGRAM 2022/23 - 2024/25



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Next Review Date	DATE: 27/06/2024,

Internal Audit Program D23/61195

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AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

5.4 LOCAL GOVERNMENT 2022-23 AUDIT RESULTS

- Attachments:
1. Local Government 2022-23 Financial Audit Results
 2. Local Government 2022-23 Information Systems Audit Results

RECOMMENDATION:

That the Audit and Risk Committee RECEIVES the Local Government 2022-23 Financial Audit and Information System Audit Results reports from the Officer of the Auditor General.

COMMITTEE DECISION ITEM 5.4

Moved: Mayor Xamon, Seconded: Mr Manifis

That the recommendation be adopted.

CARRIED (5-0)

For: Mr Araj, Mr Manifis, Cr Castle, Cr Hallett and Mayor Xamon

Against: Nil

(Cr Alexander was an apology for the Meeting.)

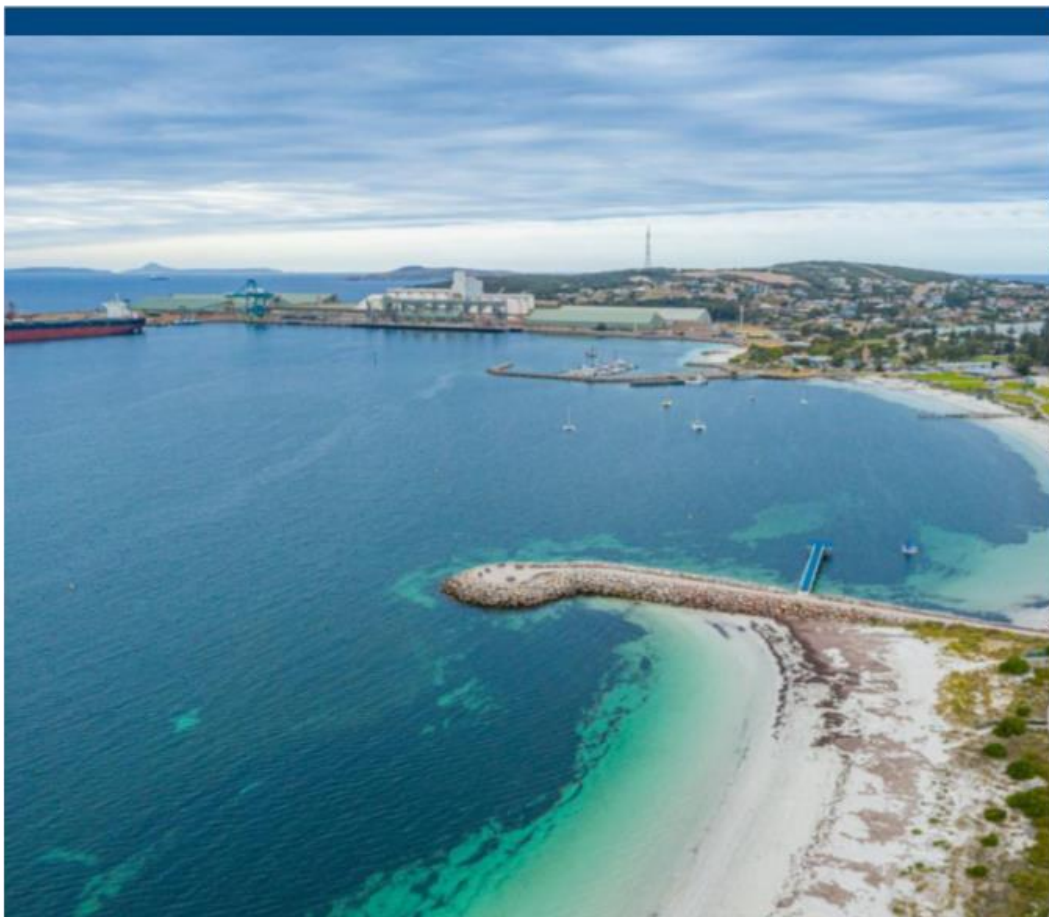
(Mr Isambert was an apology for the Meeting.)



Report 18: 2023-24 | 6 June 2024

FINANCIAL AUDIT RESULTS

Local Government 2022-23



AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

**Office of the Auditor General
for Western Australia****Audit team:**

Grant Robinson
Kellie Tonich
Dr Lisa Swann
Financial Audit teams
Information Systems Audit team

National Relay Service TTY: 133 677
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for
those with visual impairment.

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***The Office of the Auditor General acknowledges the traditional custodians throughout
Western Australia and their continuing connection to the land, waters and community. We
pay our respects to all members of the Aboriginal communities and their cultures, and to
Elders both past and present.***

Image credit: shutterstock.com/trabantos

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Local Government 2022-23 –
Financial Audit Results**

Report 18: 2023-24
6 June 2024

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THE PRESIDENT
LEGISLATIVE COUNCIL

THE SPEAKER
LEGISLATIVE ASSEMBLY

LOCAL GOVERNMENT 2022-23 – FINANCIAL AUDIT RESULTS

This report has been prepared for submission to Parliament under the provisions of section 24 of the *Auditor General Act 2006*.

The report summarises the final results of our annual audits of 137 of 147 local government entities for the year ended 30 June 2023 and the one remaining audit from 2021-22.

I wish to acknowledge the assistance provided by the councils, chief executive officers, finance officers and others, including my staff and contract audit firms, throughout the financial audit program and in finalising this report.

A handwritten signature in black ink, appearing to read 'Caroline Spencer'.

Caroline Spencer
Auditor General
6 June 2024

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

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Auditor General's overview

This report summarises the results of 137 of 147 local government entities' annual audits for the year ended 30 June 2023, as well as one audit remaining from 2021-22. There are 10 entities' audits which were outstanding at 31 March 2024 and not included in this report. These entities have encountered various challenges in providing us with information to enable their audits to be finalised.



As I reflect on the 2022-23 audit season – our second year auditing the entire local government sector – we are starting to see the impact of the hard work put in by the sector and our stricter timing initiative. Previously, we have provided greater assistance to entities but at financial cost and later publication of financial reports. This year nearly 90% of audit opinions were signed by 31 December 2023 (compared to just 61% by the same time last year), without any significant change in audit outcomes. We are now in a better place to get a holistic and truer picture of the sector earlier than we did last year.

Pleasingly, we have seen an overall reduction in the number and significance of financial management control issues reported to entities. However, financial reporting, asset and procurement issues remain at relatively high levels. In addition, completeness and accuracy of asset registers and valuations continue to cause significant difficulties for entities.

In particular, valuations are too often accepted without review or question by entity management. We see huge movements in values that entities often cannot explain, suggesting that they have not engaged in any meaningful way with the valuation process and the judgements made for accounting purposes. This increases the risk of errors and generally requires additional audit work and cost. Significant changes in asset values should be adequately explained and supported by logic and evidence. Entities continue to request more guidance with the valuation process. The Department of Local Government, Sport and Cultural Industries (DLGSC) is undertaking a body of work to prepare a valuation guide for the sector. We are hoping the guide will help entities address the issues we continue to see around valuations, including seeking valuations that appropriately recognise restrictions on land use.

Unfortunately, information systems control issues continue to grow and remain unresolved from previous years. A full analysis of these results is contained within my *Local Government 2022-23 – Information Systems Audit Results* report¹.

Entities can improve the cost and timeliness of their audits by focussing on fixing issues, particularly those from prior years. Issues which continue year after year present a real financial management risk to entities. Assessing and following up on these issues also requires extra audit work, resulting in increased costs to entities.

I welcome DLGSC's support of the sector via initiatives such as the valuation guide and will continue to offer my Office's support and input where appropriate. I also encourage DLGSC and entities to consider the recommendations included in this report, and draw on our better practice guides, to improve timeliness and efficiency of financial reporting and auditing processes. I commend entities on their contribution to the significant progress made this year and I hope to keep up this momentum for the 2023-24 season.

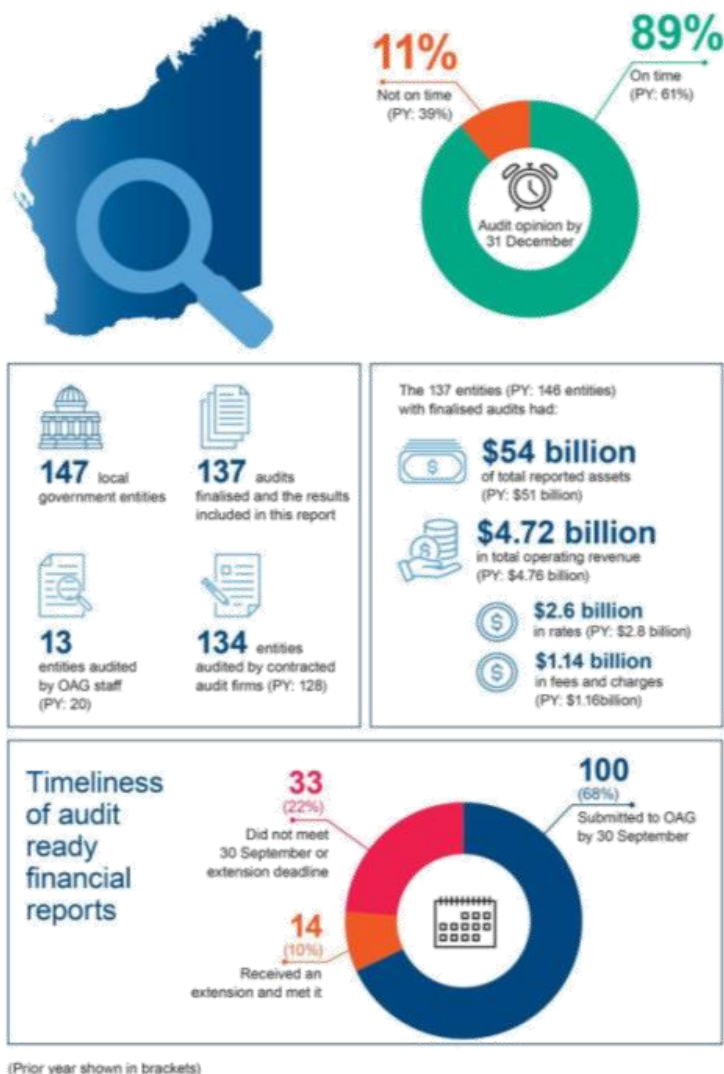
¹ Office of the Auditor General, *Local Government 2022-23 – Information Systems Audit Results*, OAG, 27 May 2024, accessed 31 May 2024.

AUDIT AND RISK COMMITTEE MINUTES

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2022-23 at a glance

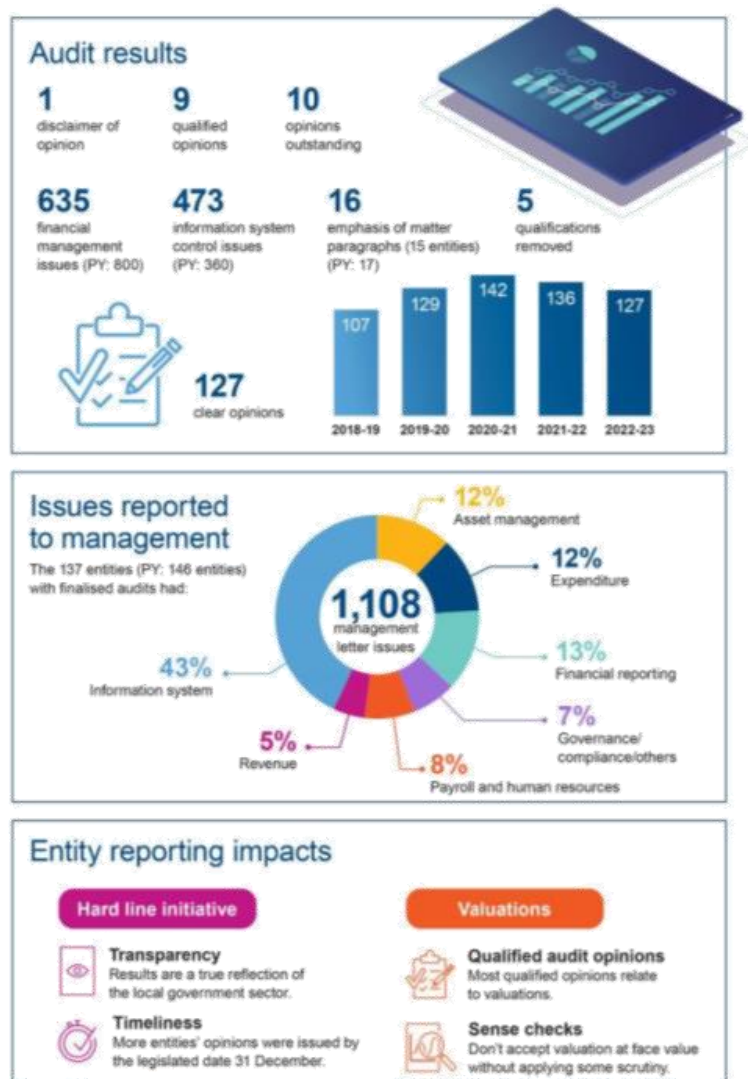
This report contains our findings from the annual financial audits of local government entities with a reporting date ending 30 June 2023. It includes the results for the 137 of 147 entities' audits that we completed by 31 March 2024 (Appendix 1), with the remaining 10 entities' results to be tabled in Parliament once their audits are completed.



6 | Western Australian Auditor General

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024



Local Government 2022-23 – Financial Audit Results | 7

Recommendations

To further improve financial reporting timeliness and reduce costs:

1. Entities should:
 - a. submit good quality, reviewed and CEO-signed financial reports for audit no later than 30 September. Supporting work papers and reconciliations should also be available by this date
 - b. communicate delays to financial report submission early to minimise disruptions and facilitate resource allocation. Flexibility may be required from entities when rescheduling their audit
 - c. engage early with valuers to develop a scope and plan for valuation. This is essential to ensure timely, compliant and sensible valuations. Entity information provided to valuers should be complete and accurate
 - d. alert OAG audit engagement leaders to new processes or systems, any issues encountered during the year, or any area of concern or technical accounting determinations
 - e. evaluate the significance of errors and decide if they need to be adjusted. Analyse the root cause for the errors.
2. DLGSC should:
 - a. provide entities with guidance on valuations. We understand DLGSC plan to have this available before 30 June 2024
 - b. help entities resolve the issues preventing them from submitting their financial report to audit by 30 September. It is critical that support is provided early before issues escalate
 - c. consider further opportunities to reduce financial report disclosure requirements, to provide further relief to entities, without compromising the needs of users of the financial report
 - d. provide guidance to entities on how to account for crossovers, turf, garden/trees and rehabilitation provisions. This will ensure a consistent approach.

DLGSC response:

- a. The DLGSC continues to actively develop a comprehensive guide to assist entities in revaluing assets in collaboration with sector bodies. This guide aims to enhance the consistency and reliability of asset valuations. It will encompass key topics such as valuation methodologies, scope of works and assumptions used in the valuation process as outlined and is scheduled for completion by 30 June 2024.
- b. The *Local Government Act 1995* (the Act) requires that by 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor the annual financial report and the accounts of the local government balanced up to the last day of the preceding financial year.

The Act allows extensions to be granted to local governments under section 6.4(3). However, any local governments seeking an extension must apply for it prior to the statutory deadline of 30 September.

AUDIT AND RISK COMMITTEE MINUTES

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While each of the 27 applications was subsequently approved, the DLGSC met in some instances with local governments, who had sought multiple extensions over several years. The primary purpose of these meetings was to discuss the reasons for the multiple extensions, identify what actions that had been taken to resolve these reasons, and inquire whether there was any support that DLGSC could provide.

Support will continue to be provided to local governments when requested to guide them through the application process and legislative requirements.

The DLGSC also intends to work collaboratively with local government entities to document experiences from the migration of systems to identify best practices and potential pitfalls. These learnings will be shared to assist local governments forward plan and develop robust strategies for mitigating risks associated with unanticipated system errors. Proactively addressing potential issues can significantly reduce the likelihood of disruptions and strengthen overall data management capabilities, which enable local governments to present reliable financial information for audits.

- c. The DLGSC recognises the importance of this consideration and is committed to continuous review and monitoring for opportunities to streamline and simplify reporting processes. This approach ensures that the necessary information is captured efficiently, while minimising the effort required from entities and the auditor. By regularly evaluating and refining our reporting requirements, DLGSC aims to maintain a balance between thoroughness and ease of use.
- d. The DLGSC will look at adding guidance on accounting for crossovers, turf, garden/trees in the Guidelines for the Valuation of Non-Financial Assets currently under development. DLGSC will also review the current guidance material on rehabilitation and remediation provisions that are contained in the Model Financial Statements Guidance Material.

Review of the 2022-23 financial year

Introduction

Our annual financial audits focus on ensuring the accuracy of an entity's financial report. This report summarises the results of our audits.

The report also covers one disclaimer of opinion from 2021-22 (Appendix 10) and local government certifications (Appendix 8).

Summary of audit opinions

For the financial year ending 30 June 2023, we issued clear opinions for 122 entities by 31 December 2023 and an additional five by 31 March 2024, one audit opinion was disclaimed and nine audit opinions were qualified. We included 16 emphasis of matter paragraphs in the auditor's reports of 15 entities. The numbers and types of opinions issued were similar to the 2021-22 financial year in which there were 136 clear opinions, 1 disclaimed opinion, 10 qualifications and 17 matters emphasised in the auditor's reports.

Care should be taken if comparing qualifications issued between local government entities and State government entities. For local government entities, we issue an opinion on the financial report only whereas in State government entities, we issue an opinion on the financial report, controls and key performance indicators.

One disclaimed opinion for 2022-23

Issuing a disclaimer of opinion is the most serious audit outcome. Of this year's finalised audits, we issued only one disclaimer of opinion (Appendix 4). A disclaimer of opinion is issued when there is insufficient evidence to form an opinion and the effect is pervasive through the financial report.

The entity changed finance systems during the year. A change in finance system is a big undertaking but a reasonably common occurrence. It can have many benefits in the form of improved automation and streamlining of accounting transactions and financial reporting. Due to a mix of resourcing challenges, this entity's changeover and go live was problematic. As a result, we encountered the following challenges:

- We were unable to get underlying information or reconciliations that agreed to the trial balance. Evidence for samples selected for testing were generally unable to be provided, and for all general journals posted, no description or purpose was specified. This is a major fraud risk.
- A fixed asset register was not maintained during the year. This meant various processes and control activities (reconciliations, additions etc.) had not been occurring during the year. A separate process was undertaken post year-end to incorporate all fixed asset movements.

In addition to the finance system items above, we also noted errors in the infrastructure valuation report around missing assets and the valuer's unit rates. Ultimately, we were unable to get enough information to be able to confidently close out these matters.

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

Nine qualified opinions

In 2022-23, nine entities received qualified opinions (Appendix 5). This is largely consistent with 2021-22 where we qualified the audit opinions of 10 entities.

All nine qualifications related to fixed assets and infrastructure, and their associated balances. Largely, entities had not revalued these assets with sufficient regularity (some had not been revalued since 2017-18) as required by regulations². As a result, we were unable to ascertain their value with confidence.

Additional work is required in the year following a qualification to determine if the qualification needs to remain or if it can be removed. In the majority of instances, the qualification could be resolved by simply revaluing the items.

Emphasis of matter paragraphs

In 2022-23, 16 emphasis of matter (EoM) paragraphs have been included in 15 entity auditor's reports which is reasonably consistent with the 17 EoM paragraphs included in 17 reports in 2021-22. We anticipate this number to increase as the outstanding audits are finalised. This year EoM paragraphs directed the reader's attention to:

- restatements of comparative figures or balances largely related to property and infrastructure assets (2022-23: 11 entities) (2021-22: 14 entities)
- events occurring after balance date (2022-23: 3 entities)
- the basis of accounting used by the entity (2022-23: 1 entity) (2021-22: 3 entities)
- State Administrative Appeal determination pending (2022-23: 1 entity).

A full description of these matters is in Appendix 7.

Significant improvement in timely reporting

We aim to finalise all audits early enough for entities to meet their legislated timeframes for adopting their annual reports. Appendix 1 outlines the date we issued each entity's 2022-23 auditor's report and our assessment of the status of their audit readiness.

The hard line initiative and the way it was supported by the sector were major factors in issuing nearly 90% of entities' audit opinions prior to 31 December 2023 (61% in 2021-22). Entities have worked hard to prepare for their audits and provide information promptly. We have seen more timely reporting by the majority of entities and will continue to build on this momentum next year.

For some audits, our teams did not set clear enough deadlines or waited too long for entities to provide information. This was a missed opportunity for timely reporting and something for our Office to work on with those entities for next year.

The two case studies below illustrate the different outcomes achieved this reporting cycle depending on whether the approach was adopted.

² Section 17A(4)(b) of the Local Government (Financial Management) Regulations 1996.

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Case study 1: Entity early application of the hard line initiative

An entity failed to get a complete valuation for assets due for revaluation in 2022-23. The entity was confident a valuation had been undertaken (though never reported in the financial report) sometime during the five preceding years. The entity was not able to locate any historical valuation records other than the 2017-18 valuation.

Rather than continuing to search for the valuation we worked with the entity to close the matter out as is and report the shortcoming in the auditor report. This did result in a qualification of the entity's audit opinion around these assets; however, they were able to finalise their financial report and receive their audit opinion in a timely manner.

It also allowed the entity to move on with the year and focus on the future to rectify this aspect. The annual electors meeting was held early in the 2024 calendar year.

Case study 2: Entities failure to apply hard line initiative early

Several entities were unable to locate sufficient records to resolve audit queries. These entities did not close out the matter with the information at hand and took an extended period of time to try find the information. For some entities, they are still lacking the required information.

Audit costs accumulate while entities try to resurrect workings, search for missing information and back date revaluations. This approach is risky as missing information and back dated valuations may not materialise. Elected members and ratepayers are left wondering when they will get to see the financial report and whether they should be concerned about the state of financial management and reporting in the entity.

Our hard line initiative is focused on improving the quality and timeliness of financial reports and associated workings provided for audit. It facilitates transparent and timely financial reporting from entities to ratepayers and other users. The Auditor General wrote to entities in early September 2023 outlining the details. As part of the approach, we will no longer wait until the entity is ready if key information and people are not reasonably available within the agreed schedule. Instead, we will issue our audit opinion on the information available, even if this results in a qualified audit opinion.

Qualified audit opinions relate to a discrete area of the financial report, meaning all other information is clear and available for users to rely on. If, due to the state of the financial records, the legislated reporting timeframe (six months after the year-end) cannot be met, then it's appropriate to convey that status in our audit report rather than waiting for further information and causing unreasonable delays to finalising our audit report.

Entities are able to apply to DLGSC prior to the submission deadline of 30 September to seek an extension. DLGSC granted 27 extensions in 2023 (Appendix 2) compared with 13 in 2022. Extensions impact the timeliness of reporting. There can be legitimate reasons for one-off extensions, however, repeat requests are generally symptomatic of other underlying problems where early intervention is critical to prevent these from escalating.

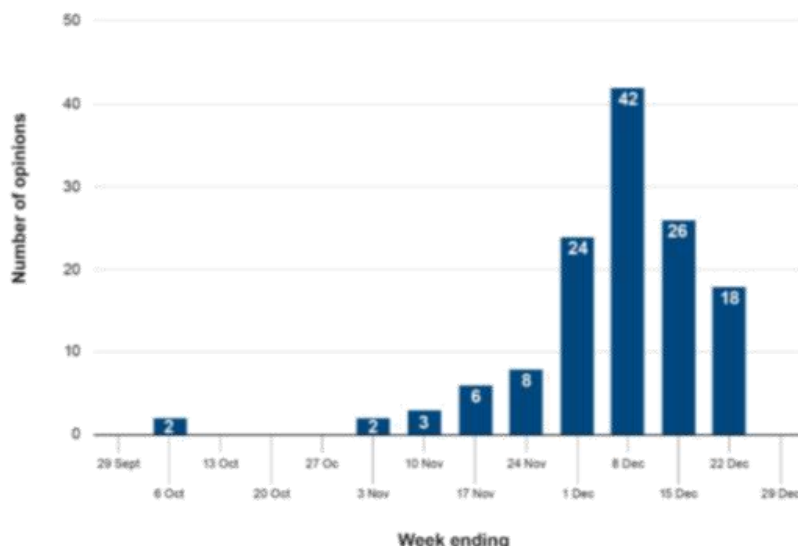
Delays in submitting financial reports creates a bottleneck of audit work and opinion issuing in December and delays our other audit work. Entities need to ensure they advise us early if they are seeking extensions so we can work with them to minimise any adverse impact on scheduling their year-end audit.

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Figure 1 illustrates the time pressure point for finalising audits and how critical it is to meet agreed timelines. We need to work with the sector to bring work forward, wherever possible, to reduce the peak in workload.



Source: OAG

Figure 1: Opinions issued per week 2023

Early feedback from entities shows a marked improvement in satisfaction with our work in 2023 compared with prior years. This reflects the effectiveness of our hard line initiative and a commitment from entities and audit teams to communicate and work together to achieve better outcomes for the sector. Survey results are reported in our annual report.

Audits finalised after 31 December 2023 and those that are still in progress

Audits that were not finalised prior to 31 December 2023 encountered numerous challenges. Some entities and audit teams were able to persevere through the difficulties, including issuing one disclaimer opinion, and were able to finalise their audits prior to 31 March 2024. The audits of 10 entities remain incomplete at 31 March 2024 (Appendix 3).

Generally, audits in progress share some of the following themes:

- **Data integrity:** information to support the trial balance and financial report disclosures was not readily available. We encourage entities to review our better practice guides³ to better understand audit information requirements.
- **Key staff availability:** positions were vacated during the audit or have been vacant for some time. When key staff resign prior to or during the audit process, often no one is left at the entity who can assist with audit queries or provide the necessary information.

³ Office of the Auditor General, *Audit Readiness – Better Practice Guide*, OAG, 30 June 2023 and Office of the Auditor General, *Western Australian Public Sector Financial Statements – Better Practice Guide*, OAG, 14 June 2021.

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- **Difficulty closing out technical reporting matters:** some entities lacked the expertise required to adequately manage complex financial reporting. Technical matters surrounding assets and other topics were left to the audit teams to try to resolve.
- **Incomplete valuations:** valuations are not readily available or we have concerns with their accuracy and/or completeness.

For those audits still in progress, we expect to issue further disclaimed or qualified opinions, or opinions that include an EoM paragraph. We also expect the number of financial control findings to increase.

Best practice entities

This is the second year we have rated entities on their financial reporting practices. The quality of financial reporting is measured against the following criteria:

- timeliness of CEO-certified financial report
- quality of financial report (financial statements and notes)
- quality of working papers that support the financial report
- management resolution of accounting matters
- key staff availability during the audit
- number and significance of management letter findings
- clear opinion.

We congratulate the entities we rated as the top 20 achievers for 2022-23.

Best practice top 20 entities	
• City of Albany	• Shire of Esperance
• Shire of Beverley	• Shire of Irwin
• Shire of Boddington	• Shire of Jerramungup
• Shire of Brookton	• Shire of Merredin
• Shire of Cocos (Keeling) Islands	• Shire of Mingenew
• Shire of Cue	• Shire of Perenjori
• Shire of Dardanup	• City of Rockingham
• Shire of Denmark	• Shire of Serpentine-Jarrahdale
• Shire of Dumbleyung	• Shire of Three Springs
• Eastern Metropolitan Regional Council	• Shire of Waroona

Source: OAG

Table 1: Best practice entities for 2022-23

Certifications

During 2023, we worked with the relevant Australian Government department⁴ to clarify the requirements to provide opinions on Roads to Recovery and Local Roads and Community Infrastructure Program certifications. As a result, we have been able to contain our certification workload to 55 this year. A full listing of certifications we have issued is in Appendix 8.

⁴ Department of Infrastructure, Transport, Regional Development, Communications and Arts.

Control weaknesses

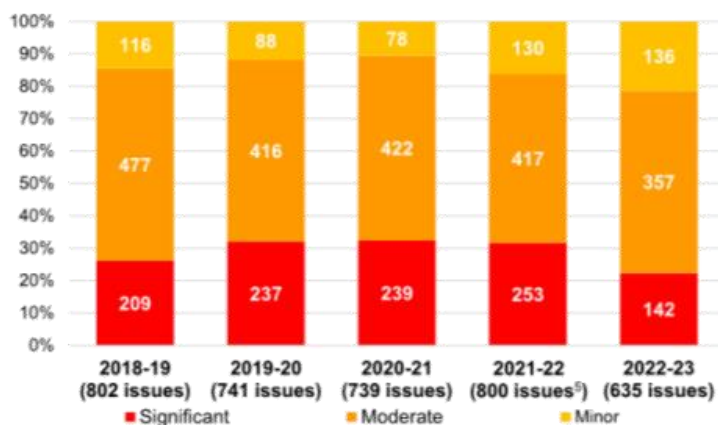
Control environment

We reported a total of 1,108 control findings in 2022-23 which is largely consistent with the prior year (1,160 control findings). These are made up of 635 financial management issues (2021-22: 800⁵) and 473 information system (IS) control issues (2021-22: 360).

An entity's control environment includes the governance and management functions and the attitudes, awareness and day-to-day actions that contribute to sound internal control practices of importance to the entity. A control environment with adequate systems, processes and people reduces the risk of error and fraud, and provides assurance to management, those charged with governance and auditors that financial reports are materially correct. We assess each entity's control environment during our risk assessment procedures. We report details of weaknesses in the environment to entities. The main themes of these weaknesses are discussed in further detail below. We expanded on the IS control findings in a separate report to Parliament⁶.

Financial management controls

We alerted 123 entities to 635 financial management control weaknesses across our three risk categories (Figure 2) compared with 800 weakness reported to 137 entities in 2022. The total number of findings is tracking significantly lower than in recent years. These numbers will increase once the 10 outstanding entities are finalised, however we don't expect the increase to be greater than that reported in 2021-22. Most pleasing, however, is the substantial reduction in the number of significant findings which reflects the focus by entities on resolving these high priority issues, although more work remains to address unresolved issues. Definitions of our finding risk ratings can be found at Appendix 11.



Source: OAG

Figure 2: Proportion of control weaknesses reported to management in each risk category and comparative ratings of the control weaknesses

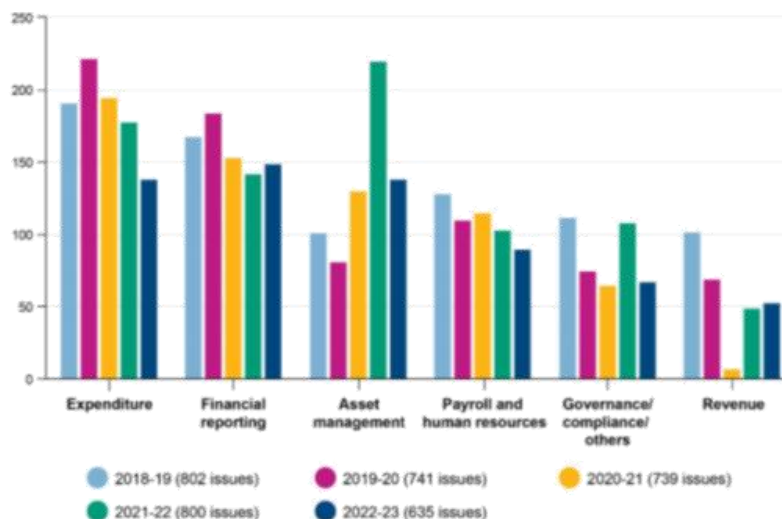
⁵ 2021-22 numbers have been restated from our Local Government 2021-22 - Financial Audit Results report. Total issues reported was 880, it should have been 800.

⁶ Office of the Auditor General, [Local Government 2022-23 - Information Systems Audit Results](#), OAG, 27 May 2024, accessed 31 May 2024.

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As can be seen in Figure 3, expenditure remains a key area of concern, along with financial reporting. In the last two years, asset management issues have increased significantly which coincides with a period where many entities were required to revalue their assets.



Source: OAG

Note: 2021-22 numbers have been restated from our Local Government 2021-22 - Financial Audit Results report. Total issues reported was 880, it should have been 800.

Figure 3: Financial management control issues reported to entities

Expenditure

We reported 138 expenditure weaknesses to 71 entities in 2022-23, compared with 178 issues to 96 entities in 2022. Thirty-six were unresolved from the prior year and 21 of these were rated as significant.

As was the case in the previous year we found instances of purchase orders raised after the invoice date and entities not seeking enough quotes. Seeking an appropriate number of quotes is an important control in ensuring value for money. Purchases made without authorised purchase orders increase the risk of unauthorised spending.

Management of the supplier master file also remained an area of weakness. Entities continue to make changes to the supplier master file without being able to evidence that they were appropriately approved. Unverified changes to the supplier master file may result in errors and there is also an increased risk of fictitious suppliers being established and funds being inappropriately disbursed.

Poor procurement practices increase the risk of fraud. It also increases the risk that entities may not be obtaining the best value for money. Entities need fit for purpose controls and processes that operate effectively to help mitigate against procurement risks.

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Financial reporting

We raised 149 issues at entities relating to their financial reporting procedures, while in 2022 this number was 142. We found numerous issues with the financial report compilation process. Entities often provided poor working papers, did not prepare reconciliations and/or adequately consider technical accounting matters. There were often gaps in staff availability or the experience needed to carry out the financial reporting role. Management need to resolve these issues as a priority as they cause delays to the audit, increase audit costs and place undue pressure on entity staff and audit teams.

The financial report submitted to audit should be of a high quality with limited, if any, adjustments required. It should be supported by reconciliations and working papers of an equally high quality. Entities should document the procedures for producing the financial report to ensure business continuity in the event of staff changes. The financial report should be reviewed by the CEO and audit committee to ensure its quality. Following this, the CEO should sign the financial report and submit it for audit. Further guidance for entities is available in our better practice guides accessible on our website⁷.

Asset management

We identified 138 findings at 77 entities compared with 220 findings at 140 entities in 2022. Thirty-three findings were prior year findings which have not been resolved. Most findings related to entities not revaluing their assets with sufficient regularity. Without regular revaluation of land, building and infrastructure assets, there is a risk that the fair value of these assets may not have been adequately determined. This is not compliant with AASB 13 *Fair Value Measurement*, as well as regulation 17(A) of the Local Government (Financial Management) Regulations 1996 and could lead to asset values in financial reports being inaccurately stated.

Entities reasons for not revaluing assets include:

- incomplete data to provide to valuers
- omissions or oversights of assets requiring valuations
- left it too late to engage a valuation consultant
- staff changes at the entity.

Robust asset management processes ensure asset data is complete and accurate, and that valuations are conducted with sufficient regularity in accordance with legislative requirements.

Findings unresolved from prior year

For 2022-23, 214 financial management control findings raised across 82 entities remain unresolved. This represents 34% of all current year findings. Of concern is that 31% (67) of these issues are significant, requiring urgent action.

The carry over findings mainly relate to assets, expenditure and financial reporting. Common themes were:

- outstanding asset and infrastructure valuations
- reconciliations were not performed regularly for assets, bank and other balance sheet items. We found reconciliations were not prepared or reviewed in a timely manner. Specifically, bank reconciliations had long outstanding items. Reconciliations, when completed appropriately, enhance the completeness and accuracy of financial data within the general ledger from which financial reports are derived. Without regular

⁷ Office of the Auditor General, *Audit Readiness – Better Practice Guide*, OAG, 30 June 2023 and Office of the Auditor General, *Western Australian Public Sector Financial Statements – Better Practice Guide*, OAG, 14 June 2021.

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reconciliation there is an increased risk for fraud or errors going undetected and diminishes the value of reconciliations as regular in-year monitoring controls. This could result in significant variances at year end and adversely impact on the audit opinion

- poor procurement practices. We observed an inadequate number of quotes obtained, raising of purchase orders after invoice date and unverified changes to supplier information.

It's unfortunate that these issues remain outstanding. Issues add to audit time and costs. Entities need to prioritise fixing these issues.

Information system controls

We reported 473 information system control weaknesses to 76 entities. Compared with 360 issues at 61 entities in 2021-22. Disappointingly, almost half of these issues were raised last year and remain unresolved. Information system controls is an area of low maturity for the sector, although engagement with us on this issue is generally high. Many entities are working hard to address exposure risks we have identified.

Computer controls included in information systems form part of the entity's control environment. The auditing standards require us to assess each entity's control environment inclusive of computer controls as part of risk assessment procedures. Local government entities are reliant on information systems to deliver a wide range of services. These are essential to processing and storing data and producing financial reports. We assess the general computer controls to determine if entities' computer controls effectively support preparation of financial reports, delivery of key services, and the confidentiality, integrity and availability of information systems.

Further details on this work are included in the *Local Government 2022-23 - Information Systems Audit Results* report⁹.

Continuous improvement opportunities

Reducing the information included in the financial report will help improve audit costs and timeliness. Entities also need guidance to ensure sector consistency and to help with areas where they are consistently making errors. Usually, these areas are technically challenging or require significant judgement. DLGSC has provided some valuation relief and plan to provide guidance on valuations. DLGSC should consider further guidance on accounting for crossovers and rehabilitation provisions. The major areas for improvement are discussed in further detail below.

Valuation of assets

To reduce costs to entities without unduly compromising the quality of financial reporting, DLGSC made a number of significant changes in reporting requirements. For instance, it reduced the fair value requirements for assets. From 2023-24, entities are only required to revalue land, buildings and infrastructure assets every five years instead of every year that indicators suggest values have changed significantly. Non-valuation years no longer require a fair value assessment. An entity can, however, elect to revalue earlier than five years.

Pleasingly, DLGSC is in the process of developing a guide to assist entities when revaluing assets and improve consistency and reliability of valuations across the sector. We understand the guide will cover topics such as valuation methodologies, scope of works and assumptions used in the valuation process. The valuation guide is expected to be finalised before 30 June 2024.

⁹ Office of the Auditor General, *Local Government 2022-23 - Information Systems Audit Results*, OAG, 27 May 2024, accessed 31 May 2024.

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We expect the guide will help entities address the issues we continue to see around valuations, including seeking valuations that appropriately recognise restrictions on land use. There are perennial issues with the completeness and accuracy of fixed asset registers, incomplete or inappropriate valuations, and poor records generally. Too often valuations are accepted without review or question by entity management. We see huge movements in values that entities often cannot explain, suggesting that they have not engaged in any meaningful way with the valuation process and the judgements made for accounting purposes. This increases the risk for errors and generally requires additional audit work. Entities need to conduct a sense check of valuation results. Significant changes in values should be adequately explained and supported by evidence and logic. For some entities, we requested additional financial report disclosures to highlight factors driving significant revaluation movements.

Entities need to prepare early for their valuations as it is a lengthy exercise and there is a limited pool of qualified independent valuers. Some entities have struggled to find valuers in time for valuations to be included in their financial reports. Valuers need complete and accurate entity data to do their job. Entities need to provide adequate scoping and instructions to their valuers as not all valuations are the same. For example, using the cost approach will garner different results to a valuation performed in accordance with the market approach outlined in AASB 13 *Fair Value Measurement*. Importantly, DLGSC's advice is that land should be valued using the market approach and if the land has any public sector restrictions (including current use for community purposes), the restrictions must be considered when valuing the land.

Recognition of assets

Entities are not consistent in how they account for crossovers. Crossovers are the section of a driveway which starts at the property line and extends to the road. Some entities recognise crossovers as an asset and others do not. Where they are recognised as assets, they are included as an infrastructure asset and revalued every five years.

The reason some entities haven't recognised crossovers as assets is because costs to maintain the crossovers are generally borne by the various property owners, which indicates the property owners benefit from the asset and bear the costs of maintenance. The counter argument to this is that entities can pass the costs on to a property owner, which indicates entity control. Given the inconsistency among entities on accounting for crossovers, we believe this is an area that requires DLGSC guidance. In the meantime, we have continued to accept whatever the entities' current treatment in their financial reports.

Another area of divergent practice, where there is no clearly right or wrong accounting treatment, is in the recognition of turf and shrubbery. Where an entity has valued or revalued its turf, we have sought to understand the reasons for the valuation including the differing nature and purpose of the turf used by the entity. For example, a golf course or playing field turf is usually recognised as an asset. Turf within nature reserves, general shrubbery and garden items have generally been expensed. Where maintained turf and similar assets have been recognised as an asset, we inquire to see if they have been supported by maintenance expenditure in asset management plans.

There is a cost associated with measuring, recording and revaluing these assets, so entities must ensure that the accounting policy adopted is appropriate, with due regard to the cost and benefit in the circumstances of the accounting method adopted. Careful consideration should be given to the reliability of the value adopted and whether the asset could or would be replaced on a like-for-like basis if damaged or destroyed.

The sector could benefit from clear guidance from DLGSC on accounting for these items. Consultation with sector stakeholders to understand the key drivers of the variation in treatment and the implications of mandating or requiring a particular treatment would help buy in and ensure consistency and usefulness of financial reporting across the sector.

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Rehabilitation provisions

Sometimes assets come with make good or remediation obligations. In the LG sector this generally relates to the financial responsibility to rehabilitate waste sites or landfills. Obligations can arise from a legal requirement or from what is known as a constructive obligation. These obligations can be confusing because not all landfills or waste sites have the same requirements for rehabilitation.

Entities need to review their landfill licences to determine if they have a legal obligation to restore or rehabilitate waste sites. A constructive obligation arises when an entity promises to make good the site and has by its actions indicated that it will follow through on that intent.

It's critical that entities understand the nature of their legal or constructive obligations associated with this type of work as this will drive the accounting and ongoing measurement. If an obligation is present, a provision should be recognised and the equivalent amount forms part of the cost of the asset, usually a waste management/landfill facility (infrastructure) which is required to be revalued.

Entities have found accounting for rehabilitation provisions confusing. Some entities also lack the technical accounting capability to calculate and account for their rehabilitation provisions. In the absence of guidance from DLGSC on the recognition and ongoing measurement of rehabilitation provisions, we are often required to provide significant guidance to entities who simply do not understand the technical accounting aspects.

Guidance from DLGSC would aid consistency and help entities who are finding this area challenging.

Differential reporting and reduced disclosure requirements

This year DLGSC simplified financial reporting requirements. This is consistent with what our Office has been advocating for and reporting on for some time. It is also consistent with the recommendations of the *Select Committee into Local Government Final Report - Inquiry into Local Government* tabled in September 2020.

Smaller entities are no longer required to comply with various disclosure requirements. DLGSC published two sets of model financial reports, one for larger and another for smaller entities. DLGSC updates its model financial reports annually for currency.

DLGSC also removed the requirements for all entities to report information in their financial reports on fees and charges, discounts and some other items. A list of amendments is available on the DLGSC website⁹. They also moved some financial report disclosure requirements to annual report only disclosures, so they do not need to be audited. All were important contributions to reduce the financial reporting burden which should result in reduced audit costs and more timely reporting.

Adjusted and unadjusted audit errors

We noted that there were no errors in the financial reports at 33 entities. This is generally consistent with the prior year where 34 entities noted no errors. For the other 104 entities, we identified 360 errors, 263 of which entities corrected (adjusted) in the final financial report and 97 which remained uncorrected (Table 2). We do expect the numbers of errors to increase once the remaining audits are finalised.

⁹ Department of Local Government, Sport and Cultural Industries, [Local Government Regulations Amendment Regulations 2023](#), DLGSC website, 13 July 2023.

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Year	Number of entities with adjusted errors	Number of adjusted audit errors	Nominal value of errors adjusted during the audit	Number of entities with unadjusted errors	Number of unadjusted audit errors	Nominal value of unadjusted errors
2022-23	93	263	\$989,226,390	55	97	\$67,885,344
2021-22	91	335	\$1,613,529,048	58	132	\$50,668,884

Source: OAG

Table 2: Adjusted and unadjusted errors for entities

We identify errors based on evidence found during our audit. Material errors require correction to (in most cases) avoid qualification; for smaller errors entities can choose whether or not to adjust.

We inform management and those charged with governance, of all errors other than those that are clearly trivial. By hearing about them, the entity can identify potential risk areas or other matters impacting their financial reporting. Entities should consider carefully whether they make adjustments for errors that are not material. Smaller errors have no real impact on the financial but require time to process and validate. All errors, but particularly those which are adjusted by the entity increase the time and cost of financial reporting and of the audit. At one entity we noted 19 errors, it adjusted 17 of these, yet just 3 were material. Entities need to get the balance right in terms of the overall objective of the financial report.

The role of outsourcing in financial reporting

One hundred and one entities prepared their own financial report, the remainder outsourced the function to accounting firms. Outsourcing can be a good option, as it allows entities to tap into a specialist skill set and helps overcome their resource constraints.

However, some aspects of financial reporting cannot be outsourced. Communication and management judgements should not be outsourced. Our teams are often left to conduct the audit with the assistance of the outsourced financial report provider with minimal entity involvement. Financial reports are often not reviewed by management until the audit is almost concluded or a problem arises.

The key to a successful outsourcing arrangement is a strong management presence to connect the service providers, audit teams, operations and council. Early engagement, planning and close contract management are vital. Effective oversight ensures a smoother process with no surprises. It also contributes to lower audit costs and more timely reporting.

The role of outsourcing in delivering OAG audits

Similarly, we outsourced the financial audit work of 134 local government entities (91%), which is an increase on previous years. The ratio of audits outsourced will fluctuate depending on our internal resourcing capacity. In addition to competitive labour market conditions constraining our ability to recruit and retain sufficient staff at key levels, the recent increase in outsourcing is due in part to the scheduled implementation of our new audit tool and methodology, for which our staff are undertaking significant additional training. We plan to progressively increase the number of audits delivered in-house over coming years to our target level of 20%.

The outsourcing of public sector audits is a common practice across jurisdictions to meet periods of peak demand and provide access to specialist skills, and we value the opportunity to benchmark our own audit quality and efficiency. We maintain oversight of our contract audit firms' audit planning, finalisation and key audit judgements, and engage with entities throughout the process, including attending key meetings. We sign all audit opinions, prepare whole of sector reporting and also support capability development across the sector.

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Appendix 1: Status and timeliness of audits

Type of audit opinion	
Clear (unmodified)	✓
Clear opinion with emphasis of matter or matter of significance paragraph	✓
Qualified or a disclaimer of opinion	✗

Financial report timeliness – audit ready submissions*	
Received financial report by statutory deadline of 30 September 2023 and assessed audit ready	📅
Received an extension from DLGSC to the statutory deadline and met this extension with audit ready financial report	📅
Extension or statutory deadline was not met with audit ready financial report	📅

* Financial report initially provided may not be of a quality that is audit ready. The icon in the table below reflects the date we assessed the financial report as audit ready. Many entities' first version of financial report provided to us was audit ready.

Entities listed in alphabetical order with opinion type, opinion date and audit ready financial report submission status.

	Entity	Type of opinion	Opinion issued	Audit ready submissions of FR*
1	Bunbury-Harvey Regional Council	✓	24/11/2023	📅
2	City of Albany	✓	06/12/2023	📅
3	City of Armadale	✓	20/12/2023	📅
4	City of Bayswater	✓	20/12/2023	📅
5	City of Belmont	✓	28/11/2023	📅
6	City of Bunbury	✓	29/11/2023	📅
7	City of Busselton	✓	01/11/2023	📅
8	City of Canning	✓	07/12/2023	📅
9	City of Cockburn	✓	08/12/2023	📅
10	City of Fremantle	✓	12/12/2023	📅
11	City of Gosnells	✓	13/12/2023	📅
12	City of Greater Geraldton	✓	15/12/2023	📅
13	City of Joondalup	✓	01/12/2023	📅
14	City of Kalamunda	✓	01/12/2023	📅

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	Entity	Type of opinion	Opinion issued	Audit ready submissions of FR*
15	City of Kalgoorlie-Boulder	✓	28/11/2023	🟢
16	City of Kwinana	✓	06/12/2023	🟢
17	City of Mandurah	✓	20/12/2023	🟢
18	City of Melville	✓	21/12/2023	🟡
19	City of Nedlands	✗	01/03/2024	🔴
20	City of Perth	✓	29/11/2023	🟢
21	City of Rockingham	✓	08/11/2023	🟢
22	City of South Perth	✓	28/11/2023	🟢
23	City of Stirling	✓	15/12/2023	🟢
24	City of Subiaco	✓	01/12/2023	🟢
25	City of Swan	✓	22/11/2023	🟢
26	City of Vincent	✓	08/12/2023	🟢
27	City of Wanneroo	✓	30/11/2023	🟢
28	Eastern Metropolitan Regional Council	✓	06/10/2023	🟢
29	Mindarie Regional Council	✓	15/11/2023	🔴
30	Murchison Regional Vermin Council	✓	21/12/2023	🟢
31	Rivers Regional Council	✓	07/12/2023	🟢
32	Shire of Ashburton	✓	21/12/2023	🟢
33	Shire of Augusta-Margaret River	✓	21/11/2023	🟢
34	Shire of Beverley	✓	01/11/2023	🟢
35	Shire of Boddington	✓	01/12/2023	🟢
36	Shire of Bridgetown-Greenbushes	✓	08/12/2023	🟡
37	Shire of Brookton	✓	20/12/2023	🟢
38	Shire of Broome	✓	15/12/2023	🔴
39	Shire of Broomehill-Tambellup	✓	14/12/2023	🟢
40	Shire of Bruce Rock	✓	07/12/2023	🟢
41	Shire of Capel	✓	15/12/2023	🟢
42	Shire of Carnamah	✓	08/12/2023	🔴

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	Entity	Type of opinion	Opinion issued	Audit ready submissions of FR*
43	Shire of Carnarvon	✓	19/12/2023	🟢
44	Shire of Chapman Valley	✓	19/02/2024	🔴
45	Shire of Chittering	✓	07/12/2023	🟢
46	Shire of Christmas Island	✓	07/12/2023	🟢
47	Shire of Cocos (Keeling) Islands	✓	08/12/2023	🟢
48	Shire of Collie	✓	08/12/2023	🟢
49	Shire of Coolgardie	🔴	05/12/2023	🔴
50	Shire of Coorow	✓	07/12/2023	🟢
51	Shire of Corrigin	✓	08/12/2023	🔴
52	Shire of Cranbrook	✓	06/12/2023	🟢
53	Shire of Cuballing	✓	08/12/2023	🟢
54	Shire of Cue	✓	28/11/2023	🟢
55	Shire of Cunderdin	✓	24/11/2023	🟢
56	Shire of Dalwallinu	✓	04/12/2023	🟢
57	Shire of Dandaragan	✓	15/12/2023	🔴
58	Shire of Dardanup	🔴	22/11/2023	🟢
59	Shire of Denmark	✓	28/11/2023	🟢
60	Shire of Derby-West Kimberley	✓	18/12/2023	🔴
61	Shire of Donnybrook-Balingup	✓	11/12/2023	🟢
62	Shire of Dowerin	✓	29/11/2023	🟢
63	Shire of Dumbleyung	✓	09/11/2023	🟢
64	Shire of Dundas	✓	19/12/2023	🟢
65	Shire of East Pilbara	✓	11/03/2024	🟢
66	Shire of Esperance	✓	15/11/2023	🟢
67	Shire of Exmouth	✓	06/12/2023	🔴
68	Shire of Gingin	✓	05/12/2023	🟢
69	Shire of Gnowangerup	✓	19/12/2023	🔴
70	Shire of Goomalling	✗	07/12/2023	🟢
71	Shire of Harvey	✓	08/12/2023	🟢

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	Entity	Type of opinion	Opinion issued	Audit ready submissions of FR*
72	Shire of Irwin	✓	30/11/2023	🟢
73	Shire of Jerramungup	✓	05/12/2023	🟢
74	Shire of Katanning	✗	13/12/2023	🔴
75	Shire of Kellerberrin	✓	02/12/2023	🟢
76	Shire of Kent	✗	20/12/2023	🔴
77	Shire of Kojonup	✓	17/01/2024	🔴
78	Shire of Kondinin	✓	18/12/2023	🟢
79	Shire of Koorda	✓	13/12/2023	🟢
80	Shire of Kulin	✓	30/11/2023	🔴
81	Shire of Lake Grace	✓	05/12/2023	🟢
82	Shire of Laverton	✓	15/12/2023	🟢
83	Shire of Leonora	✓	05/12/2023	🟢
84	Shire of Manjimup	✓	29/11/2023	🟢
85	Shire of Meekatharra	✓	05/12/2023	🟢
86	Shire of Menzies	✓	11/12/2023	🟢
87	Shire of Merredin	✓	16/11/2023	🟢
88	Shire of Mingenew	✓	01/12/2023	🟢
89	Shire of Moora	✓	27/02/2024	🔴
90	Shire of Morawa	✓	05/12/2023	🟢
91	Shire of Mount Magnet	✗	12/12/2023	🟢
92	Shire of Mount Marshall	✓	06/12/2023	🟢
93	Shire of Mukinbudin	✓	18/12/2023	🔴
94	Shire of Mundaring	✓	12/12/2023	🟢
95	Shire of Murchison	✓	05/12/2023	🔴
96	Shire of Murray	✓	27/11/2023	🟢
97	Shire of Nannup	✗	12/12/2023	🟢
98	Shire of Narembeen	✓	05/12/2023	🟢
99	Shire of Narrogin	✓	08/12/2023	🔴
100	Shire of Northam	✓	14/12/2023	🟢

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	Entity	Type of opinion	Opinion issued	Audit ready submissions of FR*
101	Shire of Northampton	✓	08/12/2023	🟢
102	Shire of Nungarin	✓	12/12/2023	🟢
103	Shire of Peppermint Grove	✓	06/12/2023	🔴
104	Shire of Perenjori	✓	08/12/2023	🟢
105	Shire of Pingelly	✓	01/12/2023	🟢
106	Shire of Quairading	✓	13/12/2023	🟢
107	Shire of Ravensthorpe	✓	07/12/2023	🟢
108	Shire of Sandstone	✓	16/11/2023	🟢
109	Shire of Serpentine-Jarrahdale	✓	22/11/2023	🟢
110	Shire of Shark Bay	✓	15/12/2023	🔴
111	Shire of Tammin	✓	20/11/2023	🔴
112	Shire of Three Springs	✓	21/11/2023	🟢
113	Shire of Trayning	✓	07/12/2023	🟢
114	Shire of Upper Gascoyne	✓	08/11/2023	🟢
115	Shire of Victoria Plains	✓	27/11/2023	🟢
116	Shire of Wagin	✓	29/11/2023	🔴
117	Shire of Wandering	✓	04/12/2023	🟢
118	Shire of Waroona	✓	17/11/2023	🟢
119	Shire of West Arthur	✓	07/12/2023	🟢
120	Shire of Westonia	✗	18/12/2023	🟢
121	Shire of Wickepin	✗	08/12/2023	🟢
122	Shire of Williams	✓	06/12/2023	🔴
123	Shire of Wiluna	✗	21/12/2023	🔴
124	Shire of Wongan-Ballidu	✓	13/12/2023	🟢
125	Shire of Woodanilling	✗	20/12/2023	🟢
126	Shire of Wyalkatchem	✓	30/11/2023	🔴
127	Shire of Wyndham-East Kimberley	✓	13/12/2023	🔴
128	Shire of Yilgarn	✓	01/12/2023	🟢
129	Shire of York	✓	15/03/2024	🔴

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	Entity	Type of opinion	Opinion issued	Audit ready submissions of FR*
130	Tamala Park Regional Council	✓	05/10/2023	🟢
131	Town of Bassendean	✓	11/12/2023	🔴
132	Town of Cambridge	✓	15/12/2023	🔴
133	Town of Claremont	✓	05/12/2023	🟢
134	Town of Cottesloe	✓	06/12/2023	🟢
135	Town of East Fremantle	🔴	11/12/2023	🟢
136	Town of Mosman Park	✓	18/12/2023	🟢
137	Western Metropolitan Regional Council	✓	15/11/2023	🟢

Source: OAG

Appendix 2: Entities who received an extension from DLGSC to submit their financial report after the 30 September legislated deadline

Entity	Extension date
City of Armadale	31 October 2023
City of Karratha	30 November 2023
City of Melville	31 December 2023
City of Nedlands	16 October 2023
Shire of Boyup Brook	16 October 2023
Shire of Bridgetown-Greenbushes	13 October 2023
Shire of Chapman Valley	30 November 2023
Shire of Dandaragan	31 October 2023
Shire of Derby-West Kimberley	30 November 2023
Shire of Halls Creek	31 October 2023
	30 November 2023
Shire of Katanning	31 October 2023
Shire of Kojonup	30 October 2023
Shire of Kulin	31 October 2023
Shire of Moora	30 November 2023
	15 December 2023
Shire of Mukinbudin	31 October 2023
Shire of Murchison	9 October 2023
Shire of Ngaanyatjaraku	31 October 2023
Shire of Plantagenet	31 October 2023
Shire of Shark Bay	20 October 2023
Shire of Toodyay	31 October 2023
Shire of Wiluna	31 October 2023
Shire of Wyndham-East Kimberley	31 October 2023
Shire of Yalgoo	30 November 2023
Shire of York	13 October 2023
Town of Bassendean	31 October 2023
Town of Cambridge	3 November 2023
Town of Victoria Park	16 October 2023

Source: DLGSC

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Appendix 3: Outstanding audits at 31 March 2024¹⁰

Entity	Balance date	Reason for delay
City of Karratha	30 June 2023	Key entity staff turnover delayed the start of the audit until October 2023. This was further delayed until January 2024, with audit finalisation to occur by the end of February 2024. By mid-February 2024 the City was still not able to provide all the required information to conduct the audit. Resolution of some prior year matters also contributed to delays. The audit recommenced in mid-March 2024 and should be finalised no later than May 2024.
Resource Recovery Group	30 June 2023	In November 2023, Member Council resolutions impacted the going concern assessment for the Resource Recovery Group. This was completed in February 2024, and we finalised our review of this assessment in April 2024. Our assessment did not start in February as our auditor's had other scheduled work. We prioritised other work as it was on schedule and pre-booked. We anticipate the audit to be finalised no later than May 2024.
Shire of Boyup Brook	30 June 2023	The independent valuation was delayed due to the availability of consultants which held up the finalisation of the financial statements and the completion of the audit. Complete documents were provided to the audit team in March 2024, and we expect to have the audit finalised no later than May 2024.
Shire of Halls Creek	30 June 2023	The Shire requested two extensions from DLGSC. In January 2024, they sought to pause the audit to complete their financial statements and other inquiries following the departure of their Chief Executive Officer (CEO). In March 2024 it was mutually agreed to conclude the audit based on available information and we expect this to be finalised no later than May 2024.
Shire of Ngaanyatjaraku	30 June 2023	The independent valuation was delayed which held up the finalisation of the financial statements and the completion of the audit. These reports have now been received and we expect the audit to be finalised no later than May 2024.
Shire of Plantagenet	30 June 2023	The resignation of the Shire's Deputy Chief Executive Officer (DCEO) and accountant prior to the commencement of the scheduled audit fieldwork in November 2023 led to considerable delays. The Shire's revaluation report was not concluded until the end of February 2024. We now expect this audit to be finalised no later than May 2024.
Shire of Toodyay	30 June 2023	The financial report was not available to audit until December 2023. The audit commenced in late February 2024, however not all the information required for audit purposes was ready at this time. The resignation of the Shire's CEO caused more delays during fieldwork and there were further delays in responding to audit queries. The audit had to be paused and then recommenced in March 2024 and we expect it to be finalised no later than May 2024.

¹⁰ Date of report cut-off.

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Entity	Balance date	Reason for delay
Shire of Yalgoo	30 June 2022 and 30 June 2023	The 2021-22 audit remains outstanding. The audit team did not receive information in a timely manner. This delayed the audit process significantly. Also, there were errors in the valuation of buildings and infrastructure which required additional time for the Shire to resolve. We expect the 2021-22 audit to be finalised no later than May 2024. The 2022-23 audit cannot commence until the 2021-22 is complete. We are negotiating a timeframe for this audit.
Town of Port Hedland	30 June 2023	The Town transitioned its accounting system on 1 November 2022. Some processes and control activities, including key reconciliations, did not occur due to configuration issues until November 2023. Subsequently in November 2023 it was mutually agreed to conclude the audit based on the available information. Following on from this the Town has been resolving valuation issues and there has not been a robust assessment of the fair value of its investment property as at 30 June 2023. We expect this audit to be finalised no later than May 2024.
Town of Victoria Park	30 June 2023	There were issues with the valuation of assets which the Town needed additional time to resolve. The Town and our team had to work through a prior period error which also delayed the audit. The Town finalised these issues in February 2024, regrettably we were unable to resolve them in a timely manner. This audit opinion was issued on 15 April 2024.

Source: OAG

Appendix 4: 2022-23 Disclaimers of opinion

Entity and opinion	Opinion issued
City of Nedlands – Disclaimer of opinion Financial report not supported with complete and accurate underlying records We were unable to obtain sufficient appropriate audit evidence regarding the financial report as a whole as the financial report was submitted for audit purposes without complete and accurate underlying records. We were unable to audit the financial report by alternative means. Consequently, we are unable to determine whether any adjustments were necessary to the financial report as a whole for the year ended 30 June 2023.	1/03/2024

Source: OAG

Appendix 5: 2022-23 Qualified opinions

Entity	Details of qualification
Shire of Goomalling	<p>Infrastructure</p> <p>Roads, drainage and footpaths infrastructure assets reported at the carrying values of \$40,811,937 (2022: \$38,834,816), \$2,153,484 (2022: \$2,194,288) and \$770,060 (2022: \$732,466) respectively in Note 8 (a) of the financial report as at 30 June 2023 were not revalued as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 since 30 June 2015. Consequently, we were unable to determine the extent to which the carrying amounts of these classes of assets are misstated, as it was impracticable to do so. Additionally, we were unable to determine whether there may be any consequential impact on Revaluation Surplus as at 30 June 2023 and 30 June 2022, as well as Depreciation, Net Result for the Period and Retained surplus as at 30 June 2023.</p>
Shire of Katanning	<p>Infrastructure</p> <p>Infrastructure amounting to \$159,205,524 in the statement of financial position as at 30 June 2023 has not been revalued with sufficient regularity, as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 since 2017-18. Consequently, we were unable to determine the extent to which the carrying amount of Infrastructure is misstated, as it was impracticable to do so. Additionally, I am unable to determine whether there may be any consequential impact on the Revaluation Surplus as at 30 June 2023.</p> <p>Buildings</p> <p>The buildings depreciation expense of \$1,016,090 reported in Note 7(a) of the financial report for year ended 30 June 2023 did not reflect the expected pattern of the future economic benefits of these assets. The Shire did not update rates of depreciation for the year ended 30 June 2023. If the Shire had updated the rates, buildings depreciation would have increased by \$1,259,134. Buildings and Retained Surplus at 30 June 2023 would have decreased by \$1,259,134 and the Net result for the period would have decreased by \$1,259,134.</p>
Shire of Kent	<p>Infrastructure</p> <p>Other Infrastructure reported at the carrying value of \$4,867,091 in Note 9(a) of the financial report as at 30 June 2023 has not been revalued as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 since 2017-18. Consequently, we were unable to determine the extent to which the carrying amount of Other Infrastructure is misstated, as it was impracticable to do so. Additionally, we were unable to determine whether there may be any consequential impact on Revaluation Surplus as at 30 June 2023.</p>
Shire of Mount Magnet	<p>Infrastructure</p> <p>Other infrastructure asset classes of parks & gardens, aerodromes and other reported in Note 9(a) of the financial report at the carrying values of \$862,215, \$2,787,963 and \$4,584,744 respectively, as at 30 June 2023, have not been revalued with sufficient regularity, as required by Regulation 17A(4A)(b) of the Local Government (Financial Management) Regulations 1996, since 2017-18. Consequently, we were unable to determine the extent to which the carrying amounts of Other Infrastructure asset classes of parks & gardens, aerodromes and other are misstated, as it was impracticable to do so. Additionally, we are unable to determine whether there may be any consequential impact on Revaluation Surplus as at 30 June 2023.</p>

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Entity	Details of qualification
Shire of Nannup	<p>Infrastructure</p> <p>Infrastructure reported at the carrying values of \$100,957,611 and \$100,707,176 in the financial report as at 30 June 2023 and 30 June 2022 respectively have not been revalued with sufficient regularity, as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996, since 2016-17. Consequently, We were unable to determine the extent to which the carrying amounts of Infrastructure are misstated, as it was impracticable to do so. Additionally, we were unable to determine whether there may be any consequential impact on Revaluation Surplus as at 30 June 2023 and 30 June 2022, as well as Depreciation, Net Result for the Period and Retained Surplus as at 30 June 2023.</p> <p>Land and Buildings</p> <p>Land and Buildings reported at the carrying values of \$1,615,000 and \$8,737,435 respectively in Note 8(a) of the financial report as at 30 June 2023 have not been revalued with sufficient regularity, as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996, since 2017-18. Consequently, I was unable to determine the extent to which the carrying amounts of Land and Buildings are misstated, as it was impracticable to do so. Additionally, we were unable to determine whether there may be any consequential impact on Revaluation Surplus as at 30 June 2023.</p>
Shire of Westonia	<p>Infrastructure</p> <p>Infrastructure reported at the carrying value of \$43,562,879 in the financial report as at 30 June 2023 has not been revalued as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 since 2017-18. Consequently, we were unable to determine the extent to which the carrying amount of Infrastructure is misstated, as it was impracticable to do so. Additionally, we were unable to determine whether there may be any consequential impact on Revaluation Surplus as at 30 June 2023.</p>
Shire of Wickpin	<p>Infrastructure</p> <p>Infrastructure reported at the carrying value of \$92,213,435 in Note 7(a) of the financial report as at 30 June 2023 has not been revalued with sufficient regularity as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 since 2017-18. Consequently, we were unable to determine the extent to which the carrying amount of Infrastructure is misstated, as it was impracticable to do so. Additionally, we were unable to determine whether there may be any consequential impact on the revaluation surplus as at 30 June 2023.</p>
Shire of Wiluna	<p>Airport and Other Infrastructure Assets</p> <p>We qualified the revaluations of the Shire's Airport and Other Infrastructure assets stated at \$5,353,146 and \$2,284,337 respectively in the prior year because they were not supported with appropriate and complete accounting records. The Shire has not made the appropriate corrections for these prior year figures in the current year. Consequently, the opinion on the current year financial report is modified because of the possible effect of this matter on the comparability of the current period's airport and Infrastructure figures in Note 9 (a) and the corresponding figures of the financial report.</p>
Shire of Woodanilling	<p>Building assets</p> <p>We qualified building assets stated at \$4,942,954 in the prior year because the Shire had not revalued its building assets with sufficient regularity or in accordance with Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996. The Shire has not made the appropriate corrections for this prior year figure in the current year. Consequently, the opinion on the current year financial report is modified because of the possible effect of this matter on the comparability of the current period's building asset figure in Note 9 and the corresponding figure of the financial report.</p>

Source: OAG

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Appendix 6: Prior year qualifications removed in 2022-23

Entity	Details of prior year qualification
City of Kalamunda	<p>Infrastructure Assets</p> <p>The City has not recognised 969 assets under Infrastructure assets (Drains) in the financial report at 30 June 2022. These assets have been included in the City's Asset Management System at nil values however, they were never recorded in the Fixed Assets Register and revalued to their fair value. As these assets have not been recognised in the financial report at fair value in accordance with Regulation 17A(2)(a) of the Local Government (Financial Management) Regulations 1996, we are unable to determine the extent to which Infrastructure - Drains balance reported in Note 9 of the financial report at \$123,730,140 as at 30 June 2022 (2021: \$124,550,736) is misstated, as it is impracticable to do so.</p> <p>Additionally, there is a consequential impact on Depreciation, Infrastructure, Revaluation Surplus and Retained Earnings.</p>
City of Mandurah	<p>Property, Plant and equipment and Infrastructure Assets</p> <p>As detailed in Notes 8 and 9 to the financial report, at 30 June 2022 the total carrying value of the City's property plant and equipment assets was \$272.2 million and infrastructure assets was \$761.9 million. For property, plant and equipment and infrastructure recorded at fair value, any movements are recognised in revaluation surplus, the balance of which was \$808.7 million at 30 June 2022. For the year ended 30 June 2022, the City recognised a depreciation expense of \$32.4 million and changes in the asset revaluation surplus of \$97.0 million in relation to these assets in the Statement of Comprehensive Income by Nature or Type.</p> <p>Management have indicated that there are gaps in their control processes and they are not confident with the overall completeness of their fixed asset register at 30 June 2022.</p> <p>Consequently, we were unable to obtain sufficient appropriate audit evidence that all property, plant and equipment and infrastructure had been recorded and valued nor could we confirm this by alternative means. We are therefore unable to determine whether any adjustments to property, plant and equipment, infrastructure, revaluation surplus, depreciation expense and changes in asset revaluation surplus were necessary.</p>
Shire of Boyup Brook	<p>Biological assets</p> <p>During 2020-21, we were unable to obtain sufficient appropriate audit evidence to verify the opening balance of biological assets nor were we able to confirm it by alternative means. Since the opening balance of biological assets for the year ended 30 June 2021 affects the determination of operations, we were unable to determine whether any adjustments to the Net result for the year ended 30 June 2021 was necessary. The opinion on the financial report for the period ended 30 June 2021 was modified accordingly.</p> <p>The opinion on the current year financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.</p>
Shire of Mount Magnet	<p>The Shire's operating grants, subsidies and contributions of \$2,650,673, Capital grants, subsidies and contributions of \$521,726 reported in Note 2 (a) and Contract Liabilities of \$110,545 reported within Note 12 of the financial report as at 30 June 2022 were not assessed in accordance with the requirements of AASB 15 <i>Revenue from Contracts with Customers</i> or AASB 1058 <i>Income of Not-for-Profit Entities</i>. We are unable to determine the extent to which these amounts are misstated. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.</p>

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Entity	Details of prior year qualification
Shire of Sandstone	Road and footpaths infrastructure assets The opinion was qualified in the prior period because the Shire had not revalued its roads and footpaths infrastructure assets stated at \$37,755,629 and \$71,845 respectively with sufficient regularity or in accordance with <i>Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996</i> . The Shire was unable to make the appropriate corrections for these prior year figures in the current year. Consequently, the opinion on the current year financial report is modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures in Note 8 of the financial report.

Source: OAG

Appendix 7: Emphasis of matter paragraphs included in auditor reports

Entity	Description of emphasis of matter paragraphs	Brief explanation
City of Busselton	Restatement of Comparative Balances We draw attention to Note 27 to the financial report which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The restatement relates to two material adjustments to the prior year figures due to an error in recording of land and buildings.
City of Fremantle	Events Occurring After the End of the Reporting Period We draw attention to Note 24 to the financial report, which states that, following the end of the financial year ended 30 June 2023, the two remaining member council participants including the City have resolved to withdraw from Resource Recovery Group effective from 1 July 2025. The opinion is not modified in respect of this matter.	On 22 November 2023 the City resolved to withdraw from the Resource Recovery Group and all associated projects, effective 1 July 2025.
City of Kalamunda	Restatement of comparative balances We draw attention to Note 32 to the financial report, which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in the financial report. The opinion is not modified in respect of this matter.	A number of Infrastructure assets (Drains) were not recognised in the 2021-22 financial report. The City sought a valuation in 2023 and corrected and restated the prior year balances.
City of Kwinana	Restatement of comparative figures We draw attention to Note 31 to the financial report which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	The restatement relates to two material adjustments to the prior year figures due to an error in the recognition of intangible assets and previously unrecognised developer contributions.
City of Mandurah	Restatement of comparative balances We draw attention to Note 27 to the financial report, which states that amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives. The opinion is not modified in respect to this matter.	Property, plant and equipment and infrastructure assets not previously recognised in the financial report have now been recognised.
City of Melville	Events Occurring After the End of the Reporting Period We draw attention to Note 21 to the financial report, which states that, following the end of the financial year ended 30 June 2023, the two remaining member council participants including the City have resolved to withdraw from Resource Recovery Group effective from 1 July 2025. The opinion is not modified in respect of this matter.	On 21 November 2023 the City resolved to withdraw from the Resource Recovery Group and all associated projects, effective 1 July 2025.

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Entity	Description of emphasis of matter paragraphs	Brief explanation
	Restatement of comparative balances We draw attention to Note 17 to the financial report which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	An error was corrected for the infrastructure roads valuation.
City of Subiaco	Restatement of comparative balance We draw attention to Note 31 to the financial report which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	Two prior period errors were corrected. One was in relation to depreciation errors and the other related to an undervaluation of the Lords Recreation Centre.
Rivers Regional Council	Basis of accounting We draw attention to Note 1 of the financial report, which discloses that the Council has decided to wind up Rivers Regional Council. Consequently, the financial report has been prepared on a liquidation basis. The opinion is not modified in respect of this matter	The Council has decided to wind up Rivers Regional Council. Consequently, the financial report has been prepared on a liquidation basis as required under Accounting Standards. Accordingly, all assets and liabilities in the 2022-23 financial statements have been classified as current.
Shire of Ashburton	Restatement of Comparative balances We draw attention to Note 32 of the financial report which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	Roads that were not Shire assets were incorrectly recognised in the financial report.
Shire of Coolgardie	Restatement of Comparative balances We draw attention to Note 30 of the financial statements which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	Two prior period errors were corrected. One correction related to an error in the 2018 valuation of unsealed road infrastructure and the other related to incorrect accounting for a revaluation decrement for other infrastructure.
Shire of Dardanup	Restatement of comparative balances We draw attention to Note 31 to the financial report which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	An error was corrected for the prior year's infrastructure valuation.

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Entity	Description of emphasis of matter paragraphs	Brief explanation
Shire of Kent	Restatement of comparative balances We draw attention to Note 28 of the financial report which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	An error in the 2018 unsealed road valuation was corrected.
Shire of Mount Magnet	Trade and Other Receivables We draw attention to Note 5 to the financial report which describes an amount of \$765,599 in the Shire's rates revenue and rates and statutory receivables that is subject to an upcoming State Administrative Tribunal determination. The opinion is not modified in respect of this matter.	Some of the Shire's reported rate revenue and receivables are subject to a State Administrative Tribunal Determination. The Shire recognised these amounts as they were confident at the time that the determination when made, would be made in the Shire's favour.
Shire of Nannup	Restatement of comparative balances We draw attention to Note 28 to the financial report which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.	A grant was incorrectly recognised as income rather than a capital grant liability. This error was corrected.
Town of East Fremantle	Investment in associates We draw attention to Note 23 to the financial report, which states that, following the end of the financial year ended 30 June 2023, the two remaining member council participants have resolved to withdraw from Resource Recovery Group effective from 1 July 2025. The opinion is not modified in respect of this matter.	On 20 June 2023 the Town resolved to withdraw from the Resource Recovery Group (RRG) effective 1 July 2024 and subsequent to year end the remaining member council participants also resolved to withdraw from the RRG effective 1 July 2025.

Source: OAG

Appendix 8: Local government certifications issued

Certifications issued for 2022-23

Entity and opinion	Opinion issued
City of Busselton	
Local Roads and Community Infrastructure Program	31 October 2023
Roads to Recovery Funding	31 October 2023
Pensioner Deferments	31 October 2023
City of Gosnells	
Local Roads and Community Infrastructure Program	20 November 2023
Roads to Recovery Funding	31 October 2023
Pensioner Deferments	10 November 2023
City of Joondalup	
Pensioner Deferments	31 October 2023
City of Kalamunda	
Road to Recovery Funding	27 October 2023
Pensioner Deferments	12 December 2023
City of South Perth	
Local Roads and Community Infrastructure Program	3 November 2023
Roads to Recovery Funding	31 October 2023
Pensioner Deferments	6 November 2023
City of Vincent	
Pensioner Deferments	16 November 2023
Shire of Upper Gascoyne	
Local Roads and Community Infrastructure Program	31 October 2023
Roads to Recovery Funding	31 October 2023
Shire of York	
Pensioner Deferments	19 December 2023

Source: OAG

Outstanding certifications issued from 2021-22

Entity and opinion	Opinion issued
City of Karratha	
Local Roads and Community Infrastructure Program	14 August 2023
City of Nedlands	
Local Roads and Community Infrastructure Program	8 August 2023
Roads to Recovery Funding	30 October 2023
Shire of Christmas Island	
Local Roads and Community Infrastructure Program	4 July 2023
Roads to Recovery Funding	15 July 2023
Shire of Collie	
Local Roads and Community Infrastructure Program	19 September 2023
Shire of Coorow	
Local Roads and Community Infrastructure Program	15 December 2023
Shire of Cuballing	
Local Roads and Community Infrastructure Program	28 February 2024

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Entity and opinion	Opinion issued
Roads to Recovery Funding	5 July 2023
Shire of Cue Local Roads and Community Infrastructure Program	3 August 2023
Shire of Dundas Local Roads and Community Infrastructure Program	31 July 2023
Shire of East Pilbara Local Roads and Community Infrastructure Program Roads to Recovery Funding	30 October 2023 31 October 2023
Shire of Goomalling Local Roads and Community Infrastructure Program	18 December 2023
Shire of Halls Creek Local Roads and Community Infrastructure Program	22 March 2024
Shire of Katanning Local Roads and Community Infrastructure Program	1 March 2024
Shire of Kojonup Local Roads and Community Infrastructure Program	30 January 2024
Shire of Kondinin Local Roads and Community Infrastructure Program	10 November 2023
Shire of Manjimup Local Roads and Community Infrastructure Program Roads to Recovery Funding	2 November 2023 31 October 2023
Shire of Moora Roads to Recovery Funding	30 January 2024
Shire of Mount Magnet Roads to Recovery Funding	13 November 2023
Shire of Murchison Local Roads and Community Infrastructure Program	17 July 2023
Shire of Nungarin Local Roads and Community Infrastructure Program	29 January 2024
Shire of Peppermint Grove Local Roads and Community Infrastructure Program Roads to Recovery Funding	21 December 2023 21 December 2023
Shire of Qualradung Roads to Recovery Funding	27 September 2023
Shire of Sandstone Local Roads and Community Infrastructure Program	15 March 2024
Shire of Three Springs Local Roads and Community Infrastructure Program	4 August 2023
Shire of Trayning Local Roads and Community Infrastructure Program	9 August 2023
Shire of Wandering Local Roads and Community Infrastructure Program Roads to Recovery Funding	21 September 2023 31 July 2023

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Entity and opinion	Opinion issued
Shire of Wickpin Local Roads and Community Infrastructure Program	18 July 2023
Shire of Wiluna Local Roads and Community Infrastructure Program Roads to Recovery Funding	15 January 2024 15 January 2024
Shire of Wyndham East Kimberley - Local Roads and Community Infrastructure Program Roads to Recovery Funding	31 July 2023 9 October 2023
Shire of York Pensioner Deferments	30 October 2023
Town of Cottesloe Local Roads and Community Infrastructure Program	22 December 2023

Source: OAG

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Appendix 9: Other opinions and certifications issued since 10 November 2023

Entity	Opinion issued
Albany Cemetery Board	20 December 2023
Animal Resources Authority	21 December 2023
Australian Pathway Education Group Pty Ltd	20 November 2023
Bunbury Cemetery Board	21 December 2023
Busselton Water Corporation	16 November 2023
ECU Holdings Pty Ltd	21 December 2023
Edith Cowan Accommodation Holdings Pty Ltd	13 December 2023
Electricity Networks Corporation – Report of Factual Findings	11 December 2023
Goldmaster Enterprises Pty Ltd	5 December 2023
Professional Standards Council	13 November 2023
Public Trustee	8 December 2023

Source: OAG

Certification name	Certification issued
Indian Ocean Territories – Service Delivery Agreement	18 December 2023
Local Government Financial Assistance Act – DLG	17 November 2023

Source: OAG

Entity	Royalties for Regions approved projects	Certification issued
Department of Premier and Cabinet	Remote Aboriginal Communities COVID-19 Emergency Relief Fund	18 January 2024
Department of Justice	Enhanced Driver Training and Education for Regional and Remote Communities	19 March 2024
Mental Health Commission	Mental Health Step Up/Step Down Facilities – Kalgoorlie/Goldfields	15 February 2024
WA Country Health	Kimberley Dialysis Unit Residential Aged and Dementia Care Investment Program Royal Flying Doctor Service – Asset Replacement	12 March 2024

Source: OAG

Appendix 10: Completion of 2021-22 local government entities

Entity and opinion	Opinion issued
<p>Shire of Toodyay – Disclaimer of opinion</p> <p>Financial report not supported with complete and accurate underlying records</p> <p>We were unable to obtain sufficient appropriate audit evidence regarding the financial report as a whole, as the financial report was submitted for audit purposes without complete and accurate underlying records. We were unable to audit the financial report by alternative means. Consequently, we are unable to determine whether any adjustments were necessary to the financial report as a whole for the year ended 30 June 2022. The audit opinion on the annual financial report for the year ended 30 June 2021 was disclaimed for the same reasons.</p>	<p>27 October 2023</p>

Source: OAG

AUDIT AND RISK COMMITTEE MINUTES

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Appendix 11: Opinion and management letter definitions

In the auditor's report we include the audit opinion on the annual financial report and any other matters that, in our judgement, need to be highlighted. This year the Auditor General has issued the following types of opinions:

1. **clear opinion:** indicates satisfactory financial controls. The financial report is based on proper accounts, complies with relevant legislation and accounting standards, and fairly represents performance and financial position
2. **clear opinion with an emphasis of matter:** draws attention to a matter disclosed in the financial report to aid the readers understanding but does not result in a qualified opinion
3. **qualified opinion:** given when the audit identifies materially misleading information, inadequate controls or conflicts with the financial reporting frameworks.
4. **disclaimer of opinion:** the most serious audit outcome, issued when the auditor is unable to form an opinion due to insufficient evidence to form an opinion after all reasonable efforts.

We report weaknesses in the control environment to the CEO, mayor, president or chairperson and the Minister for Local Government. Findings will be rated as significant, moderate or minor. We also indicate if the finding has the potential to impact the audit opinion and if it relates to the prior year and remains unresolved. Both quantitative and qualitative aspects guide our ratings.

Risk category	Audit impact	Management action required
Significant	Findings where there is potentially a significant risk to the entity should it not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion 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 opinion, it should be addressed promptly.	Priority or urgent action by management to correct the material misstatement in the financial report to avoid a qualified opinion or for control risks, implement a detailed action plan as soon as possible, within one to two months.
Moderate	Findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.	Control weaknesses of sufficient concern to warrant action being taken as soon as practicable, within three to six months. If not addressed promptly, they may escalate to significant or high risk.
Minor	Those findings that are not of primary concern but still warrant action being taken.	Management to implement an action plan within six to 12 months to improve existing process or internal control.

Source: OAG

We give management the opportunity to review our audit findings and provide comments prior to completion of the audit. Each control finding is documented in a management letter which identifies weakness, implications for the entity, risk category and a recommended improvement action.

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Auditor General's 2023-24 reports

Number	Title	Date tabled
18	Local Government 2022-23 – Financial Audit Results	6 June 2024
17	Local Government IT Disaster Recovery Planning	31 May 2024
16	Local Government 2022-23 – Information Systems Audit Results	27 May 2024
15	Government Campaign Advertising	15 May 2024
14	State Government 2022-23 – Information Systems Audit	12 April 2024
13	Provision of Supplementary Information to the Standing Committee on Estimates and Financial Operations – Opinions on Ministerial Notifications	5 April 2024
12	Digital Identity and Access Management – Better Practice Guide	28 March 2024
11	Funding for Community Sport and Recreation	21 March 2024
10	State Government 2022-23 – Financial Audit Results	20 December 2023
9	Implementation of the Essential Eight Cyber Security Controls	6 December 2023
8	Electricity Generation and Retail Corporation (Synergy)	8 November 2023
7	Management of the Road Trauma Trust Account	17 October 2023
6	2023 Transparency Report: Major Projects	2 October 2023
5	Triple Zero	22 September 2023
4	Staff Exit Controls for Government Trading Enterprises	13 September 2023
3	Local Government 2021-22 – Financial Audit Results	23 August 2023
2	Electricity Generation and Retail Corporation (Synergy)	9 August 2023
1	Requisitioning of COVID-19 Hotels	9 August 2023

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Office of the Auditor General
for Western Australia



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INFORMATION SYSTEMS AUDIT RESULTS

Local Government 2022-23



AUDIT AND RISK COMMITTEE MINUTES

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Office of the Auditor General
for Western Australia

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(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for
those with visual impairment.

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***The Office of the Auditor General acknowledges the traditional custodians throughout
Western Australia and their continuing connection to the land, waters and community. We
pay our respects to all members of the Aboriginal communities and their cultures, and to
Elders both past and present.***

Image credit: shutterstock.com/13_Phunkod

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Local Government 2022-23 –
Information Systems Audit Results**

Report 16: 2023-24
27 May 2024

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THE PRESIDENT
LEGISLATIVE COUNCIL

THE SPEAKER
LEGISLATIVE ASSEMBLY

LOCAL GOVERNMENT 2022-23 – INFORMATION SYSTEMS AUDIT RESULTS

This report has been prepared for submission to Parliament under the provisions of section 24 of the *Auditor General Act 2006*.

Our information systems audits focus on the computer environments of entities to determine if their general computer controls effectively support the confidentiality, integrity and availability of information systems and the information they hold.

This is our fifth report on the findings from our audits of local government entities' information technology general computer controls.

I wish to acknowledge the entities' staff for their cooperation with this audit.

A handwritten signature in black ink, appearing to read 'Caroline Spencer'.

Caroline Spencer
Auditor General
27 May 2024

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Auditor General's overview

This report summarises the results of the 2022-23 cycle of local government entities' information systems audits performed between April 2023 and March 2024. As these audits focus on areas that may affect the confidentiality, integrity and availability of the entities' information and systems, they are an essential part of our financial statement audits.



Our audit results show entities have improved the maturity of their control capability since our first information system audits in 2019-20, with the biggest improvements in risk and change management. However, significant improvements are still needed in all other areas.

Information and cyber security remains the highest concern due to the number of weaknesses we continue to identify in the five related categories (access management, endpoint security, human resource security, network security and information security framework). Entities need to better protect themselves against external and internal threats to reduce the risk of security breaches. Internal threats can be notably reduced through fit-for-purpose human resource controls such as screening, onboarding and offboarding procedures, and cyber security education programs.

This year, we reported 473 (58 significant, 328 moderate, 87 minor) issues to 76 entities. Concerningly, a large proportion (45%) of significant issues were unresolved findings from last year.

I encourage all entities to take note of the findings and recommendations in this report and implement fit-for-purpose solutions.

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2022-23 at a glance

Auditing local government entities

(Prior year shown in brackets)

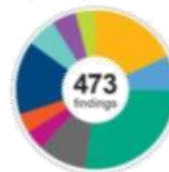


473 (PY: 324 at 53 entities)
general computer controls
findings at 76 entities



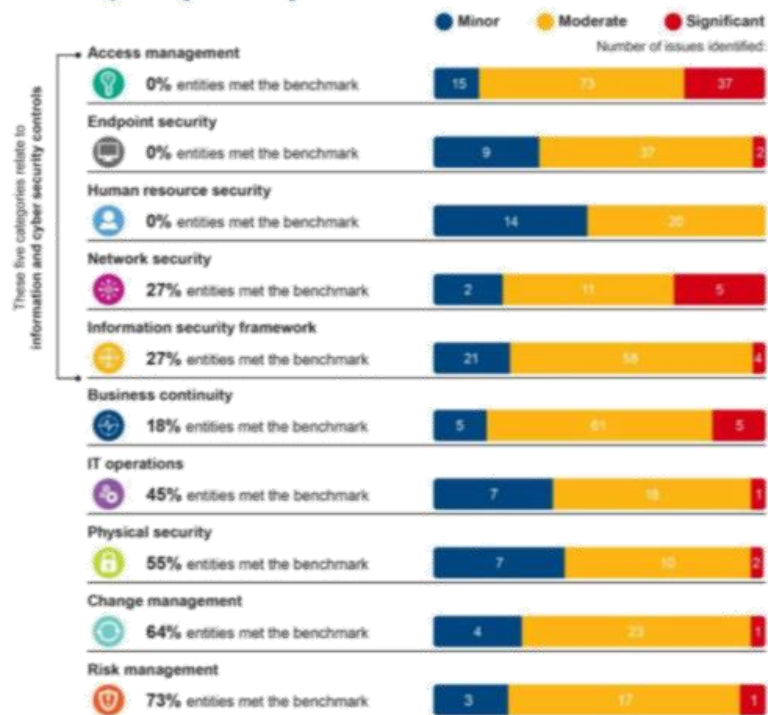
11 (PY: 12)
capability maturity
assessments

Key insights



45% of the significant
findings were unresolved
issues from prior year

Snapshot of general computer controls findings and capability maturity assessments



AUDIT AND RISK COMMITTEE MINUTES

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Introduction

This is our fifth report on the findings from our audits of local government entities' information technology general computer controls (GCC)¹. GCC audits are an essential part of our audits of local government entities' financial statements and are a requirement of the Australian auditing standards². Our GCC audits determine if entities' information technology and related internal controls effectively support the integrity, availability and confidentiality of the information and systems used to prepare the financial statements.

The entities vary in the nature and complexity of the information technology they use to process and maintain their financial information. However, the ever-changing internal and external threat environment exposes all entities to the risk of compromise. Appropriate controls help entities to protect their information and systems.

In 2022-23, we reported GCC findings to 76³ entities, compared to 53 entities last year⁴. Eleven of these entities were provided with capability maturity assessments. These assessments look at how well-developed and capable entities' established IT controls are. This report summarises the results of our GCC findings and capability maturity assessments.

Our GCC audits incorporate recognised industry better practices and consider various factors, such as:

- business objectives of the entity
- level of entity reliance on IT
- technological sophistication of entity computer systems
- significance of information managed by the entity.

Figure 1 shows the 10 categories covered in our GCC audits.

¹ Our 2018-19 GCC and capability maturity assessments were done to inform our approach to assessing the sector's capability. 2018-19 results are not comparable to subsequent years and are therefore not shown.

² Auditing and Assurance Standards Board, [Auditing Standard ASA 315 Identifying and Assessing the Risks of Material Misstatement](#), AUASB, February 2020.

³ Entities issued with GCC findings at 29 March 2024. Opinions of 10 local governments are not yet issued and their results are not included in this report. The entities are a mix of regional and metropolitan local governments.

⁴ The number of entities issued GCC findings increased as auditing standards now require more consideration of IT and cyber security controls.



Source: OAG

Figure 1: General computer controls categories

Conclusion

In 2022-23, we reported 473 control weaknesses to 76 entities, compared to 324 weaknesses to 53 entities last year. The majority of these weaknesses were in categories that increase information and cyber security risks. Entities need to address these to protect their information and systems from security breaches.

While a number of entities addressed some prior year audit findings, most of the significant control weaknesses were not addressed. Entities should address these weaknesses as a priority and implement compensating⁵ controls while progressing long term plans, such as migration to new platforms. Unresolved weaknesses can seriously impact the overall integrity of entities' IT environments and operations.

Our capability maturity assessments at 11 entities show improvement since our first assessments in 2019-20, with more controls meeting the benchmark. The biggest improvements have been in the categories of risk and change management, but significant improvement is still needed in all other categories.

This year's assessments showed some improvement in one of the five categories related to information and cyber security (network security) but only three entities met the benchmark. Categories of highest concern were access management, endpoint security and human resource security with no entities meeting the benchmark.

There was no material change in four categories (information security framework, IT operations, change management and IT risk management) while business continuity and physical security declined slightly.

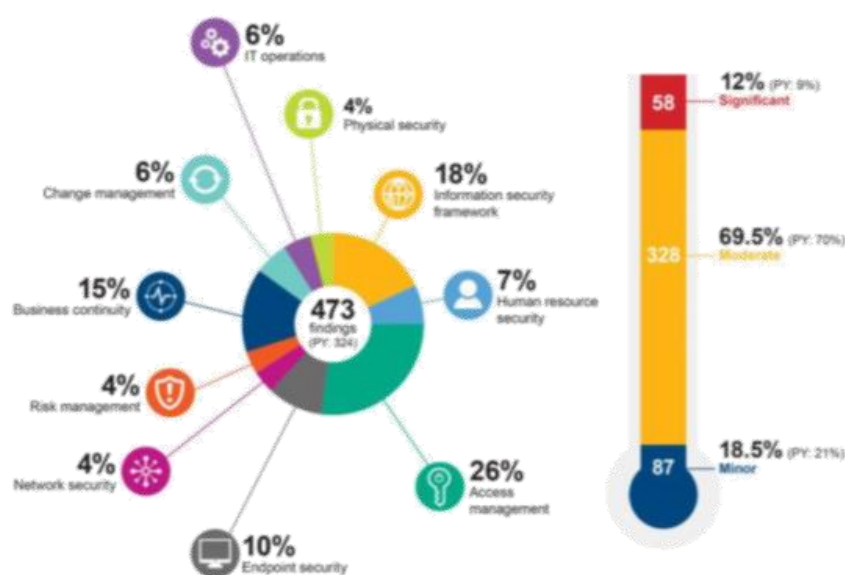
⁵ Stop gap measures to address vulnerabilities where primary controls cannot be implemented due to limitations.

What we found: General computer controls

We reported 473 control weaknesses to 76 entities; 58 weaknesses were rated significant, 328 moderate and 87 minor. The increase in the number of entities issued GCC findings reflects changes in auditing standards⁶ that require higher consideration of IT and cyber security controls.

There was a 3% increase in the number of significant findings compared to last year (Figure 2), which is mainly due to more entities issued findings this year. Although the majority of control weaknesses were rated moderate, these weaknesses combined significantly increase an entity's overall exposure to cyber threats.

Case studies throughout this report highlight the importance of good controls.



Source: OAG

Figure 2: Ratings and distribution of GCC findings in each control category

⁶ Auditing and Assurance Standards Board, *The Consideration of Cyber Security Risks in an Audit of Financial Report*, AUASB, May 2021 and Auditing and Assurance Standards Board, *Auditing Standard ASA 315 Identifying and Assessing the Risks of Material Misstatement*, AUASB, February 2020.

What we found: Capability assessments

We performed capability maturity assessments at 11 entities compared with 12 last year. This involved assessing the capability maturity level across the 10 GCC categories using a 0-5 rating scale⁷ (Figure 3). To meet the benchmark, entities need to achieve a level 3 (Defined) rating or better.



Source: OAG

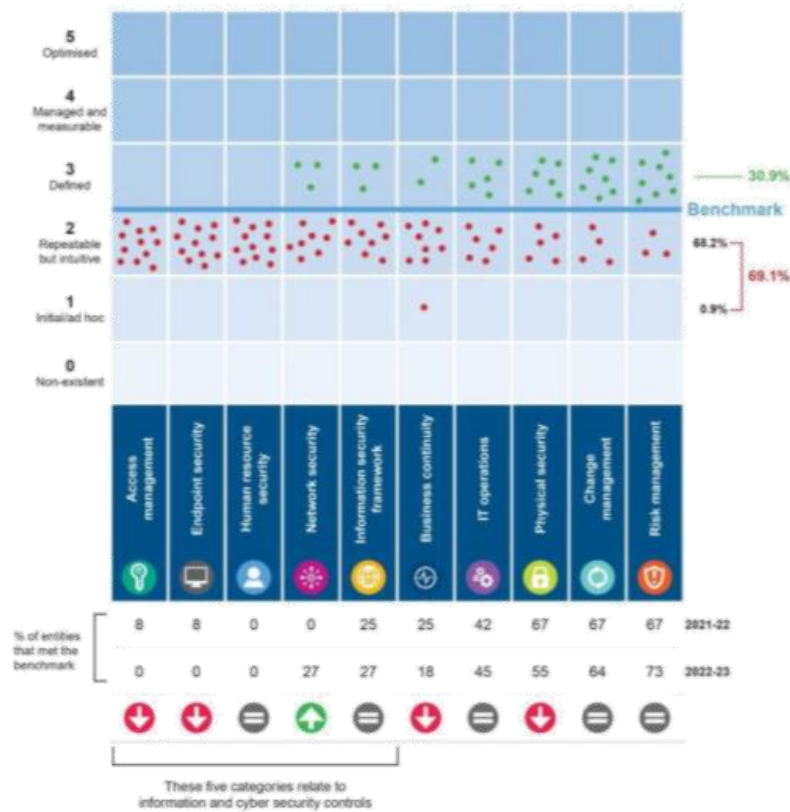
Figure 3: Capability maturity rating scale and criteria

⁷ The information within this maturity model assessment is derived from the criteria defined within the framework Control Objectives for Information Technologies 2019, released in 2018 by ISACA (an international professional association focused on IT governance).

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Figure 4 shows the results of our capability maturity assessments.



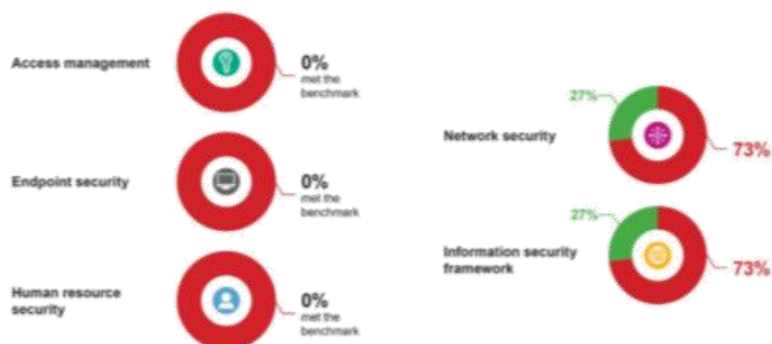
Source: OAG

Figure 4: Capability maturity assessment results

While there were improvements in network security this year, most entities were still not meeting the benchmark in the five information and cyber security categories (Figure 5). Entities must plan and implement fit-for-purpose controls to protect their operations and information from internal and external threats.

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Source: OAG

Figure 5: Percentage of entities that met/did not meet the benchmark in the five information and cyber security categories

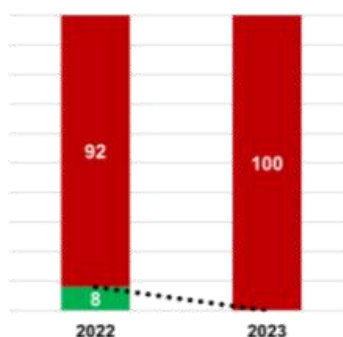
Entities continue to adopt digital technologies to improve engagement with their communities and deliver efficiencies in their service delivery. While there are many benefits to these digital technologies, there remains the ever-present and evolving nature of cyber security threats. Effective cyber security controls help entities manage risks, protect sensitive information and deliver services securely.

Entities are encouraged to implement the Australian Cyber Security Centre's mitigation strategies designed to protect against common cyber threats with a key focus on Essential Eight controls.

1. Access management

None of the 11 entities met the benchmark compared with one of 12 last year. This control category also had the highest number of significant GCC findings this year, mainly due to inappropriate or excessive administrative privileges within the finance systems. Poor access management controls increase the risk of security incidents, financial loss and reputational damage.

We assessed whether entities use the principle of least privilege to manage access, have strong authentication methods, monitor access and changes to data, and ensure key transactions cannot be performed end to end by the same individual (Figure 7).



Source: OAG

Figure 6: Percentage of entities that met/did not meet the benchmark

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We have published a better practice guide⁸ to help entities improve access management and protect information assets from unauthorised access. We encourage all public sector entities to adopt the principles in the guide.



Source: OAG

Figure 7: Key access management controls

Common weaknesses included:

- **Administrator privileges were not well managed** – excessive numbers of individuals were given administrator privileges. Administrators did not have separate non-privileged accounts for day-to-day tasks and administrator activity was not logged and monitored. Highly privileged accounts must be well managed as they can change system configurations, access rights and data.
- **Access and activity were not logged and monitored** – application, database and network access and activity were not appropriately logged or monitored to detect malicious activity. Entities should use fit-for-purpose tools to correlate and monitor activity from different systems (e.g. network, applications and databases).
- **Multi-factor authentication (MFA) was not used or not applied to all accounts** – a lack of MFA can increase the likelihood of unauthorised access.
- **Access was not reviewed** – entities did not review accounts to ensure they are required and have least privileges assigned to perform their function. Without a review of accounts (application, network, database, remote access, generic, system and administrator) there is an increased risk of unauthorised access.
- **Access was not appropriately approved** – access to key systems should be appropriately approved to prevent inappropriate access being granted.

The following case studies illustrate a range of control weaknesses in access management.

⁸ Office of the Auditor General, *Digital Identity and Access Management – Better Practice Guide*, OAG, Perth, 28 March 2024.

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Case study 1: Poor access controls increased the risk of fraud

At one entity, we found receipts had been deleted prior to end-of-day batch processing from the finance system. Poor access controls meant receipts could be deleted by any user without a trace to identify who deleted them. This could compromise the integrity of data and increases the likelihood of fraud.

Case study 2: Excessive superuser access

An entity had granted superuser access to almost all (24 out of 25) of its finance system users. This level of access allows users to inadvertently or maliciously change system configurations and potentially bypass system enforced expenditure authorisation and fraud prevention controls. This type of weakness increases the importance of manual controls as a last line of defence against error and fraud.

Case study 3: Excessive number of domain administrators

An entity granted the highest level of access rights (domain administrator) to 45 accounts, 40 of which also had database administrator rights to the finance and payroll system. Compromise of one account would give an attacker full access to the entity's systems. There is also a risk that unauthorised or unintentional changes of IT systems will occur.

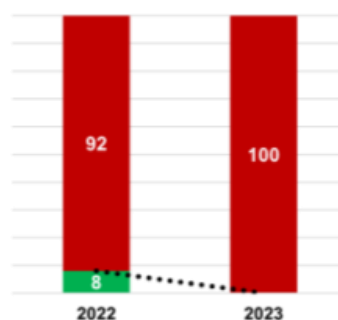
Case study 4: Lack of MFA

An entity is more vulnerable to being compromised through password guessing and phishing attacks, as it does not use MFA and uses single-sign-on for access to its network and finance application. This means a threat actor would gain access to all systems if the entity is compromised. While staff security awareness training can help reduce some risks, entities should prioritise MFA.

2. Endpoint security

None of the 11 entities met the benchmark, compared with one of 12 last year.

Entities need to implement fit-for-purpose controls to protect endpoints (computers, servers, phones and network devices) from known threats (Figure 9).



Source: OAG

Figure 8: Percentage of entities that met/did not meet the benchmark

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Source: OAG

Figure 9: Key endpoint security controls

Common weaknesses included:

- **Unauthorised applications are not prevented** – malicious applications could successfully compromise entities' systems and information.
- **Vulnerability management was ineffective** – systems that are not regularly scanned and patched to fix known vulnerabilities are more susceptible to compromise.
- **Unsupported systems** – key business systems and operating system software were no longer supported by vendors and were therefore not receiving updates designed to fix known vulnerabilities.

The following case study illustrates a common weakness in endpoint security.

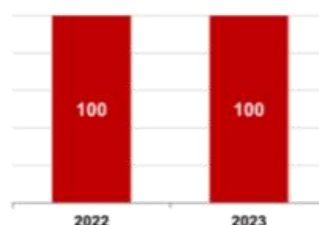
Case study 5: Ineffective application control

An entity only allowed applications and scripts to run from trusted locations. However, all staff could add applications and scripts to these locations to execute them. There is a higher likelihood of malware infections and compromise if unapproved applications are not blocked.

3. Human resource security

Similar to last year, none of the 11 entities met the benchmark in this category. Human resource security ensures employees, contractors and third-party vendors understand their responsibility to protect information during and after engagement.

Fit-for-purpose screening, onboarding and offboarding procedures, and cyber security education are key controls in this category (Figure 11).



Source: OAG

Figure 10: Percentage of entities that **did not** meet the benchmark

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Figure 11: Key human resource security controls

Common weaknesses included:

- **Inadequate background screening** – without fit-for-purpose background screening processes, entities may engage unsuitable individuals (staff or contractors) to positions of trust, increasing insider threat risks.
- **Lack of security awareness training** – regular cyber security education creates a culture of awareness that helps prevent social engineering attacks such as phishing and business email compromise.
- **Exit procedures were not completed** – not completing exit procedures can contribute to unauthorised access to entities' premises, systems and information. This may also increase post-employment integrity risks such as the use or disclosure of confidential information.

The following case study illustrates weaknesses in human resource security.

Case study 6: Staff and contractors were not aware of their information security responsibilities

An audited entity did not require its staff and contractors to understand and acknowledge acceptable use of IT resources. Contractors were also not required to sign any confidentiality agreements. There is a higher likelihood that individuals may not understand their information security obligations resulting in data breaches.

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4. Network security

There was an improvement this year with three of the 11 entities meeting the benchmark, compared to none last year. The three entities improved their controls to manage and secure network infrastructure, segregated their network and had good monitoring.

Key controls to prevent and limit the extent of cyber attacks include securely configured network devices, network segregation, control over unauthorised connections and regular penetration testing to check that controls are operating as expected (Figure 13).



Source: OAG

Figure 12: Percentage of entities that met/did not meet the benchmark



Source: OAG

Figure 13: Key network security controls

Common weaknesses included:

- **A lack of controls to block unauthorised devices on the physical network** – unauthorised devices can spread malware or be used to eavesdrop on communications or access sensitive information.
- **Firewall configurations were not reviewed** – reviews help to identify and promptly correct exploitable configuration weaknesses. Firewalls are important security systems that control and protect networks against cyber intrusions.
- **Networks were not segregated** – segregation controls to prevent lateral movement between network segments have not been implemented. Without proper network segregation a cyber breach would be difficult to contain.

The following case study illustrates a common weakness in network security.

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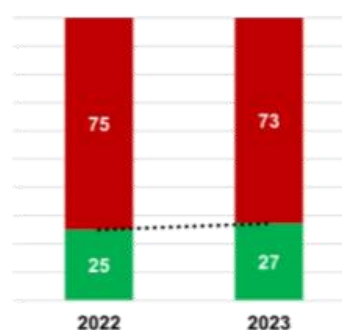
Case study 7: Publicly accessible network port allowed access

An entity did not prevent unauthorised devices from connecting to its physical network and had not segregated its network. We were able to connect a device to the entity's network, view all IT systems and infrastructure and access database, storage and CCTV servers. This entity is at high risk of compromise as unauthorised devices could be used to attack its systems or spread malware.

5. Information security framework

Three of the 11 entities met the benchmark compared with three of 12 last year. A structured approach ensures IT and security initiatives align with business objectives to protect systems and information against emerging threats.

We assessed whether entities had fit-for-purpose information and cyber security policies to govern and mitigate against current and emerging security risks (Figure 15).



Source: OAG

Figure 14: Percentage of entities that met/did not meet the benchmark



Source: OAG

Figure 15: Key information security framework controls

Common weaknesses included:

- **Information and cyber security policies did not exist or were outdated** – without fit-for-purpose policies, entities' information security objectives are less likely to be achieved.
- **Lack of IT strategy** – an IT strategy is crucial for informing decisions about technology and cyber security investments and implementation. The strategy should align technology and cyber security initiatives with business objectives.

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- **Data loss prevention controls were missing or inadequate** – the inadvertent or malicious leakage of information may go undetected and lead to reputational damage.

The following case study illustrates a common information security framework weakness.

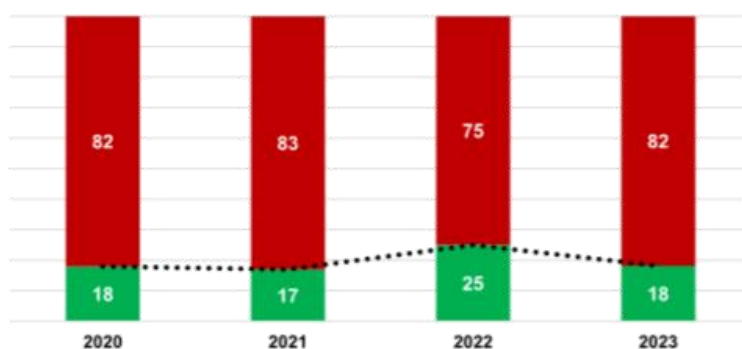
Case study 8: Assurance over cloud based services

An entity did not have a mechanism to know if its vendor's cloud security controls protected its information and systems. When key services are delivered through cloud systems, the cloud vendor must provide important security controls to protect the information and systems. Entities need adequate assurance and visibility that the vendor's controls operate effectively to deliver services in a secure manner.

Independent assurance reports such as a service organisation controls report (SOC2) provide insights into vendor management of cloud infrastructure and systems.

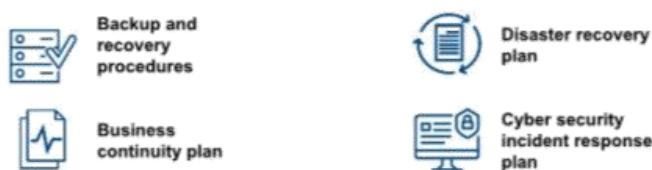
6. Business continuity

We saw a minor decline this year. Only two of the 11 entities met the benchmark in this category, compared with three out of 12 last year. Entities should have fit-for-purpose plans and procedures to guide their response to disruptive events (Figure 17). These should be based on a business impact assessment and agreed recovery objectives.



Source: OAG

Figure 16: Percentage of entities that met/did not meet the benchmark



Source: OAG

Figure 17: Key business continuity controls

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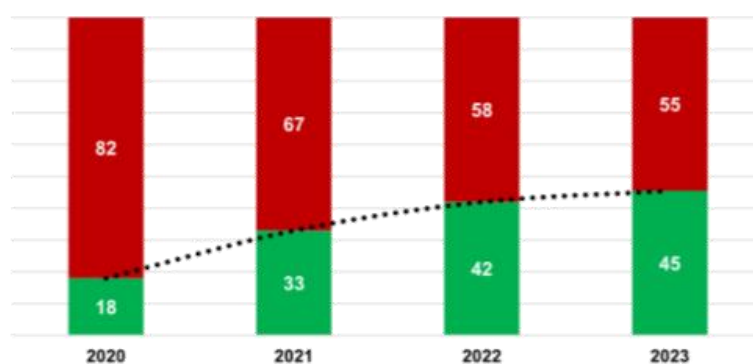
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Common weaknesses included:

- **Missing or outdated continuity plans** – delivery of services to the community may experience prolonged outages if adequate continuity plans do not exist.
- **Plans were not tested** – continuity plans must be regularly tested to confirm they can meet recovery expectations.
- **Lack of backup restoration testing** – entities should regularly restore their backups to ensure complete systems can be recovered to a common point. Business-as-usual recovery of files is not sufficient.

7. IT operations

There was no material change in IT operations this year with five of the 11 entities meeting the benchmark. We assessed if the entities had fit-for-purpose service desk processes and appropriately managed IT vendors and IT assets (Figure 19).



Source: OAG

Figure 18: Percentage of entities that met/did not meet the benchmark



IT assets lifecycle
management



Supplier
performance management



Incident and problem
management

Source: OAG

Figure 19: Key IT operations controls

Common weaknesses included:

- **IT asset registers were poorly maintained and stocktakes not performed** – inadequate management of IT assets can result in loss or theft, leading to financial loss and reputational damage.

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- **Service level agreements were not in place or monitored** – a lack of or poorly monitored service level agreements could result in substandard services.

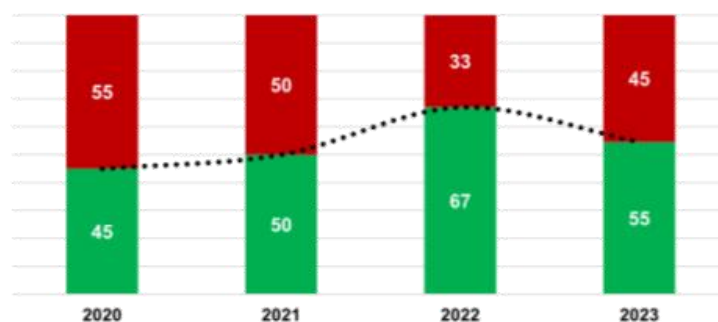
The following case study illustrates a common weakness in IT operations.

Case study 9: Supply chain risks

An entity's service agreement did not include information and cyber security requirements for the vendor to comply. Security expectations should be clearly documented in third-party agreements to reduce supply chain risk. Vendors may not adequately protect entity information and systems if requirements are not clearly documented in the service agreement. Threat actors will often target vendors to indirectly compromise entities, highlighting the importance of vendors' sound security practices.

8. Physical security

Physical security declined this year with only six of the 11 entities meeting the benchmark in this category, compared with eight of the 12 last year. The decline was due to a deterioration in server room access controls. We assessed if entities had controls to protect IT infrastructure from unauthorised access, deliberate damage and environmental hazards such as heat, fire and humidity (Figure 21).



Source: OAG

Figure 20: Percentage of entities that met/did not meet the benchmark



Source: OAG

Figure 21: Key physical security controls

Common weaknesses included:

- **Access to equipment enclosures/rooms was not controlled** – access to equipment enclosures should be authorised, recorded and reviewed to reduce malicious or

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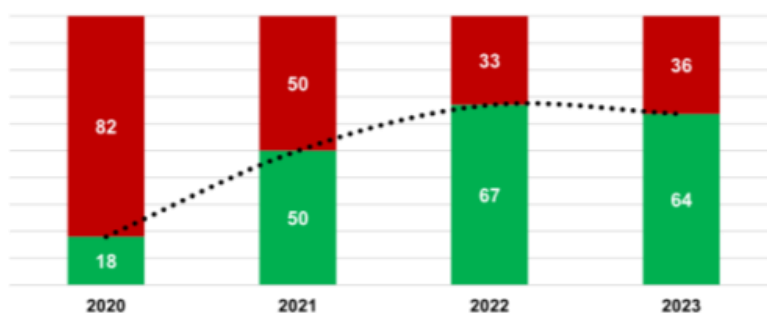
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unintentional damage to IT equipment. Additional controls may include access alarms or CCTV.

- **Dedicated server rooms were not well maintained** – server rooms need to be clear of unwanted material and cabled tidily to reduce the likelihood of damage to infrastructure.

9. Change management

There was no material change this year. Seven of the 11 entities met the benchmark, compared with eight of the 12 last year. Well managed change control processes reduce the likelihood of disruptions (Figure 23).



Source: OAG

Figure 22: Percentage of entities that met/did not meet the benchmark



Source: OAG

Figure 23: Change management controls

A common weakness was:

- **Change management processes were not documented or not followed** – this increases the chance of errors or delays when implementing changes and the likelihood of disruptions and outages.

The following case study illustrates a common weakness in change management.

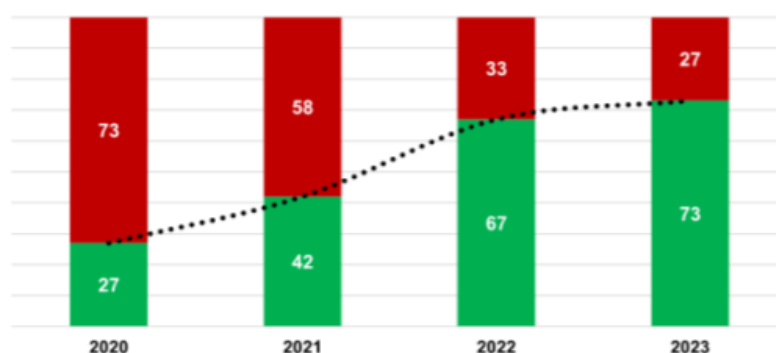
Case study 10: Changes were not appropriately assessed

At one entity, we found staff could approve their own change request. In some instances, the changes were poorly documented and lacked an impact and risk assessment. These

weaknesses increase the likelihood that changes will adversely impact the entity's operations.

10. Risk management

There was no material change this year. Eight of the 11 entities met the benchmark, compared with eight of the 12 last year. A fit-for-purpose risk management process helps entities prioritise information and cyber security risks.



Source: OAG

Figure 24: Percentage of entities that met/did not meet the benchmark

We reviewed risk management policies and processes and if they considered key cyber risks, threats and vulnerabilities (Figure 25).



Source: OAG

Figure 25: Risk management controls

Common weaknesses included:

- **IT risk registers not in place or not maintained** – IT risks may not be effectively managed without adequate documentation.
- **IT risks not reviewed** – timely review of risks is important to ensure mitigation strategies are cost efficient and operate effectively.

Recommendations

1. Access management

To ensure only authorised individuals have access, entities should:

- a. implement effective access management processes
- b. regularly review active user accounts
- c. enforce strong passphrases/passwords and phishing-resistant multi-factor authentication
- d. limit and control administrator privileges
- e. implement automated access monitoring processes to detect malicious activity.

2. Endpoint security

Entities should:

- a. implement effective controls against malware
- b. promptly identify and address known vulnerabilities
- c. control installation of software on workstations, servers and mobile devices
- d. prevent unapproved applications and macros from executing
- e. enforce minimum baseline controls for personal or third-party devices connecting to their systems
- f. implement controls to prevent impersonations and detect/prevent phishing emails
- g. review and harden server and workstation configurations.

3. Human resources security

Entities should ensure that:

- a. pre-employment screening is conducted for key positions
- b. confidentiality/non-disclosure requirements are in place and understood by individuals
- c. termination procedures are in place and followed to ensure timely access cancellation and return of assets
- d. ongoing security awareness training programs are in place and completed by all staff.

4. Network security

Entities should:

- a. implement secure administration processes for network devices
- b. regularly review their network security controls through penetration tests
- c. segregate their network
- d. prevent unauthorised devices from connecting to their network

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- e. adequately secure wireless networks.

5. Information security framework

Entities should:

- a. maintain clear information and cyber security policies and governance structures to oversee and direct IT operations and cyber security
- b. conduct regular assessments or gain comfort through assurance reports
- c. obtain and review service organisation controls (SOC2) report or equivalent when they use software-as-a-service (SaaS) application for key systems including payroll and finance
- d. classify information and implement data loss prevention controls.

6. Business continuity

Entities should maintain up-to-date business continuity, disaster recovery and incident response plans and regularly test them.

7. IT operations

Entities should:

- a. implement appropriate IT incident management processes
- b. regularly monitor supplier performance
- c. perform regular reviews of inventory assets
- d. have formal service level agreements with suppliers.

8. Physical security

Entities should:

- a. implement effective physical access controls to prevent unauthorised access
- b. maintain environmental controls to prevent damage to IT infrastructure arising from heat, moisture, fire and other hazards
- c. gain assurance that third-party providers manage their data centres appropriately.

9. Change management

Entities should:

- a. consistently apply change control processes when making changes to their IT systems
- b. assess and test changes before implementation to minimise errors
- c. maintain change control documentation
- d. implement controls to detect unauthorised changes.

10. Risk management

Entities should:

- a. understand their information assets and apply controls based on their value

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- b. ensure IT, information and cyber security risks are identified, assessed and treated within appropriate timeframes
- c. provide executive oversight and remain vigilant against the risks of internal and external threats.

In accordance with section 7.12A of the *Local Government Act 1995*, local government entities should prepare a report on any matters identified as significant in the local government's audit report⁹. The report should be given to the Minister for Local Government within three months of the local government receiving the audit report and published on the local government's website.

⁹ An audit report includes the independent auditor's opinion and the auditor's management report (interim and final management letters) as described in regulation 10 of Local Government (Audit) Regulations 1996. Further information on what is an audit report is available on our website (<https://audit.wa.gov.au/resources/local-government/fags/fag-21826>).

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Auditor General's 2023-24 reports

Number	Title	Date tabled
16	Local Government 2022-23 – Information Systems Audit Results	27 May 2024
15	State Government Advertising	15 May 2024
14	State Government 2022-23 – Information Systems Audit	12 April 2024
13	Provision of Supplementary Information to the Standing Committee on Estimates and Financial Operations – Opinions on Ministerial Notifications	5 April 2024
12	Digital Identity and Access Management – Better Practice Guide	28 March 2024
11	Funding for Community Sport and Recreation	21 March 2024
10	State Government 2022-23 – Financial Audit Results	20 December 2023
9	Implementation of the Essential Eight Cyber Security Controls	6 December 2023
8	Electricity Generation and Retail Corporation (Synergy)	8 November 2023
7	Management of the Road Trauma Trust Account	17 October 2023
6	2023 Transparency Report: Major Projects	2 October 2023
5	Triple Zero	22 September 2023
4	Staff Exit Controls for Government Trading Enterprises	13 September 2023
3	Local Government 2021-22 – Financial Audit Results	23 August 2023
2	Electricity Generation and Retail Corporation (Synergy)	9 August 2023
1	Requisitioning of COVID-19 Hotels	9 August 2023

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5.5 REVIEW OF THE CITY'S CORPORATE RISK REGISTER

- Attachments:
1. Corporate Risk Register 2023
 2. Risk Management Procedure
 3. Risk Appetite and Tolerance Statements
 4. Risk Rating Alignment to Appetite and Tolerance

RECOMMENDATION:

That the Audit and Risk Committee recommends to Council that it:

1. RECEIVES the City's Corporate Risk Register at Attachment 1; and
2. APPROVES the risk management actions for the high and extreme risks; and
3. NOTES alignment of Corporate Risks to risk appetite and tolerance ratings

COMMITTEE DECISION ITEM 5.5

Moved: Mayor Xamon, Seconded: Cr Castle

That the recommendation be adopted.

CARRIED (5-0)

For: Mr Araj, Mr Manifis, Cr Castle, Cr Hallett and Mayor Xamon

Against: Nil

(Cr Alexander was an apology for the Meeting.)

(Mr Isambert was an apology for the Meeting.)

NOTE: A/CEO agreed to provide a deep dive into Polyphagous Shot-Hole Borer risk at next Audit and Risk Committee meeting, including how the Framework criteria was used and how the rating was achieved. The report will also include what actions the City is taking, what the situation is at the moment, and how the situation is changing with time, including details on reassessment of the situation from the original position.

CITY OF VICTORIA		Corporate Risk Register																	
Risk Category		Risk Description	Impact	Frequency	Severity	Current Status	Responsible Party	Next Review Date	Review Cycle	Review Status	Review Date	Review Outcome	Review Action	Review Date	Review Outcome	Review Action	Review Date	Review Outcome	Review Action
Strategic Risk	Strategic Risk 1	Strategic Risk 1 Description	High	High	High	High	Strategic Risk 1 Responsible Party	Strategic Risk 1 Review Date	Strategic Risk 1 Review Cycle	Strategic Risk 1 Review Status	Strategic Risk 1 Review Date	Strategic Risk 1 Review Outcome	Strategic Risk 1 Review Action	Strategic Risk 1 Review Date	Strategic Risk 1 Review Outcome	Strategic Risk 1 Review Action	Strategic Risk 1 Review Date	Strategic Risk 1 Review Outcome	Strategic Risk 1 Review Action
	Strategic Risk 2	Strategic Risk 2 Description	High	High	High	High	Strategic Risk 2 Responsible Party	Strategic Risk 2 Review Date	Strategic Risk 2 Review Cycle	Strategic Risk 2 Review Status	Strategic Risk 2 Review Date	Strategic Risk 2 Review Outcome	Strategic Risk 2 Review Action	Strategic Risk 2 Review Date	Strategic Risk 2 Review Outcome	Strategic Risk 2 Review Action	Strategic Risk 2 Review Date	Strategic Risk 2 Review Outcome	Strategic Risk 2 Review Action
	Strategic Risk 3	Strategic Risk 3 Description	High	High	High	High	Strategic Risk 3 Responsible Party	Strategic Risk 3 Review Date	Strategic Risk 3 Review Cycle	Strategic Risk 3 Review Status	Strategic Risk 3 Review Date	Strategic Risk 3 Review Outcome	Strategic Risk 3 Review Action	Strategic Risk 3 Review Date	Strategic Risk 3 Review Outcome	Strategic Risk 3 Review Action	Strategic Risk 3 Review Date	Strategic Risk 3 Review Outcome	Strategic Risk 3 Review Action
	Strategic Risk 4	Strategic Risk 4 Description	High	High	High	High	Strategic Risk 4 Responsible Party	Strategic Risk 4 Review Date	Strategic Risk 4 Review Cycle	Strategic Risk 4 Review Status	Strategic Risk 4 Review Date	Strategic Risk 4 Review Outcome	Strategic Risk 4 Review Action	Strategic Risk 4 Review Date	Strategic Risk 4 Review Outcome	Strategic Risk 4 Review Action	Strategic Risk 4 Review Date	Strategic Risk 4 Review Outcome	Strategic Risk 4 Review Action
	Strategic Risk 5	Strategic Risk 5 Description	High	High	High	High	Strategic Risk 5 Responsible Party	Strategic Risk 5 Review Date	Strategic Risk 5 Review Cycle	Strategic Risk 5 Review Status	Strategic Risk 5 Review Date	Strategic Risk 5 Review Outcome	Strategic Risk 5 Review Action	Strategic Risk 5 Review Date	Strategic Risk 5 Review Outcome	Strategic Risk 5 Review Action	Strategic Risk 5 Review Date	Strategic Risk 5 Review Outcome	Strategic Risk 5 Review Action

CITY OF VINCENY		Corporate Risk Register																	
Risk Category		Risk Description	Impact	Frequency	Severity	Current Status	Responsible Party	Next Review Date	Current Rating	Target Rating	Current Status	Responsible Party	Next Review Date	Current Rating	Target Rating	Current Status	Responsible Party	Next Review Date	Current Rating
Strategic Risk	Financial	The City of Vinceny may experience a significant increase in operating costs, which could result in a budget deficit and the need to raise taxes or reduce services.	High	Medium	Medium	Ongoing	City Manager	2024-07-01	High	Medium	Ongoing	City Manager	2024-07-01	High	Medium	Ongoing	City Manager	2024-07-01	High
Strategic Risk	Operational	The City of Vinceny may experience a significant increase in operating costs, which could result in a budget deficit and the need to raise taxes or reduce services.	High	Medium	Medium	Ongoing	City Manager	2024-07-01	High	Medium	Ongoing	City Manager	2024-07-01	High	Medium	Ongoing	City Manager	2024-07-01	High
Strategic Risk	Legal	The City of Vinceny may experience a significant increase in operating costs, which could result in a budget deficit and the need to raise taxes or reduce services.	High	Medium	Medium	Ongoing	City Manager	2024-07-01	High	Medium	Ongoing	City Manager	2024-07-01	High	Medium	Ongoing	City Manager	2024-07-01	High

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RISK MANAGEMENT PROCEDURE

Responsible directorate	Office of the CEO.
Responsible team	Corporate Strategy and Governance.
Responsible officer	Executive Manager, Corporate Strategy and Governance.
Affected teams	All Staff.
Legislation / local law requirements	Regulation 17 <i>Local Government (Audit) Regulations 1996</i> .
Relevant delegations	Nil.
Related policy procedures and documents	This document supports the Risk Management Policy by further defining the systems and processes in place to facilitate good practice risk management.

PURPOSE

To set out the framework within which the City of Vincent (**City**) will manage its strategic, operational and project risks.

BACKGROUND

The City has a [Risk Management Policy](#) (**Policy**) approved by Council (16 June 2020 Council Meeting). The Policy sets the tone for the City's risk management approach and establishes the risk management responsibilities of Council, the Audit Committee, City employees and contractors and other relevant parties as required.

This Procedure supports the Policy by defining the systems and processes in place to facilitate good practice risk management and the roles and responsibilities of City employees.

PROCEDURE

1. RISK MANAGEMENT APPROACH

The City's approach to risk management determines how the City will go about managing its risks.

The City's risk management approach aligns with the *AS31000:2018 Risk Management – Guidelines*.

RISK MANAGEMENT PROCEDURE



2. OTHER RISK DOCUMENTS

Corporate Risk Register

The Corporate Risk Register (**Register**) lists the City's 'whole of organisation' strategic, operational and project risks. The risks are assessed without controls (*i.e. inherently*), with controls (*i.e. residually*) and following the proposed risk management actions (*i.e. post-treatment*).

The Register is divided into a list of residually-rated medium, high and extreme risks (which require reporting to the Executive Management Committee, Audit Committee and Council) and residually-rated low and medium risks for each service area. Timeframes and ownership for the implementation of the risk management actions are included.

Risk Appetite and Tolerance Statements

'Risk Appetite' sets out the risk type and levels that the City is looking to pursue to meet and optimise opportunities. 'Risk Tolerance' reflects how much risk the City is able to accept in the pursuit of its strategic, operational and project objectives.

Strategy House Service Area Risk Matrix

Each of the City's service areas has a risk matrix which sets out its strategic (where relevant), operational and project risks which are specifically considered, where appropriate, within the context of the specific Strategy House.

A number of documents and guidelines are also relevant to the City's risk management. These include:

- **Business continuity plan (BCP)** – This document describes how the City will respond to and function in the event of a business interruption event. It is a 'mitigative' control as it seeks to reduce the consequences of risks eventuating.
- **ICT disaster recovery plans** – these plans assist the City to recover from Information and Communication Technology (ICT) interruption events, from a routine, operational incident through to a large-scale ICT event. The plans will ultimately align with the City's BCP and, again, are 'mitigative' controls in seeking to reduce the consequence of a risk eventuating.
- **Event risk management plans** – These are formal plans to mitigate any foreseeable risks that may arise from place activation, and planning and delivering events.
- **Procurement risk assessments** – A systematic, documented assessment of risks associated with all significant purchases, as set out in the Procurement Plan. Procurement risk assessments are required for procurement of greater than \$50,000, and the level of detail required for the risk assessment will vary depending on the significance of the purchase. Note that although the \$50,000 mandatory threshold has been set by the City, the contract value of a procurement does not define its

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risk to the City so there is discretion – which should be exercised – in contract values below this figure.

3. RISK CATEGORIES

Strategic Risks

Strategic risks relate to the uncertainty of the City achieving its long-term, strategic objectives. They are usually owned and managed by Council and/or the Executive Management Committee. Strategic level risks may include risks associated with achieving the objectives of the Strategic Community Plan, Corporate Business Plan and the Long-Term Financial Plan.

Operational Risks

Operational risks relate to the uncertainty associated with developing or delivering the City's services, functions and other activities. These risks typically have day to day impacts on the organisation or more widely. These risks are owned and managed by the person who has responsibility for the activity, service or function to the level of their delegated authority or capability.

Project Risks

Project risks typically sit underneath operational risks and will be managed in accordance with the City's Project Management Framework and depending on their progress.

4. RISK MANAGEMENT PROCESS

Step 1 - Establishing the scope, context and criteria

Prior to commencing risk management, the context for the activity is clearly specified. This includes defining:

- the purpose of the risk exercise and the expected outcomes;
- the scope, boundaries, assumptions and interrelationships;
- the environment, objective, strategy, activity, process, function, project, product, service or asset under consideration; and
- the risk assessment methodologies or approach.

Once this is determined, the essential personnel who need to be involved in the assessment are identified.

Step 2 - Risk Assessment

A. Risk Identification

The context defined in the previous step is used as the starting point for identifying risks. A practical and effective approach to risk identification is to consider what is critical to the successful achievement of the

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objectives related to that particular context, and what are the potential opportunities or 'roadblocks' arising from areas of uncertainty (e.g. *assumptions, limitations, external factors, etc*). Included in this consideration are any internal or external events or situations which may give rise to a risk, and also any risks identified through internal or third-party audits, assessments and reviews. Typically, risks are worded either with the use of 'critical success factors' (CSFs) or through 'cause-event-consequence' (CEC) statements:

- 1) **CSFs** - When considering an activity, consider what is critical that you get right about the activity (e.g. *with City reporting, it may be timeliness and accuracy*), and word the risk based on this critical activity (e.g. *failure to ensure timely and accurate City reporting*);
- 2) **CECs** - Consider the event that you are most concerned about (e.g. *timely reporting*), the principal potential cause (e.g. *Inadequate reporting systems*) and the principal potential consequence (e.g. *sub-optimal decision making*). These can then be constructed into a statement (e.g. *Inadequate systems cause untimely reporting leading to suboptimal decision making*).

Both ways of phrasing risks are acceptable to the City. Each risk requires a risk owner who is responsible for managing the risk and is accountable for determining if the risk level can be accepted, reviewing the risk, monitoring the controls and risk treatments. High and extreme risks require the risk management action to be approved by Council, via the Audit Committee.

B. Risk analysis and evaluation

For each risk, possible causes of the risk eventuating are identified. Each risk may have one or more causal factors which can either directly or indirectly contribute to it occurring. Identifying the range of causes assists in understanding the risk, identifying the most appropriate controls, evaluating the adequacy of existing controls and designing effective risk treatments. This step also considers the potential consequences of the risk, including knock-on or cascading effects.

Comparing the level of risk with the contents of the risk assessment criteria determines the acceptability of the risk. Risk analysis is undertaken with varying degrees of detail, depending on the risk, the purpose of the analysis, and the information, data and resources available. Analysis is qualitative, semi-quantitative or quantitative, or a combination of these, depending on the circumstances. Such techniques are comprehensively considered in 'ISO 31010: Risk Assessment Techniques', a companion to AS ISO 31000:2018. Risk analysis and evaluation involves identifying and evaluating any existing controls and analysing the risk in terms of consequences and likelihood, taking into account the effectiveness of the controls (i.e. 'Residual Risk'). Understanding the following terms is key:

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- Controls - Controls are the measures that are currently in place (*i.e. at the time of the risk assessment*), that materially reduce the consequences and/or likelihood of the risk. Controls are tangible, auditable and documented. A 'Hierarchy of Control' is applied which ensures the most effective controls are considered first (*e.g. eliminate entirely, substitute it, isolate it and engineer it out prior to relying on administrative controls*). At the City, controls are considered to be either 'preventative' (*i.e. affecting likelihood*), 'mitigative' (*i.e. affecting consequence*) or both.
- Consequence - A risk that eventuates may impact the City to a greater or lesser extent across multiple areas. Consequences of the risk can be assessed across the relevant consequence categories, which are defined in the risk assessment criteria tables.
- Likelihood - This describes how likely it is that a risk will eventuate with the defined consequences. Likelihood can be assessed in terms of probability or frequency, depending on what is most appropriate for the risk under consideration. When you are rating the likelihood of residual risk, ask "*How likely is it for this risk to occur, given the existing controls, to the level of consequence identified?*"
- Level of Risk - The Level of Risk (LoR), or Risk Rating, is calculated by multiplying the consequence and likelihood ratings. For any risk, there may be a number of different consequence/ likelihood scenarios. Within each category there may be multiple scenarios ranging from 'minor but likely' to 'catastrophic but rare'. The City expects the most realistic worst-case scenario to be rated. In some instances, it may be appropriate to rate the same consequence category more than once. Where there are multiple ratings for a risk, the highest combination of consequence/likelihood is taken as the LoR. The LoR is then compared to the defined risk criteria to assist the risk owner in determining whether a risk requires further treatment. The City captures three different 'Levels of Risk' – Inherent risk (*i.e. before controls are applied*), Residual risk (*i.e. after controls are applied*) and 'Post-treatment' (*i.e. a prospective level of risk considering further treatments*).

Step 3 - Risk Treatment

Once a risk has been analysed and evaluated, the risk owner makes an informed decision to do one of the following:

- Accept the risk – the opportunity outweighs the risk, the existing controls meet the criteria specified in the Risk Assessment Criteria and the risk is within the defined tolerance and appetite of the City;
- Avoid the risk – do not carry on with the activity that is associated with the risk;
- Treat the risk – reduce the consequence, likelihood or both and/or improve the controls rating by strengthening existing controls or developing new controls so that the risk can be accepted. The treatment selection and implementation will typically be based on financial, technical and operational

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- viability and alignment to the City's values and objectives. Note: It is expected that any risks associated with health and safety are managed to a level which the City considers to be "as low as reasonably practicable" (ALARP).

Risk-based decisions are made in line with the criteria outlined in the risk assessment criteria tables.

Communication and consultation with external and internal stakeholders/interested parties is an essential and valuable part of the risk management process at the City. A collaborative approach is preferred as it provides the opportunity for different perspectives and expertise. The City has an expectation this will occur throughout the steps 1 to 3 documented. Communication and consultation should include, amongst others, staff of the City, Councillors, contractors, rate payers and residents. Some of this consultation and communication will be formalised through workshops and training and some – for example with ratepayers and residents – may be less formal. Risk management training will be provided to staff, commencing at induction. In addition, regular risk management awareness information will be communicated via the Vintranet.

Monitoring and Review and Recording & Reporting are considered integral parts of the planning, management and oversight activities of the City to ensure contemporary, relevant and evidential risk management. The Corporate Risk Register is updated as risks are identified and is reported to the Executive Management Committee monthly, and to the Audit Committee quarterly or more frequently as required.

Ad-hoc review of risks may also occur where:

- There is a change to the risk environment, for example, changes to legislation or to the SCP or the CBP;
- An internal audit or other review highlights a new or changed risk;
- A material risk treatment is implemented or a key control is considered no longer effective or adequate;
- Major changes are made to the organisation including change of key personnel; or
- The complaints or learnings in relation to processes indicate a new or changed risk to the City.

5. RISK MANAGEMENT CULTURE

A risk aware culture is essential to good risk management. The Policy and this Procedure will be communicated across the organisation and embedded into practices and processes rather than be viewed or practiced as a separate activity.

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It's important that all staff support and encourage a positive risk management culture by:

- playing an active part, and not simply mandating production of reports;
- empowering employees to manage risks effectively;
- acknowledging, rewarding and publicising good risk management;
- having processes that promote learning from errors, rather than punishing;
- encouraging discussion and analysis of unexpected outcomes, both positive and negative; and
- not over-responding to problems by introducing restrictive, complicated or one-size-fits-all controls.

Council and the EMC have a key role in promoting risk by setting the tone from the top and in allocating sufficient resources for risk management activities.

6. RISK MANAGEMENT RESPONSIBILITIES

The City's Audit Committee is responsible for:

- Facilitating effective management of the City's risks through regular review and challenge of the City's Corporate Risk Register, and reporting the high and extreme risks to Council for approval of the proposed risk treatment.
- Considering the CEO's performance indicators in relation to the effectiveness of risk management and providing advice to Council on performance in this area.
- On an annual basis, providing a report to Council on the effectiveness of the City's risk management.

The Executive Management Committee is responsible for:

- On a monthly basis, reviewing and updating the Corporate Risk Register and confirming that risks are appropriately captured, rated and managed (or identifying exceptions where they exist).
- Presenting the Corporate Risk Register, including the proposed risk treatments for high and extreme risks, to the Audit Committee on a quarterly basis, or more frequently if required.
- Ensuring all staff are aware of their risk management responsibilities.

Each Executive Director is responsible for:

- Reviewing risks for their directorate to ensure risks are appropriately managed and included in the Corporate Risk Register as appropriate (medium, high and extreme risks to be included in Corporate Risk register).
- Approving the risk treatments for medium level risks.

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024



RISK MANAGEMENT PROCEDURE

Each Manager is responsible for:

- Approving the risk treatment for low level risks.
- Providing updates on new and emerging risks (medium, high and extreme) and control effectiveness to the Governance team so they can be included in the Corporate Risk Register.
- Ensuring their Strategy House Risk Register is contemporary and comprehensive.
- Alerting the relevant Executive Director of changes to the risk environment including changes to control adequacy and effectiveness or increases or decreases to ratings of likelihood and consequence.

The Corporate Strategy and Governance team is responsible for:

- Ensuring the City's Corporate Risk Register is reviewed monthly and presenting it to the Executive Management Committee.
- Presenting the Corporate Risk Register to the Audit Committee.
- Reviewing the Policy and Procedure annually to ensure they remain relevant and reflect the City's risk management approach.
- Organising annual training for all staff on risk management and communicating the Policy and Procedure to relevant staff.

A flow chart detailing responsibilities for risk management is attached at **Attachment 1**.

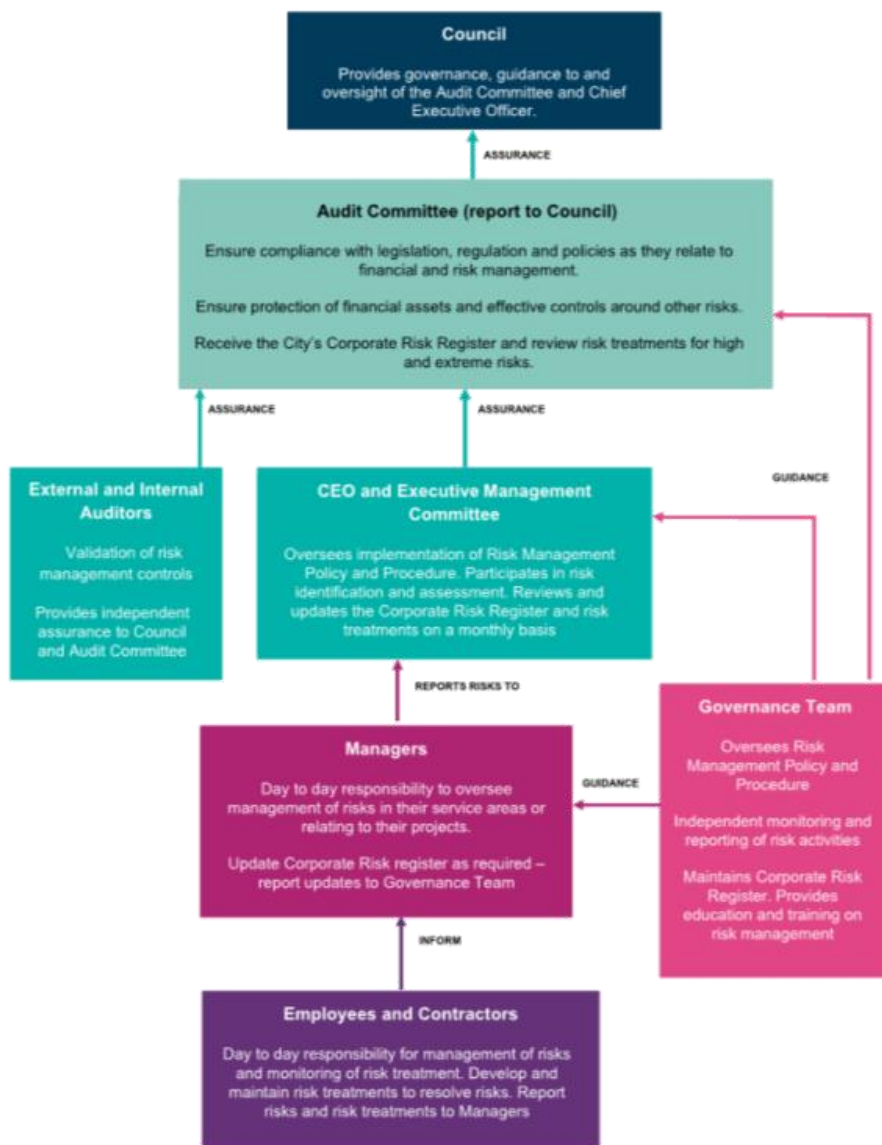
AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

RISK MANAGEMENT PROCEDURE



ATTACHMENT 1 – RISK RESPONSIBILITY



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Reference: D20/240006

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

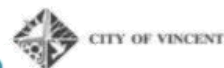
OFFICE USE ONLY	
Approved by CEO and Noted by Audit Committee	DATE: 06/07/2021, REF# D21/116958
Reviewed / Amended	DATE: <APPROVAL DATE>, REF#: <TRIM REF>
Next Review Date	DATE: <REVIEW DATE>,

Risk Management Framework – SC2723 – D20/240006

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AUDIT AND RISK COMMITTEE MINUTES

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RISK APPETITE & TOLERANCE STATEMENTS

Legislation / local law requirements	Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i> .
Relevant delegations	Nil.
Related policies, procedures and supporting documentation	Risk Management Policy – establishes the risk management responsibilities of Council and Administration and determines quantitative and qualitative assessment criteria. Risk Management Procedure – defines the systems and processes of the City's Risk Governance.

INTRODUCTION

Risk appetite refers to the amount and type of risk that the City is willing to accept or retain in order to achieve its objectives. Risk tolerance, on the other hand, is the specific threshold or level of risk that the City considers acceptable.

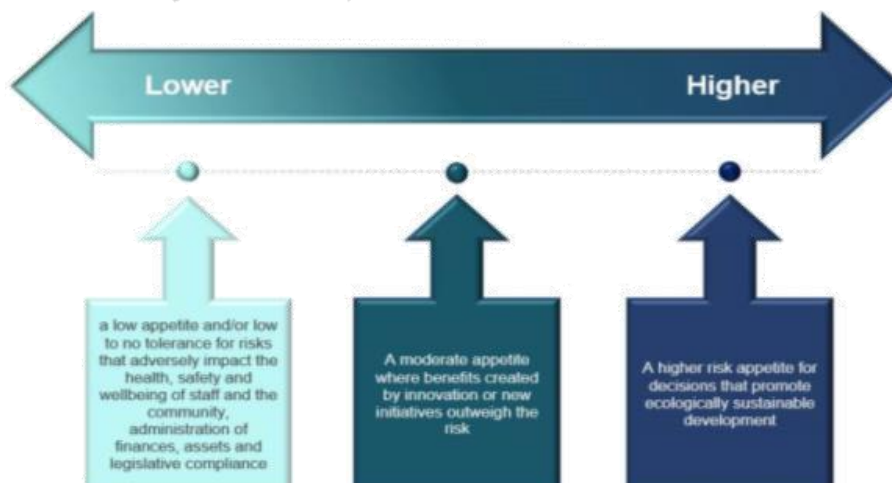
The following statements set boundaries for decision making, ensuring a balance between risk-taking and risk avoidance, and establishes the quantitative and qualitative criteria that determines, classifies, and manages the City's risks.

STATEMENT

The community want us to be a Council and an organisation that is clever, creative, and courageous willing to push the operational boundaries and willing to think and act as an enabler.

We put this into practice in our everyday work and decision making by understanding and managing the risks in being clever and creative but still taking action to meet our strategic goals.

The City seeks to minimise its exposure to key risks relating to people, financial operational and regulatory and compliance responsibilities, while still taking action. We will ensure appropriate measures to mitigate our risks are in place.



City of Vincent Risk Appetite and Tolerance Statements - 023/20561



RISK APPETITE & TOLERANCE STATEMENTS

Detailed Statements and Descriptors

Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
Financial Sustainability		
<i>Financially Volatile Decisions</i>	The City has a low appetite for risk in decision making that impacts financial volatility and sustainability	These are for those decisions not specifically considered below: Based on risk consequence criteria - Risk of loss more than \$100,000 (0.035% - 0.17% of operating budget)
<i>Decisions causing Budget Deficiency</i>	The City has a low tolerance for decisions or actions that result in material deficiency in achievement of budgeted: Surplus Balance sheet ratios Profit and loss ratios Rate of return on investments	Based on risk consequence criteria - Risk of loss or missing budget more than \$100,000 (0.035% - 0.17% of operating budget)
Financial Investment & Growth		
<i>Sustainable financial investments</i>	The City has a moderate risk appetite for investments; investments must support strategic initiatives and financial sustainability. Investments must be aligned with the values and principles of the City.	Investments need to be in line with the City's Corporate Business Plan and Strategic Community Plan.
<i>Forwards, hedges, and derivatives</i>	The City has no tolerance for investments in forwards, hedges, and derivatives.	Organisations often use financial instruments to manage the risk in commodity and foreign currency. These can be very risky if not appropriately utilised; and the City has chosen not to use these instruments.
<i>Debt for growth</i>	The City has a moderate appetite to take on risk to fund growth.	This ties into the investment appetite; however specifically considers the use of debt funding. Based on the consequence table, a moderate risk would be in

City of Vincent Risk Appetite and Tolerance Statements - 023/201561

RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
		the vicinity \$100,001 to \$250,000 (0.17% - 0.43% of operating budget).
<p><i>Specific ratios –</i></p> <p><i>No specific rating given as these are set parameters that the City has determined that it must operate within.</i></p> <p><i>Ratios (and thresholds) are determined by the State Government.</i></p>	<p>The City's debt to service ratio must always be above 5.</p> <p>Total Liabilities are never to exceed Total Assets</p> <p>Proposals supporting debt funding must be supported by a cash flow analysis that is financially sustainable</p>	<p>The debt to service ratio measures the City's ability to pay its debt. It is calculated by the annual operating surplus (before depreciation and interest), divided by the debt service cost, and is currently 5.092.</p> <p>Financial sustainability for debt funding will need to consider:</p> <p>Free cash flow for monthly, capital or balloon payments</p> <p>Interest cover – refer above for the level of financial risk acceptable</p> <p>Cost of not undertaking project – i.e., repairs and maintenance of the current solution</p> <p>Future cost of new project once implemented – i.e., for a community centre, insurance, licences etc</p>
Business collaboration		
<p><i>Commercially viable collaboration</i></p>	<p>The City has a moderate risk appetite to being more commercially adept and to explore avenues to identify cost efficiency drivers, collaboration with business partners to deliver on objectives through commercially viable arrangements and partnerships.</p>	<p>Within the boundaries of the appetite stated above in respect to investments being within the City's Corporate plans and strategies, the City is willing to consider proposals to use partnerships and contracts to facilitate meeting the City's objectives, where consistent with legislative requirements (<i>Local Government Act 1995</i>). Suggestions would include using outside service providers to deliver current services provided by the City more efficiently, i.e., Waste Collection; or working collaboratively with an Arts organisation to set up a</p>

City of Vincent Risk Appetite and Tolerance Statements - 023/205561



RISK APPETITE & TOLERANCE STATEMENTS

Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
		festival. Other projects may include working with developers.
<i>3rd party Partner (Contractor) failure</i>	The City has a low risk appetite for third party partner (contractors) failure.	The City utilises many outside organisations in delivering on its mandate. This low appetite means that even minor or insignificant breaches in contracts or delays in delivery of products and services will be taken seriously. Accordingly, third party risk must be considered before entering into any contract, including reputation of third party, financial viability, audit clauses etc.
Procurement		
<i>Procurement failure</i>	The City has a low risk appetite for procurement failures that lead to poor value for money or financial loss, poor quality of service; incorrect or substandard products or delayed delivery; wastage of funds or services.	This ties into the above point; and thereby requires appropriate procedures in the procurement process to ensure the required outcomes for the City and appropriate enquiry and planning prior to purchases. Note, appropriate delegations must exist to support this.
	The City has zero tolerance for procurement decisions that endanger our staff and community.	Procurement decision making must consider the risk of injury or harm to the staff & community of Vincent. An example of this would be allowing the Beatty Park pool to use unregulated or unauthorised chemicals.
Asset & Environment management & sustainability		
<i>Sustainable future for our community</i>	The City supports investments, activities and developments that result in a sustainable future for our community while meeting the current needs of our residents.	There is often a payoff. Proposals need to consider the risks and rewards based on the promises made to the community. This has been envisaged with the City's

City of Vincent Risk Appetite and Tolerance Statements - 023/205561



RISK APPETITE & TOLERANCE STATEMENTS

Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
	It recognises that this may at times involve accepting some degree of risk and is comfortable with this, subject to always ensuring that potential benefits and risks are fully understood before planning is approved and that appropriate measures to mitigate risk are established.	Project Management Framework implementation and future actions.
<i>Ecologically sustainable decisions</i>	The City has a high risk appetite for ecologically sustainable decisions and a high risk appetite for decisions that promote ecologically sustainable development.	Activities that favour environmentally conscious actions will more likely be approved than those that don't.
<i>Protecting and preserving the environment</i>	The City is committed to protecting and preserving the environment and has a low risk appetite for activities that would significantly degrade the environment	The City will act swiftly against actions that are detrimental to the environment.
<i>Resource wastage</i>	The City has a low risk appetite for irresponsible use of its resources.	
<i>Activities against ratepayer values & ethics</i>	The City has a very low risk appetite for investments and activities that do not align with the City's values.	The City has set its vision, purpose and guiding values based on the interpretation of those of the community it serves. When entering into new projects, investments and proposals, these values must be considered as one of the key consideration sets.
<i>Activities, structures, projects that present health risk for the community</i>	The City has a low risk appetite for activities, structures and projects that threaten the health of its community.	The City is committed to ensuring the health and wellbeing of its residents, this must be considered within the activities, projects, and new builds it approves or invests in. Activities that do not align with this will only be approved in exceptional circumstances. An example might be the approval of a Neo-Nazi festival to

City of Vincent Risk Appetite and Tolerance Statements - 023/205561



RISK APPETITE & TOLERANCE STATEMENTS

Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
		occur within the City's park space. A multi residential building with no nearby open space may be another example.
Values and Behaviours		
<i>Behaviour or conduct against City values</i>	The City is an equal opportunity employer that employs skilled and experienced employees in positions with clearly defined roles and responsibilities; it has a low risk appetite for actions and behaviours that threaten the people and organisational capacity.	This sets the City's view on the criticality of its employees and the City culture; accordingly, staff must be selected based on appropriate due diligence and fit for purpose considerations including against the City values. Behaviours and actions of current staff must be measured against their job performance criteria and against the values.
<i>Low individual and team performance</i>	The City places high importance on its values and a culture of integrity in conduct, performance excellence, innovation, equality and diversity, dignity and respect, collegiality, and cultural sensitivity. It has a low risk appetite for behaviour or conduct which does not meet these standards.	Refer above.
Human Resource		
<i>Behaviour reducing cultural diversity & awareness</i>	The City has a low risk appetite for practices and behaviours that result in a workforce that is not diverse and culturally aware, be this through recruitment or day to day workplace activities.	Activities and actions to involve and include staff from diverse backgrounds considering culture, age, gender, experience sets etc.
<i>Harm of staff, clients, partners, or visitors</i>	The City has a very low risk appetite for risk in practices or behaviours that lead to the harm of staff, clients, partners, or visitors in its premises or when undertaking work related activities (within its control and responsibility).	The City's continued focus on OH&S matters, staff and contractor induction support this appetite. All new activities and projects should further consider the impact on the City's community.

City of Vincent Risk Appetite and Tolerance Statements - 023/205561



RISK APPETITE & TOLERANCE STATEMENTS

Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
<i>Breach of code of conduct, ethics, and Law</i>	The City has no appetite for conduct that is unlawful, unethical, or otherwise breaches the Code of Conduct or reflects misconduct / serious misconduct.	The City's continued program to educate employees on Code of Conduct, accountability and ethical decision making, performance management and misconduct support this appetite.
Health and Safety		
<i>Inadequate & untimely reporting of breach & near-miss incidents</i>	The City has a low appetite for health and safety risk, and in particular a very low tolerance for inadequate or untimely remedy and reporting of breach incidents, or near misses.	The City's continued focus on OH&S matters, staff and contractor induction support this level of appetite and tolerance.
<i>Negligent & deliberate violations of health & safety requirements</i>	The City has no tolerance for negligent, deliberate, or purposeful violations of health and safety requirements.	
Business Service - The City acknowledges that in order to be innovative and nimble that some degree of risk taking is inevitable, however these risks must be considered in light of maintaining continuity of services to our stakeholders.		

City of Vincent Risk Appetite and Tolerance Statements - 023/205561



RISK APPETITE & TOLERANCE STATEMENTS

Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
<i>Disruption to the operation of the business</i>	The City has a very low tolerance for risks that may result in disruption to the operation of the business. Including loss of statutory services, operational continuity, loss, or lack of documentation of corporate knowledge. These risks will be mitigated and controlled to where the cost of control is equal to the marginal cost of the risk.	Interruption to services has been included in the Consequence criteria. A very low tolerance would be considered where <i>"Failure of assets / disruption which results in inconvenience but no material service interruption (resolved within one day)."</i> So, where there is a disruption, for example the phone lines are down, then a solution needs to be found within one day. The cost of this control must also be considered in the action sought.
<i>Loss or lack of documentation of corporate knowledge</i>	The City has a very low risk tolerance for loss or lack of documentation of corporate knowledge.	In order for the City to continue to provide services to its stakeholders to the degree required, the City must continue to maintain adequate systems and processes that support maintenance of all corporate knowledge.
Governance - The City is committed to best practice governance and practices and behaviours that support ethical, consistent, and informed decision making, compliance with legislation, regulation, and internal and external reporting requirements.		
<i>Breaches in regulations, professional standards, and ethics</i>	The City has a very low risk appetite for any breaches in regulations, professional standards, and ethics.	There is a low, but not zero appetite for breaches. An example would be the submission of a BAS late due to resource constraints within the City. See specific examples below
<i>Bribery or Fraud</i>	The City has no tolerance for bribery or fraud.	The City's Code of Conduct, Fraud and Corruption Prevention Plan, and Accountable and Ethical Decision Making Program, detail behaviour standards and handling of unethical fraudulent, dishonest, illegal, or corrupt behaviour. The City will investigate all allegations and take action to the full extent of its capacity.

City of Vincent Risk Appetite and Tolerance Statements - 023/205561



RISK APPETITE & TOLERANCE STATEMENTS

Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
<i>Less than better practice for Governance, Due diligence, Accountability and Sustainability</i>	The City has a low risk tolerance for less than better practice decision making for governance, due diligence, accountability, and sustainability, as measured by accepted industry standards and practices.	The City's Governance Framework (Framework) supports this tolerance level by defining the systems, policies, processes, and a methodology for ensuring accountability and openness in the conduct of City business. The Framework describes the principles and key roles that guide Council in its decision-making and demonstrates to the community the processes which the City uses to achieve its strategic priorities and undertake its service delivery.
<i>A breach in Delegated Authority</i>	The City has a very low risk tolerance for breach in delegated authority.	
<i>Poor Project or Change Management</i>	The City has low risk tolerance for incidents or impacts which are generated by poor project management or change management practices.	The risk consequence level will need to be considered.
Information & Systems management		
<i>Information security preservation</i>	The City has a very low appetite for information security risk.	Information security is the preservation of the confidentiality, integrity, and availability of information: Confidentiality – information is disclosed only to authorised entities. Integrity – information has been created, amended, or deleted only by authorised individuals. Availability – systems and information are accessible and useable by authorised entities when required.
<i>Threats to personal information</i>	The City has no appetite for threats to breaches of personal information.	The City will: <ul style="list-style-type: none"> Only use personal information provided by an individual for the purposes for which it was collected and for any other authorised use.

City of Vincent Risk Appetite and Tolerance Statements - 023/205561

AUDIT AND RISK COMMITTEE MINUTES

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RISK APPETITE & TOLERANCE STATEMENTS

Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
		<ul style="list-style-type: none"> Only disclose personal information to third parties (including other authorities) where authorised. Take all necessary measures to prevent unauthorised access or disclosure of personal information.
<i>Deliberate misuse of information</i>	The City has no appetite for the deliberate misuse of information.	The City's Code of Conduct and IT Acceptable Use Procedure detail behaviour standards and breach handling.
<i>Systems change and development</i>	The City has a moderate risk appetite for systems change and development where it is within approved strategy, budget, and security procedures.	Systems improvement through change and development comes with an inherent risk factor, accordingly there must be an acknowledgement that for changes to occur some risk must be taken, however appropriate controls and procedures should be in place to manage this risk.
Community Services The City seeks to create a connected community where the City's residents can interact with the built environment and nature to create a vibrant and inclusive place to live, work and play. The City recognises that its purpose is tied to the needs and expectations of its community and in particular the rate payers. In order to meet these needs a certain level of collaboration and co-operation with these stakeholders is beneficial and necessary.		
<i>Community Engagement and Increased Participation</i>	The City has a high appetite for risks that will drive strong community engagement and increased participation.	The City wishes to match its community desire for high levels of engagement, and this is acknowledged to come with more risk. An example is the BMX track, which was highly desired by the community, but has associated risks.
<i>Constructive Community Consultation</i>	The City has a high risk appetite to engage in community consultation to deliver on our strategic objectives. This collaboration cannot be to the detriment of ensuring an efficient and effective decision-making process in the spirit	This point was important in driving the high engagement and participation in delivery of the City's objectives. But this should not be used as a lever to

City of Vincent Risk Appetite and Tolerance Statements - 023/205561

RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
	of sustainability and achievement of objectives. (See sustainability above)	hinder progress or unnecessarily delay decision making.
<i>Activity risking long-term values or reputation of Council</i>	The City has zero risk appetite in any activity that will put its long-term values or reputation at risk.	
<i>Failure to meet customer commitments and/or provide appropriate advice and address regulatory concerns</i>	The City has a very low risk appetite for operational risks arising from failure to meet customer commitments and/or appropriateness of advice.	The City must provide appropriate advice to stakeholders and meet its commitments. The City will promptly take action to address ratepayer/customer complaints and regulatory concerns.
<i>Negotiate with Regulators, State & Federal Government Agencies</i>	The City has a high risk appetite to consult and negotiate with regulators, State & Federal Government Agencies to achieve the City's objectives.	
<i>Leasing of Community Facilities</i>	The City has a moderate risk appetite for financial loss in respect to the use of the City's community facilities provided the use is: <ul style="list-style-type: none"> in the community interest; and satisfies a recognised community purpose 	This is to ensure we are considering the needs of our community together with the financial impacts of decision making.

City of Vincent Risk Appetite and Tolerance Statements - 023/201561



RISK APPETITE & TOLERANCE STATEMENTS

Strategic Risk Categories	
Finance, procurement & contracts	Risks relating to ensuring reliability and timeliness of financial and other information; as well as ensuring the financial sustainability and viability of the City. Risk of failures in the City's procurement and contract engagement and management processes resulting in business loss or disruption.
Asset Management & sustainability, environment management	Risks associated with investing in, developing and maintaining the City's infrastructure to ensure reliability and to meet its Vision and strategy. Risk of the City's current activities compromising the ability for the future residents meeting their needs. This refers to social and environmental needs. Consideration of both physical and investment actions.
OH&S, employment practices	Risks relating to strategies and systems to maintain a workforce and partnerships that are productive, safe, and diverse as well as an effective and accountable organisational environment. Risks include workforce capability and capacity, including staff, volunteers, contractors, and subcontractors.
Business service disruption:	Risks or events that could cause disruption to services or operations; and/or impair or enhance the delivery of the program or project on time and within budget, or the quality of its outcomes; events that could lead to damage to your reputation, assets or compromise the security of sensitive information.
Governance, misconduct & fraud:	Risks resulting in failure to meet regulatory, compliance and accountability requirements; inadequate or unclear definition of roles and responsibilities; lack of effective and transparent decision-making processes; inadequate control and procedural frameworks; the robustness of any third-party systems and processes.
Information & systems management:	Risks that jeopardise information being authentic, appropriately classified, properly secured, and managed in accordance with legislative and operating requirements. Technology solutions must support strong internal control processes and the development of robust system and process solutions for the management and protection of information assets; and align technology, systems, processes and culture with business strategy and goals.
Community services:	Risks or events that hinder the City's ability to meet the current and changing expectations of the ratepayers and community; including ratepayers'/customers' expectations of providing efficient, considerate, and cost-effective services; building positive and collaborative relationships and outcomes for the City.

City of Vincent Risk Appetite and Tolerance Statements - 023/205561

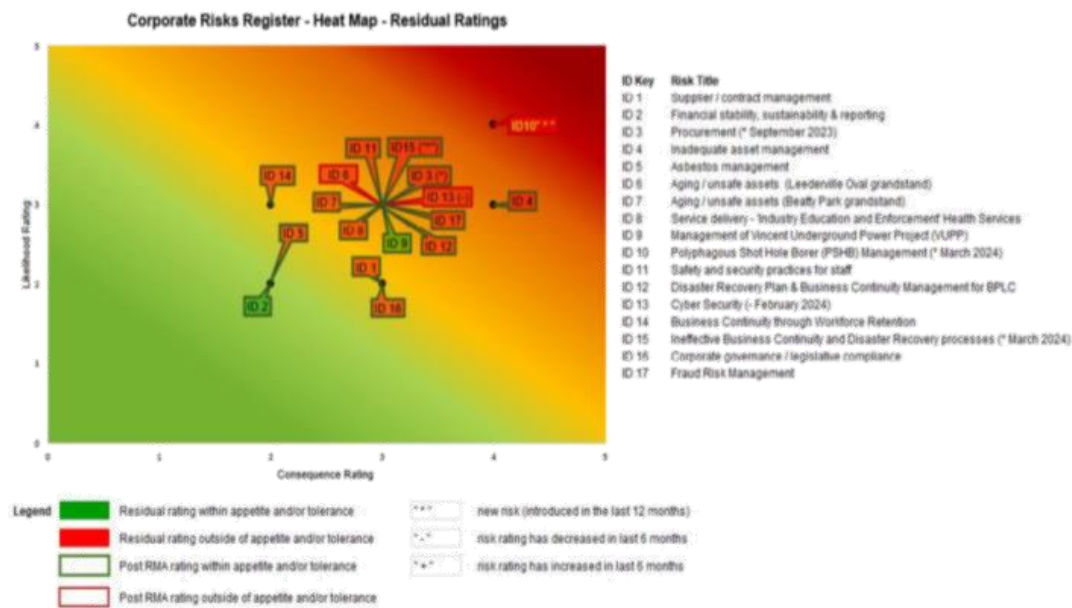
RISK APPETITE & TOLERANCE STATEMENTS



OFFICE USE ONLY	
Responsible Officer	Executive Manager Corporate Strategy and Governance
Initial Council Adoption	17/03/2020
Previous Title	N/A
Reviewed / Amended	12/12/2023 OMC Item 12.4
Next Review Date	12/2025 In accordance with clause 4 of the Risk Management Policy, Statements are to be review within three months of each ordinary local government election.

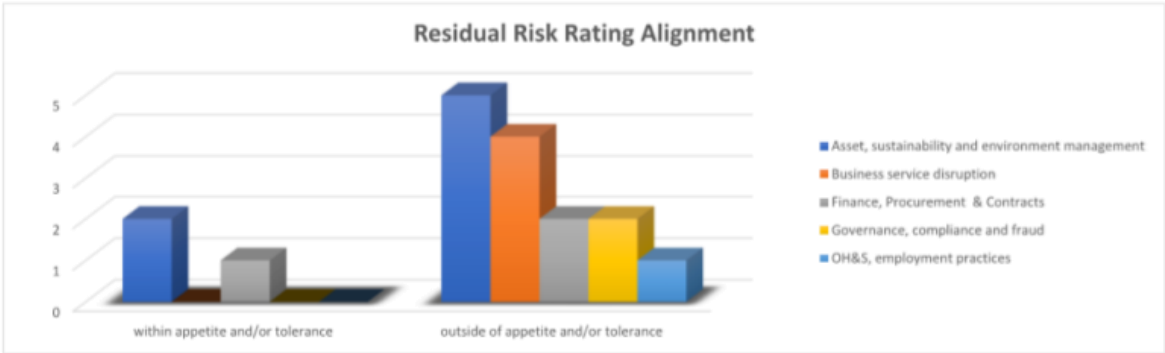
City of Vincent Risk Appetite and Tolerance Statements - 023/205561

Corporate Risk Rating Alignment to Appetite and Tolerance



Residual rating alignment is detailed below:

Residual Rating Alignment	Asset, sustainability, and environment management	Business service disruption	Finance, Procurement & Contracts	Governance, compliance, and fraud	OH&S, employment practices	Grand Total
within appetite and/or tolerance	2	0	1	0	0	3
outside of appetite and/or tolerance	5	4	2	2	1	14



Post RMA alignment is detailed below:

Post RMA Alignment	Asset, sustainability, and environment management	Business service disruption	Finance, Procurement & Contracts	Governance, compliance, and fraud	OH&S, employment practices	Grand Total
within appetite and/or tolerance	5	3	3	2	1	14
outside of appetite and/or tolerance	2	1	0	0	0	3



AUDIT AND RISK COMMITTEE MINUTES27 JUNE 2024

5.6 AUDIT COMMITTEE - FORWARD AGENDA 2024

Attachments: 1. Audit Committee Forward Agenda 2024

RECOMMENDATION:

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

COMMITTEE DECISION ITEM 5.6Moved: Mayor Xamon, Seconded: Cr Hallett

That the recommendation be adopted.

CARRIED (5-0)

For: Mr Araj, Mr Manifis, Cr Castle, Cr Hallett and Mayor Xamon

Against: Nil

(Cr Alexander was an apology for the Meeting.)

(Mr Isambert was an apology for the Meeting.)

Audit Committee Forward Agenda 2024

Standing Items	29 February 2024	March (no meeting scheduled)
<ul style="list-style-type: none">Review and update of Audit Committee Forward Agenda 2024Review status of pending action items from the last meetingReview audit log - internal & external audit recommendationsReview of the internal audit activities, progress against plan, and internal audit reports issued during the periodReview of the City's Corporate Risk RegisterReview the status of any fraud investigation reportsBriefing by CAE on performance audits or OAG reports carried out for the state government or other LGAs along with any action plans put in place by the City	<ul style="list-style-type: none">Consideration of Audit Committee Forward Agenda 2024Training and professional development session determined by Committee Chair.Briefing by CEO on the City's Strategy, progress of key initiatives, and external events impacting the City (e.g., new regulation, macro-economic factors, etc.)Regulation 17 review report and recommendations. (Year 2 Internal Audit Plan)Local Government Statutory Compliance Audit Return 2023 – Annual ReviewRefresher by CAE on Local Government Act 1995 and key legislation impacting the City <p>Note: Reports and recommendations to 19 March 2024 OMC</p>	
April (no meeting scheduled)	May (no meeting scheduled)	27 June 2024
		<ul style="list-style-type: none">Meet privately with the external auditor (OAG) without management present to discuss any matters deemed appropriateEntry Meeting – OAGReview and recommend to Council the proposed annual Internal Audit Plan for Year 3.Meet privately (without management present) with the CAE to discuss any matters deemed appropriate.Briefing by CEO on the City's Strategy, progress of key initiatives, and external events impacting the City (e.g., new regulation, macro-economic factors, etc.)Review and recommend to Council the approval of proposed Integrity Framework <p>Note: Reports and recommendations 23 July 2024</p>
July (no meeting scheduled)	August (no meeting scheduled)	September (no meeting scheduled)
10 October 2024	28 November 2024	December (no meeting scheduled)
<ul style="list-style-type: none">Annual acknowledgement of the City's Code of conduct, evaluation of member independence & committee performance.Review of business risk reports issued by management including corresponding action plansReview adequacy of procedures for the confidential, anonymous submission by employees regarding possible fraud or irregularities <p>Note: Reports and recommendations to 19 November 2024</p>	<ul style="list-style-type: none">Exit Meeting – OAGAnnual financial report for year end 30 June 2024Meet privately (without management present) with the CAE to discuss any matters deemed appropriate. Meet privately with the internal audit service provider every six months.Briefing by CEO on the City's Strategy, progress of key initiatives, and external events impacting the City (e.g., new regulation, macro-economic factors, etc.)Review risk management processes and activities (including Risk Mgmt. Policy and Appetite Statements) <p>Note: Reports and recommendations to 10 December 2024</p>	

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

D23/2825

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

5.7 REVIEW OF THE CITY'S AUDIT LOG

Attachments: 1. Audit Log - Confidential

RECOMMENDATION:

That the Audit and Risk Committee recommends to Council that it:

1. NOTES the status of the City's Audit Log at Attachment 1;
2. APPROVES closure of action items noted within this report and at Attachment 1.

COMMITTEE DECISION ITEM 5.7Moved: Mr Manifis, Seconded: Mayor Xamon

That the recommendation be adopted.

CARRIED (5-0)

For: Mr Araj, Mr Manifis, Cr Castle, Cr Hallett and Mayor Xamon

Against: Nil

(Cr Alexander was an apology for the Meeting.)

(Mr Isambert was an apology for the Meeting.)

AUDIT AND RISK COMMITTEE MINUTES

27 JUNE 2024

6 GENERAL BUSINESS**November Audit and Risk Committee Meeting**

The CFO noted that the OAG audit will commence earlier this year with the report to be delivered by the end of November to enable the audited financials to be tabled at the 10 December 2024 Ordinary Council Meeting. The November Audit and Risk Committee meeting currently scheduled for 28th November 2024 may need to be rescheduled.

Briefing by CEO on the City's Strategy, progress of key initiatives, and external events impacting the City

A/CEO gave an overview of the City's Strategy, progress of key initiatives and external events impacting the City, as listed in the forward agenda.

The City has been building its capacity, competency and financial robustness to deliver on some of the long term commitments. Council adopted the Long Term Financial Plan in May 2024, this underpins the corporate planning and budget process. Council adopted the Annual Budget and Corporate Business Plan in June 2024.

The maturity of the budget and corporate business planning processes has increased, the organisation is responding with early engagement at staff level, the process is well identified, methodical, informed and coherent and that makes it easier to engage Council Members in the process of adopting those key documents.

The annual budget had a general rates increase of 4% which will yield \$44.4M. Anticipated reserves for June 2025 of \$25.5M, which is a significant improvement of the position in past years.

Strategic focus areas in the Corporate Business Plan are:

- Vincent Underground Power Project.
- The protection, restoration and promotion of tree canopy, particularly on private land.
- Progressing the relocation of the concrete batching plants to support the regeneration of North Claiesebrook.
- Leederville Oval renewal.
- East Perth Power Station, Leederville train station upgrade and particularly the Leederville car parks development.
- Development of the Enhanced Environment Strategy.
- Implementation of the Bike plan and network.
- Continuation of the Smoke Free Town Centre project.
- Continuation of the Public Health Plan, the next iteration.
- Preparation of Local Planning Scheme and Strategy, and in particular the town centre policy frameworks, which will inform future development in those areas.
- Continuing to deliver our Customer Improvement Project, which is a focus on customer service.

The Capital Works Program, which is \$20M, and consists of the following key large projects:

- Beatty Park Change Room project, which is a 2 year project.
- Litis Stadium Changeroom Upgrade, also a multi-year project.
- Robertson Park Development Plan (multi-year project).
- Banks Reserve Master Plan (multi-year project).
- Investigation into the Beaufort Street Nodes Project.

In addition the following broad capital investment is planned:

- \$2.3M for fleet and plant renewal.
- \$2.6M for city buildings renewal.

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- \$2.5M in parks renewal, covering playground, irrigation and infrastructure, including green plant and polyphagous shot borer response.
- Engineering budget of \$5.39M for roads, footpaths, drainage, car parks and the bike network.

The delivery of capital works program has improved significantly in respect to scope, budget and timing. Having certainty in the planning of the capital works during the year to ensure that we meet expectations is much improved. Of particular interest, as of today 96.6% of capital works is either actual or committed and almost 70% actual expenditure on those works.

The City is trying to improve the asset management process, this is a work in progress and a focus.

Polyphagous Shot-Hole Borer is a risk, not only for the City but for all local governments generally in the metro area. The outcome could be that significant resources could be redirected to work on that issue.

An emerging issue is the Town Planning Reforms and the impact on development and height in the City. Advocacy through the Perth Inner City Group is being pushed, particularly looking to ensure that state infrastructure delivery and state infill targets are aligned.

7 NEXT MEETING

10 October 2024

8 CLOSURE

There being no further business the meeting closed at 5.48pm.

These Minutes were confirmed at the 10 October 2024 meeting of the Audit Committee as a true and accurate record of the Audit Committee meeting held on 27 June 2024

Signed: Mr George Araj

Dated: 10 October 2024