



CITY OF VINCENT

MINUTES

Audit Committee

29 June 2023

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**MINUTES OF CITY OF VINCENT
AUDIT COMMITTEE
HELD AS E-MEETING AND ADMINISTRATION AND CIVIC CENTRE
244 VINCENT STREET, LEEDERVILLE
ON THURSDAY, 29 JUNE 2023 AT 4.00PM**

PRESENT:	Mr Conley Manifis Cr Ashley Wallace Cr Susan Gontaszewski Mr Olaf Goy Mr George Araj	Independent External Member (Chair) South Ward South Ward Independent External Member Independent External Member
IN ATTENDANCE:	Peter Varris Rhys Taylor Peter Ferguson Main Bhuiyan Nathan Stokes Jeremy Chalmers Joslin Colli Wendy Barnard Cameron Palassis	Executive Director Infrastructure & Environment Chief Financial Officer (Left at 5.40pm after Item 6.2) Executive Manager Information & Communication Technology (left at 5.22pm after Item 6.6) Financial Controller (electronically) Left at 5.40pm after Item 6.2) Executive Manager Human Resources Left at 5.30pm after Item 6.6) Coordinator Procurement & Contracts (Left at 5.19pm after Item 6.1) Chief Audit Executive Council Liaison Officer Paxton – Internal Auditor (electronically) (Joined at 4.20pm, Item 6.1 only)

1 IN CAMERA SESSION

At 4:01pm the Presiding Member, Conley Manifis, ruled that the in camera session comprising Committee Members and the Chief Audit Executive would be held first.

All officers (with the exception of the Chief Audit Executive) left the meeting.

At 4.19pm the meeting was reopened and the other attendees joined the meeting.

2 INTRODUCTION AND WELCOME

The Presiding Member, Conley Manifis, declared the meeting open at 4.20pm 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”.

3 APOLOGIES / MEMBERS ON APPROVED LEAVE OF ABSENCE

Cr Ioppolo was an apology for this meeting.
Cr Alexander was an apology for this meeting.

NOTE: The Presiding Member suggested that in future the meeting is held in July, as June is end of financial year and some members are unable to attend.

4 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.

5 CONFIRMATION OF MINUTES**COMMITTEE DECISION**

Moved: Mr Goy, Seconded: Cr Gontaszewski

That the minutes of the Audit Committee held on 4 May 2023 be confirmed.

CARRIED (5-0)

For: Mr Manifis, Cr Wallace, Cr Gontaszewski, Mr Goy and Mr Araj

Against: Nil

(Cr Alexander was an apology for the Meeting.)

(Cr Ioppolo was an apology for the Meeting.)

6 BUSINESS ARISING

6.1 INTERNAL AUDIT REPORT UPDATE YEAR ONE

- Attachments:
1. Beatty Park Project Audit Report - Confidential
 2. Procurement and Contract Management Audit Report - Confidential
 3. Internal Audit Program 2022/23-2024/25 (marked up) - Confidential
 4. Internal Audit Implementation Timetable Y2 & Y3 (revised) - Confidential

RECOMMENDATION:

That the Audit Committee recommends to Council that it:

1. RECEIVES the Beatty Park Project Audit Report at Attachment 1, and Procurement and Contract Management Audit Report at Attachment 2;
2. ENDORSE the management comments provided by Administration which are included in the Audit Reports at Attachment 1 and 2;
3. NOTES that:
 - 3.1 the findings and any actions arising from the internal audits will be included in the City's audit log until such time as they are completed; and
 - 3.2 any new or emerging corporate risks, identified as a result of the internal audit findings, will be documented, assessed and managed through the City's Risk Management Framework; and
4. DEFERS consideration of remaining Year 2 and Year 3 audit programs, at Attachments 3 and 4. until the scope of audits for Regulation 17 review have been determined.

Moved: Cr Gontaszewski, Seconded: Mr Araj

That the recommendation be adopted.

The Presiding Member invited Internal Auditor Cameron Palassis of Paxton to address the Committee in respect to the Internal Audit findings and adequacy of Management comment and response.

Mr Palassis provided an overview of the Audits and responded to questions from the Committee.

Mr Palassis of Paxton left the meeting at 4.31pm and did not return.

NOTE: Mr Araj requested that the wording in the audit report be changed from Management Comment to Action Plan, and be updated to include details of how the issues will be remedied, specifying accountable officers and timeframes. Actions to be included in the Audit Log.

The Presiding Member invited the Executive Director Infrastructure and Environment Mr Varris to provide an overview of Management's response to the Internal Audits and progress to date in maturity development.

Mr Varris provided an overview of progress and improvements undertaken and planned in project management, procurement and contract management.

AMENDMENT 1**Moved:** Cr Gontaszewski, **Seconded:** Mr Araj

That an additional recommendation be included as follows:

5. REQUESTS that the current strategic project portfolio be assessed against each of the findings in these reports and commentary be provided to the Audit Committee as to how findings are being addressed in each individual project.

AMENDMENT CARRIED (5-0)**For:** Mr Manifis, Cr Wallace, Cr Gontaszewski, Mr Goy and Mr Araj**Against:** Nil

(Cr Alexander was an apology for the Meeting.)

(Cr Ioppolo was an apology for the Meeting.)

AMENDMENT 2**Moved:** Cr Gontaszewski, **Seconded:** Cr Wallace

That point 4 of the recommendation be amended as follows:

4. DEFERS consideration of remaining Year 2 **until December 2023** and DEFERS Year 3 audit programs, at Attachments 3 and 4.

AMENDMENT CARRIED (5-0)**For:** Mr Manifis, Cr Wallace, Cr Gontaszewski, Mr Goy and Mr Araj**Against:** Nil

(Cr Alexander was an apology for the Meeting.)

(Cr Ioppolo was an apology for the Meeting.)

COMMITTEE DECISION ITEM 6.1

That the Audit Committee recommends to Council that it:

1. **RECEIVES** the Beatty Park Project Audit Report at Attachment 1, and Procurement and Contract Management Audit Report at Attachment 2;
2. **ENDORSE** the management comments provided by Administration which are included in the Audit Reports at Attachment 1 and 2;
3. **NOTES** that:
 - 3.1 the findings and any actions arising from the internal audits will be included in the City's audit log until such time as they are completed; and
 - 3.2 any new or emerging corporate risks, identified as a result of the internal audit findings, will be documented, assessed and managed through the City's Risk Management Framework; and
4. **DEFERS** consideration of remaining Year 2 until December 2023 and DEFERS Year 3 audit programs, at Attachments 3 and 4.
5. **REQUESTS** that the current strategic project portfolio be assessed against each of the findings in these reports and commentary be provided to the Audit Committee as to how findings are being addressed in each individual project.

CARRIED (5-0)

For: Mr Manifis, Cr Wallace, Cr Gontaszewski, Mr Goy and Mr Araj

Against: Nil

(Cr Alexander was an apology for the Meeting.)

(Cr Ioppolo was an apology for the Meeting.)

NOTE: Cr Gontaszewski requested that if the CEO is unable to attend these meetings in future he arranges for the acting CEO to attend in his place or seek to rearrange the meeting date.

NOTE: Request Paxon review Item 5.3 on page 11 of the report: *A report of purchase orders entered after the invoice date for the period 01/07/2021 to 30/06/2022 identified*, to clarify if it refers to total Purchase Orders for the period or is it actually specifically PO raised after the invoice.

Coordinator Procurement and Contracts left the meeting at 5.18 and did not return.

6.6 REVIEW OF THE CITY'S AUDIT LOG

- Attachments:**
- 1. Audit Log as at 19 June 2023**
 - 2. Audit Log as at 19 June 2023 - Confidential**

RECOMMENDATION:

That the Audit Committee recommends to Council that it:

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

COMMITTEE DECISION ITEM 6.6

Moved: Mr Araj, Seconded: Cr Wallace

That the recommendation be adopted.

CARRIED (5-0)

For: Mr Manifis, Cr Wallace, Cr Gontaszewski, Mr Goy and Mr Araj

Against: Nil

(Cr Alexander was an apology for the Meeting.)

(Cr Ioppolo was an apology for the Meeting.)

Executive Manager Information Technology and Communications left at 5.22pm and did not return.

NOTE: Executive Manager Human Resources confirmed that there is a credible pathway for closure of the Manual Timesheet item on the Audit Log.

Executive Manager Human Resources left the meeting at 5.30pm and did not return.

AUDIT LOG



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AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
Stanton Reg 5 & 17 Review				

AUDIT LOG



EA:2020/12 (8) Manual Timesheet

Stanton Reg 5 & 17 Review – Manual Timesheet**Finding**

The City uses manual timesheets, predominately for those employees who work in the depot and recreational leisure centre.

Recommendation

The use of manual timesheets should be eliminated, it is worth noting that the City has already noted this as a finding within their own audit log.

Recommendation**Risk Rating (prior to controls)**

Moderate

Risk Rating (with current controls)

Minor

Responsible Officer:

Executive Manager Human Resources and Executive Manager Information and Communication Technology

Management Comment

The City requires a robust online time-sheets system which is fit for purpose of a casual workforce (i.e. Beatty Park) that is flexible, easy to use and aligned to the relevant cost centres and employment.

Administration has determined that Civica's online time-sheets module will be suitable for the City. The module however can only be implemented once work orders are activated as part of the Chart of Accounts project scheduled for completion in July 2021. Online time-sheets will have a mobile option as well. The scoping of this project will be requested to commence in March next year with implementation in December 2021.

December 2021

Partially completed: Beatty Park are now partially using mobile application for rostering and time-sheets. Further rollout subject to Beatty Park change management resourcing.

March 2022

In progress: for Depot staff with mobile application AND job costing requirements for time-sheets, two solutions are being reviewed:

1. The City will help Civica test their new mobile time-sheets (currently in development) in early 2022.
2. A CRM-based approach where jobs are electronically work-flowed to staff who can then update and complete the job using a mobile application.

March 2022

No further progress. Resources have not been available to progress the Beatty Park roll-out; Civica have not completed their new mobile time-sheet. CRM project in early phases.

May 2022

No update.

Estimated-August 2022

July 2022

Ongoing HR team challenges have impacted attempts to resource this initiative. The HR/IT plan is now to:

1. Prepare a change management plan in November & December
2. Implement in January & February 2023

November 2022

In line with WA Government announcement (1st November 2022) that all WA Local Governments will transition to the State IR Legislation effective 1st January 2023, the City is now procuring a timesheet solution to meet legislative requirements. An electronic system will initially be rolled out to administrative staff, followed by transition of other teams using manual timesheets (Rangers, Depot field staff, Beatty Park). The City is aiming for go-live in January 2023.

February-2023

February 2023

Go-live delayed while extensive testing continues to ensure smooth rollout to staff and future application to field-based staff. Final technical changes being made for late February 2023 release.

January-2023

April 2023

Timesheet functionality considered too basic for effective go-live. Additional functionality requires Payroll integration works to ensure workflow approvals, flexi leave management and job costing details for field staff. HR progressing this work.

February-2023

August-2023

June 2023 – Payroll & Timesheet project key dates established

November 2023

- 9th October testing (2 pay cycles end-to-end)
- 1st November "go / no go" meeting based on testing results
- 6th November go live
- 21st November – first pay-run
- Timing risks: OAG finance/payroll audit; key payroll staff availability (eg: unexpected health issue)

AUDIT LOG



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

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA: 2022/12 (8) Corporate Executive – Terms Of Reference Review Office of the Auditor Information Systems Audit for 2021/22</p> <p>Finding We found that <i>Terms of Reference</i> for Corporate Executive that provides direction and oversight of City's ICT has not been reviewed since November 2019.</p> <p>Rating: Minor</p> <p>Implication Without an appropriately approved and up-to-date terms of reference, there is an increased risk that IT resources (e.g., finance, systems and people) will not be aligned to the business strategy and priorities.</p> <p>Recommendation The City should review and update terms of reference to ensure direction and oversight of ICT is adequate.</p>	<p>Management Comment: <i>The City accepts this finding.</i></p> <ul style="list-style-type: none"><i>The Terms of Reference will be reviewed and updated in light of the City's current use of ICT.</i>	February 2023	Completed May 2023 EMC adopted amended Terms of Reference 18 May 2023.	April 2023 July 2023 Completed May 2023

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<div>EA: 2022/12 (9) Remote Access Controls</div> <div>Office of the Auditor General Information Systems Audit for 2021/22</div> <div>This has been added to the confidential register.</div>				

AUDIT LOG



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

AUDIT LOG



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

AUDIT LOG



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

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA: 2022/12 (15) Finance And Payroll System Event Monitoring Office of the Auditor General Information Systems Audit for 2021/22</p> <p>Update 2022 This finding remains open as there is no process in place to manage the logging and monitoring of application.</p> <p>Finding 2020 We found that there are no formalised requirements for pro-active or regular review of event logs generated by key business application to identify unauthorised access or malicious activity.</p> <p>Rating: Moderate (2021: Moderate)</p> <p>Implication Without effective pro-active monitoring of high-risk events, such as administration actions, there is an increased risk that any potential problems, trends, or ongoing attempts to compromise systems or data will not be detected.</p> <p>Recommendation The City should continue to work towards an appropriate application event logging and monitoring process and capacity to report on inactivity and account creation dates.</p>	<p>Management Comment: The City accepts this finding.</p> <ul style="list-style-type: none"> New logging and monitoring processes will target: <ul style="list-style-type: none"> Requestor/Approver separation for financial changes Change of bank details Unusual hours of activity Unusual locations Failed logins Priv access activities – non-IT (CFO, HR) person to review 	February 2023	<p>Behind schedule. Vendor consultant still being scheduled for support.</p> <p>April 2023</p> <ul style="list-style-type: none"> Still delayed by vendor consulting services. Expected to be completed May 2023. <p>June 2023</p> <ul style="list-style-type: none"> Vendor's response 13/6/23: "We are unable to assist on custom reports as all our resources are fully scheduled. This request has been taken to the management team to decide on how best to resolve custom reports going forward." The City has commenced some work on basic database queries to provide alerts to changes in staff and suppliers profiles that include bank details. Other desired reports are being investigated but may not be possible due to lack of data or lack of understanding of the software database. 	<p>April 2023 May-2023</p> <p>July 2023 for bank detail alerts</p> <p>Other reports: TBA</p>

AUDIT LOG



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

AUDIT LOG



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

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
Office of the Auditor General Financial Audit for 2022/23				
EA: 2022/01 Rates Receivable Reconciliations Office of the Auditor General Financial Audit for 2022/23				July 2023
Finding From the review of the rates receivables reconciliations for February and March 2023, we found the reconciliations have not been adequately prepared and reviewed, as there was an unexplained variance of \$121,294,53 between the rates module and general ledger for both months.	Management Comment: Management completed the reconciliation in a timely manner with adequate supporting documentation. The variance identified above is a known issue that was raised with CIVICA in January 2023. The City is still waiting for a fix and hopes to have this issue resolved by July 2023. Management is comfortable with the design of the reconciliation as this item as identified as part of the process.			
Rating: Moderate				
Implication The absence of a robust process over reconciliations on period end balances can result in errors or omissions remaining undetected, leading to misstatements in the financial statements.				
Recommendation Management should review the design of their rates receivable reconciliation process to ensure balances are appropriately reconciled.				

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA: 2022/02 Bank Reconciliations</p> <p>Office of the Auditor General Financial Audit for 2022/23</p> <p>OUTSTANDING FROM PREVIOUS YEARS</p> <p>Finding</p> <p>From our review of bank account reconciliations for February and March 2023: we found the reconciliations were not adequately prepared and reviewed as they included receipts and payments that were incurred in the bank and recognised in the general ledger in the subsequent month, and therefore were inappropriate to be recognised as reconciling items. in addition, the general ledger balance at February was overstated by \$7,658.79 due to an incorrect journal that was identified by audit.</p> <p>From our review of investment account reconciliations for February and March 2023: we found the March 2023 reconciliation was not adequately prepared and reviewed. It contained a reconciling item of \$70,704.63 that was applicable to the February reconciliation and therefore was inappropriate to be a reconciling item in March.</p> <p>Findings relating to bank reconciliations have been raised since 2020-21.</p> <p>Rating: Moderate (2021-22 – Moderate)</p> <p>Implication</p> <p>Inappropriately prepared bank and investment reconciliations increases the risk of errors, omissions or fraud remaining undetected.</p> <p>Recommendation</p> <p>Management should review the design of their bank and investment reconciliation process to ensure balances are appropriately reconciled and properly completed and reviewed.</p>	<p>Management Comment:</p> <p>Management has implemented a new balance sheet reconciliations process that was rolled out in February 2023. As part of the bank reconciliation process additional steps were taken to explain items included on the system generated report that related to the next reporting period. This additional information will be removed for future bank reconciliations.</p> <p>Management will continue to improve the process and ensure all reconciling items are identified and reviewed in a timely manner.</p>			July 2023

6.2 INTERIM FINANCIAL AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2023**Attachments: 1. Interim Management Letter - 30 June 2023****RECOMMENDATION:**

That the Audit Committee recommend to Council that it NOTES findings from Office of the Auditor General's Interim Financial Audit Report 2023.

COMMITTEE DECISION ITEM 6.2**Moved: Mr Goy; Seconded: Mr Araj****That the recommendation be adopted.****CARRIED (5-0)****For:** Mr Manifis, Cr Wallace, Cr Gontaszewski, Mr Goy and Mr Araj**Against:** Nil**(Cr Alexander was an apology for the Meeting.)****(Cr Ioppolo was an apology for the Meeting.)**

At 5.40pm Chief Financial Officer left the meeting and did not return.

At 5.40pm Financial Controller left the meeting and did not return.

ATTACHMENT

CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	Rating		
	Significant	Moderate	Minor
Findings identified in the current year			
1. Rates receivable reconciliations		✓	
Matters outstanding from prior years			
2. Bank reconciliations		✓	

Key to ratings

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

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating 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 report, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

ATTACHMENT

CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Rates receivable reconciliations

Finding

Reconciliations are an essential control in managing the accuracy and completeness of the City's accounting records. The purpose of a reconciliation is to monitor the balances and understand the reconciling items.

From our review of the rates receivables reconciliations for February and March 2023, we found the reconciliations have not been adequately prepared and reviewed, as there was an unexplained variance of \$121,294.53 between the rates module and general ledger for both months.

Rating: Moderate

Implication

The absence of a robust process over reconciliations on period end balances can result in errors or omissions remaining undetected, leading to misstatements in the financial statements.

Recommendation

Management should review the design of their rates receivables reconciliation process to ensure balances are appropriately reconciled.

Management comment

Management completed the reconciliation in a timely manner with adequate supporting documentation. The variance identified above is a known issue that was raised with CIVICA in January 2023. The City is still waiting for a fix and hopes to have this issue resolved by June 2023.

Management is comfortable with the design of the reconciliation as this item was identified as part of the process.

Responsible person: Financial Controller
Completion date: July 2023

ATTACHMENT

CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Bank reconciliations

Finding

Bank reconciliations are an essential control in managing the accuracy and completeness of the City's accounting records.

From our review of bank account reconciliations for February and March 2023:

- we found the reconciliations were not adequately prepared and reviewed as they included receipts and payments that were incurred in the bank and recognised in the general ledger in the subsequent month, and therefore were inappropriate to be recognised as reconciling items.
- in addition, the general ledger balance at February was overstated by \$7,658.79 due to an incorrect journal that was identified by audit.

From our review of investment account reconciliations for February and March 2023:

- we found the March 2023 reconciliation was not adequately prepared and reviewed. It contained a reconciling item of \$70,704.63 that was applicable to the February reconciliation and therefore was inappropriate to be a reconciling item in March.

Findings relating to bank reconciliations have been raised since 2020-21.

Rating: Moderate (2021-22: Moderate)

Implication

Inappropriately prepared bank and investment reconciliations increases the risk of errors, omissions or fraud remaining undetected.

Recommendation

Management should review the design of their bank and investment reconciliation process to ensure balances are appropriately reconciled and properly completed and reviewed.

Management comment

Management has implemented a new balance sheet reconciliations process that was rolled out in February 2023. As part of the bank reconciliation process additional steps were taken to explain items included on the system generated report that related to the next reporting period. This additional information will be removed for future bank reconciliations.

Management will continue to improve the process and ensure all reconciling items are identified and reviewed in a timely manner.

Responsible person: Financial Controller
Completion date: July 2023

6.3 REVIEW OF THE CITY'S CORPORATE RISK REGISTER

- Attachments:**
- 1. Corporate Risk Register 2023**
 - 2. Risk Management Procedure**
 - 3. Risk Appetite and Tolerance Statements**

RECOMMENDATION:

That the Audit Committee recommends to Council that it:

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

COMMITTEE DECISION ITEM 6.3

Moved: Cr Gontaszewski, Seconded: Mr Goy

That the recommendation be adopted.

CARRIED (5-0)

For: Mr Manifis, Cr Wallace, Cr Gontaszewski, Mr Goy and Mr Araj

Against: Nil

(Cr Alexander was an apology for the Meeting.)

(Cr Ioppolo was an apology for the Meeting.)

NOTE: Mr Araj suggested improvements to how risk information is presented to the Committee and would provide a template to the Chief Audit Executive for consideration.



Corporate Risk Register

Controls Rating Table		
Level	Descriptor	Description
FE	Fully Effective	Controls are adequate, appropriate and fully effective. Overall control environment provides reasonable assurance that the risk is being managed. Control objectives are being met and no improvements to controls have been identified.
A	Adequate	A few specific control weaknesses noted however the overall control environment is adequate, appropriate and effective. Certain controls may require improvement to ensure that the overall environment will continue to operate effectively.
I	Inadequate	Numerous specific control weaknesses or gaps were noted. Overall control environment is not adequate or effective and fails to provide reasonable assurance that risks are being managed and control objectives are being met. The control environment needs improvement.

Risk Management Policy

Risk Identification				Assessment of Residual Risk				Control Rating	Risk Management Action (RMA)	RMA due date	Risk Owner	Assessment of Post RMA Risk			Control Rating	Assurance available	Last Updated
Risk Category	Risk Description	Comment	Existing Controls	Consequence Rating	Likelihood Rating	Overall Rating	Consequence Rating					Likelihood Rating	Overall Rating				
Finance, Procurement and Contracts																	
Supplier / contract management	There is a risk that inappropriate contract management in respect to initiation and management of contract with suppliers may result in the City's interests not being protected or the contract terms not being filled resulting in financial losses to the City	Contract initiation controls are strong. Contract management controls need more work.	1. Contract management framework 2. Contract register recording all contracts over \$50k 3. Updated CoV contract templates reviewed by a legal firm in place, use WALGA contract templates 4. Regular training in contract management provided to all staff 5. Contract management controls to be monitored through audits 6. Contract management support and guidance provided by experienced procurement and contracts team.	3	2	Medium	A	Develop an audit process to monitor the use and effectiveness of the contract management framework, contract templates.	TBA	Council (report to Audit Committee)	3	2	Medium	A	Monitoring of contracts register and procurement processes ongoing	05/01/2023	
Major project management	Large number of projects, limited resources and ineffective management of projects resulting in financial losses and potentially poor project outcomes for the City		New project management framework and project prioritisation in place, but in early stage of adoption.	2	3	Medium	I	1. Continue implementation of framework - Ongoing 2. Staff training on implementing framework - Complete 3. Ensuring timely reporting and accountability by staff - Ongoing 4. Ongoing prioritisation of existing projects. New CBP has identified 25 strategic projects. These will be reported on monthly internally and quarterly to Council 5. Continue to monitor and report on projects that are off track and over budget - ongoing.	Ongoing	Council (report to Audit Committee)	2	3	Medium	A	Regular reporting to Council and Audit	09/01/2023	
Financial stability, sustainability & reporting	Poor financial and management reporting regime leads to ineffective financial management and results in insufficient resources to operate the City effectively		The City has improved its financial and management reporting. There is a better understanding of funded and unfunded projects. Strategies for revenue generation are in place or planned.	2	2	Low	A	1. Annual update of LTFP - Ongoing 2. Improvement to monthly financial and management reporting and compliance with DLGSC recommended financial ratios - Ongoing 3. Financial sustainability assessed as part of the development of the City's strategic priorities and masterplans - Ongoing	Ongoing	Council (report to Audit Committee)	2	2	Low	A	Regular reporting to Council and Audit	09/01/2023	
Asset, sustainability and environment management																	
Inadequate asset management	Inadequate asset management, including accountability, controls, framework, accountability and inadequate systems to record and interrogate data to inform Asset renewal programs will result in poor asset management outcomes - financial loss and reputational damage	Event - asset failure impact - financial losses, reputational damage	Council have endorsed the Asset Management and Sustainability Strategy (AMSS) Asset Prioritisation (Buildings) implementation Plan - AMSS is on track for delivery in April 2023. Dedicated asset team is being established to guide delivery of the AMSS. Using alternative systems such as spreadsheets. Pay visit Annual review of asset renewal plans regular engagement with internal and external stakeholders	4	4	High	I	1. Develop an asset management strategy 2. Increase resource to implement the actions contained in the asset management strategy 3. Allocate additional financial resource for renewal of assets in the capital works program and operational budget Determine what asset management strategy is appropriate and implement it	early 2023	Council (report to Audit Committee)	4	3	High	I		09/01/2023	
Asbestos management	Inadequate framework to manage the risk in respect to asbestos on City owned or managed land, or land adjoining this, will leave the City vulnerable to staff and community harm resulting in financial loss and reputational damage		LOIS has prepared an asbestos register, and has developed an asbestos management framework in accordance with the legal advice received.	3	3	Medium	I	1. Finalise and implement the asbestos management framework, and communicate to staff. 2. Develop actions based on gaps identified in framework.	Ongoing	CEO (report to EMC)	3	3	Medium	A		09/01/2023	
Aging / unsafe assets (Leederville Oval grandstand)	Emerging safety risk associated with Leederville Oval grandstand - buildings have electrical and structural issues and will require significant capital work in future to ensure they remain safe.	This risk has significant financial implications.	Essential maintenance is carried out, budget permitting. Electrical switchboards have been upgraded and regular compliance audits scheduled. Grandstand has been inspected and is noted as structurally sound, minor works are scheduled to reinforce wall brick ties to support grandstand columns. Grandstand roof requires replacement and is waiting engineer certification on design specifications.	3	3	Medium	A	1. Develop an Asset Management Strategy to inform schedule for maintenance / upgrades required, and prioritise for assets. 2. If capital work is not undertaken it may be necessary for buildings to be left vacant, which results in a loss of rental income. 3. Grandstand repair works to improve structural integrity - securing wall ties. 4. Replacement of grandstand roof works are being scoped and budgeted for in 2022/2023.	Aug-22	CEO (report to EMC)	3	2	Medium	A		09/01/2023	

Aging / unsafe assets (Beatty Park grandstand)	Emerging safety risk associated with Beatty Park grandstand, as buildings have electrical and structural issues and will require significant capital work in future to ensure they remain safe.	This risk has significant financial implications.	Essential maintenance is carried out, budget permitting. Money allocated in 2020/21 budget for essential works at Beatty Park Grandstand.	3	3	Medium	A	Schedule for maintenance / upgrades required, and prioritise for assets. 2. If capital work is not undertaken it may be necessary for buildings to be left vacant, which results in a loss of rental income. 3. Beatty Park 2022 Option Project will identify future use and upgrade options and costs.	FY2023	CEO (report to EMC)	3	3	Medium	A	09/01/2022	
Aging / unsafe assets (Lila Stadium grandstand and buildings)	Emerging safety risk associated with Lila Stadium grandstand and buildings, as buildings have electrical and structural issues and will require significant capital work in future to ensure they remain safe.	This risk has significant financial implications.	Grandstand scheduled for demolition and redevelopment mid 2023	3	3	Medium	A	1. Develop an Asset Management Strategy to inform schedule for maintenance / upgrades required, and prioritise for assets. 2. If capital work is not undertaken it may be necessary for buildings to be left vacant, which results in a loss of rental income.	FY2023	CEO (report to EMC)	3	3	Medium	A	09/01/2022	
Service delivery - Industry Education and Enforcement Health Services	Failure to provide public health assurances relating to food safety at Vincent's food businesses, and patron safety in public buildings and lodging houses.	The risk may have reputational and public health implications.	Regulated business assessment frequencies tracked and reported. New and amended business applications prioritised and completed within adequate timeframe. Record management effective. Introduction of electronic assessment system, improved outcomes and tracking of trends possible.	3	3	Medium	I	Proposed tender for 3rd party contractor to undertake routine food safety, public building and lodging house site assessments.	Jun-23	CEO (report to EMC)	2	2	Low	A	25/01/2023	
Management of Vincent Underground Power Project (VUPP)	Failure to adequately manage the community engagement and financial management of payment obligations to Western Power to be recouped from the impacted property owners	This risk has significant financial implications. As project co-owner, the City shares project risks with Western Power.	1. Underground Power Reserve created. 2. Strong financial processes in place. 3. Competent finance and communications teams working closely with project manager. 4. Strong collaboration with Western Power. 5. Western Power project management is well organised. 6. Project manager appointed and sound project governance established. 7. Adhering to CoV project management methodology.	3	3	Medium		1. Develop and implement Financial Plan to include detailed financial modelling, determination of services charges, cash-flow management, and adequate financial reserves 2. Develop and implement Community Engagement Plan 3. Monitor and manage project delivery	2023	CEO (report to EMC)	2	3	Medium	A	1. Regular reporting to Project Board and EMC 2. Funding Agreement for each project area subject to Council approval	10/01/2022
OH&S, employment practices																
Safety and security practices for staff	Staff working alone, after C43hours works, accessing building sites and/or private property, negative interaction with members of the community. Lack of comprehensive risk management in respect to safety practices leads to a lack of understanding of the appropriate training needs and potentially inadequate action against risks.	Note that this risk depends on behaviour of public - which City can not control. So remains medium risk. The City ensures lone working is kept to a minimum.	Staff training, patron education, emergency equipment provision and safety audits. Follow working alone procedures, toolbox weekly for handover, vehicle handover and audit of PPE, GPS monitoring enabled enforcement and communication devices including body cams where determined high risk. Regular reporting of incidents to foster safety awareness culture	2	4	Medium	A	1. Review of safety management plan and systems 2. Identify high risk positions 3. Identify gaps in OH&S procedures 4. Refer to OH&S Committee 5. Improve safety culture (encourage employees to report hazards and incidents)	ongoing	Council (report to Audit Committee)	2	4	Medium	A	31/01/2022	
Business service disruption																
Disaster Recovery Plan & Business Continuity Management Strategy for Beatty Park Leisure Centre	Building or pool failure leading to an unexpected closure of part or whole of facility may lead to not meeting shareholder expectations and experiencing financial losses.		Asset audits, maintenance programs in place and reviewed regularly, communication strategies for any shutdowns note that Medium risk as plant failure can still occur despite strategies	3	3	Medium	A	1. Localize/create BCP for Beatty Park 2. Develop an asset plan and incorporate into short and long term budgets 3. Complete audit of assets 4. Create and implement a Plan for maintenance including finalising all contracts and agreements and reviewing as per the procurement policy	2022/23	CEO (report to EMC)	3	3	Medium	A	10/12/2022	
Emergency Management (Interagency)	Ineffective collaboration with agencies results in a poor relationship and ineffective cooperation regarding emergency management leading to ineffective disaster management with an impact of extended service outages, worsened disaster outcomes	Ensure adequate coverage and City officers/representatives attend training sessions and run desk top exercises. Ensure contact lists are reviewed and updated.	Local emergency management arrangements are in place with City of Perth and Western Central Councils LEMCs Regular monitoring of EM local Recovery Plans and EM strategies are ongoing.	2	3	Medium	A	1. Provide additional training for relevant staff members and community agencies. 2. Working towards implementation of exercises with WC LEMC 3. Exercises with WC-LEMC and CoP LEMC are to be conducted during the 2023/23 period. A desktop exercise is planned for 30th June 2022 testing LEMAs Local Emergency Recovery plans. 4. Conduct 4 desktop exercises per year - ongoing	1-3 July 2022 4-ongoing	CEO (report to EMC)	2	3	Medium	A	Audit of arrangements and the number of desktop exercises per year, and ensuring any Staff turnover is accounted for	31/01/2022
Cyber Security	The City suffers a material breach of Information Security through ineffective protocols and processes	This is trending as an escalating risk in many organisations	Ongoing improvements being made to: system controls, information access processes, staff awareness and training The City's ongoing work with Office of Auditor General provides a comprehensive annual review and report of the City's cyber security controls	3	4	High	A	1. Staff awareness training being introduced; 2. The City will introduce sensitivity labelling, data loss protection and also review its processes to minimise the collection and storage of personal information 3. ongoing review and improvement; internal penetration testing program will commence in 2023	Ongoing	Council (report to Audit Committee)	3	3	Medium	A	annual OAG audit; Cyber security insurance with LGS	31/01/2022
COVID-19 pandemic	Disruption to City service delivery, local business and community group operations and staff and community well being	COVID risk management is now more easy to predict in comparison to the early days of the pandemic in 2020	Operational BCP planning has been completed and risk measures have been implemented	2	3	Medium	A	1. Implement risk management controls for each service/ project/ program 2. Continue risk management controls and adapt to changing requirements	Ongoing	Council (report to Audit Committee)	2	3	Medium	A	monitoring COVID infections in the workforce and ensuring an appropriate response.	10/01/2022

Business Continuity through Workforce Reduction	Disruption to City service delivery resulting in Community and Council expectations not being met, failure to comply with statutory requirements and impacting staff well-being.	1. Failure to be competitive in the market to attract and retain suitable and experienced workforce. 2. Skills shortage and budget constraints. 3. Failure to support healthy workloads and to support sustainable life, family and work balance. 4. Failure to address constraints of increase workloads.	1. Supportive team values and culture 2. Succession planning 3. Flexible working arrangements 4. Investing in developing team members and training 5. Effective day-to-day supervision 6. Employee assistance programs 7. Service planning 8. Maintaining awareness of current issues 9. Seeking continuous improvement opportunities and operational efficiencies 10. Monitoring workload trends and salary savings	2	5	Medium	6	1. Competitive remuneration, and recruitment strategies to attract and retain qualified staff. 2. Continued resource allocation review	TBA	CEO (report to EMC)	2	2	Low	6	11/05/2023	
Governance, misconduct and fraud																
Corporate governance / legislative compliance	'Lack of an effective governance framework and culture, including risk management, leads to complacency in corporate governance, risk management and legislative compliance, potentially resulting in a failure to comply with legislative requirements and poor decision making	Resourcing required to implement actions identified by previous mg 17 review (improvement plan) and implement a compliance calendar, and ongoing monitoring / compliance checks.	1. Governance team undertakes manual checks to ensure legislative compliance and communicated governance principles and legislative requirements are communicated to organisation. 2. Findings and management actions arising from Reg 5 and 17 reviews are tracked and monitored in the City's Audit Log. The Audit Log is reported to Council bi-monthly through the Audit Committee. 3. The City's Governance framework defines systems, policies, processes and methodology for ensuring accountability, probity and openness in the conduct of City business. This 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. 4. The City has developed a comprehensive Risk Management Framework providing guidance to the organisations on risk identification, analysis, risk management procedure and responsibility.	3	2	Medium	A	Deliver and implement internal audit plan Review, update and implement the City's Corporate Compliance Calendar	3 year contract to deliver the IAP June 2023	CEO (report to EMC)	2	2	Low	A	1. mg 17 review 2. planned internal audit 3. Compliance calendar creates checklist 4. Audit Log is reported to EMC and Council	12/04/2023
Fraud Risk Management	A lack of coordinated approach to identification, mitigation, management and monitoring of fraud, through a fraud risk framework increases the Risk of fraud occurring potentially leading to reputational damage, and financial losses	Initial consideration by City has identified following fraud risk areas: 1. Payroll 2. Theft (property / money) 3. Credit card use 4. Procurement (invoices)	A coordinated approach to identification, mitigation, management and monitoring of fraud is now in place and implemented through the Fraud Management Policy and Plan. The Plan is reviewed annually and reported to the Council through the Audit Committee. Online training programs for Fraud Awareness and Accountable and Ethical Decision-making (AEDM) have been developed and implemented in accordance with the Fraud Management Plan. Training should also form part of induction and performance review processes	3	3	Medium	A	1. Tooling for fraud will form part of the internal audit plan, and random checks will be undertaken by procurement. 2. Online training programs for Fraud Awareness and Accountable and Ethical Decision-making (AEDM) to form part of induction and performance review processes 3. Regular staff assessment surveys to be developed and circulated to ensure learnings from integrity training are embedded - Ongoing 4. Requirement to assess the City's existing internal controls against examples of public sector fraud is underway. An annual pressure testing program is proposed for development. Examples of pressure tests include desktop review of case studies, process walk-throughs and data analysis.	1. subject to IAP schedule 2. June 2023 Ongoing 4 March 2023	Council (report to Audit Committee)	3	2	Medium	A	Audit Log is reported to EMC and Council; random checks on transactions, inventory and processes (e.g. HR and payroll)	06/01/2023
Complex land management / maintenance requirements	Management and maintenance of City controlled land within the Swan River Forebush, Aboriginal Heritage Sites and Development Control Areas	Urgent remedial path works at Banks Reserve undertaken in Feb 2019, no s 18 consent obtained. Caution issued by DPLH, may result in reputational damage, and if further non-compliances occur that could adversely impact relationship with DPLH	Process outlined in Promap: - 'Development/work on land containing an Aboriginal Heritage Site'; and - 'Development/work on City owned or managed land when relevant to works / management of land within the Swan River Forebush, Development Control Area or Aboriginal Heritage Site.'	3	3	Medium	A	Discuss process and requirements with DPLH, DSCA and other relevant government agencies to ensure compliance ahead of any works.	ongoing	CEO (report to EMC)	3	3	Medium	A	Annual review of process.	20/01/2022

Non-compliance with drafting requirements for local laws	Additional administrative time and costs associated with redrafting of local laws to meet legislative requirements for local laws (Local Government Property Local Law, Parking Local Law and Animal Local Law occurring	Joint Standing Committee on Delegated Legislation found issues in the Local Govt Property Local Law 2021 and requested undertakings, resulting in the City needing to adopt an amendment local law within a limited time frame.	Department of Local Government's guidelines and WALGA templates	4	2	Medium	A	1. Discuss drafting further with Department, to ensure drafting meets Joint Standing Committee's requirements 2. Seek legal advice ahead of finalising local laws when necessary.	ongoing	CEO (report to EMC)	3	2	Medium	A	20/01/2022
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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



RISK MANAGEMENT PROCEDURE

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

RISK MANAGEMENT PROCEDURE



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*' (**CECs**) 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:



RISK MANAGEMENT PROCEDURE

- **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



RISK MANAGEMENT PROCEDURE

- 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.



RISK MANAGEMENT PROCEDURE

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.

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:

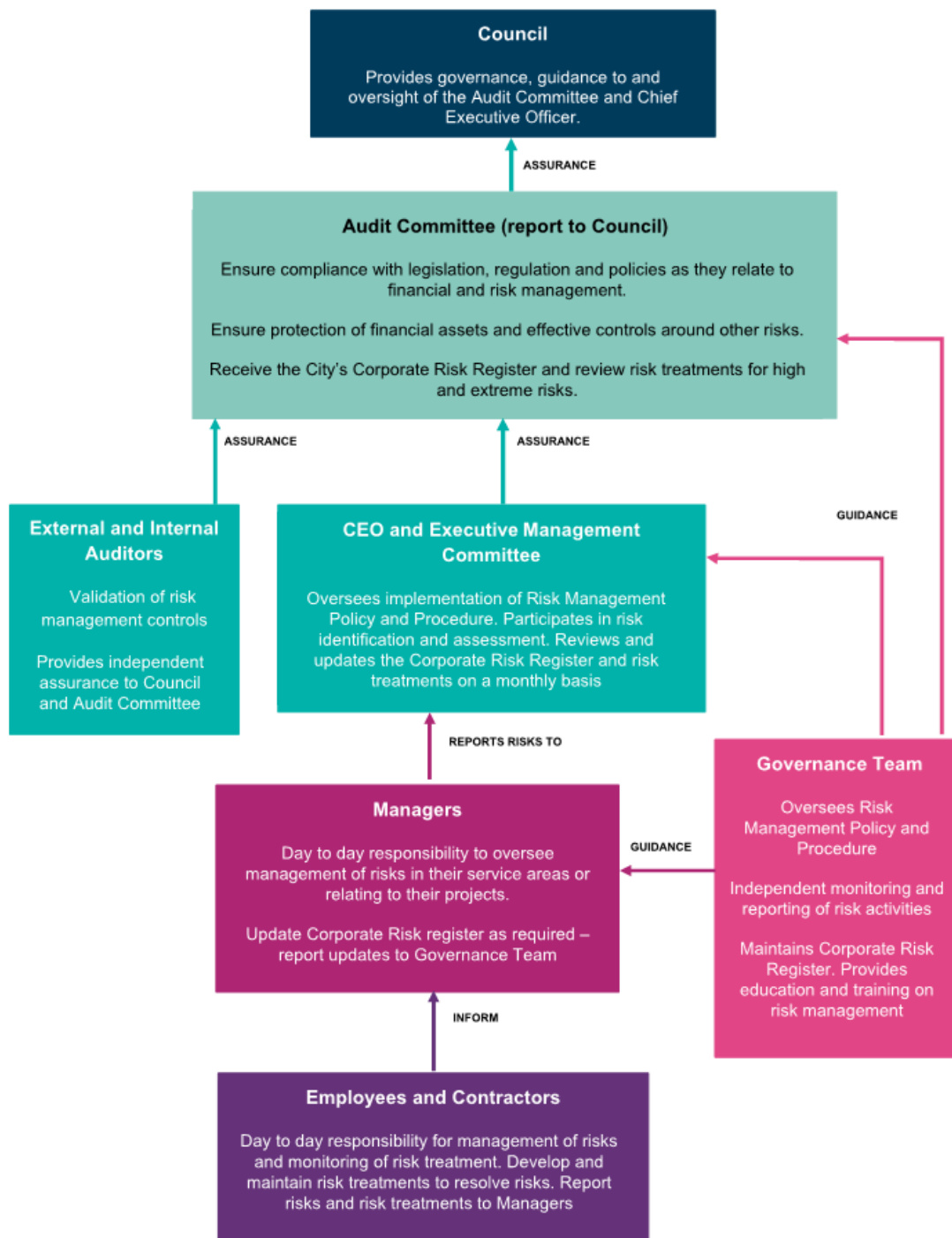
- Ensuring the City's Corporate Risk Register is reviewed monthly and presenting it to the Executive Management Committee.
- Presenting the Corporate Risk Register to the Audit Committee.
- Reviewing the Policy and Procedure annually to ensure they remain relevant and reflect the City's risk management 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**.



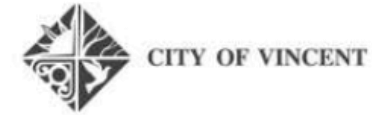
RISK MANAGEMENT PROCEDURE

ATTACHMENT 1 – RISK RESPONSIBILITY



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 APPETITE & TOLERANCE STATEMENTS



Overall City of Vincent risk appetite 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.

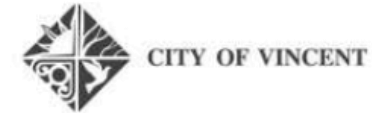
The City seeks to minimise its exposure to key risks relating to people, financial operational and regulatory and compliance responsibilities, while still taking action. We will ensure appropriate measures to mitigate our risks are in place.

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 in excess of \$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: <ul style="list-style-type: none"> - Surplus - Balance sheet ratios - Profit and loss ratios - Rate of return on investments 	Based on risk consequence criteria - Risk of loss or missing budget in excess of \$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.

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

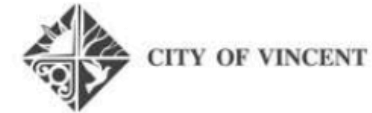
RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
<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 the vicinity \$100,001 to \$250,000 (0.17% - 0.43% of operating budget).
<i>Specific ratios -</i> No specific rating given as these are set parameters that the City has determined that it must operate within. Ratios (and thresholds) are determined by the State Government.	<ul style="list-style-type: none"> The City's debt to service ratio must always be above 5. Total Liabilities are never to exceed Total Assets Proposals supporting debt funding must be supported by a cash flow analysis that is financially sustainable 	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. Financial sustainability for debt funding will need to consider: <ul style="list-style-type: none"> Free cash flow for monthly, capital or balloon payments Interest cover - refer above for the level of financial risk acceptable Cost of not undertaking project - i.e., repairs and maintenance of the current solution Future cost of new project once implemented - i.e., for a community centre, insurance, licences etc
Business collaboration		
<i>Commercially viable collaboration</i>	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.	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

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

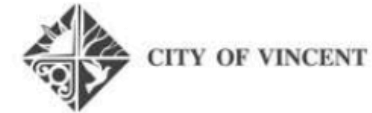
RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
		collaboratively with an Arts organisation to set up a 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>Environmentally dangerous activity</i>	<p>The City supports investments, activities and developments that result in a sustainable future for our community while meeting the current needs of our residents.</p> <p>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.</p>	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 Project Management Framework implementation and future actions.

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

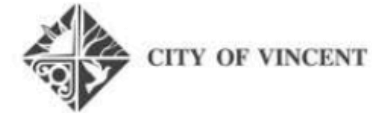
RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
<i>Ecologically sustainable decisions</i>	The City has a high risk appetite for ecologically sustainable decisions	Activities that favour environmentally conscious actions will more likely be approved than those that don't. Furthermore, the City will act swiftly against actions that are detrimental to the environment.
<i>Resource wastage</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 and a high risk appetite for decisions that promote ecologically sustainable development. 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 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	Refer above.

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

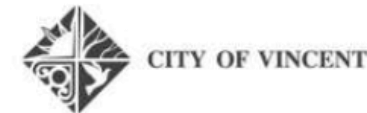
RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
	sensitivity. It has a low risk appetite for behaviour or conduct which does not meet these standards.	
Human Resource	The City has a low risk appetite for human resource risk.	
<i>Lack of Staff feedback & development</i>	The City has a low risk appetite for risk in practices or behaviours that lead to staff not receiving feedback and development; resulting in low staff performance, moral and staff retention.	KPI's need to be developed that ensure that staff performance management is undertaken within certain timeframes and parameters - timely responses and feedback provided, and that retention ratios are considered and acted on were outside norms. Regular surveys will support understanding moral & engagement and to understand what can be done to improve areas.
<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.
<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.	
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 risk.
<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.	

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

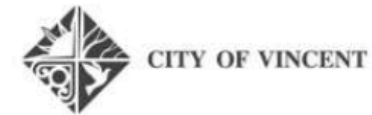
RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
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.	See below
<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 will investigate all allegations and take action to the full extent of its capacity.
<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.	

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

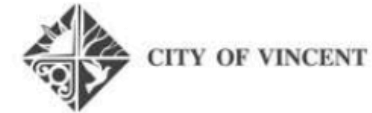
RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
<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>Compromising information, its management, security, and storage</i>	The City has a very low appetite for the compromise of processes governing the integrity of, and access to, information; the use of information, its management, security, and storage.	The City wishes to keep the information it has custody of, safe, secure, and uncompromised. Accordingly, it requires appropriate governance, a framework and processes in place for managing this risk.
<i>Information management and Security risk</i>	The City of Vincent has very low appetite for information management and security risk.	
<i>Internal or External threats to private information</i>	The City has no appetite for threats to private information arising from internal breaches or external malicious attacks.	
<i>Deliberate misuse of information</i>	The City has no appetite for the deliberate misuse of information.	
<i>Breaches of the Code of Conduct</i>	The City has no appetite for repeat breaches of the Code of Conduct.	
<i>Safe & approved Systems Development</i>	The City has a moderate risk appetite for systems development and changes where it is within the approved strategy, budget, and plans; and appropriate safeguards are installed.	Systems development always comes with an inherent risk factor, accordingly there must be an acknowledgement that for changes to occur some risk must be taken, however appropriate project plans 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	

City of Vincent Risk Appetite and Tolerance Statements - D20/26234

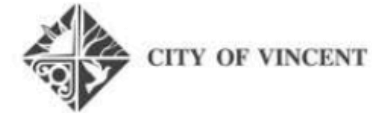
RISK APPETITE & TOLERANCE STATEMENTS



Risk Category	Risk Appetite / Tolerance Statement	Descriptor /clarification
	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 of sustainability and achievement of objectives. (See sustainability above)	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 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 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 - D20/26234

RISK APPETITE & TOLERANCE STATEMENTS



Strategic Risks & 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 - D20/26234

6.4 FRAUD AND CORRUPTION PREVENTION PLAN - ANNUAL REVIEW

- Attachments:**
- 1. Fraud and Corruption Prevention Plan**
 - 2. Summary of Proposed Actions**
 - 3. Evaluation of Existing Controls - Public Sector Risks - Confidential**

RECOMMENDATION:

That the Audit Committee recommends to Council that it:

- 1. NOTES the progress delivery summary of the Fraud and Corruption Prevention Plan as detailed within this report; and**
- 2. APPROVES the proposed actions summarised at Attachment 2.**

COMMITTEE DECISION ITEM 6.4

Moved: Mr Araj, Seconded: Cr Gontaszewski

That the recommendation be adopted.

AMENDMENT

Moved: Mr Araj, Seconded: Mr Manifis

That a recommendation be added as follows:

- 3. REQUESTS Administration provides quarterly updates to the Audit Committee on the Fraud Management Plan 2023 – Action Log.**

AMENDMENT CARRIED (5-0)

For: Mr Manifis, Cr Wallace, Cr Gontaszewski, Mr Goy and Mr Araj

Against: Nil

(Cr Alexander was an apology for the Meeting.)

(Cr Ioppolo was an apology for the Meeting.)

COMMITTEE DECISION ITEM 6.4

That the Audit Committee recommends to Council that it:

1. **NOTES** the progress delivery summary of the Fraud and Corruption Prevention Plan as detailed within this report; and
2. **APPROVES** the proposed actions summarised at Attachment 2.
3. **REQUESTS** Administration provides quarterly updates to the Audit Committee on the Fraud Management Plan 2023 – Action Log.

CARRIED (5-0)

For: Mr Manifis, Cr Wallace, Cr Gontaszewski, Mr Goy and Mr Araj

Against: Nil

(Cr Alexander was an apology for the Meeting.)

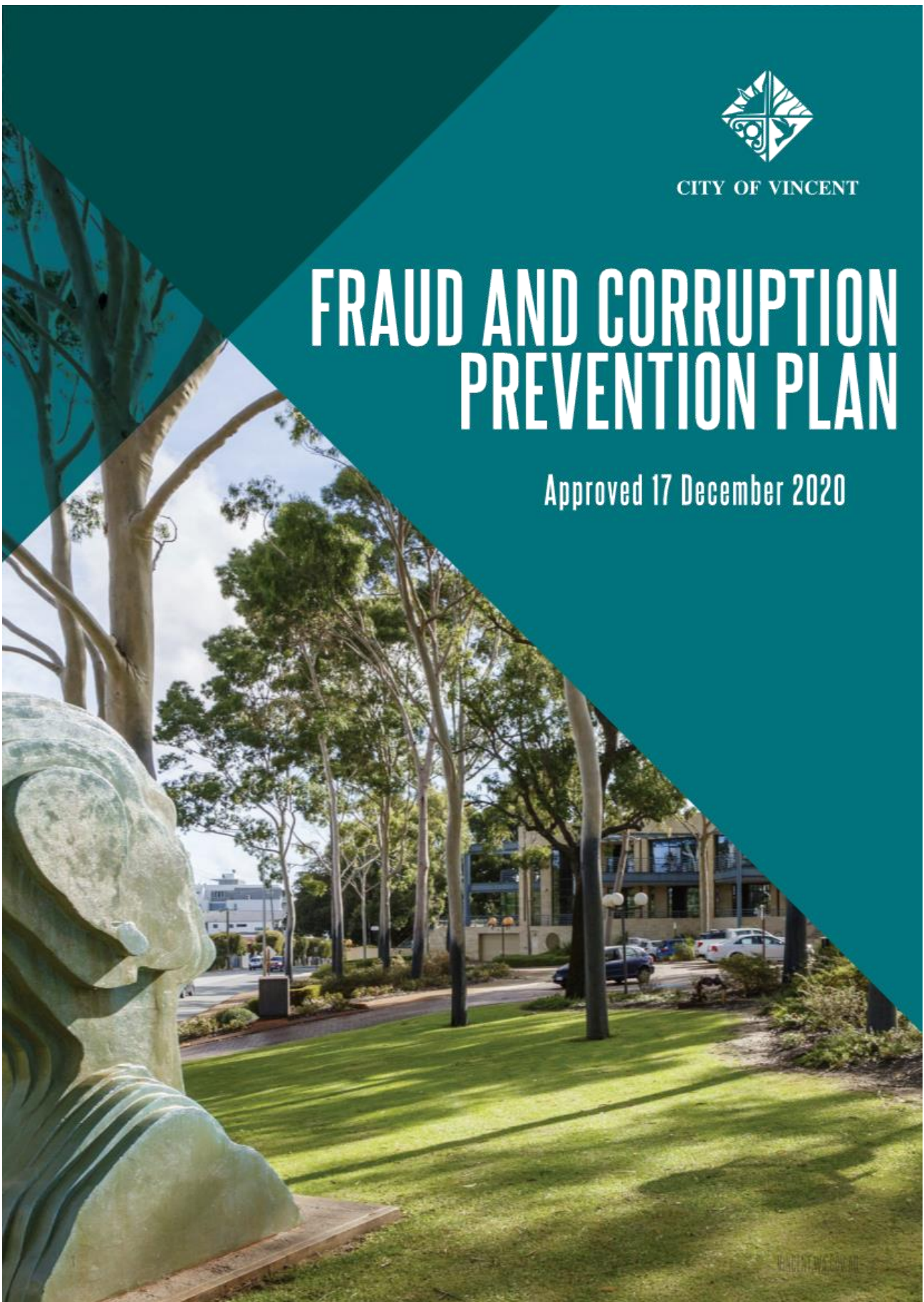
(Cr Ioppolo was an apology for the Meeting.)



CITY OF VINCENT

FRAUD AND CORRUPTION PREVENTION PLAN

Approved 17 December 2020



Fraud and Corruption Prevention Plan



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Fraud and Corruption Prevention Plan



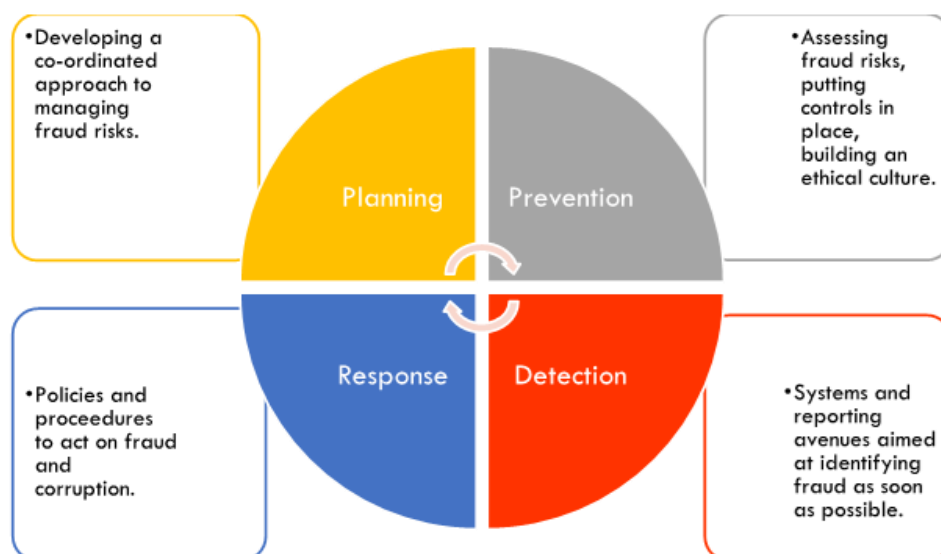
Executive Summary

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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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



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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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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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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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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Fraud and Corruption Prevention Plan



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 miss-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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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
Next review	Date 15/02/2023

ENGAGING | ACCOUNTABLE | MAKING A DIFFERENCE

D22/02583

Fraud Management Plan Review 2023 – Proposed Actions

#	Proposed Action	Responsibility	Due Date
1	<p>Develop an integrity framework, based on the Public Sector Commission's template integrity framework to underpin the principles outlined in the Better Practice Guide and align with the requirements of Australian AS 8001:2021 Standard Fraud and Corruption Control.</p> <p>The framework will:</p> <ul style="list-style-type: none"> link existing policies, procedures, statements, and codes relevant to fraud and corruption risk; assign responsibilities for defining, supporting, controlling and enforcing integrity across the City; outline the systems and activities used to detect fraud, corruption, integrity breaches and other errors and irregularities; and model and embody a culture of integrity 	Executive Manager Corporate Strategy and Governance in consultation with Executive Management and Audit Committees.	June 2024
2	<p>Facilitate fraud and corruption risk awareness training/workshops for all Managers and key personnel with the aim of identifying key areas of vulnerability at the City.</p> <p>Identified fraud and corruption risks are to be documented and managed within the City Risk Management Framework.</p>	<p>Executive Manager Human Resources & Executive Manager Corporate Strategy and Governance to facilitate training.</p> <p>All Managers to attend training and complete fraud and corruption risk assessments for service areas.</p>	June 2024
3	<p>Develop and implement fraud and corruption control programs that are aligned to the level and nature of corporate risks.</p> <p>Programs will include, but not be limited to:</p> <ul style="list-style-type: none"> Integrity education and training programs; Pressure testing programs; and Fraud and corruption detection programs <p>Fraud and corruption control programs will enable Administration to measure and report on implementation of the integrity framework.</p>	Executive Manager Corporate Strategy and Governance in consultation with Executive Management and Audit Committees.	June 2024
4	<p>Update the City's Fraud and Corruption Prevention Policy to align with the Australian AS 8001:2021 Standard Fraud and Corruption Control</p>	Executive Manager Corporate Strategy and Governance in consultation with Executive Management and Audit Committee.	June 2024

6.5 AUDIT COMMITTEE - FORWARD AGENDA 2023**Attachments: 1. Audit Committee Forward Agenda 2023****RECOMMENDATION:**

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

COMMITTEE DECISION ITEM 6.5**Moved: Mr Goy, Seconded: Cr Wallace again**

That the recommendation be adopted.

CARRIED (5-0)**For:** Mr Manifis, Cr Wallace, Cr Gontaszewski, Mr Goy and Mr Araj**Against:** Nil**(Cr Alexander was an apology for the Meeting.)****(Cr Ioppolo was an apology for the Meeting.)**

NOTE: Request feedback from all audit reports, as well as project management reporting and an internal audit draft charter be taken to the August 2023 meeting.

Internal Audit Activities on the agenda for 10 August 2023 to be deferred to the last meeting of 2023.

Audit Committee Forward Agenda 2023

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

CATEGORIES:

- Committee Operations
- Financial Reporting & External Audit (OAG)
- Internal Audit Activities
- Risk Management & Internal Control
- Ethics and Compliance
- Other Matters

D23/2825

7 GENERAL BUSINESS

7.1 Budget Opening Surplus Variance

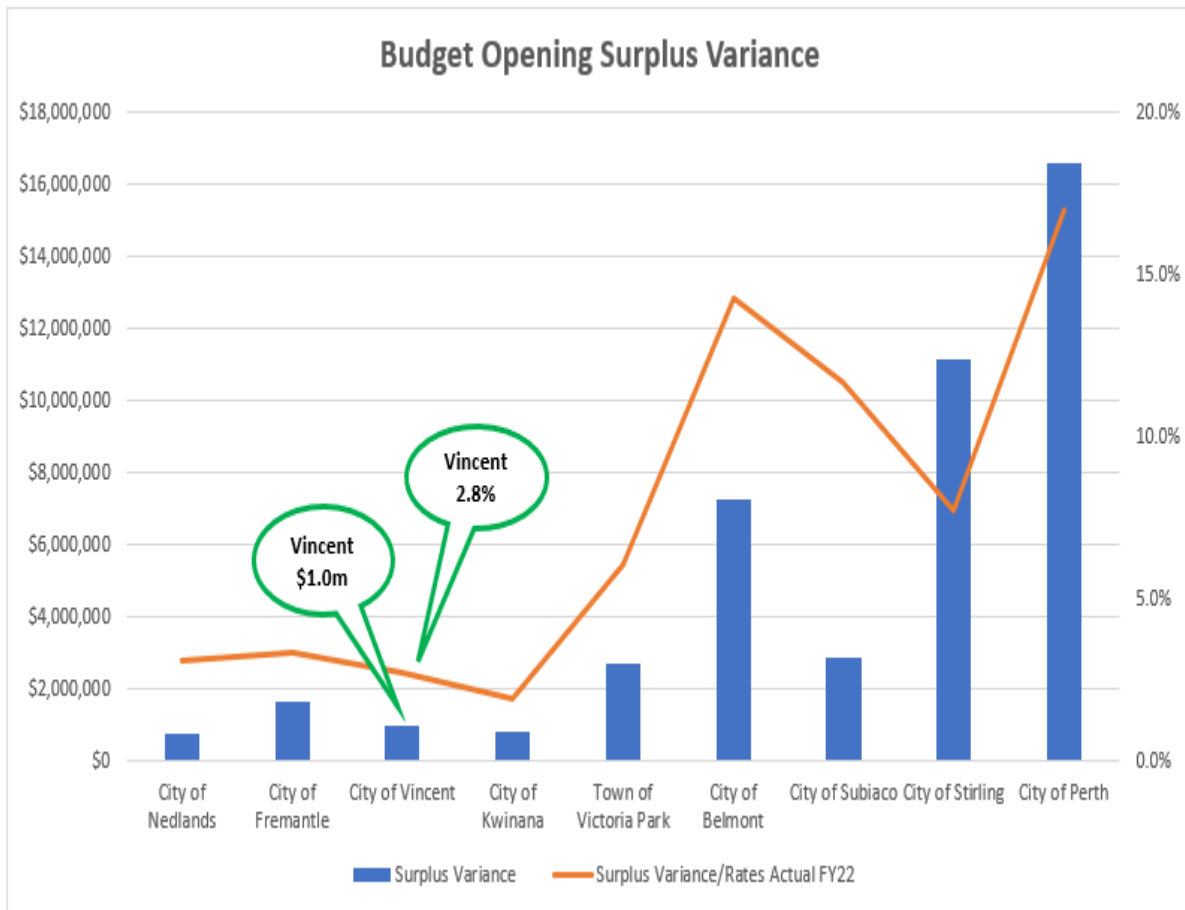
At the recent Audit Committee meeting Administration was asked to see how Vincent's opening budget surplus variance of \$1.0m benchmarked against other Local Governments.

We have prepared the analysis below against several other Local Governments and as you will see Vincent's opening surplus variance was the **3rd lowest** in dollar value and **2nd lowest** as a percentage of rates.

The opening surplus variance ranged from **\$0.8m to \$16.6m**, with a mean of \$5.0m and median value of \$2.7m. As a percentage of rates this ranged from **1.9% to 17.0%**, with a mean of 7.5% and a median value of 6.1%.

We will continue to review our processes year on year to ensure our estimated opening surplus is as accurate as possible. The analysis below does provide us with comfort that our estimate last year was one of the most accurate when benchmarked against several of our peers.

	Opening Surplus Variance	Surplus/Rates
City of Nedlands	781,589	3.1%
City of Fremantle	1,680,876	3.4%
City of Vincent	1,019,862	2.8%
City of Kwinana	827,711	1.9%
Town of Victoria Park	2,696,615	6.1%
City of Belmont	7,247,207	14.3%
City of Subiaco	2,900,200	11.7%
City of Stirling	11,170,108	7.7%
City of Perth	16,599,593	17.0%



7.2 Organisation Structure

The Audit Committee requested that the CEO provide an update on the Organisation Structure in relation to the responsibilities of each directorate and capacity to deliver services and projects.

8 NEXT MEETING

31 August 2023

9 CLOSURE

There being no further business the meeting closed at 6.10pm.

These minutes were confirmed at the 31 August 2023 meeting of the Audit Committee as a true and accurate record of the Audit Committee meeting held on 29 June 2023

Signed: Mr Conley Manifis

CM

Dated 31 August 2023