



CITY OF VINCENT

ATTACHMENTS

Audit Committee

6 July 2021

Table of Contents

5.1	OAG entrance meeting 2020/21 audit	
	Attachment 1 Entrance meeting - Planning Summary.....	4
5.2	Amendments to the City's Risk Management Policy and Procedure	
	Attachment 1 Draft Amendment 1 to Risk Management Policy (tracked changes).....	19
	Attachment 2 Draft Risk Management Procedure	25
5.5	Review of the City's Audit Log	
	Attachment 1 Audit Log as at 28 June 2021	35

Office of the Auditor General
Western Australia

Annual financial report audit - Planning summary

City of Vincent

Year ended 30 June 2021

6 July 2021



1. The planning summary

This summary of our audit plan explains our approach to the audit of the annual financial report.

In particular, this summary includes:

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

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

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

2. Introduction

The annual financial statement audit of your local government is one of 148 local government and regional council that the Auditor General will perform for 2020-21. We have elected to use our OAG staff to perform your audit in-house.

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

It is important to note that:

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

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

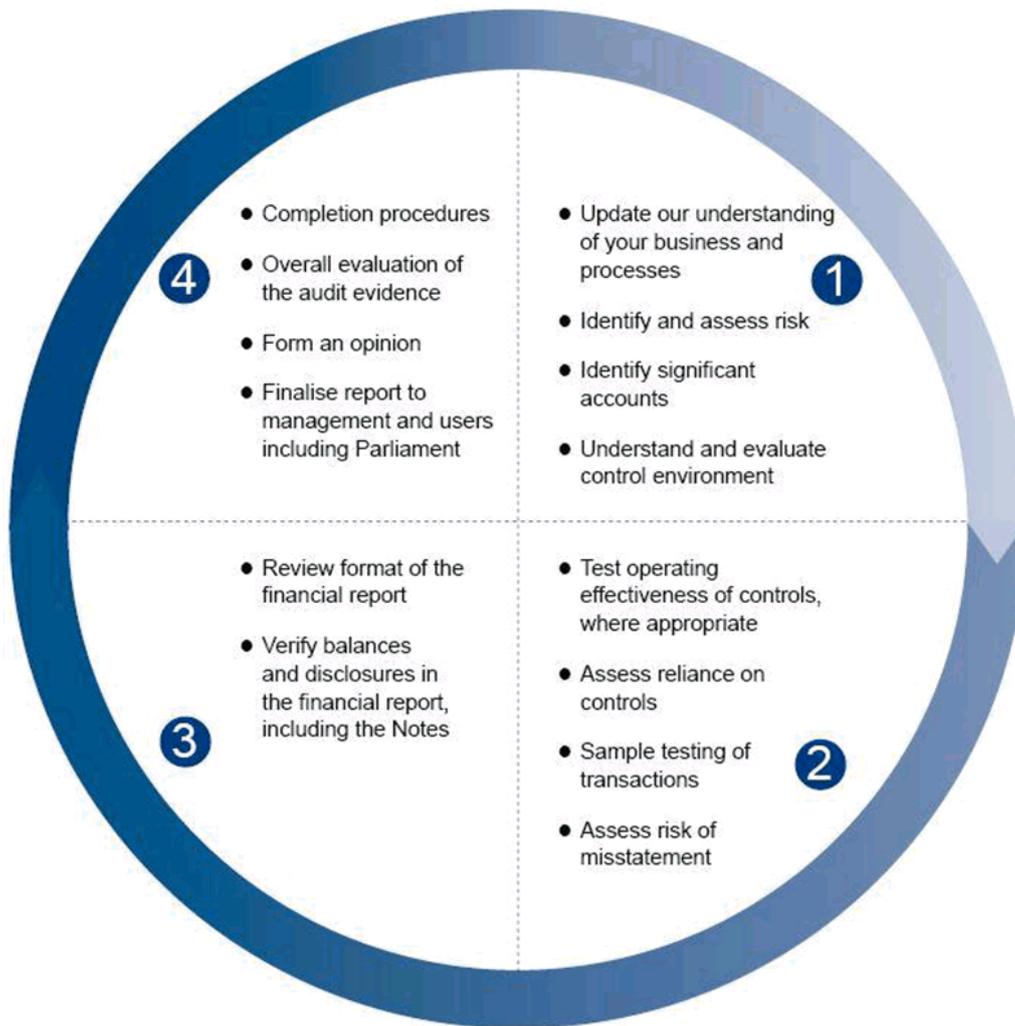
The nature of the audit is influenced by factors such as:

- the use of professional judgement
- selective testing
- the inherent limitations of internal controls
- the availability of persuasive rather than conclusive evidence.

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

3. Our audit approach

Our audit approach comprises four steps:



4. Significant risks and other audit issues

Through discussions with your staff and the previous auditors, we have identified the following issues and key areas of risk affecting the audit.

Details of risk / Issue	Audit approach
<p>Audit findings reported in the previous audit</p> <p>Financial audit</p> <ul style="list-style-type: none"> 5 significant, 3 moderate and 1 minor <p>Information systems audit</p> <ul style="list-style-type: none"> 2 significant, 21 Moderate and 1 minor <p>Refer to Appendix A for a brief description of the findings.</p>	<p>We will follow up these issues to assess the extent of action taken.</p>
<p>Key changes to accounting and auditing standards that impact your entity for the first time this year:</p> <ul style="list-style-type: none"> <u>AASB 1059 Service Concession Arrangements - Grantors</u> This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. <u>ASA 540 Accounting Estimates (Revised)</u> The revised standard further emphasise the requirements on the management estimation process. Management's methods, assumptions and data used in determining the estimate and related disclosures on the financial statement. 	<p>We will review management's assessment of the impact of the new or revised standards, determine whether, to the extent necessary, your entity has applied the standards correctly, and ensure the annual financial report complies with the revised requirements of each standard.</p>
<p>Accounting for the City's joint ventures:</p> <ul style="list-style-type: none"> Mindarie Regional Council Tamala Park Regional Council 	<p>We will review management's assessment of the impact of the transaction, determine whether, to the extent necessary, your entity has treated the transaction correctly.</p>
<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> provision for annual and long service leave fair value of assets impairment of assets reasonableness of useful lives for PPE 	<p>We will review the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. This will include considering the reasonableness of assumptions and corroborating representations.</p>
<p>Changes to the financial management system that impact for the first time this year</p> <ul style="list-style-type: none"> revision to the City's chart of accounts 	<p>We will review the changes made to the City's chart of account and ensure the</p>

Details of risk / Issue	Audit approach
	revised chart of account allows for accurate statutory reporting.
Important changes in management or the control environment	As at the date of the entrance meeting, we are not aware of any changes in management or the control environment. Where we are made aware of changes during the audit, we will review any relevant changes to management roles and related delegations, to confirm that no temporary or ongoing control gaps have occurred.

5. Audit emphasis and significant account balances

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

We have initially assessed the controls as conducive to reliable processing of financial and performance information and effective internal control.

Our audit methodology provides for business cycle controls to be tested on a rotation basis over a period of three years.

The extent of our reliance on controls, together with the materiality level, determines the nature and extent of our audit procedures to verify individual account balances, classes of transactions and disclosures.

This year, we will test controls on the following business cycles:

- Payroll

The controls for the following business cycles will be reconfirmed, as we understand that there have been no significant changes since they were last tested:

- Revenue
- Expenses
- Property, plant and equipment

Our audit will be split into two components, the interim audit and the final audit. Majority of the audit work will be performed during final audit.

The interim audit will focus on:

- addressing prior year's audit findings
- reviewing entity's assessment on AASB 1059 *Service Concession Arrangements – Grantors*
- clarifying significant accounting issues before the annual financial report is prepared for audit

- updating our understanding of the control environment and assessing the design and implementation of key controls

The final audit includes:

- updating our understanding of the City's business
- Assessing the operating effectiveness of key controls where appropriate
- sample testing transactions to confirm the accuracy and completeness of processing accounting transactions
- verifying material account balances, classes of transactions and disclosures using a combination of substantive analytical procedures, tests of details, substantiation to subsidiary records and confirmation with external parties
- reviewing the annual financial statement and notes for compliance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

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

The key objectives of the information systems audit are to:

- Provide a preliminary conclusion over the General IT Controls covering the following:
 - Information Security
 - Change Control
 - Information Resource Strategy and Planning
 - IT Operations
 - Risk management / Internal Audit
 - Business Continuity
- Assess the adequacy of these controls
- Conduct testing (operating effectiveness) on selected IT controls as per our test plans
- Follow up of IS audit issues raised in the previous audit; and
- Complete the Capability Maturity Assessment.

The planned information system audit approach is as follows:

- Determine whether appropriate controls are in place;
- Prepare and execute test plans to obtain assurance of the operation of controls,
- Review appropriate documentation,
- Evaluate the effectiveness of the controls.
- Internal vulnerability scans of Finance, HR systems and key operational systems identified.

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

Significant account	2020 Audited balance \$'000	Audit approach
Statement of financial position		
Cash and cash equivalents	7,539	<ul style="list-style-type: none"> Review internal controls and reconciliations Verify year end balance through bank confirmations Analytical review
Trade and Other Receivables (current and non-current)	4,289	<ul style="list-style-type: none"> Year end cut-off testing Review subsequent receipts Review provision for doubtful debts Analytical review Obtain listing of prepayments and select a sample to recalculate prepayment amount
Financial assets measured at amortised cost	12,643	<ul style="list-style-type: none"> Confirm fair value of managed funds to year end statements from investment funds
Equity accounted investments	9,593	<ul style="list-style-type: none"> Confirm fair value of investments to audited financial statement of associates
Property, plant and equipment	285,275	<ul style="list-style-type: none"> Review key processes/controls Verify asset additions and disposals Assess assets for impairment
Infrastructure	178,007	<ul style="list-style-type: none"> Test items posted to construction in progress to assess appropriateness of expenses being capitalised Assess whether carrying amounts approximate fair value Confirm balances to independent valuation reports
Trade and Other Payables	6,702	<ul style="list-style-type: none"> Review of key processes/controls Test for unrecorded liabilities Year end cut off testing Analytical review
Borrowings (current and non-current)	8,804	<ul style="list-style-type: none"> Agree amounts to lender confirmation Review the current – non-current classification of the borrowings in the financial statements
Provisions (current and non-current)	4,806	<ul style="list-style-type: none"> Review the reasonableness of assumptions and calculations Agree amounts to management's calculations Analytical review

Significant account	2020 Audited balance \$'000	Audit approach
Statement of comprehensive income		
Rates revenue	35,679	<ul style="list-style-type: none"> Review of key processes and controls Analytical review Year end cut off testing
Operating grants and subsidies	2,011	<ul style="list-style-type: none"> Review of key processes and controls Sample testing of transactions
Fees and charges	15,719	<ul style="list-style-type: none"> Review of key processes and controls Analytical review Year end cut off testing
Employee related expenses	25,474	<ul style="list-style-type: none"> Review of key processes and controls Analytical review
Materials and contracts	16,704	<ul style="list-style-type: none"> Review of key processes and controls Sample testing of transactions Analytical review
Depreciation and amortisation	13,918	<ul style="list-style-type: none"> Review of management's assessment of the useful lives of assets and assess reasonableness. Analytical review
Other expenses & utility charges	4,657	<ul style="list-style-type: none"> Review of key processes/controls Sample testing of transactions Analytical review
Statement note disclosures		
Elected members remuneration and key management personal compensation	1,264	<ul style="list-style-type: none"> Verify to contracts/agreements Review accounting treatment
Major land transactions		<ul style="list-style-type: none"> Review disclosure for compliance with the relevant legislation Verify transactions to underlying source documents
Major trading undertaking		<ul style="list-style-type: none"> Review disclosure for compliance with the relevant legislation Review management process for reporting major trading undertakings
Related parties transactions		<ul style="list-style-type: none"> Obtain representation from relevant parties Review of transactions
Reserves		<ul style="list-style-type: none"> Review of transactions Sample testing of transactions
Financial ratios		<ul style="list-style-type: none"> Review of calculations, assessment of adverse trends
Contingent assets and liabilities		<ul style="list-style-type: none"> Obtain representation from management Obtain confirmations from relevant agencies Review of minutes and legal expenditure Assess reasonableness of disclosures

6. Management representation letter

The above audit procedures assume that management expects to be in a position to sign a management representation letter. The proposed letter for this purpose is attached. This letter should be reviewed and tailored to meet your local government's particular circumstances, and be signed and dated by the CEO and Director Community and Business Services as close as practicable to the date of the proposed auditor's report. Ordinarily, this would be no longer than five working days prior to the issue of the auditor's report.

Please bring to the attention of the Mayor that we will also be relying on the signed Statement by CEO in the annual financial report as evidence that they confirm:

- they have fulfilled their responsibility for the preparation of the annual financial report in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards
- they have provided us with all relevant information necessary or requested for the purpose of the audit
- all transactions have been recorded and are reflected in the annual financial report.

7. Related entities

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

8. Reporting protocols

Significant issues identified during the course of the audit will be discussed with relevant staff and management as soon as possible after being identified. Draft management letters will be provided to your Executive Manager Financial Services (or other nominated representative) for coordination of comments from appropriate members of your management. We request that these be returned quickly, preferably within 10 working days.

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

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

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

Thereafter, as required by section 7.12AD(2) of the *Local Government Amendment (Auditing) Act 2017* we will give our auditor's report to the CEO, the Mayor and Minister. We will also give them any management letter issues, including interim management letters.

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

9. Proposed audit schedule

	Date
Audit planning	June 2021
Interim audit	8 June to 11 June 2021
Information systems audit	June & July 2021
Final trial balance	By 30 September
Receipt of annual financial report	By 30 September
Final audit	11 October to 5 November 2021
Final management letter for comment	By 12 November
Responses received to final management letter	By 19 November
Exit meeting papers distributed & financial statements cleared for signing	26 November
Exit meeting (Audit Committee meeting)	30 November*
Receipt of signed financial statements	30 November
Audit opinion issued	By 7 December (within 5 working days of the receipt of signed financial statements and management representation letter)

*Timing of the exit meeting is dependent on the provision of high quality draft financial statements presented to audit with minimal changes required between the draft and final version along with timely resolution of any accounting issues.

10. Audit evidence – specific audit requirements

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

11. Audit fee

Our expected cost for this year is estimated at \$54,100 (last year's fee was \$55,000). Our indicative fee is based on full cost recovery. It is calculated from an estimate of the time required by our staff to complete your audit, and includes a proportion of the OAG's financial audit related overheads, for example the cost of preparing reports to Parliament.

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

Additional costs requiring a supplementary fee can arise from such things as significant accounting issues, errors in the financial report, breakdowns in internal controls, delays in providing information to audit staff, or your staff being unavailable to discuss issues with the audit team. Where circumstances arise that impact on our audit costs we may need to revise the indicative fee at the completion of the audit.

12. Your audit team

	Name	Contact
Assistant Auditor General Financial Audit	Grant Robinson	6557 7526 Grant.Robinson@audit.wa.gov.au
Engagement Leader	Mark Ambrose	6557 7521 Mark.Ambrose@audit.wa.gov.au
Engagement Manager	Jeff Sweetman	6557 7539 Jeff.Sweetman@audit.wa.gov.au
Team Leader	Nancy Wong	6557 7617 Nancy.Wong@audit.wa.gov.au
Engagement Team	Lisa Lilley Georgia West Tiffany Foo	Lisa.Lilley@audit.wa.gov.au Georgia.West@audit.wa.gov.au Tiffany.Foo@audit.wa.gov.au
Information Systems Audit Consultant	Kamran Aslam	6557 7582 Kamran.Aslam@audit.wa.gov.au

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

13. Other audit activities

The OAG has recently tabled the following reports in Parliament. These are available at www.audit.wa.gov.au along with details of other audits we are currently performing. In reporting, we aim to identify good practice and opportunities for improvement. You may therefore wish to review these reports as they may have relevance to your local government.

Report	Date tabled
Information Systems Audit Report 2021 – State Government Entities	16 June 2021
Western Australian Public Sector Financial Statements – Better Practice Guide	14 June 2021
Audit Results Report – 2020 Financial Audits of Universities and TAFEs	2 June 2021
Delivering Essential Services to Remote Aboriginal Communities – Follow-up	2 June 2021
Local Government General Computer Controls	12 May 2021
Regulation and Support of the Local Government Sector	30 April 2021
Regulation of Consumer Food Safety by the Department of Health	1 April 2021
Department of Communities’ Administration of Family and Domestic Violence Support Services	11 March 2021
Application Controls Audit	9 March 2021
Grants Administration	28 January 2021
COVID-19 Relief Fund	21 December 2020
COVID-19: Status of WA Public Testing Systems	9 December 2020
Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities	11 November 2020
Transparency Report: Major Projects	29 October 2020
Transparency Report: Current Status of WA Health’s COVID-19 Response Preparedness	24 September 2020
Information Systems Audit Report 2020 – Local Government Entities	25 June 2020
Western Australian Public Sector Audit Committees – Better Practice Guide	25 June 2020
WA’s Transition to the NDIS	18 June 2020
Audit Results Report – Annual 2019 Financial Audits	12 May 2020
Local Government Contract Extensions and Variations	4 May 2020
Controls of Monies Held for Specified Purposes	30 April 2020
Information Systems Audit Report 2020 – State Government Entities	6 April 2020
Controls over Purchasing Cards	27 March 2020

Appendix A

FINDINGS	RATING		
	Significant	Moderate	Minor
Reporting and financial control issues			
1. Access levels within Authority	✓		
2. Evidence of review of changes to employee masterfile	✓		
3. Classification of cash and cash equivalents	✓		
4. Accounting for NIB stadium	✓		
5. Adverse trends in financial ratios	✓		
6. Periodic cleansing of the supplier masterfile		✓	
7. Timing of monthly reconciliations		✓	
8. Quotations – minimum number not obtained		✓	
9. Inconsistent process for daily takings			✓

FINDINGS	RATING		
	Significant	Moderate	Minor
Information system control findings			
1. Database security	✓		
2. Vulnerability management	✓		
3. Segregation of duties		✓	
4. Classification of information		✓	
5. Information security policy		✓	
6. Operational ICT risks		✓	
7. Information security training and awareness		✓	
8. Network access management		✓	
9. Logging and monitoring		✓	
10. Authority user review process		✓	
11. Authority event monitoring		✓	
12. Unsupported operating systems		✓	
13. Unauthorised device connectivity		✓	
14. Network device management		✓	
15. Data centre management		✓	
16. Change management		✓	
17. Incident and problem management		✓	
18. IT asset management		✓	
19. Contract management		✓	
20. Disaster recovery plan		✓	
21. Business continuity plan -testing		✓	
22. Information security incident management plan		✓	
23. Management of removable media		✓	
24. Standard operating environment			✓

RISK MANAGEMENT POLICY



Responsible directorate	Office of the CEO.
Responsible team	Corporate Strategy and Governance.
Affected teams	All staff.
Legislation / local law requirements	Regulation 17 of the <i>Local Government (Audit) Regulations 1996</i> .
Relevant delegations	Nil.
Related policy procedures and documents	Risk Management Procedure (D20/240006) supports this Policy – defines the systems and processes in place to facilitate good practice risk management, and assigns responsibilities for the identification, management and treatment of risks.

PURPOSE

Risk management facilitates the efficient delivery of the City of Vincent’s (City’s) strategic, ~~and~~ operational ~~and project~~ objectives. This Policy establishes the City’s risk management approach and the risk management responsibilities of Council and Administration.

SCOPE

[This Policy applies to Council, the Audit Committee and all employees and contractors of the City of Vincent.](#)

[Responsibilities for identifying, managing and treating risks, dependant on the risk rating, are detailed in the Risk Management Procedure.](#)

POLICY

The City supports an organisation-wide risk management approach to identify and manage risks and opportunities associated with the performance of the City’s functions and the delivery of services. This Policy applies to all service and project delivery and any other decision-making activities. It ensures risks are identified and understood and the risk treatment is incorporated into service unit planning and resource allocation.

The City will develop and implement effective risk management systems and processes, as further defined in the City’s Risk Management ~~Framework~~Procedure, that:

- facilitate the achievement of the City’s vision, strategies and objectives;
- provide transparent and formal oversight of risks and the controls implemented, to enable effective decision making;
- provide guidance on the level of risk versus return associated with the City’s services and projects
~~and~~

RISK MANAGEMENT POLICY



- ensure risk controls and treatments ~~(controls implemented)~~ align with the City's risk appetite and tolerance;
- embed appropriate and effective controls to mitigate risk;
- achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations;
- enhance organisational resilience;
- identify and provide for the continuity of critical operations; ~~and~~
- ensure risk management becomes part of day-to-day service and project management and processes; and
- ensure that an appropriate level of expertise is sought in relation to risk classification.

Risks will be identified and managed in accordance with the risk consequence and likelihood criteria at **Attachment 1**. Risks are to be classified in accordance with the risk classification matrix at **Attachment 2**. Once classified, risks are to be managed in accordance with the risk rating at **Attachment 3**.

The acceptance and treatment of risk is dependent on the risk classification and risk rating. The treatment of residual (i.e. with controls) risks classified as high or extreme ~~(with controls)~~ will be subject to **approval review** by the Audit Committee and Council.

IMPLEMENTATION

Any changes to this Policy will be applied to the City's existing risk register within sixty (60) days of the Policy being amended.

SCOPE

~~This Policy applies to Council, the Audit Committee and all employees and contractors of the City of Vincent.~~

~~Responsibilities for identifying, managing and treating risks, dependant on the risk rating, is are detailed in the Risk Management Framework Procedure.~~

OFFICE USE ONLY	
Initial Council adoption	DATE: <APPROVAL DATE>, REF# <TRIM REF>
Reviewed / Amended	DATE: <APPROVAL DATE>, REF#: <TRIM REF>
Next Review Date	DATE: <REVIEW DATE>,

RISK MANAGEMENT POLICY



ATTACHMENT 1 – RISK CONSEQUENCE AND LIKELIHOOD CRITERIA

1.1 Consequence criteria

RATING RATIO NG	CONSEQUENCE							
	PEOPLE (SAFETY)	INTERRUPTION TO SERVICE	REPUTATION	COMPLIANCE (LEGAL & TECHNICAL)	PROPERTY	NATURAL ENVIRONMENT	FINANCIAL IMPACT	CONTRACT / PROJECT
Low (1)	<p><u>Physical injuries/illnesses requiring limited first aid treatment onsite only.</u></p> <p><u>No expected ongoing psychological impacts.</u></p> <p>Minor injury or ailment to staff, results in loss of time less than 5 days.</p>	<p><u>Impact managed through normal City business practices.</u></p> <p>Failure of assets / disruption which results in inconvenience but no material service interruption (resolved within one day).</p>	<p><u>Isolated individual's issue-based complaint with no media coverage. An incident with low impact on community trust which is covered in a community newspaper and/or has a social media profile for maximum of a day.</u></p>	<p><u>Breach of procedure but no noticeable regulatory or statutory impact. Minor compliance (technical or legal) breach which is not reportable and can be resolved within 24 hours.</u></p>	<p>Localised damage to City property which can be rectified by routine internal procedures and is within operating budget \$20,000 (0.035% of operating budget).</p>	<p><u>Contained, local environmental impact and/or negligible impact on heritage asset. Immediately rectifiable. Environmental damage or harm which can be contained by an internal response within 1 week, and any damage / harm can be reversed by the City's action.</u></p>	<p>Short term impact on operating funds, or financial loss less than \$20,000 (0.035% of operating budget).</p>	<p>Insignificant breach of contract or delay in project which has a minor impact on service delivery, consistent with 'low' rating.</p>
Minor (2)	<p><u>First aid injury or illness treated on site with < 3 days attributable lost time.</u></p> <p><u>Psychological Impacts treated on site.</u></p> <p>Injury or ailment to staff resulting in loss of time between 5-10 days.</p>	<p><u>Impact requires additional City management effort or response or redirection of resources to respond. Failure of assets / disruption which results in temporary interruption which can be resolved within one week (backlog cleared within one week).</u></p>	<p><u>Local community impacts restricted to one area or single-issue based concerns. Public embarrassment, some impact on community trust, covered in community newspaper and/or social media profile which lasts for less than a few days.</u></p>	<p><u>One or more temporary non-compliances. Low or medium audit or regulator findings. More than one minor compliance breach or minor breach with potential for minor damages or monetary penalty.</u></p>	<p>Localised damage to City property requiring additional resources to rectify (reallocation within operating budget – \$20,001 – \$100,000 (0.035% – 0.17% of operating budget).</p>	<p>Environmental damage or harm which requires <u>additional management resources to rectify by external agencies or contractors and can be contained within 1 week, and any damage / harm can be reversed by the City's actions but can be contained and reversible.</u></p>	<p>Medium term impact on operating funds, or financial loss between \$20,001 - \$100,000 (0.035% - 0.17% of operating budget).</p>	<p>Minor breach of contract or delay to project which will have minor financial impact or delay service delivery, consistent with 'minor' rating.</p>
Moderate (3)	<p><u>Physical injury/illness requiring professional treatment, hospitalisation and/or lost time between 3 – 10 days.</u></p> <p><u>Psychological impact requiring professional treatment.</u></p> <p>Injury or ailment to staff resulting in loss of time greater than 10 days, or causes temporary disability to staff member, or public exposed to a hazard which is attributable to the City, but immediately treatable / resolved.</p>	<p><u>Delays in City-critical functions, services, activities or programs.</u></p> <p><u>Administration subject to significant review or change, with City - critical outcomes only partially achieved. Impact requires short term significant management and organisational resources to respond. Failure of assets / disruption which results in one month interruption, may require additional resources to resolve within one month (backlog cleared within one month).</u></p>	<p><u>Negative community impacts and concerns publicly expressed.</u></p> <p><u>Reduced confidence publicly expressed by community and stakeholders.</u></p> <p>Covered in community newspaper and social media profile which lasts for more than a few days, attention by regulators or state department/ government.</p>	<p><u>Short term non-compliance but with significant regulatory requirements imposed and/or significant internal audit findings. Short to medium term non-compliance which may result in prosecution / fine. Investigation may be required.</u></p>	<p>Significant damage <u>across to City-critical properties</u> requiring <u>ongoing</u> management attention for a period of up to three months (\$100,001 to \$250,000 (0.17% – 0.43% of operating budget)).</p>	<p>Environmental damage or harm which requires <u>additional management resources by the City and external agencies/organisations or contractors and takes 1 week – 1 month to contain, and any damage / harm which is containable and reversible can be reversed by the City's reversibility actions.</u></p>	<p>Impact to service delivery due to impact on operating funds, or financial loss between \$100,001 to \$250,000 (0.17% - 0.43% of operating budget).</p>	<p>Breach of contract or delay to project which will impact service delivery or result in damages payable by the City, consistent with 'moderate' rating.</p>



RISK MANAGEMENT POLICY

<p>Major (4)</p>	<p>Serious physical injury/illness requiring immediate emergency response or prolonged hospitalisation.</p> <p>Serious psychological injury requiring medium/long term professional medical treatment, counselling or ongoing intervention.</p> <p>Permanent disability or life threatening injury to staff member, or public exposed to a hazard which is attributable to the City and results in</p>	<p>Long term viability of the City is threatened.</p> <p>One or more critical functions, services, activities or programs cannot be delivered.</p> <p>Majority of City-critical outcomes only partially achieved or a single City-critical outcome not achieved.</p> <p>Impact requires long term significant management and organisational resources to respond.</p> <p>Failure of assets / disruption</p>	<p>Considerable and prolonged negative community impact and dissatisfaction publicly expressed.</p> <p>Criticism and loss of confidence and trust by community and stakeholders in City's processes and capabilities.</p> <p>Organisation's integrity in question. Significant media attention. Board intervention. Public embarrassment, high impact on community trust, covered in newspaper and social media</p>	<p>Non-compliance results in cessation of City-critical services or imposed penalties. Significant external audit or regulator investigations and/or intervention.</p> <p>Non-compliance results in termination of services or imposed penalties to City / Staff.</p>	<p>Significant damage across to City-critical properties requiring ongoing, additional resources and approvals to rectify (Council approval of funds required, \$250,000 - \$1 million (0.43% to 1.7% of operating budget). Period of restitution up to six months.</p>	<p>Environmental damage or harm which remains uncontained, for over a month and requires a coordinated response from the City and multiple external organisations and is irreversible external agencies, but is reversible by coordinated response.</p>	<p>Significant impact to service delivery due to impact on operating funds, or financial loss between \$250,001 to \$1 million (0.43% to 1.7% of operating budget)</p>	<p>Significant changes to a project or breach of contract which may result in termination of contract and significantly impacts service delivery. Impact consistent with 'major' rating.</p>
<p>Extreme Catastrophic (5)</p>	<p>Death or severe permanent disablements.</p> <p>Permanent/long term psychological damage requiring extensive remedial intervention.</p> <p>Fatality to staff member, or public exposed to a hazard which is attributable to the City and results in widespread adverse health impacts.</p>	<p>Majority of City-critical functions, services, activities or programs cannot be delivered.</p> <p>Majority of City-critical outcomes not achieved.</p> <p>Impact cannot be managed within the City's existing resources and threatens survival of the organisation. Failure of assets / disruption which results in a prolonged interruption of core or essential services</p>	<p>Significant adverse community impact and condemnation.</p> <p>Consistent ongoing community loss of confidence and trust in City's capabilities and intentions.</p> <p>High widespread media. Public embarrassment with significant reputational damage, widespread loss of community trust, widespread and sustained community, state and national newspaper and TV coverage and social media profile, third party action</p>	<p>Non-compliance results in criminal charges or loss of City's social licence to operate.</p> <p>Non-compliance results in criminal charges or significant damages or penalties to City / staff.</p>	<p>Extensive damage requiring prolonged period of restitution or complete loss of City-critical plant, equipment and building, or over \$1,000,000 (1.7% of operating budget)</p>	<p>Environmental damage or harm which is uncontained, requires the lead of an external organisation and is widespread across the City and irreversible. Environmental damage or harm which can not be contained and is not reversible by a coordinated response.</p>	<p>Insufficient operating funds over sustained period, or loss of more than \$1 million (over 1.7% of operating budget).</p>	<p>Major project can-not be completed or critical breach of contract resulting in significant damages payable by the City or non-delivery of service for extended time.</p> <p>Impacts consistent with 'extreme' rating.</p>

1.2 Likelihood criteria (refer to the description or the frequency)

Level	Rating	Likelihood description	Likelihood frequency	PROBABILITY
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year	>95%
4	Likely	The event will probably occur in most circumstances	At least once per year	75-95%
3	Possible	The event should occur at some time	At least once in three years	25-75%
2	Unlikely	The event could occur at some time	At least once in ten years	5-25%
1	Rare	The event will only occur in exceptional circumstances	Less than once in 15 years	<5%

RISK MANAGEMENT POLICY

1.3 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.
!	Inadequate	Numerous specific controls 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



ATTACHMENT 2 - RISK CLASSIFICATION MATRIX

Consequence		Low	Minor	Moderate	Major	ExtremeCatastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Medium	High Medium	High	Extreme	Extreme
Likely	4	Low	Medium	High	High Extreme	Extreme
Possible	3	Low	Medium	Medium	High	High
Unlikely	2	Low	Low	Medium	Medium	High
Rare	1	Low	Low	Low	Low	Medium

ATTACHMENT 3 - RISK RATING AND MANAGEMENT

Risk Classification	Action	Risk management process	Responsibility
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to ongoing monitoring	Manager
MEDIUM	Monitor	Risk acceptable with adequate and effective controls, managed by specific procedures and subject to ongoing monitoring	Executive Director
HIGH	Urgent Attention Required	Risk acceptable with fully effective controls Risk treatment subject to Council approval. Risk treatment requires approval by Audit Committee and Council.	CEO + Council
EXTREME	Unacceptable	Risks will typically be unacceptable. They require fully effective controls, and additional risk treatments required subject to CEO, Audit Committee and Council approvals	CEO + Council

***Extreme risks require a risk treatment plan which is reported to the CEO (via the Executive Management Committee) and the Audit Committee until the risk rating is at an acceptable level.*



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*' (**CEC**) statements:

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

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

B. Risk analysis and evaluation

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

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



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 viability and alignment to the City's values and objectives. Note: It is expected that any risks associated



RISK MANAGEMENT PROCEDURE

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.

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;



RISK MANAGEMENT PROCEDURE

- 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.

Each Manager is responsible for:

- Approving the risk treatment for low level risks.



RISK MANAGEMENT PROCEDURE

- 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:

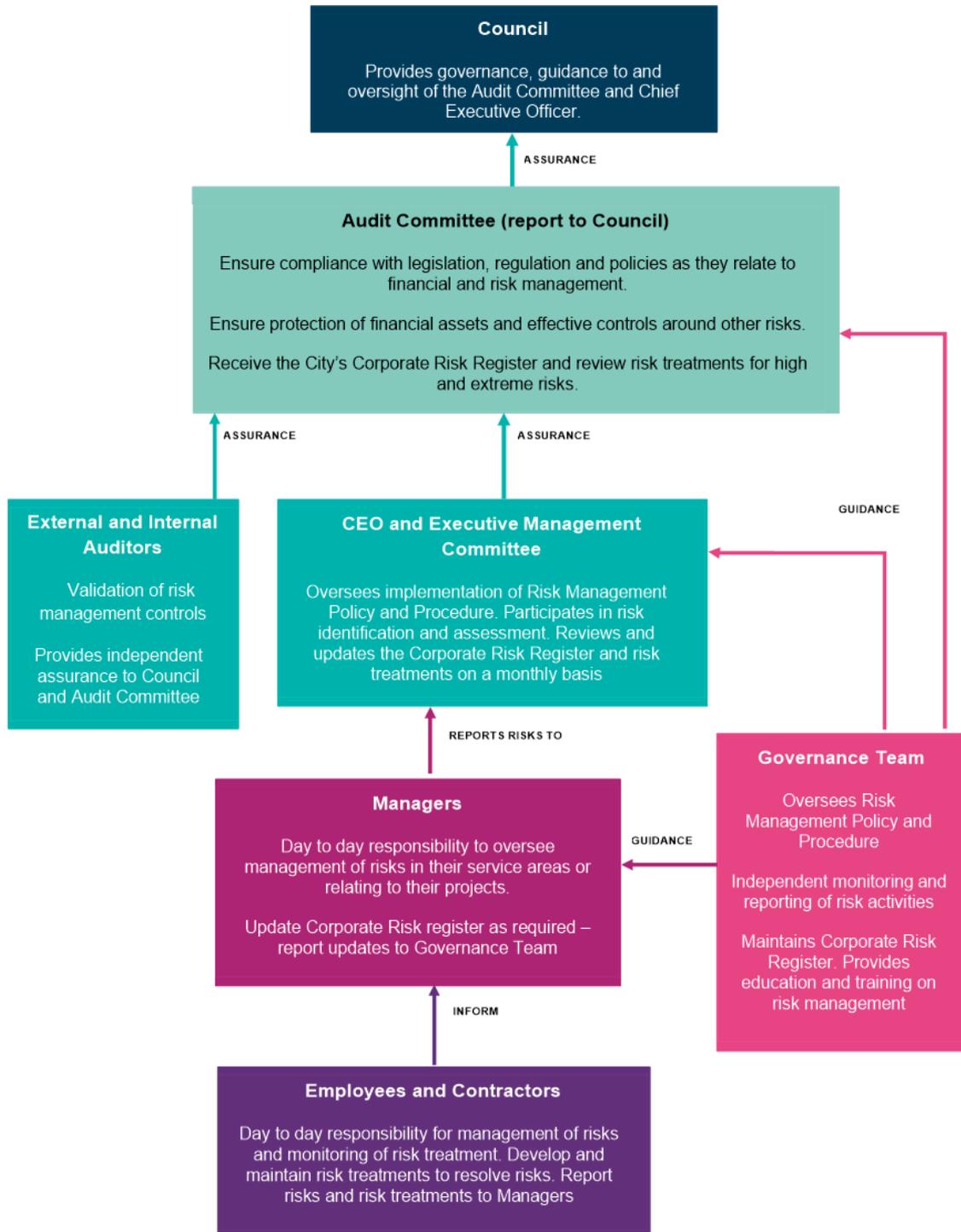
- Ensuring the City's Corporate Risk Register is reviewed monthly and presenting it to the Executive Management Committee.
- Presenting the Corporate Risk Register to the Audit Committee.
- Reviewing the Policy and Procedure annually to ensure they remain relevant and reflect the City's risk management 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	DATE: <APPROVAL DATE>, REF# <TRIM REF>
Reviewed / Amended	DATE: <APPROVAL DATE>, REF#: <TRIM REF>
Next Review Date	DATE: <REVIEW DATE>,

AUDIT LOG



Contents

Office of the Auditor General’s Performance Audit 20192
 EA:2019/72

Office of the Auditor General Information Systems Audit.....3
 EA:2020/10 (1) (a) and (b) (CONFIDENTIAL).....3
 EA:2020/10 (3) (CONFIDENTIAL)3
 EA:2020/10 (7) (CONFIDENTIAL)3
 EA:2020/10 (9) (CONFIDENTIAL)3
 EA:2020/10 (10) (CONFIDENTIAL)3
 EA:2020/10 (11) (CONFIDENTIAL)4
 EA:2020/10 (12) (CONFIDENTIAL)4
 EA:2020/10 (14) (CONFIDENTIAL)4
 EA:2020/10 (18)5
 EA:2020/10 (19)6
 EA:2020/10 (20)7
 EA:2020/10 (22) (CONFIDENTIAL)7

Stanton Reg 5 & 17 Review8
 EA:2020/12 (1)8
 EA:2020/12 (8)9
 EA:2020/12 (9) (CONFIDENTIAL)9
 EA:2020/12 (11)10

Office of the Auditor General – Financial Audit.....10
 EA:2020/12 (14) (CONFIDENTIAL)10
 EA:2020/12 (18)11

Summary of open Confidential items

Office of the Auditor General Information Systems Audit:

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

Stanton Reg 5 & 17 Review

- 10. EA 2020/12 (9) Moderate

Office of the Auditor General – Financial Audit

- 11. EA 2020/12 (14) Significant

AUDIT LOG



Audit Details	Action	Proposed Completion Date
<p>Office of the Auditor General's Performance Audit 2019</p> <p>EA:2019/7</p> <p>Office of the Auditor General's Performance Audit 2019 - Fraud Prevention in Local Government - Findings and Recommendations</p> <p>Finding:</p> <ol style="list-style-type: none"> 1. Entities have not implemented a coordinated approach to manage their fraud risk. 2. Entities could make themselves more fraud resistant if they strengthen their controls; and 3. Better reporting avenues would help entities detect and respond to fraud. <p>Recommendation:</p> <p>Develop a fraud and corruption control plan and review at least every 2 years.</p> <p>Risk Rating (prior to controls):</p> <p>High</p> <p>Risk Rating (with current controls):</p> <p>High</p> <p>Management Response</p> <p>Responsible Officer:</p> <p>Executive Manager Corporate Strategy and Governance</p> <p>Comments:</p> <p>Governance will review the City's current Fraud and Corruption Prevention Policy and prepare a control plan which incorporates this policy. The proposed implementation date for the plan is June 2020. The plan will be reported to Audit Committee annually and updated as required.</p>	<p>November 2019</p> <p>Governance to engage a consultant to undertake review and implementation of the fraud control plan in January 2020.</p> <p>The two-yearly review of the plan will be included in the compliance calendar.</p> <p>February 2020</p> <p>Yet to commence. Further resourcing or a consultant is required.</p> <p>March 2020</p> <p>Initial discussions with City of Nedlands in respect to a shared resource / consultant have occurred, but currently on hold due to change in priorities due to COVID-19.</p> <p>June 2020</p> <p>No progress to date</p> <p>July 2020</p> <p>No progress to date.</p> <p>August 2020</p> <p>No progress to date.</p> <p>October 2020</p> <p>No progress to date.</p> <p>November 2020</p> <p>The updated draft policy and fraud and corruption control plan have been drafted. The updated policy is subject to Council approval and public consultation.</p> <p>January 2021</p> <p>Plan has been completed and was circulated to the Audit Committee members in December 2020. Minor amendments were provided by the Chair and have been made.</p> <p>February 2021</p> <p>The policy will be presented to Council for advertising at the 23 March 2021 Ordinary Council Meeting. Training for all staff is scheduled for February and March and April 2021.</p> <p>March 2021</p> <p>Policy approved for advertising at 23 March 2021 and is being advertised in April 2021. Results of advertising will be presented to the 25 May 2021 Ordinary Council Meeting. Training is being provided to all staff in April 2021.</p> <p>April 2021</p> <p>Training and advertising completed.</p> <p>May 2021</p> <p>Results of advertising will be presented to the 22 June 2021 Ordinary Council Meeting.</p>	<p>30/06/2020</p> <p>31 December 2020</p> <p>Complete</p> <p>April 2021</p> <p>May 2021</p> <p>Complete</p>

AUDIT LOG



Audit Details	Action	Proposed Completion Date
<p>Office of the Auditor General Information Systems Audit</p> <p>EA:2020/10 (1) (a) and (b) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) High</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	See Confidential log	
<p>EA:2020/10 (3) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	See Confidential log	
<p>EA:2020/10 (7) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	See Confidential log	
<p>EA:2020/10 (9) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	See Confidential log	
<p>EA:2020/10 (10) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	See Confidential log	

AUDIT LOG



Audit Details	Action	Proposed Completion Date
<p>EA:2020/10 (11) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	<p>See Confidential log</p>	
<p>EA:2020/10 (12) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	<p>See Confidential log</p>	
<p>EA:2020/10 (14) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	<p>See Confidential log</p>	

AUDIT LOG



Audit Details

EA:2020/10 (18)

Office of the Auditor General Information Systems Audit – Contract Management

Finding

We found that the City's contract management process is not effective. We identified that:

- the City does not have an up-to-date *Contract Management Framework* and contract register
- the configuration of the new contract management system is under development and the relevant staff are not fully aware of the functionality of the system. As a result, there is no comprehensive contract reporting in place.

We acknowledge that the City recently established a centralised contract management tool and *Contract Management Framework* is in draft.

Implication

Without an appropriate contract management process, the City is at a higher risk of failing to identify:

- unsuitable working arrangements with vendors, which may result in a failure to realise business benefits
- unexpected cost increases or inappropriate practises in a timely manner
- unauthorised access or changes to the contract register.

Recommendation

The City should:

- review its *Contract Management Framework* and, where appropriate, centralise vendor management practices
- develop suitable guidelines to manage the City's contract register
- complete regular supplier performance reviews of all vendors as required. Records of reviews should be retained
- maintain records of all contracts within its contract management system, including key financial details relevant to the contracts
- complete the access and system configuration of its new contract management system. Subsequently, review access to the system and monitor key contract financial information regularly.

Risk Rating (prior to controls)

Moderate

Risk Rating (with current controls)

Moderate

Related Audit Query

EA:2020/11 (1)

Management Response

Responsible Officer:

Executive Manager Financial Services

Action

October 2020

The noted draft Contract Management Framework and system will be completed, formalised and communicated to staff.

December 2020

Administration has focused on improving contract management over the last 12 months, which has included the implementation of a new contract's management module in Authority and creation of a contract register in Authority. A contract management framework has also been drafted and will be presented to Executive Management Committee early next year. Training will then be rolled out to all staff that manage contracts at the City.

February 2021

The draft contracts management framework will be presented to March audit committee. The training and roll-out plan of the framework is being finalised.

April 2021

Training material and roll-out plan is being finalised. Training is scheduled to be rolled out in May 2021.

May 2021

Training has commenced on the new Contract management Framework for all contract managers. This training is scheduled to be completed by the middle of June 2021.

Proposed Completion Date

March 2024

June 2021

Complete

AUDIT LOG



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

AUDIT LOG



Audit Details

EA:2020/10 (20)

Office of the Auditor General Information Systems Audit – Business Continuity Plan – Testing

Finding

We found that appropriate tests of the business continuity plan (BCP) have not been undertaken. Due to the lack of testing, the effectiveness of the plans and the City's ability to execute them is unknown.

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.

Recommendation

The City should undertake appropriate tests to verify the effectiveness of the BCP. These tests should also verify that key staff are familiar with the plans and their specific roles and responsibilities in a disaster situation. The results of these tests should be recorded and the relevant actions taken to improve the plan where necessary.

Risk Rating (prior to controls)

Moderate

Risk Rating (with current controls)

Moderate

Management Response

Responsible Officer:

Executive Manager Information and Communication Technology

EA:2020/10 (22) (CONFIDENTIAL)

Office of the Auditor General Information Systems Audit

Risk Rating (prior to controls)

Moderate

Management Response

Responsible Officer:

Executive Manager Information and Communication Technology

Action

October 2020

Administration notes that there has been 0% interruption to non-library/recreational facility services throughout COVID-19 disruptions in Perth. COVID-19 has been a major incident and required significant change to how business functions operated. City staff who continue to work remotely are effectively testing part of the City's business continuity systems on a daily basis. Through improvements to data backup and infrastructure recovery noted in OAG Finding 20, Administration will expand business continuity testing to include system and infrastructure incidents as part of a managed services agreement.

December 2020

On track per EA:2020/10 (19) above. Completion date updated to align with Disaster Recovery Plan activities.

January 2021

On track.

February 2021

On track.

March 2021

On track. Backup recovery being tested in offsite environment for complete Admin building disaster scenario.

May 2021

DR/BCP plan drafted. Business teams to review Impact Assessments ahead of final report to EMC.

Proposed Completion Date

March 2021

April 2021

August 2021

See Confidential log

AUDIT LOG



Audit Details	Action	Proposed Completion Date
<p>Stanton Reg 5 & 17 Review</p> <p>EA:2020/12 (1) Stanton Reg 5 & 17 Review – Contract Management Procedure and Framework</p> <p>Finding The City's previous contract management processes were inadequate. Contracts were currently managed within the different business units leading to poor oversight by the City on existing contracts, the City had no assurance that contracts were being managed adequately and spending was in accordance with the City's delegations or if there were duplicate contracts in place providing identical/similar services/goods. However, the City is currently in the process of improving their contract management processes, the updated and revised contract management policy and framework reflecting this new process and the use of the new contract management module within Authority are still in draft and awaiting Council endorsement.</p> <p>Recommendation Audit recommends that the City promptly review and present to Council the revised contract management policy and contract management framework outstanding to be endorsed.</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Risk Rating (with current controls) Moderate</p> <p>Related Audit Query EA:2020/10 (18)</p> <p>Management Response Responsible Officer: Executive Manager Financial Services</p>	<p>December 2020: Administration has focused on improving contract management over the last 12 months, which has included the implementation of a new contract's management module in Authority and creation of a contract register in Authority. A contract management framework has also been drafted and will be presented to Executive Management Committee early next year. Training will then be rolled out to all staff that manage contracts at the City.</p> <p>February 2021 The draft contracts management framework will be presented to March audit committee. The training and roll-out plan of the framework is being finalised.</p> <p>April 2021 Training material and roll-out plan is being finalised. Training is scheduled to be rolled out in May 2021.</p> <p>May 2021 Training completed</p>	<p>30 June 2021</p> <p>Complete</p>

AUDIT LOG



Audit Details

EA:2020/12 (8)
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

Management Response

Responsible Officer:
 Executive Manager Human Resources and Executive Manager Information and Communication Technology

Action

December 2020:
 The City requires a robust online time-sheeting system which is fit for purpose of a casual workforce (i.e. Beatty Park) that is flexible, easy to use and aligned to the relevant cost centres and employment.

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

January 2021
 No change.

February 2021
 No change.

March 2021
 On track. Beatty Park workforce now trialling mobile application rostering and time-sheeting solution. Future rollout to other casual staff (Depot) pending trial results. Authority ERP electronic time-sheeting to be reviewed post system upgrade in late 2021.

May 2021
 Beatty Park continues electronic time-sheeting with a limited rollout. Further rollout subject to Beatty Park change management resourcing.

See Confidential log

Proposed Completion Date

31 December 2021

EA:2020/12 (9) (CONFIDENTIAL)
Stanton Reg 5 & 17 Review

Risk Rating (prior to controls)
 Moderate

Management Response

Responsible Officer:
 Executive Manager Information and Communication Technology

AUDIT LOG



Audit Details

EA:2020/12 (11)
Stanton Reg 5 & 17 Review – Record Keeping

Finding

Poor retrievability of information 'term container used' Record keeping of contract documentation is inefficient and leads to poor retrievability. The record keeping system does not facilitate the use of sub folders which results in all documented related to a subject/topic being saved in a 'container'. With regards to contracts, there are a large number of supporting documentations within these 'containers' thus it can take some time to retrieve the sought-after document

Recommendations

The City should review useability of their record keeping system ensuring that it is operating effectively.
 For process efficiency allow user to amend and delete own purchase requisition.

Risk Rating (prior to controls)

Minor

Risk Rating (with current controls)

Minor

Management Response

Responsible Officer:

Executive Manager Information and Communication Technology
 Office of the Auditor General – Financial Audit

EA:2020/12 (14) (CONFIDENTIAL)

Office of the Auditor General – Financial Audit

Risk Rating (prior to controls)

Significant

Management Response

Responsible Officer:

Executive Manager Information and Communication Technology

Action

December 2020

The City will review its record keeping system to ensure it is operating effectively.

January 2021

No change.

February

On track. Functionality of the system reviewed with external support provider: the use of folders will be introduced. A staff survey for system satisfaction as well as improvement suggestions will commence in March 2021.

March 2021

Delayed. Vendor support for staff survey has been delayed to May 2021.

May 2021

Supplier proposal under review.

Proposed Completion Date

31-March-2021

August 2021

See Confidential log

AUDIT LOG



Audit Details	Action	Proposed Completion Date
<p>EA:2020/12 (18) Office of the Auditor General – Financial Audit – Adverse trends in financial ratios</p> <p>Finding During our audit we noted the adverse trends in the following ratios when considering the basic standard set by Department of Local Government, Sport and Cultural Industries (“the department”):</p> <p>Below the basic requirements for 3 years:</p> <ul style="list-style-type: none"> - Asset sustainability - Operating surplus <p>Below the basic requirement and below proceeding two years actual result:</p> <ul style="list-style-type: none"> - Debt service cover <p>Implication Ratios which are below the basic standards as determined by the Department indicate the short term financial performance of the City is likely unsustainable.</p> <p>Additionally, in accordance with the <i>Local Government (Audit) Regulations 1996</i> ratios with adverse trends will be reported within the audit opinion.</p> <p>Recommendation Management should implement measures to ensure the basic requirements are achieved, where the requirements are not able to be achieved plans for correction action should be made.</p> <p>Risk Rating (prior to controls) Significant</p> <p>Risk Rating (with current controls) Significant</p>	<p>December 2020:</p> <ol style="list-style-type: none"> Debt Service Ratio – As a result of the once-off contractual balloon payment of \$5.3m for the DLGSC loan, this ratio has been skewed only for the 2019/2020 financial year. The Debt service ratio is expected to normalise for the following years as per the City’s current debt portfolio. Operating Surplus - In order to improve this ratio, new funding sources has to be looked at and also the current fees and charges (including rates) need to be analysed to determine if they are sufficient. Strategies will also be developed to improve this ratio when preparing the 2021/2022 -2030/2031 LTFP. Asset Sustainability Ratio – The asset sustainability ratio has improved compared to last year from 0.30 to 0.45 This is an indicator that administration has focused their attention on ensuring capital spend is focused on renewal instead of new expenditure. The City has implemented the following initiatives since last year: <ul style="list-style-type: none"> • Made a concerted effort on spending on renewal instead of new; • Prepared a 4-year capital works program 2020/21-2023/24; • The City’s Asset Management Strategy is in the process of being finalised; and • Adopted the 2020/21-2029/30 LTFP which reflects the projected asset sustainability ratio will reach the benchmark ratio by 2024/25. <p>The following will be the action plans for this year:</p> <ul style="list-style-type: none"> • Adopting the new asset management strategy; • Updating and aligning the asset management plans to the asset management strategy; and • Updating and preparing the LTFP for 2021/22-2030/31 by incorporating the additional depreciation of NIB stadium into the asset sustainability ratio and revising strategies to attain the benchmark ratio. <p>Department of Local Government Sport and Cultural Industries is in the process of reviewing the current local government ratios as part of the Local Govt Act Reform and some of the benchmarks will be reviewed to be aligned based on the size of the Local Government.</p>	<p>Completed</p> <p>30 June 2021</p>
<p>Management Response Responsible Officer: Executive Manager Financial Services</p>	<p>February 2021: Work has commenced on the LTFP and 4 year capital works program and strategies on how to improve the asset sustainability and operating surplus ratios is being explored.</p> <p>April 2021: On track</p> <p>May 2021: The LTFP is in the process of being finalised and approved by Council. One of the key principles of the LTFP is to improve the asset sustainability and operating surplus ratios. In order to make significant changes to these ratios the turnaround will be over a number of years and therefore the LTFP is the key tool to guide these ratios.</p>	