

MINUTES

Audit, Risk and Governance Committee Meeting

28 November 2022

Committee Members

Here within are the Minutes of the Audit, Risk and Governance Committee Meeting held Monday 28 November 2022 in the City of South Perth Council Chamber, corner Sandgate Street and South Terrace, South Perth.

As this Committee does not hold Delegated Powers or Duties in accordance with Section 5.23 of the Local Government Act 1995 the meeting was not open to the public.



MIKE BRADFORD
CHIEF EXECUTIVE OFFICER

2 December 2022

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Audit, Risk and Governance Committee Meeting - Minutes

1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

In the absence of the Presiding Member, Mayor Greg Milner assumed the Chair.

The Chair declared the meeting open at 6.01pm and welcomed everyone in attendance.

The Chair welcomed Director, Mr Jay Teichert and Audit Manager, Ms Elizabeth Dai from the Office of the Auditor General who presented and answered questions from Committee Members relating to Item 7.1 and Item 7.2.

2. ATTENDANCE

Elected Members

Mayor (Deputy Chair)
Manning Ward
Mill Point Ward
Mill Point Ward
Moresby Ward
Moresby Ward

Greg Milner
Councillor André Brender-A-Brandis
Councillor Mary Choy
Councillor Ken Manolas
Councillor Jennifer Nevard
Councillor Stephen Russell

External Members

Mr Aswin Kumar (from 6.15pm)
Ms Shona Zulsdorf

Officers

Chief Executive Officer
Director Corporate Services
Director Development and Community Services
Director Infrastructure Services
Manager Finance
Manager Governance
Senior Governance Officer
Governance Officer

Mr Mike Bradford
Mr Garry Adams
Ms Vicki Lummer (Retired at 8:30pm)
Ms Anita Amprimo (Retired at 8:30pm)
Mr Abrie Lacock
Ms Bernadine Tucker
Ms Christine Lovett
Mr Morgan Hindle

2.1 APOLOGIES

- Councillor Glenn Cridland
- Councillor Blake D'Souza

2.2 APPROVED LEAVE OF ABSENCE

Nil.

3. DECLARATIONS OF INTEREST

Nil.

4. CONFIRMATION OF MINUTES

4.1 AUDIT, RISK AND GOVERNANCE COMMITTEE MEETING HELD: 13 September 2022

Officer Recommendation AND COMMITTEE RECOMMENDATION

Moved: Ms Shona Zulsdorf

Seconded: Councillor Ken Manolas

That the Minutes of the Audit, Risk and Governance Committee Meeting held 13 September 2022 be taken as read and confirmed as a true and correct record.

CARRIED (8/0)

For: Mayor Greg Milner, Councillors André Brender-A-Brandis, Mary Choy, Ken Manolas, Jennifer Nevard and Stephen Russell, Mr Aswin Kumar and Ms Shona Zulsdorf.

Against: Nil.

5. PRESENTATIONS

Nil.

6. BUSINESS ARISING FROM PREVIOUS MEETING

Nil.

7. REPORTS

External Member Aswin Kumar arrived at the meeting at 6.15pm during consideration of Item 7.1.

7.1 2021/22 ANNUAL FINANCIAL STATEMENTS (EXTERNAL) - AUDIT - INTERIM AND FINAL REPORTS

File Ref: D-22-56713
Author(s): Abrie Lacock, Manager Finance
Reporting Officer(s): Garry Adams, Director Corporate Services

Summary

This report tables the Interim and Final Audit reports, referred to as Management Letters from the Office of the Auditor General relating to the 2021/22 Annual Financial Statements. The Management letters include findings, risk ratings, recommendations and management comments. It is recommended that each issue be accepted, added to the City's Audit Register, with commentary on progress of resolution of issues to be reported at each Committee Meeting.

Officer Recommendation AND COMMITTEE RECOMMENDATION

Moved: Ms Shona Zulsdorf
Seconded: Councillor Stephen Russell

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

1. Notes and accepts the Interim Management Letter **Confidential Attachment (a)**;
2. Notes and accepts the Final Audit Management Letter **Confidential Attachment (b)**; and
3. Includes the findings in the Audit Register.

CARRIED (8/0)

For: Mayor Greg Milner, Councillors André Brender-A-Brandis, Mary Choy, Ken Manolas, Jennifer Nevard and Stephen Russell, Mr Aswin Kumar and Ms Shona Zulsdorf.

Against: Nil.

Background

The External Audit, also known as Financial Audits or Audit of the Annual Financial Statements are conducted separately from Internal Audit. Internal Audit focuses on improving systems and processes, from a risk based approach. External Audit focuses on providing an objective independent examination of the financial statements prepared by the City, increasing the value and user confidence in the financial statements.

The *Local Government Amendment (Auditing) Act 2017* made legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General. The Act allows the Auditor General to contract out some or all of the financial audits, but all audits will be the responsibility of the Auditor General.

The changes also allow for the Auditor General to undertake performance audits that focus on the economy, efficiency and effectiveness of any aspect of local government operations. These performance audits are akin to the Internal Audit function undertaken by the City's Internal Auditor (Paxon). Therefore the WA Auditor General may undertake both External and Internal Audits.

Following on from the last four years, the Office of the Auditor General (OAG) performed the City of South Perth 2021/22 Annual Financial Statements external audit. The external audits occur in two steps, the first being an Interim Audit, with the final stage being the Audit work to attest the balances and notes that comprise the Annual Financial Statements.

All Audit recommendations, as well as the progress relating to the implementation of the opportunities for improvement will be incorporated within the City's Business Planning Process, to ensure continuous improvement. Progress will be monitored by management, this Committee and Council.

Comment

In June and July 2022 the Interim Audit was conducted, with the Interim Audit Management Letter **Confidential Attachment (a)** being produced. It includes findings, risk ratings, recommendations and management comments.

In October and November 2022 the Final Audit was conducted, with the Final Audit Management Letter **Confidential Attachment (b)** being produced. It includes findings, risk ratings, recommendations and management comments.

In total there are six findings. Two findings from the Interim Audit and four from the Final Audit. The details are included in the confidential attachments. This report is presented for the Committee's consideration.

Whilst there has been excellent progress to improve systems and processes through implementing both Internal (Paxon) and External Audit findings (OAG), the OAG has identified the above issues, all of which corrective action will be reported on.

Officers recommend the six findings be included in the Audit Register.

Consultation

Nil.

Policy and Legislative Implications

Local Government Act 1995 and Regulations.

Financial Implications

The fee for finalising the External Audit for the 2021/22 Annual Financial Statements is estimated at around \$58,000 (exc GST) and is included in the budget.

Officers' effort to undertake the improvements and report on progress has not been estimated.

Key Risks and Considerations

Risk Event Outcome	Legislative Breach Refers to failure to comply with statutory obligations in the manner in which the City, its officers and Elected Members conduct its business and make its decisions and determinations. This embraces the full gamut of legal, ethical and social obligations and responsibilities across all service areas and decision making bodies within the collective organisation
Risk rating	Low
Mitigation and actions	Compliance with the <i>Local Government Act 1995</i> .

Strategic Implications

This matter relates to the following Strategic Direction identified within Council's [Strategic Community Plan 2021-2031](#):

Strategic Direction:	Leadership
Aspiration:	A local government that is receptive and proactive in meeting the needs of our community
Outcome:	4.3 Good governance
Strategy:	4.3.4 Maintain a culture of continuous improvement

Attachments

7.1 (a):	Interim Management Letter City of South Perth 2022 <i>(Confidential)</i>
7.1 (b):	Final Management Letter City of South Perth 2022 <i>(Confidential)</i>

Councillor André Brender-A-Brandis left the meeting at 7.30pm and returned at 7.32pm.

7.2 2021/22 CITY OF SOUTH PERTH ANNUAL FINANCIAL REPORT

File Ref: D-22-56711
Author(s): Abrie Lacock, Manager Finance
Reporting Officer(s): Garry Adams, Director Corporate Services

Summary

This report recommends that the Audit, Risk and Governance Committee recommend that Council adopt the 2021/22 Annual Financial Report, accept the Independent Auditor's Report included in the Annual Financial Report and the Office of the Auditor General Exit Brief.

Officer Recommendation AND COMMITTEE RECOMMENDATION

Moved: Ms Shona Zulsdorf
Seconded: Mr Aswin Kumar

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

1. Adopt the Annual Financial Report shown at **Attachment (a)**;
2. Accepts the Independent Auditor's Report on the 2021/22 Annual Financial Report presented by the WA Auditor General included in the Annual Financial Report shown at **Attachment (a)**;
3. Accepts the WA Auditor General Annual Financial Audit Exit Brief shown at **Confidential Attachment (b)**.

CARRIED (8/0)

For: Mayor Greg Milner, Councillors André Brender-A-Brandis, Mary Choy, Ken Manolas, Jennifer Nevard and Stephen Russell, Mr Aswin Kumar and Ms Shona Zulsdorf.

Against: Nil.

Background

The Department of Local Government, Sport and Cultural Industries (DLGSCI) Operational Guidelines Number 9 – Audit in Local Government, describe that the CEO is responsible to ensure the external audit (financial) report is provided to the Audit Risk and Governance Committee (ARGC) and recommending the Committee review the Annual Financial Report. This is the fifth year that the City's external audit has been conducted by the WA Auditor General (OAG). The City of South Perth was one of the first Councils where the WA Auditor General conducted the external audit as part of the four year staged transition where all local governments are to be audited by the OAG by the 2020/21 financial year.

The 2021/22 Annual Financial Report shown at **Attachment (a)** provides the community with an open and accountable insight into how the City has performed against the adopted Annual Budget 2021/22 as the short term plan informed by the vision and strategic objectives outlined in the City's Strategic Community Plan 2021-2031.

Included in the Annual Financial Report on pages 2, 3 and 4 in **Attachment (a)**, is the draft Independent Auditor's Report on the 30 June 2022 Annual Financial Report.

The WA Auditor General has presented their findings in the Annual Financial Audit Exit Brief which is provided at **Confidential Attachment (b)**.

Comment

The Annual Financial Audit Exit Brief **Confidential Attachment (b)** at Part 3 titled “Issues Identified during the Audit” references six items under the heading Financial issues, two items relate the Interim Audit and the balance to findings of the Final Audit.

Details are reported to the Committee in a separate report forming part of the agenda for this meeting. It also describes and includes a summary of the additional Information Systems Audit, a detailed report of the findings will be communicated in a separate management letter which will be submitted to a future ARGC meeting.

Part 4 of the Exit Brief describes audit outcomes relating to risks identified during audit planning. This section confirms that all risks identified were adequately tested and mitigated, issues identified have been included in Part 3 as detailed above.

The Annual Financial Audit Exit Brief makes reference to an “Information systems Maturity Model” at Part 5. As part of the information systems audit a Capability Maturity Assessment is performed. The capability maturity model is a way of assessing how well developed and capable the established IT controls are.

Part 6 of the Exit Brief describes unadjusted errors and misstatements which are immaterial and do not have an impact on the City’s Annual Financial Report. The WA Auditor General has once again issued an unqualified opinion in the draft Independent Auditor’s Report.

Parts 7, 8 and 9 deals with the audit fee, subsequent events and next year’s audit consideration respectively.

Officers recommend the ARGC receive the presentation by officers from the Office of the Auditor General and note the 2021/22 Annual Financial Report including the draft audit opinion and the Annual Financial Audit Exit Brief.

The ARGC may make recommendations to Council, with Council required to accept the Annual Report, including the Annual Financial Report, for presentation to the annual Electors’ General Meeting.

The Annual Financial Report and Independent Auditor’s Report are complete. There may be minor layout and textual amendments (presentation amendments) to the Annual Financial Report prior to it being presented to the Electors’ General Meeting in February 2023.

Consultation

Nil.

Policy and Legislative Implications

Section 5.53(1) of the *Local Government Act 1995* requires a local government to prepare an annual report for each financial year. Section 5.53(2) of the *Local Government Act 1995* specifies that the Annual Report is to contain the financial report and auditor’s statement for that financial year.

Financial Implications

Nil.

Key Risks and Considerations

Risk Event Outcome	Legislative Breach Refers to failure to comply with statutory obligations in the manner in which the City, its officers and Elected Members conduct its business and make its decisions and determinations. This embraces the full gamut of legal, ethical and social obligations and responsibilities across all service areas and decision making bodies within the collective organisation
Risk rating	Low
Mitigation and actions	Annual Financial Report provided in compliance with the requirements of the <i>Local Government Act 1995</i> .

Strategic Implications

This matter relates to the following Strategic Direction identified within Council's [Strategic Community Plan 2021-2031](#):

Strategic Direction:	Leadership
Aspiration:	A local government that is receptive and proactive in meeting the needs of our community
Outcome:	4.3 Good governance
Strategy:	4.3.4 Maintain a culture of continuous improvement

Attachments

7.2 (a):	2021/22 City of South Perth Annual Financial Report
7.2 (b):	Annual Financial Audit Exit Brief (<i>Confidential</i>)

7.3 INTERNAL AUDIT REPORT - COLLIER PARK VILLAGE

File Ref: D-22-54232
Author(s): Bernadine Tucker, Manager Governance
Reporting Officer(s): Garry Adams, Director Corporate Services

Summary

This report tables the Internal Audit Report – Collier Park Village, in accordance with the City’s Strategic Internal Audit Plan 2021/22 to 2025/26. Collier Park Village is a lifestyle village located on Crown Land designated for seniors’ housing and supplementary services. The report contains two detailed audit findings, with a number of notations and observations.

The audit includes strengths, weaknesses, rating, issues, risk ratings, recommendations and management comments.

Officer Recommendation AND COMMITTEE RECOMMENDATION

Moved: Ms Shona Zulsdorf
Seconded: Mayor Greg Milner

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

1. Notes the Collier Park Village report contained in **Confidential Attachment (a)**; and
2. Accepts the three recommendations contained in Section 5 of the Internal Audit – Collier Park Village report be added to the Audit Register.

CARRIED (8/0)

For: Mayor Greg Milner, Councillors André Brender-A-Brandis, Mary Choy, Ken Manolas, Jennifer Nevard and Stephen Russell, Mr Aswin Kumar and Ms Shona Zulsdorf.

Against: Nil.

Background

For each Internal Audit completed, the reports are presented to the ARGC and then Council for acceptance of the recommendations. Paxon attend the relevant ARGC meeting to respond to questions relating to the report. Management respond to Paxon’s recommendations, in relation to their findings, and these are listed in the Audit Register.

Comment

The Internal Audit Report – Collier Park Village is a confidential report to be used for internal purposes to assist in improving business processes and systems. The report includes the strengths, weaknesses, rating, issues, risk ratings, recommendations and management comments.

Internal Audit is an essential component of the City's continuous improvement process and findings are welcome. As many areas have never been audited before, it is likely that each Internal Audit may contain many findings. The Collier Park Village report resulted in three findings to be included in the Audit Register.

Consultation

No external consultation has occurred.

Policy and Legislative Implications

The Internal Audit function is considered a business improvement process that will assist in compliance with the Local Government (Financial Management) Regulations 5 (CEO's duties as to financial management) and the Local Government (Audit) Regulations 17 (CEO to review certain systems and procedures).

Financial Implications

The Internal Audit function (Paxon) has a budget of \$40,000 for the 2022/23 financial year, and it is anticipated that a budget of a similar amount is to be adopted for future years. Officers' effort to undertake the improvements and report on progress has not been estimated.

Key Risks and Considerations

Risk Event Outcome	Legislative Breach Refers to failure to comply with statutory obligations in the manner in which the City, its officers and Elected Members conduct its business and make its decisions and determinations. This embraces the full gamut of legal, ethical and social obligations and responsibilities across all service areas and decision making bodies within the collective organisation
Risk rating	Medium
Mitigation and actions	Quarterly reporting of progress on the Audit Register to the ARGC and Council. In the report, Officer comments on action taken and progressive completion of Actions are noted. Actions which are 100% complete are closed out and reported back to the ARGC. There is no future reporting on closed out actions.

Strategic Implications

This matter relates to the following Strategic Direction identified within Council's [Strategic Community Plan 2021-2031](#):

Strategic Direction:	Leadership
Aspiration:	A local government that is receptive and proactive in meeting the needs of our community
Outcome:	4.3 Good governance
Strategy:	4.3.4 Maintain a culture of continuous improvement

Attachments

7.3 (a):	Internal Audit Report - Collier Park Village (<i>Confidential</i>)
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7.4 AUDIT REGISTER PROGRESS REPORT Q1

File Ref: D-22-38860
Author(s): Garry Adams, Director Corporate Services
Reporting Officer(s): Garry Adams, Director Corporate Services

Summary

This report provides an update on the progress of actions included in the Audit Register. The Audit Register includes all open audit findings that have previously been accepted by the Audit, Risk and Governance Committee.

Officer Recommendation AND COMMITTEE RECOMMENDATION

Moved: Ms Shona Zulsdorf
Seconded: Mayor Greg Milner

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

1. Notes the progress recorded against each item within the Audit Register in **Confidential Attachment (a)**; and
2. Approves the findings marked as Complete (100%) in the Audit Register, to be registered as closed and no longer reported to the Committee.

CARRIED (8/0)

For: Mayor Greg Milner, Councillors André Brender-A-Brandis, Mary Choy, Ken Manolas, Jennifer Nevard and Stephen Russell, Mr Aswin Kumar and Ms Shona Zulsdorf.

Against: Nil.

Background

The confidential Audit Register lists internal and external audit findings and describes the progress of implementing improvements and the percentage completion. This report is prepared for noting the progress and completion of findings since the last meeting.

Comment

The Audit Register contained in **Confidential Attachment (a)** presents audit outcomes by 'Finding' numbers. Any given Finding may have more than one 'Recommendation' and associated 'Agreed Management Action'.

Only when all Agreed Management Actions related to a Finding are marked as 100% complete, will the report be presented to the Audit, Risk and Governance Committee, with a recommendation that the Finding be closed.

The Audit Register has been formatted to ensure clarity as detailed below:

1. Each Finding that has more than one Agreed Management Action is represented with double lines around that entire Finding.

Example:

Finding number 65 contains three Agreed Management Actions.

2. Each Finding that is to be closed (i.e. 100% complete for all Agreed Management Actions) is represented by a purple 'Closed Tally' column on the right and numbered; and
3. All Findings that are being recommended for closure by the ARGC are filtered to the end of the register.

The ARGC is requested to recommend that Council note the progress and officer comments. In addition, it is recommended all Findings marked as complete (100%) in the Audit Register be registered as closed. All closed items will not form part of the Audit Register report for future meetings.

It is requested to note the Audit Register in **Confidential Attachment (a)**.

Strategic Internal Audit Plan

A review of the Strategic Internal Audit Plan (SIAP) by management and the City's Internal Auditor, Paxon has been undertaken. The new SIAP was presented at the Audit, Risk and Governance Committee Meeting held on 8 March 2022. The Collier Park Village Audit has been completed and has been presented to the Audit, Risk and Governance Committee.

Financial Statement Audit

The Office of the Auditor General has completed its interim work and is in the process of completing the Financial Statement audit for 2021/22.

Consultation

Relevant City officers have been consulted.

Policy and Legislative Implications

The Internal Audit function is considered a business improvement process that will assist in compliance with Regulation 5 of the Local Government (Financial Management) Regulation 1996 (CEO's duties as to financial management) and Regulation 17 of the Local Government (Audit) Regulations 1996 (CEO to review certain systems and procedures).

Financial Implications

The Internal Audit function (Paxon) has a budget of \$40,000 for the 2022/23 financial year, and it is anticipated that a budget of a similar amount is to be adopted for future years. Officers' effort to undertake the improvements and report on progress has not been estimated.

The External Audit function (WA Auditor General) has a budget of \$70,000 for the audit work undertaken during the 2022/23 financial year.

Key Risks and Considerations

Risk Event Outcome	<p>Legislative Breach</p> <p>Refers to failure to comply with statutory obligations in the manner in which the City, its officers and Elected Members conduct its business and make its decisions and determinations. This embraces the full gamut of legal, ethical and social obligations and responsibilities across all service areas and decision-making bodies within the collective organisation.</p>
Risk rating	Medium
Mitigation and actions	<p>Quarterly reporting of progress on the Audit Register to the ARGC and Council. In the report, Officer comments on action taken and progressive completion of Actions are noted. Actions which are 100% complete are closed out and reported back to the ARGC. There is no future reporting on closed out actions.</p>

Strategic Implications

This matter relates to the following Strategic Direction identified within Council's [Strategic Community Plan 2021-2031](#):

Strategic Direction:	Leadership
Aspiration:	A local government that is receptive and proactive in meeting the needs of our community
Outcome:	4.3 Good governance
Strategy:	4.3.1 Foster effective governance with honesty and integrity and quality decision making to deliver community priorities

Attachments

7.4 (a): Audit Register (*Confidential*)

7.5 COUNCIL DELEGATION DC703 MINOR AMENDMENTS TO DELEGATIONS REGISTER AND POLICIES

File Ref: D-22-45690
Author(s): Bernadine Tucker, Manager Governance
Reporting Officer(s): Garry Adams, Director Corporate Services

Summary

This report proposes a new Delegation to the CEO to be able to make minor administrative amendments to the Delegations Register and Policies which do not change the intent of the document.

Officer Recommendation AND COMMITTEE RECOMMENDATION

Moved: Ms Shona Zulsdorf
Seconded: Councillor Mary Choy

That the Audit, Risk and Governance Committee recommends that Council approves Delegation DC703 Minor Amendments to Delegations Register and Policies as contained in **Attachment (a)**.

CARRIED (8/0)

For: Mayor Greg Milner, Councillors André Brender-A-Brandis, Mary Choy, Ken Manolas, Jennifer Nevard and Stephen Russell, Mr Aswin Kumar and Ms Shona Zulsdorf.

Against: Nil.

Background

Section 5.42 of the *Local Government Act 1995* (the Act) provides that a council may delegate to the Chief Executive Officer the exercise of any of its powers or the discharge of any of its duties under the Act, other than those referred to in section 5.43.

Comment

Delegations are reviewed once every financial year in accordance with the Act. It has been the City's practice to review all policies (approximately 74) at the same time as the delegations. All documents are subsequently presented to Council for endorsement, which can be a time consuming process to ensure that due diligence has been followed.

Currently all delegations and policies that require administrative amendments are classed as 'minor' amendments in the review process with the document included as an attachment to the report presented to Council. An administrative amendment can be defined as a minor amendment which does not change the intent of document. Examples of administrative amendments are updates to dates of documents, business/unit officer title changes, spelling and grammar.

These changes would be better handled and more efficient if a delegation was in place to allow the CEO to authorise such changes. Administrative changes can subsequently occur as they are realised, resulting in the documents being as current as practicable whilst also taking the burden off the administration preparing for the annual review and Councillors when the item is being considered. It is important to note that even though the Delegation Register or a Policy may have been updated administratively and will be classed as having had 'no changes' during the annual review process, Councillors still have the ability to consider these documents and make amendments if required.

A new delegation has therefore been created for Council approval, that is specific to administrative amendments to the Delegations Register and Policies.

Consultation

Nil.

Policy and Legislative Implications

Section 5.42 and 5.44 of the *Local Government Act 1995*.

Financial Implications

Nil.

Key Risks and Considerations

Risk Event Outcome	Legislative Breach Refers to failure to comply with statutory obligations in the manner in which the City, its officers and Elected Members conduct its business and make its decisions and determinations. This embraces the full gamut of legal, ethical and social obligations and responsibilities across all service areas and decision making bodies within the collective organisation
Risk rating	Low
Mitigation and actions	Delegations operating as intended. Subject to ongoing monitoring. Reviewed regularly.

Strategic Implications

This matter relates to the following Strategic Direction identified within Council's [Strategic Community Plan 2021-2031](#):

Strategic Direction:	Leadership
Aspiration:	A local government that is receptive and proactive in meeting the needs of our community
Outcome:	4.3 Good governance
Strategy:	4.3.1 Foster effective governance with honesty and integrity and quality decision making to deliver community priorities

Attachments

7.5 (a): DC703 Minor Amendments to Delegations Register and Policies

Director Infrastructure Services Anita Amprimo and Director Development and Community Services Vicki Lummer retired from the meeting at 8:30pm.

7.6 RISK MANAGEMENT AND BUSINESS CONTINUITY ACTIVITY REPORT

File Ref: D-22-45928
Author(s): Bernadine Tucker, Manager Governance
Reporting Officer(s): Garry Adams, Director Corporate Services

Summary

This report outlines the activities undertaken by the City of South Perth's (the City) Risk Management Function for the months of September to November 2022 and to provide an overview of the activities planned for the first quarter of the 2022/2023 Financial Year.

Officer Recommendation AND COMMITTEE RECOMMENDATION

Moved: Ms Shona Zulsdorf
Seconded: Mr Aswin Kumar

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

1. Notes the Risk Management and Business Continuity Activity Report.
2. Accepts the changes to the Corporate Risk Register as contained within the report; and
3. Notes the Operational Risk Register as contained in **Confidential Attachment (a)**.

CARRIED (7/1).

For: Mayor Greg Milner, Councillors Mary Choy, Ken Manolas, Jennifer Nevard and Stephen Russell, Mr Aswin Kumar and Ms Shona Zulsdorf.

Against: Councillor André Brender-A-Brandis.

Background

This activity report outlines the risk and business continuity management activities undertaken.

Comment

Risk Management and Business Continuity Management activities for the period of September 2022 to November 2022:

1. Fraud and Corruption Control Plan

A Fraud and Corruption Control Plan (Plan) has been developed and endorsed by the Executive Management Team on Monday 3 October 2022.

The primary objective of this Plan is to protect resources, including information, and safeguard the integrity and reputation of the City. This Plan includes the City's Fraud & Corruption Prevention Policy and sets out the arrangements for the overall management of the risks and any instances of fraud and/or corruption.

7.6 Risk Management and Business Continuity Activity Report

Updates to the Fraud & Corruption Prevention Policy to align with this plan are discussed in a separate report in this Agenda.

2. Business Continuity Framework (BCF)

A Business Continuity Framework has been developed and is to be presented to EMT and the Audit, Risk and Governance Committee in the next quarter.

The objectives and priorities of the BCF will be:

- To provide for the safety and protection of employees, customers, community and property;
- To minimise the impact on customers, community and other stakeholders;
- To protect the City's image and reputation;
- To recover and maintain critical business functions within predefined time and service levels;
- To recover and maintain critical IT systems within predefined time and service levels;
- To minimise environmental impacts;
- To minimise potential economic loss from the failure to conduct normal business; and
- To prevent regulatory breaches.

3. Internal Risk Management Committee

The Internal Risk Management Committee (IRMC) met on 4 October 2022 at which time the Operational Risk Register was presented for review.

The following risks having been identified and/or reviewed and are now classified as having a High risk rating. In accordance with the requirements of the Risk Management Framework 2021 these risks are presented to the Audit, Risk and Governance Committee for review.

In general these risks relate to the availability of contractors or staff to carry out required activities to meet the expectations of our community. While the residual rating of all risks are high, it is considered that all available mitigation strategies are in place to reduce the outcome of this risk impacting the City's community.

Where necessary, key communication methods are utilised to inform our community of any delays/interruption to the expected delivery of a project or service.

- **Corp Risk 5.0 Dependency on contractors to deliver key project/services**

Outcome: Service Interruption

The residual likelihood of this risk event occurring has been reassessed from Unlikely to Possible due to the current employment environment. This amendment has resulted in a High risk rating.

Mitigation strategies:

- Robust supplier selection
- Use of WALGA preferred suppliers
- Procurement Management provided by the Finance Services Business Unit

- Relationship management

- **Corp Risk 5.4 Employee attraction and retention**

Outcome: Service Interruption

The residual likelihood of this risk event occurring has been reassessed from Possible to Likely due to the current employment environment. This amendment has resulted in a High risk rating.

Mitigation strategies

Established Corporate policies, management practices, procedures and strategies including:

- Flexible working arrangements and working from home arrangements
- Equal Opportunity Employer
- Health and Wellbeing Program for employees
- Superannuation benefits
- Annual performance reviews
- Workforce Plan
- Learning and development opportunities
- Phased retirement
- Reward and Recognition Program
- Performance Management Framework
- Learning & Development Framework

- **Corp Risk 5.8 Reliant on a single resource as IT network administrator which includes cyber security monitoring**

Outcome: Service Interruption

This is a new risk which has been assessed with a residual risk rating of High.

Mitigation strategies

- Recruit ICT Coordinator position with network administration knowledge
- Third party vendor support being available as required

4. Operational Risk Register

The Operational Risk Register is presented to the Audit Risk and Governance Committee for noting as contained in **Confidential Attachment (a)**.

The following Risk Management and Business Continuity Management activities are planned (subject to the availability of organisational officers) for the period ending June 2023:

Risk Management Activities	Expected Outcome
Operational risks to be reviewed on a quarterly basis	The City's Corporate Operational Risk register to be as current as reasonably practicable.
Business Continuity Plans to be reviewed on a quarterly basis	The City's Business Continuity Plans to be as current as reasonably practicable.
Management Practice M695 Risk Management to be reviewed and updated.	Sound risk management practices and procedures to be further integrated into the City's strategic and operational planning process and day to day business practices.
Implement training program for identified staff	Provide support and guidance to staff ensuring they have familiarity with the City's risk management practices.
Strategic Risk Register to be reviewed	Presentation to Audit, Risk and Governance Committee in March 2023

Consultation

Relevant City officers were consulted in order to identify and review all risks across all City operations.

Policy and Legislative Implications

Reg 17 (1) (a) Local Government (Audit) Regulations 1996

17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –
 - (a) risk management

Financial Implications

Nil.

Key Risks and Considerations

Risk Event Outcome	<p>Legislative Breach</p> <p>Refers to failure to comply with statutory obligations in the manner in which the City, its officers and Elected Members conduct its business and make its decisions and determinations. This embraces the full gamut of legal, ethical and social obligations and responsibilities across all service areas and decision making bodies within the collective organisation</p>
Risk rating	Low
Mitigation and actions	Continuous review and improvement in relation to all Risk Management activities.

Strategic Implications

This matter relates to the following Strategic Direction identified within Council's [Strategic Community Plan 2021-2031](#):

Strategic Direction:	Leadership
Aspiration:	A local government that is receptive and proactive in meeting the needs of our community
Outcome:	4.3 Good governance
Strategy:	4.3.1 Foster effective governance with honesty and integrity and quality decision making to deliver community priorities

Attachments

7.6 (a): Operational Risk Register (*Confidential*)

7.7 POLICY P694 FRAUD & CORRUPTION PREVENTION

File Ref: D-22-48780
Author(s): Bernadine Tucker, Manager Governance
Reporting Officer(s): Garry Adams, Director Corporate Services

Summary

This report considers the revocation of existing policy P694 Fraud & Corruption Prevention be replaced with a new policy P694 Fraud & Corruption Prevention so that it aligns with the City's Fraud and Corruption Control Plan.

Officer Recommendation AND COMMITTEE RECOMMENDATION

Moved: Ms Shona Zulsdorf
Seconded: Mayor Greg Milner

That the Audit Risk and Governance Committee recommends to Council that Policy P694 Fraud & Corruption Prevention in **Attachment (a)** be replaced with Policy P694 Fraud & Corruption Prevention in **Attachment (b)**.

CARRIED (8/0)

For: Mayor Greg Milner, Councillors André Brender-A-Brandis, Mary Choy, Ken Manolas, Jennifer Nevard and Stephen Russell, Mr Aswin Kumar and Ms Shona Zulsdorf.

Against: Nil.

Background

In March 2022, Policy P694 Fraud & Corruption Prevention was presented to the Audit, Risk & Governance Committee as part of the annual policy review cycle recommending major amendments to the policy. At that time, the policy was updated to remove references to outdated practices and documents and updated to reference current documents, processes and practices.

However, the Audit, Risk & Governance Committee recommended to Council that all policies included in the Annual Policy Review be deferred until a workshop could be held. Council endorsed the Committees recommendation on 22 March 2022 and a workshop was subsequently held on 2 August 2022 where policy P694 Fraud & Corruption Prevention was discussed.

At the workshop, Council and the Audit, Risk & Governance Committee Members were advised that further work would be undertaken on the policy to align with the City's new Fraud & Corruption Control Plan.

Comment

The City's Fraud and Corruption Control Plan was endorsed by EMT on Monday 3 October 2022. This Plan incorporates the following three key themes:

- Preventing fraud and corruption
- Detecting fraud and corruption
- Responding to fraud and corruption events

Within these themes are the following key attributes:

1. Leadership
2. Ethical framework
3. Responsibility structures
4. Fraud control policy
5. Prevention systems
6. Fraud awareness
7. Third party management systems
8. Notification systems
9. Detection systems
10. Investigation systems

The City's existing Policy P694 underwent further amendments since the workshop in accordance with the Plan. Given the number of amendments made, it is recommended the existing policy in **Attachment (a)** be replaced with a new Fraud & Corruption Prevention policy as contained in **Attachment (b)**.

Consultation

The Executive Management Team and the Managers of Governance, Finance and People and Performance have been consulted on this new policy.

Policy and Legislative Implications

The reviewed and new policies are consistent with the *Local Government Act 1995*, relevant legislation and guidelines and other City documents.

Financial Implications

Nil.

Key Risks and Considerations

Risk Event Outcome	Legislative Breach Refers to failure to comply with statutory obligations in the manner in which the City, its officers and Elected Members conduct its business and make its decisions and determinations. This embraces the full gamut of legal, ethical and social obligations and responsibilities across all service areas and decision making bodies within the collective organisation
Risk rating	Low
Mitigation and actions	Yearly review of all policies.

Strategic Implications

This matter relates to the following Strategic Direction identified within Council's [Strategic Community Plan 2021-2031](#):

Strategic Direction:	Leadership
Aspiration:	A local government that is receptive and proactive in meeting the needs of our community
Outcome:	4.3 Good governance
Strategy:	4.3.1 Foster effective governance with honesty and integrity and quality decision making to deliver community priorities

Attachments

7.7 (a):	Existing Policy P694 Fraud & Corruption Prevention
7.7 (b):	New Policy P694 Fraud & Corruption Prevention

7.8 1SYSTEM PROJECT UPDATE

*This item is considered **confidential** in accordance with section 5.23(2)(c) of the Local Government Act 1995 as it contains information relating to "a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting"*

File Ref: D-22-54913
 Author(s): Jeff Jones, 1System Project Manager
 Reporting Officer(s): Garry Adams, Director Corporate Services

Summary

This is the 17th report to the Audit, Risk and Governance Committee (ARGC) providing an update on the 1System Project. Phase 1, 2 and 3A were delivered on time, on scope, on quality and on (under) budget. This report describes delivery of Phase 3B, the largest phase due to it being Citywide and will provide online services to the Community through a Customer Portal.

The Go-Live for Phase 3B, Compliance (Planning and Building Applications), Animals, Infringements, Enterprise Cash Receipting (ECR) and Sundry Debtors is due to go live on 16th January 2023 and Phase 3C Rates in July 2023.

This financial year we will also upgrade to the latest release 2022B.

Phase 3B will be aligned to the same time we go live with release 2022B to minimise system testing of the modules in Phase 3B.

Officer Recommendation AND COMMITTEE RECOMMENDATION

Moved: Ms Shona Zulsdorf
Seconded: Councillor Stephen Russell

That the Audit, Risk and Governance Committee notes the progress of the 1System Project and the adjustment to timelines.

CARRIED (8/0)

For: Mayor Greg Milner, Councillors André Brender-A-Brandis, Mary Choy, Ken Manolas, Jennifer Nevard and Stephen Russell, Mr Aswin Kumar and Ms Shona Zulsdorf.

Against: Nil.

8. OTHER RELATED BUSINESS

Nil.

9. CLOSURE

The Presiding Member declared the meeting closed at 8.57pm.

These Minutes were confirmed at the next Audit, Risk and Governance
Committee Meeting yet to be determined.

Signed: _____

Presiding Member at the meeting at which the Minutes were confirmed.