

# minutes

## Audit and Risk Committee

MEETING HELD ON

MONDAY 8 AUGUST 2022

### **Acknowledgement of Traditional Custodians**

The City of Joondalup acknowledges the traditional custodians of the land, the Whadjuk people of the Noongar nation, and recognises the culture of the Noongar people and the unique contribution they make to the Joondalup region and Australia. The City of Joondalup pays its respects to their Elders past and present and extends that respect to all Aboriginal and Torres Strait Islander peoples.

*This document is available in alternate formats upon request*

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**Note:**

Clause 15.10 of the City's *Meeting Procedures Local Law 2013* states:

*This local law applies generally to committee meetings except for clause 7.1 in respect of members seating and clause 7.8 in respect of limitation on members speaking.*

## CITY OF JOONDALUP

**MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD IN CONFERENCE ROOM 1, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY 8 AUGUST 2022.**

### **ATTENDANCE**

#### **Committee Members**

Cr John Raftis	<i>Presiding Member</i>
Mayor Hon. Albert Jacob, JP	
Cr Tom McLean, JP	
Cr Nige Jones	<i>Deputy Presiding Member</i>
Cr Russ Fishwick, JP	
Cr John Logan	
Mr Richard Thomas	<i>External Member</i>

#### **Observers:**

Cr Adrian Hill

#### **Officers:**

Mr James Pearson	Chief Executive Officer
Mr Mat Humfrey	Director Corporate Services
Mrs Kylie Bergmann	Manager Governance
Mr David Murnain	Manager Information Technology
Mr Peter McGuckin	Acting Manager Audit, Risk and Executive Services
Mrs Wendy Cowley	Governance Officer

### **DECLARATION OF OPENING**

The Presiding Member declared the meeting open at 5.47pm.

## **DECLARATIONS OF FINANCIAL INTEREST / PROXIMITY INTEREST / INTEREST THAT MAY AFFECT IMPARTIALITY**

Nil.

## **APOLOGIES AND LEAVE OF ABSENCE**

### **Apologies**

Cr Russell Poliwka.

### **Leave of Absence Previously Approved**

Cr John Raftis  
Cr John Logan

17 to 31 August 2022 inclusive.  
29 August to 2 September 2022 inclusive.

## **CONFIRMATION OF MINUTES**

### **MINUTES OF THE AUDIT AND RISK COMMITTEE HELD ON 1 MARCH 2022**

**MOVED** Cr Jones, **SECONDED** Cr McLean that the Minutes of the Audit and Risk Committee Meeting held on 8 August 2022 be confirmed as a true and correct record.

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.

## **ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION**

Nil.

## **IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC**

In accordance with Clause 5.2 of the City's *Meeting Procedures Local Law 2013*, this meeting was not open to the public.

## **PETITIONS AND DEPUTATIONS**

Nil.

## REPORTS

### ITEM 1 **ROLE AND FUNCTIONING OF THE AUDIT AND RISK COMMITTEE**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Office of the CEO
<b>FILE NUMBERS</b>	107022, 101515
<b>ATTACHMENT</b>	Attachment 1 Draft Audit and Risk Committee Charter
<b>AUTHORITY / DISCRETION</b>	Review - Council reviews a decision made by officers.

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#### PURPOSE

For Council to consider possible changes to the role and functioning of the Audit and Risk Committee.

#### EXECUTIVE SUMMARY

At its meeting held on 20 July 2021 (CJ099-07/21 refers), Council requested the Chief Executive Officer to prepare a report for the first ordinary meeting of the Audit and Risk Committee (and subsequent Council meeting) following the 2021 election, detailing the possible changes to the role and functioning of the Audit and Risk Committee (Committee), including but not limited to:

- The reporting of the City's Internal Auditor to the Committee.
- The possibility of developing an Audit Charter on the function of the Committee.

This Report provides details of the current reporting structure of the City's Internal Auditor and possible changes to this reporting structure.

At its meeting held on 1 March 2022 (Item 3 refers), the Audit and Risk Committee feedback was provided by the Committee on the Terms of Reference for the Committee, and this, together with input from other relevant sources, has been incorporated into a draft Audit Charter detailing the functions of the Committee, forming Attachment 1 to this Report.

*It is therefore recommended that Council:*

- 1 *MAINTAINS the current functional reporting relationship between the Internal Auditor and the Audit and Risk Committee;*
- 2 *ADOPTS the updated Audit and Risk Committee Charter, forming Attachment 1 to this Report;*
- 3 *ADOPTS the revised Terms of Reference for the Audit and Risk Committee as reflected in the draft Audit and Risk Committee Charter, forming Attachment 1 to this Report.*

## **BACKGROUND**

The *Local Government Act 1995* (the Act) and the *Local Government (Audit) Regulations 1996* requires local governments to establish an audit committee with certain roles and responsibilities.

The City has established a committee under section 7.1A of the Act, which is a formally appointed committee of Council in accordance with the Act and is responsible to Council.

## **DETAILS**

### Reporting of the City's Internal Auditor to the Audit and Risk Committee

The internal audit function within a local government structure is independent from operational functions, systems and processes. To be most effective the function must be free from management control that may adversely impact on this independence and the auditing and reporting function. The Internal Auditor operates independently and reports directly to the Chief Executive Officer to eliminate undue influence on audit activities, findings and reports. The internal audit program is not subject to direction or approval from Directors, Managers or the Executive Leadership Team, however operational support is provided by the Manager Audit and Risk Services. This differs from listed companies (that are bound by the rules of the Australian Securities Exchange) whereby the final decision on the internal audit scope, annual plan and budget is reserved for the Board or Board Audit Committee on recommendation from internal audit and management.

One of the key objectives of the Internal Auditor position is to provide an independent and objective internal audit function that provides assurance on the City's systems of internal controls, compliance and risk management processes.

This is undertaken by the following:

- The provision of advice, support and recommendations to the Chief Executive Officer, Executive Leadership Team and the Committee on a range of audit, compliance and risk management matters in accordance with legislation, policies, protocols and professional standards.
- Preparation and presenting reports to the Chief Executive Officer, Executive Leadership Team and/or the Committee that contain detailed findings including identification of risks and recommendations to mitigate risks.
- Performing specialist assignments and investigations including:
  - as requested by the Chief Executive Officer
  - from requests for reports from the Committee
  - from notifications received from external oversight agencies (such as the Corruption and Crime Commission, Public Sector Commission and the Department of Local Government, Sport and Cultural Industries).

The Internal Auditor can liaise directly with the Presiding Member of the Committee to discuss reports that are included on Committee meeting agendas, has a direct line of communication with the Committee through attendance at committee meetings, and the Committee can request reports which can relate to matters that are progressed as internal audit reviews. The annual Internal Audit Plan is presented to the Committee for review.

This liaison and direct line of communication is referred to as a functional reporting relationship.

The Internal Auditor is an employee of the City and is bound by the *City of Joondalup Inside Workforce Enterprise Agreement 2018* which sets out the terms and conditions of employment. This means that the Chief Executive Officer is responsible for employment of the Internal Auditor. This differs from listed companies (that are bound by the rules of the Australian Securities Exchange) whereby decisions on the employment of the head of internal audit are reserved for the Board (on recommendation from the Board Audit Committee), as well as the Board or relevant Board Committee reviewing the reasonableness of the remuneration of the head of internal audit.

As per section 7.1B (delegation of some powers and duties to audit committee) of the Act, the only powers that a local government may delegate to its audit committee are any of its powers and duties under Part 7 – Audit, of the Act. This does not include the ability for an Internal Auditor to report directly to an audit committee, outside of the current functional reporting mechanism.

### Audit Charter

Following an amendment to the Act requiring all local governments to establish an audit committee, at its meeting held on 29 August 2006 (CJ142-08/06 refers), Council adopted an *Audit Committee Charter* (the Charter). The Charter included details on the Committee's objectives and functions, powers and membership, and duties and responsibilities. The Charter was included with the agenda for meetings of the Committee until August 2015, and from the meeting held in November 2015 the Charter was replaced by updated Terms of Reference for the Committee.

The Western Australian Auditor General produced a report in June 2020 titled [Western Australian Public Sector Audit Committees – Better Practice Guide](#) (the Guide). The Guide recognises that audit committees are an essential part of an entity's governance framework in the provision of independent advice and assurance on systems of risk management, internal control, and financial and performance reporting.

The Guide provides better practice principles and guidance to accountable authorities and those with responsibility for audit committee activities. The Guide includes toolkits to assist the development of effective audit committees and promote the better practice principles included in the Guide. This includes a toolkit designed to assist entities to develop an audit committee charter that reflects the better practice principles. The Office of the Auditor General (OAG) sourced information from the Institute of Internal Auditors Australia (and global) and the Australian National Audit Office to develop the Guide.

The City has used the OAG Guide and toolkit, the [Local Government Operational Guidelines \(Number 09 Audit in Local Government\)](#) published by the Department of the Local Government, Sport and Cultural Industries, and the previous Charter to develop a draft Audit Charter for consideration by the Committee and Council.

### Responsibilities of the Office of the Auditor General

The Auditor General's functions and powers are prescribed in the *Auditor General Act 2006*. On 28 October 2017, the [Local Government Amendment \(Auditing\) Act 2017](#) was proclaimed, giving the Auditor General the mandate to audit local government authorities within Western Australia, which includes performance audits and annual financial audits.



The Auditor General seeks to develop an audit program that is balanced in its coverage and includes topics that matter to Parliament and the community. The audit program is informed by enquiries received, expressions of concern and requests for audits from Members of Parliament and the community. The OAG's audit program is developed using the criteria of materiality, impact, risk, context, coverage, and auditability/efficiency.

Deciding what to audit is a key part of the Auditor General's independence and this is not subject to direction from Parliament or government. However, the topic selection process involves annual discussions on the proposed forward audit program with the oversight committees of Public Accounts Committee and Estimates and Financial Operations Committee.

In accordance with section 24 of the *Auditor General Act 2006* the OAG issued the *Audit Practice Statement* (dated March 2017) which provides a concise and consolidated summary of why, what and how audits are undertaken. This Statement is available on the OAG website ([www.audit.wa.gov.au](http://www.audit.wa.gov.au)).

### Issues and options considered

There are a number of options for Council to consider.

For the reporting of the City's Internal Auditor to the Committee, Council can either:

- maintain the current functional reporting relationship as described in this Report or
- advocate for a change to the *Local Government Act 1995* to allow for the ability for an Internal Auditor to report directly to an audit committee.

For the development of an Audit Charter on the function of the Committee, Council can either:

- continue to use the current Terms of Reference to reflect the role of the Committee or
- adopt, or amend and adopt, the draft Charter, forming Attachment 1 to this Report.

If Council determines to adopt the draft Charter, it is recommended that Council also adopt the revised Terms of Reference for the Audit and Risk Committee as reflected in the draft Charter.

### Legislation / Strategic Community Plan / Policy Implications

<b>Legislation</b>	<i>Auditor General Act 2006.</i> <i>Local Government Act 1995.</i> <i>Local Government Amendment (Auditing) Act 2017.</i> <i>Local Government (Audit) Regulations 1996.</i> <i>Local Government (Financial Management) Regulations 1996.</i>
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### Strategic Community Plan

<b>Key theme</b>	Leadership.
<b>Outcome</b>	Capable and effective – You have an informed and capable Council backed by a highly-skilled workforce.

**Policy** Not applicable.

**Risk Management Considerations**

An independent internal audit service provides objective review and assurance on risks associated with the City's systems, governance, and compliance processes. An Audit and Risk Committee Charter that clearly communicates the roles and responsibilities of the Committee reduces the risk of the Committee being less accountable and effective.

**Financial / Budget Implications**

Not applicable.

**Regional Significance**

Not applicable.

**Sustainability Implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

The Internal Auditor operates independently, free from management interference and / or influence, and has access to all relevant City systems, records, and personnel. The previous Charter, which was discontinued, contained more detailed information about the Committee's accountabilities and functions than the current Terms of Reference for the Committee. However, it has become dated and included some details that did not comply with legislation and current practice. Updating this Charter to include the better practice principles from the OAG's guidelines results in a contemporary Charter that reflects the Committee's roles and responsibilities.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr McLean, SECONDED Mayor Jacob that Council:**

- 1 MAINTAINS the current functional reporting relationship between the Internal Auditor and the Audit and Risk Committee;**
- 2 ADOPTS the updated Audit and Risk Committee Charter, forming Attachment 1 to this Report;**
- 3 ADOPTS the revised Terms of Reference for the Audit and Risk Committee as reflected in the draft Audit and Risk Committee Charter, forming Attachment 1 to this Report.**

**AMENDMENT MOVED Cr Raftis, SECONDED Cr Fishwick that Part 2 of the Motion be amended to read as follows:**

**“2 ADOPTS the updated Audit and Risk Committee Charter, forming Attachment 1 to this Report, subject to the following changes:**

**a that Part 2.3(g) be amended to read “Information provided to the Committee is to be used only to carry out their responsibilities, unless expressly agreed by Council”;**

**b that a new Part 5.1(i) be added as follows:**

**“5.1(i) review the strategic risks to the City and the plans to minimise or respond to those risks. This includes assessing whether risks that may prevent the City from achieving its objectives or maintaining its reputation have been identified.”**

**c that Part 4.1 be renumbered to align to the numbering convention within the Charter;”**

**The Amendment was Put and**

**CARRIED (7/0)**

**In favour of the Amendment:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.

**The Original Motion as amended, being that Council:**

**1 MAINTAINS the current functional reporting relationship between the Internal Auditor and the Audit and Risk Committee;**

**2 ADOPTS the updated Audit and Risk Committee Charter, forming Attachment 1 to this Report, subject to the following changes:**

**a that Part 2.3(g) be amended to read “Information provided to the Committee is to be used only to carry out their responsibilities, unless expressly agreed by Council”;**

**b that a new Part 5.1(i) be added as follows:**

**“5.1(i) review the strategic risks to the City and the plans to minimise or respond to those risks. This includes assessing whether risks that may prevent the City from achieving its objectives or maintaining its reputation have been identified.”**

**c that Part 4.1 be renumbered to align to the numbering convention within the Charter;**

**3 ADOPTS the revised Terms of Reference for the Audit and Risk Committee as reflected in the draft Audit and Risk Committee Charter, forming Attachment 1 to this Report.**

**Was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.

*Appendix 1 refers*

*To access this attachment on electronic document, click here: [Attach1AUDRISK220808.pdf](#)*

## **ITEM 2                                        THREE YEAR INTERNAL AUDIT PLAN**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Office of the CEO
<b>FILE NUMBERS</b>	49586, 101515
<b>ATTACHMENT</b>	Attachment 1     Three Year Internal Audit Plan
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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### **PURPOSE**

For the Audit and Risk Committee to note the *Three Year Internal Audit Plan* for the years 2022-23 to 2024-25.

### **EXECUTIVE SUMMARY**

At the Audit and Risk Committee meeting held on 9 August 2021 a report was requested in relation to the Internal Audit Program outlining all the activities that could be covered as part of the Internal Audit Program, along with when they were last reviewed.

The first *Three Year Internal Audit Plan* was presented to the Audit and Risk Committee at its meeting held on 15 December 2021 and has been updated to include the year 2024-25.

It is therefore recommended that the Audit and Risk Committee NOTES the *Three Year Internal Audit Plan* for the years 2022-23 to 2024-25 forming Attachment 1 to this Report.

### **BACKGROUND**

Each year an Audit, Risk and Integrity Program (the Program) is developed that includes the Annual Internal Audit Program which guides the work of the Internal Auditor. The Program is informed by the Audit and Risk Committee, legislation, fraud and misconduct data analytics program and external oversight agencies. The Internal Audit Program has the following two objectives:

- To report to the Audit and Risk Committee – with the service level being via the provision of reports to allow the Audit and Risk Committee to oversee internal / external auditing, risk management, internal control and compliance functions of the City.
- To undertake activities listed in the Annual Internal Audit Program – with the service level being via the provision of an independent and objective review of City operations and systems – provides assurance that risk management, controls and compliance processes are effective.

## DETAILS

Internal audit planning is important as it aligns internal audit activity with organisational objectives and the key risk areas to ensure that internal audit resources are targeted in an efficient manner.

The WA Auditor General recognises that there are four lines of defence which underpin a strong governance framework, of which internal audit is the third line of defence:

- First line of defence – internal control measures.
- Second line of defence – internal oversight, monitoring and reporting.
- Third line of defence – internal audit and review.
- Fourth line of defence – external audit, investigations and reviews.

The *Three Year Internal Audit Plan* (the Plan) is designed to bring a systematic methodology that contributes to the overall assurance provided to management and the Audit and Risk Committee, that risks are appropriately identified, managed and controls are implemented and operating effectively.

The Plan is developed following an assessment of the City's audit needs which includes, but is not limited to the following:

- Legislative audits, reviews and reporting requirements.
- Previous internal audit reports.
- Organisational risk registers.
- Review and analysis of external audit reports including the Corruption and Crime Commission, Office of the Auditor General and the Department of Local Government, Sport and Cultural Industries.
- External misconduct referrals, public interest disclosures and whistleblowing allegations.
- Chief Executive Officer, management and Audit and Risk Committee requests.
- Fraud, corruption and misconduct risks using live data analytics program.
- COVID-19 Pandemic risks.
- New and emerging risks.
- New corporate systems and services.

The Plan identifies the proposed internal audit area, the timing of the audit, reason for inclusion, when the area was last audited and a brief scope for the audit. The Plan now also includes the date the audit was reported to the Audit and Risk Committee. Detailed scopes for each audit are developed for management agreement and sign-off prior to the commencement of the audit. Action plans are developed for the implementation of agreed audit recommendations which includes implementation dates and responsibility for implementation.

### Three Year Internal Audit Plan

There have been no new audits areas added for 2024-25 within the rolling three year plan; however the Plan is subject to change and modification during the year on the authorisation of the Chief Executive Officer.

There were two additional audits undertaken during 2021-22 that were not included in the Plan; being a review of the human resources misconduct investigation procedures, and a review into a failed retaining wall. As these audits were targeted, they will not be included for future review.

The following audits have been prioritised for 2022-23 as they were not undertaken during 2021-22 due to the Internal Auditor's involvement with responding to referrals from external oversight agencies and the two additional audits mentioned above:

- Attempts to bypass quotation and tender thresholds (including sole suppliers).
- Employee use of fleet vehicles.
- Tender specifications and assessment criteria.
- Payments made to invalid suppliers.
- Payments made after employee termination.

The Internal Auditor relies on the support of a Research Analyst who has commenced gathering data and information on some of the abovementioned matters. The appointment of an Integrity Officer will also assist the Internal Auditor's workload.

The outcomes of the following audits completed in 2021-22 are scheduled to be reported to the Audit and Risk Committee in November 2022:

- COVID-19 Audit Activity.
- Use of zoom and Microsoft teams for meetings (cyber security).
- Payments to casuals and part time employees (February 2021 WA lockdown).
- Changes to bank details.
- Potential false invoices.
- Review of unique / specialised provider (parking ticket machines).
- Payments made to ghost employees.
- Drug and alcohol testing of employees (process only; not results).
- Human resources misconduct investigation procedures.

### **Legislation / Strategic Community Plan / Policy implications**

**Legislation** Part 7, *Local Government Act 1995*.  
Section 14 and 15, *Local Government (Audit) Regulations 1996*.  
Regulation 17, *Local Government (Audit) Regulations 1996*.  
Regulation 5(2)(c), *Local Government (Financial Management) Regulations 1996*.

### **Strategic Community Plan**

**Key theme** Leadership.

**Outcome** Capable and effective – You have an informed and capable Council backed by a highly-skilled workforce.

Accountable and financially-sustainable – You are provided with a range of City services which are delivered in a financially responsible manner.

**Policy** Not applicable.

### **Risk management considerations**

Internal audit is an independent and objective appraisal service designed to add value and assist an organisation achieve its objectives through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

The Office of the Auditor General also places reliance on internal audit activities when conducting their annual financial audit of the City.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

The development of a three-year Plan assists in directing internal audit resources more efficiently to provide sufficient assurance that key risks are identified, assessed and controlled effectively. The Plan is subject to change during the year as the Internal Auditor may need to undertake other matters such as referrals from external oversight agencies and requests for independent reviews from the Chief Executive Officer or senior management.

It should be noted that the majority of referrals from external oversight agencies are as a result of the evidence discovered from the work of the Internal Auditor.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Logan, SECONDED Cr Jones that the Audit and Risk Committee NOTES the *Three Year Internal Audit Plan* for the years 2022-23 to 2024-25 forming Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.

*Appendix 2 refers*

*To access this attachment on electronic document, click here: [Attach2AUDRISK220808.pdf](#)*

### ITEM 3                                  SCOPE FOR THE CHIEF EXECUTIVE OFFICER'S THREE YEARLY REVIEW – FINANCIAL MANAGEMENT

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Office of the CEO
<b>FILE NUMBER</b>	17871; 101515
<b>ATTACHMENT</b>	Attachment 1    Scope for Review of Financial Management
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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#### PURPOSE

For the Audit and Risk Committee to note the scope for the Chief Executive Officer's three yearly review of the appropriateness and effectiveness of the City's financial management systems and procedures.

#### EXECUTIVE SUMMARY

The *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer of a local government to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report to the local government the results of that review.

The City has developed the scope of requirements in order to seek quotations from qualified, external and independent companies to undertake the review.

*It is therefore recommended that the Audit and Risk Committee NOTES the scope of requirements for the Chief Executive Officer's three yearly review into the appropriateness and effectiveness of the City's financial management systems and procedures forming Attachment 1 to this Report.*

#### BACKGROUND

Regulation 5 (2) (c) of the *Local Government (Financial Management) Regulations 1996* requires that the Chief Executive Officer of a local government is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every three financial years) and report to the local government the results of those reviews.

The previous review was completed in 2019. The results of that review were reported to the Audit and Risk Committee at its meeting held on 3 March 2020, before being noted by Council at its meeting held on 17 March 2020 (CJ036-03/20 refers).



## DETAILS

The scope of requirements has now been developed (refer to Attachment 1) which covers all the requirements as detailed in regulation 5 (2) (c) of the *Local Government (Financial Management) Regulations 1996*. The regulations state that efficient systems and procedures are to be established by the Chief Executive Officer of a local government:

- (a) for the proper collection of money owing to the local government
- (b) for the safe custody and security of all money collected or held by the local government
- (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process)
- (d) to ensure proper accounting for municipal or trust –
  - (i) revenue received or receivable
  - (ii) expenses paid or payable
  - (iii) assets and liabilities
- (e) to ensure proper authorisation for the incurring of liabilities and the making of payments
- (f) for the maintenance of payroll, stock control and costing records
- (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

The scope has been issued to qualified, external and independent companies to obtain quotations for undertaking the review during 2022. Companies were sought using the WALGA Preferred Supplier Program (contract PSP004 Financial and Corporate Services) and the State Government Common Use Arrangement (contract CUAFA2018 Audit and Financial Advisory Services) as permitted by the City's *Purchasing Policy*. Some companies are members of both contracts.

Stantons International Audit and Consulting Pty Ltd have been appointed to undertake the review as their submission demonstrated a clear understanding of the City's requirements and details an appropriate methodology and approach for undertaking the review, within value for money considerations.

### Legislation / Strategic Community Plan / Policy implications

**Legislation** Regulation 5 (2) (c) of the *Local Government (Financial Management) Regulations 1996*.

### Strategic Community Plan

**Key theme** Leadership.

**Outcome** Accountable and financially-sustainable – You are provided with a range of City services which are delivered in a financially responsible manner.

**Policy** Not applicable.

## Risk management considerations

The Chief Executive Officer's three yearly review allows systems to be independently tested to establish if systems of internal control are appropriate and effective. Any risks and weaknesses identified will be addressed by introducing new controls and/or improving the current controls and control environment. Not undertaking this review will result in a breach of the *Local Government (Financial Management) Regulations 1996*.

## Financial / budget implications

### Current financial year impact

<b>Account no.</b>	1.230.A2301.3265.0000
<b>Budget Item</b>	Consultancy
<b>Budget amount</b>	\$ 50,000
<b>Amount spent to date</b>	\$ 0

## Regional significance

Not applicable.

## Sustainability implications

Not applicable.

## Consultation

Independent consultants will be engaged by the Chief Executive Officer to undertake both reviews.

## COMMENT

The Chief Executive Officer will provide the results of the review to the Audit and Risk Committee prior to being provided to Council.

## VOTING REQUIREMENTS

Simple Majority.

**MOVED Cr Fishwick, SECONDED Mayor Jacob that the Audit and Risk Committee NOTES the scope of requirements for the Chief Executive Officer's three yearly review of the appropriateness and effectiveness of the City's financial management systems and procedures forming Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.

*Appendix 3 refers*

To access this attachment on electronic document, click here: [Attach3AUDRISK220808.pdf](#)

**ITEM 4 SCOPE FOR THE CHIEF EXECUTIVE OFFICER'S THREE YEARLY REVIEW – RISK MANAGEMENT, INTERNAL CONTROL AND LEGISLATIVE COMPLIANCE**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Office of the CEO
<b>FILE NUMBER</b>	10011, 101515
<b>ATTACHMENT</b>	Attachment 1 Scope for Review of Risk Management, Internal Control and Legislative Compliance
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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**PURPOSE**

For the Audit and Risk Committee to note the scope for the Chief Executive Officer's three yearly review of the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control and legislative compliance.

**EXECUTIVE SUMMARY**

The *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer of a local government to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance not less than once in every three financial years and report to the audit committee the results of that review.

The City has developed the scope of requirements in order to seek quotations from qualified, external and independent companies to undertake the review.

*It is therefore recommended that the Audit and Risk Committee NOTES the scope of requirements for the Chief Executive Officer's three yearly review into the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control and legislative compliance forming Attachment 1 to this Report.*

**BACKGROUND**

Regulation 17 of the *Local Government (Audit Regulations) 1996* requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- (a) risk management
- (b) internal control
- (c) legislative compliance.

The review may relate to any or all of the matters referred to but each of those matters is to be subject of a review not less than once in every three financial years. The Chief Executive Officer is to report to the Audit and Risk Committee the results of that review.

The previous review was completed in 2019. The results of that review were reported to the Audit and Risk Committee at its meeting held on 3 March 2020, before being noted by Council at its meeting held on 17 March 2020 (CJ035-03/20 refers).

## **DETAILS**

The scope of requirements has now been developed (refer to Attachment 1) which covers all the requirements as detailed in Regulation 17 of the *Local Government (Audit Regulations) 1996*. The scope also references the Department of Local Government, Sport and Cultural Industries [Operational Guidelines Number 09 Audit in Local Government Appendix 3](#) which provides further details and information on issues that should be considered for inclusion in the review.

The scope has been issued to qualified, external and independent companies to obtain quotations for undertaking the review during 2022. Companies were sought using the WALGA Preferred Supplier Program (contract PSP004 Financial and Corporate Services) and the State Government Common Use Arrangement (contract CUAFA2018 Audit and Financial Advisory Services) as permitted by the City's *Purchasing Policy*. Some companies are members of both contracts.

Stantons International Audit and Consulting Pty Ltd have been appointed to undertake the review as their submission demonstrated a clear understanding of the City's requirements and details an appropriate methodology and approach for undertaking the review, within value for money considerations.

### **Legislation / Strategic Community Plan / Policy implications**

**Legislation** Regulation 17 of the *Local Government (Audit Regulations) 1996*.

#### **Strategic Community Plan**

**Key theme** Leadership.

**Outcome** Accountable and financially-sustainable – You are provided with a range of City services which are delivered in a financially responsible manner.

**Policy** *Risk Management Policy*.

### **Risk management considerations**

The Chief Executive Officer's three yearly review allows systems to be independently tested to establish if systems of internal control are appropriate and effective. Any risks and weaknesses identified will be addressed by introducing new controls and/or improving the current controls and control environment. Not undertaking this review will result in a breach of the *Local Government (Audit Regulations) 1996*.

## Financial / budget implications

### Current financial year impact

<b>Account no.</b>	1.230.A2301.3265.0000
<b>Budget Item</b>	Consultancy
<b>Budget amount</b>	\$ 50,000
<b>Amount spent to date</b>	\$ 0

### Regional significance

Not applicable.

### Sustainability implications

Not applicable.

### Consultation

Independent consultants will be engaged by the Chief Executive Officer to undertake both reviews.

## COMMENT

The Chief Executive Officer will provide the results of the review to the Audit and Risk Committee prior to being provided to Council.

## VOTING REQUIREMENTS

Simple Majority.

**MOVED Cr McLean, SECONDED Mr Thomas that the Audit and Risk Committee NOTES the scope of requirements for the Chief Executive Officer's three yearly review of the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control and legislative compliance forming Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.

*Appendix 4 refers*

To access this attachment on electronic document, click here: [Attach4AUDRISK220808.pdf](#)

## **ITEM 5** **BENEFITS MANAGEMENT PROGRAM**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr James Pearson Office of the CEO
<b>FILE NUMBERS</b>	103906, 101515
<b>ATTACHMENTS</b>	Nil
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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### **PURPOSE**

For the Audit and Risk Committee to note the update on the City's Benefit Management Program for 2021-22.

### **EXECUTIVE SUMMARY**

During 2021-22 the following improvements and savings have been identified:

- Decrease in annual depreciation expenses – \$484,000.
- Decrease in capital renewal costs over the asset lives – \$29,000,000.
- Service activity improvements – \$95,150.
- Service activity improvements (staff time) – five hours per week – \$10,000.
- Improved utilisation of available resources (staff time) – \$83,900.
- Improved utilisation of available resources (materials and/or salary) – \$204,782.
- Cancelled / postponed events – \$281,115.

To support continuous improvement, value for money and operation efficiency through benchmarking, the City participates in the annual Local Government Performance Excellence Program to enable comparison between local governments across Australia of data relating to workforce, finance, operations and service delivery.

*It is therefore recommended that the Audit and Risk Committee NOTES the update on the City's Benefit Management Program for 2021-22.*

### **BACKGROUND**

The 2021-22 Chief Executive Officer's Key Performance Indicators includes a requirement that the Benefits Management Program be reported to the Audit and Risk Committee.

The City's reportable program of service reviews, continuous improvement and innovation has been in place since 2013, currently known as the Benefits Management Program (previously known as the Service Efficiency and Effectiveness Review Program).

## DETAILS

Reviews continue to be undertaken as part of business as usual, aimed at identifying opportunities for:

- service activity improvements
- assisting longer term financial sustainability
- ensuring value for money and operation efficiency
- service level adjustments
- considering alternative modes of service delivery
- improved utilisation of available resources.

During 2021-22 the following improvements and approximate savings have been identified:

- Decrease in annual depreciation expenses – \$484,000.
- Decrease in capital renewal costs over the asset lives – \$29,000,000.
- Service activity improvements – \$95,150.
- Service activity improvements (staff time) – five hours per week – \$10,000.
- Improved utilisation of available resources (staff time) – \$83,900.
- Improved utilisation of available resources (materials and/or salary) – \$204,782.
- Cancelled / postponed events – \$281,115.

### Specific details of the improvements and savings

<b>Decrease in annual depreciation expenses</b>	
<b>Decrease in capital renewal costs over the asset lives</b>	
Reclassification as “held for sale” of approximately \$29.3 million of infrastructure assets which are being transferred to Main Roads WA (Ocean Reef Road and Marmion Avenue).	Approximately \$484,000 decrease in annual depreciation expense.  Approximately \$29 million decrease in capital renewal costs over the asset lives

<b>Service activity improvements</b>	
Increase in size of cycle studio at Craigie Leisure Centre (from 20 bikes to 33 bikes).	TOTAL VALUE: \$44,150 increase in revenue per annum
Back to Swim School program resulted in 373 more enrolments that anticipated (3,283 in total).	TOTAL VALUE: \$50,000 increase in revenue (once off).
Review of Terms of Reference for Design Reference Panel which included recouping the cost of running the Panel and introducing re-lodgement option to add value to customers.	TOTAL VALUE: Approximately \$1,000 per annum

<b>Service activity improvements (staff time)</b>	
Staff time is redirected to providing a higher level of service in other areas	
Change in process for the assessment of building permit applications by Environment Health Officers for residential properties without reticulated sewer. Affected applications are identified and information sent to the applicant, without requiring a formal check.	TOTAL VALUE: \$10,000 per annum for reduction in staff time of approximately five hours per week.

<b>Improved utilisation of available resources (staff time)</b>	
Staff time is redirected to providing a higher level of service in other areas	
Review of City Community Newspaper adverts allowed the City to consider alternative ways to communicate bulk green waste collections and swimming pool inspection promotion.	TOTAL VALUE: \$55,000 per annum for reduction in Designer time for waste services and compliance matters.
Scaled back format for Australia Day Citizenship Ceremony given less candidates due to the Department of Home Affairs offering online ceremonies including reconsideration of gift bags and entertainment.	TOTAL VALUE: \$24,200 per annum for reduction in staff time.
Flags outside Administration Building to be flown all day, every day in accordance with Commonwealth Flag Protocol.	TOTAL VALUE: \$3,700 per annum for reduction in staff time.
Revised printing option for the Autumn events program with a focus on online content to enable timely amendments.	TOTAL VALUE: up to \$1,000 for reduction in staff time (once off).

<b>Improved utilisation of available resources (materials and/or salary)</b>	
Design of Waste Guide changed to a DL pamphlet and with no magnet on the back. More information to be provided online and long-term to include the publication in rates notices.	TOTAL VALUE: \$25,000 saving per annum
Review of the City's milk supplier, which in the past has been the only supplier for the northern suburbs.	TOTAL VALUE: \$4,800 saving per annum
Revised printing option for the Autumn events program with a focus on online content to enable timely amendments.	TOTAL VALUE: up to \$1,000 for reduction in staff time (once off).
Removal of Covid Marshals at Craigie Leisure Centre.	TOTAL VALUE: \$56,373 (once off).

<b>Improved utilisation of available resources (materials and/or salary)</b>	
Temporary staff structure was implemented in the events team during COVID-19 as public event delivery was impacted with postponements and cancellations. During this period fixed-term contracts were put in place while a review of the portfolio was undertaken, with a new staff structure to be implemented for 2022-23. This resulted in some savings due to vacancies.	TOTAL VALUE: \$72,372 (once off).
Termination of storage facility lease.	TOTAL VALUE: \$10,237 (once off).
Acquired Near Infrared Imagery spatial data from Landgate and engaged consultant to analyse it for natural area key performance indicators, rather than acquiring and analysing high resolution multispectral imagery.	TOTAL: \$35,000 (once off).



**Cancelled / postponed events**

Cultural Program events due to Covid restrictions – Joondalup Festival and Music in the Park.	TOTAL VALUE: \$281,115 (once off) as funds will be carried forward into 2022-23 to deliver events.
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Local Government Performance Excellence Program

To support continuous improvement, value for money and operation efficiency through benchmarking, the City participates in the annual Local Government Performance Excellence Program. This includes an online Council Comparative Analysis Tool and Council Comparison Window for further investigation of the data (relating to workforce, finance, operations and service delivery) across the entire survey population or filtered to compare against local government authorities with similar attributes, or the eight metropolitan Western Australian local government authorities.

The financial year 2021 Local Government Performance Excellence Program report (prepared by Price Waterhouse Coopers with Local Government Professionals, NSW) has been provided to Elected Members, and will be discussed further at an upcoming Strategy Session.

Australian Business Excellence Framework

The Australian Business Excellence Framework (ABEF) is a nationally recognised leadership and management system which describes the elements essential for organisations to sustain high levels of performance. It sets out how a good organisation should operate and provides a tool to assess organisational performance and drive continuous improvement.

The City has used ABEF since 2005 to provide a best practice mechanism to assess the City's management systems and Council adopted the *Australian Business Excellence Framework Policy* in 2006 which confirmed the organisation's commitment to continuous improvement. Since 2005, a number of officers have been trained in ABEF and the Framework has been used to assess organisational performance and to inform the review of City systems and processes.

The City was recognised in the 2012 ABEF Business Excellence Awards for its best practice processes and systems in the Category of Strategy and Planning. The City also received a Bronze Award in the Organisational Australian Excellence Awards in 2017 following an evaluation by independent assessors against all Categories of the Australian Business Excellence Framework.

Since 2005 the City has used ABEF to:

- Assess organisational performance through a guided assessment.
- Train City employees to enable them to undertake a self-assessment and gap analysis.
- Review the organisational structure.
- Promote excellence in leadership and management practices.
- Drive a systematic approach to continuous improvement through revision and improvement of processes and service reviews.
- Improve delivery of services to the community.
- Inform strategic planning processes.
- Implement AS/NZS ISO 31000:2009 – Risk Management.
- Gain ISO 9001 Quality Management certification.

### Analytics Lead

One of the responsibilities of the position of Analytics Lead is prioritising insights of data analytics to help identify operational efficiency and cost saving opportunities, by using the insights gained from the yearly reports of the Local Government Performance Excellence Program, as well as business as usual savings, including to report on the Benefits Management Program.

This position became vacant during the financial year and, following a review of the functions of the Office of the Chief Executive Officer, is being transferred to the Strategic and Organisational Development Business Unit in the Governance & Strategy Directorate. This will integrate the position into a team currently responsible for reviews of services to monitor the relevance to the community, quality and cost effectiveness of services, and to establish a comprehensive approach to continuous improvement activities across the organisation to ensure best practice service delivery.

Part of the responsibility of the role within the Strategic and Organisational Development Business Unit will be to undertake a review of the Benefits Management Program which will include development of a model to articulate how improvement activities for the City are identified and how the benefits of the improvement activities are quantified (for example cost savings and staff efficiencies). The City is developing a formal plan for continuous improvement to guide and prioritise continuous improvement activities across the organisation aligned with the ABEF.

Updates on the review of the Benefits Management Program will be provided to the Audit and Risk Committee.

### **Issues and options considered**

The City is in discussions with other local governments about developing a specific benchmarking program for Western Australian local governments. In the meantime, the City will continue to participate in the Local Government Performance Excellence Program.

### **Legislation / Strategic Community Plan / Policy implications**

**Legislation** Not applicable.

#### **Strategic Community Plan**

**Key theme** Leadership.

**Outcome** Accountable and financially-sustainable – You are provided with a range of City services which are delivered in a financially responsible manner.

**Policy** Not applicable.

### **Risk management considerations**

The review of the City's activities supports the effective and efficient allocation of resources and service levels, which reduces the risk of ineffective and inefficient resource allocation and non-compliant or unsatisfactory service levels. Cost efficiency targets are essential to ensure the City's *Strategic Financial Plan* and *Strategic Community Plan* are achievable. The City embraces best practice principles such as the Australian Business Excellent Framework and continually reviews its services, activities and programs to support the financial viability of the City and keep costs at minimal levels at all opportunities.

**Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

The transfer of responsibilities for identifying operational efficiency and cost saving opportunities into the same functional team will allow for improved capturing and reporting of nett savings.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Jones, SECONDED Cr Logan that the Audit and Risk Committee NOTES the update on the City's Benefit Management Program for 2021-22.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.



**ITEM 7**                                    **CONFIDENTIAL – CHIEF EXECUTIVE OFFICER’S CREDIT CARD EXPENDITURE (JANUARY – MARCH 2022)**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Corporate Services
<b>FILE NUMBER</b>	09882
<b>ATTACHMENT</b>	Attachment 1    Chief Executive Officer’s Credit Card Expenditure – Quarter Ended 31 March 2022  <i>(Please Note: The Report and Attachment is Confidential and will appear in the official Minute Book only)</i>
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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This report is confidential in accordance with Section 5.23(2)(a) of the *Local Government Act 1995*, which also permits the meeting to be closed to the public for business relating to the following:

- *a matter affecting an employee.*

A full report was provided to Elected Members under separate cover. The report is not for publication.

**MOVED Cr Jones, SECONDED Cr Fishwick that the Audit and Risk Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 31 March 2022.**

**The Motion was Put and** **CARRIED (7/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.

The following items were moved en-bloc:

- Item 6 – Confidential – Chief Executive Officer’s Credit Card Expenditure (October – December 2021).
- Item 7 – Confidential – Chief Executive Officer’s Credit Card Expenditure (January – March 2022).
- Item 8 – Confidential – Chief Executive Officer’s Credit Card Expenditure (April – June 2022).



## ITEM 9 HALF YEARLY REPORT: WRITE-OFF OF MONIES – 1 JANUARY 2022 TO 30 JUNE 2022

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Corporate Services
<b>FILE NUMBERS</b>	07032, 101515
<b>ATTACHMENTS</b>	Nil
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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### PURPOSE

For the Audit and Risk Committee to note the amounts of monies written-off under delegated authority.

### EXECUTIVE SUMMARY

The total amount written-off under delegated authority during the six months ended 30 June 2022 was \$3,101.48. This amount consisted of 4,701 small unpaid rate amounts; two small unpaid debtor amounts below the \$100 reportable limit and one reportable item of \$165:

*It is therefore recommended that the Audit and Risk Committee RECEIVES the report of amounts written-off under delegated authority for the period 1 January 2022 to 30 June 2022.*

### BACKGROUND

Section 6.12(1)(c) of the *Local Government Act 1995* gives Council the power to write-off any amount of money owing to the City.

At its meeting held on 6 June 2006 (CJ079-06/06 refers), Council approved to delegate to the Chief Executive Officer the authority to write-off monies owed to the City, subject to a report being provided to the Audit and Risk Committee on a six-monthly basis on the exercise of this delegation for amounts between \$100 and \$20,000. The Chief Executive Officer under section 5.44 has delegated his authority to nominated employees, up to the limits provided in the instrument of delegation.

### DETAILS

During the six months ended 30 June 2022 a total amount of \$3,101.48 was written-off as unrecoverable. This amount includes the following:

- 4701 items below the reportable limit totalling \$2,841.48, mainly small rates balances, representing in the main rounding decimals or other minor miscellaneous charges and the cost of collection was, for all practical purposes, uneconomical.

- Two items below the reportable limit totalling \$95, which were small debtor balances related to Facility hire and were uneconomical to pursue recovery action.
- One other reportable item of \$165, as shown in the table below, that was written off during the period as uneconomical to continue with debt recovery actions.

Item	Nature of Debt	Amount \$
1	<b>Facility Hire and Other Debtor (uneconomical to pursue recovery action)</b>	
	Facility hire arrears 2021.	165.00

### Issues and Options Considered

Not applicable.

### Legislation / Strategic Community Plan / Policy Implications

**Legislation** Section 6.12(1)(c) of the *Local Government Act 1995*.  
Section 5.42 of the *Local Government Act 1995*.  
Section 5.44 of the *Local Government Act 1995*.

### Strategic Community Plan

**Key theme** Leadership.

**Outcome** Accountable and financially sustainable - You are provided with a range of City services which are delivered in a financially responsible manner.

**Strategic initiative** Not applicable.

**Policy** Not applicable.

### Risk Management Considerations

The amounts written off are either unrecoverable or uneconomical to recover, none of which represent a material financial risk to the City.

### Financial / Budget Implications

**Account No:** 3256.  
**Budget Item** Bad Debts written-off.  
**Annual Budget** \$ 12,572.00  
**Year to Date Budget** \$ 12,572.00  
**Year to Date Actual** \$ 10,724.00  
**Year to Date variance** \$ 1,848.00

All amounts quoted in this report are exclusive of GST.

### Regional Significance

Not applicable.

### Sustainability Implications

Not applicable.



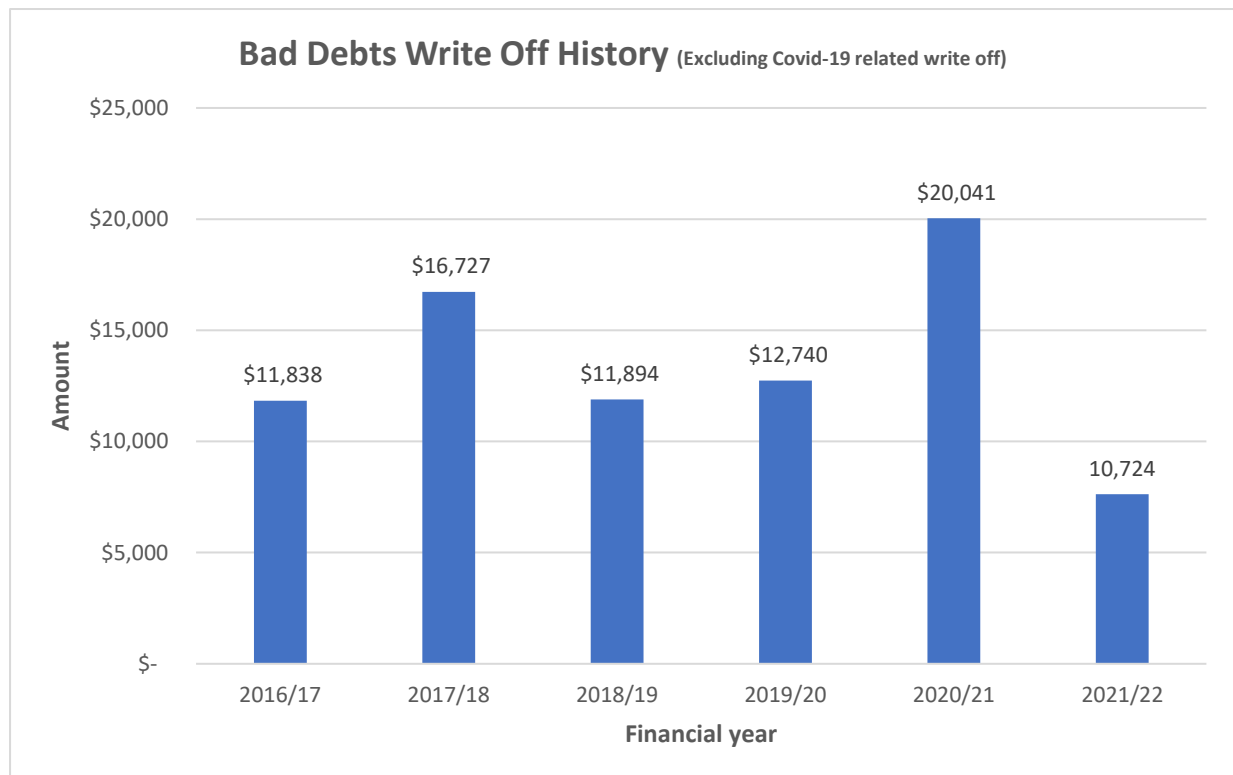
**Consultation**

Not applicable.

**COMMENT**

Monies written off under delegation comprise 4,704 items, including 4,703 items of small unpaid rates and other debtor amounts below the reporting threshold as well as one reportable item, totalling \$3,101.48 as described in this report, that were written off as either unrecoverable or uneconomical to continue debt recovery action.

History of bad debts written off over the past five financial years is below:



**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Jones, SECONDED Cr McLean that the Audit and Risk Committee RECEIVES the report of monies written-off under delegated authority for the period 1 January to 30 June 2022.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.

## **ITEM 10                      OFFICE OF THE AUDITOR GENERAL – INFORMATION SYSTEMS AUDIT REPORT 2022 (LOCAL GOVERNMENT ENTITIES)**

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<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Corporate Services
<b>FILE NUMBERS</b>	101515, 106169
<b>ATTACHMENT</b>	Attachment 1     Report 22: 2021-22
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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### **PURPOSE**

To provide the Audit and Risk Committee with the details of the Western Australian Auditor General report titled *Information Systems Audit Report 2022 – Local Government Entities*.

### **EXECUTIVE SUMMARY**

The Western Australian Auditor General has released a report of the 2020-21 annual cycle of information systems audits; of which the City was one of 45 local government entities audited. Capability maturity assessments were also undertaken for 12 entities, which also included the City.

The audit and assessment focused on the six categories of information security, IT operations, business continuity, change control, management of IT risks and physical security. None of the 12 entities met the benchmark for information security and none of the entities met the Office of the Auditor General's expectations across all six control categories.

The Office of the Auditor General has conducted information systems audits at the City for 2018-19; 2019-20; and 2020-21. The findings of the 2020-21 audit were presented to the Audit and Risk Committee at its meeting held on 1 March 2022. The City's audit for 2021-22 is currently underway.

*It is therefore recommended that the Audit and Risk Committee NOTES the Western Australian Auditor General report titled Information Systems Audit Report 2022 – Local Government Entities forming Attachment 1 to this Report.*

### **BACKGROUND**

The Introduction to the Western Australian Auditor General's report states:

*“Local government entities (entities) rely on information systems to prepare their financial statements and to deliver a wide range of services to their communities. Our general computer controls (GCC) audits assess if entities have effective system controls in place to support the confidentiality, integrity and availability of their IT systems and financial reporting. These audits are performed as an integral part of, and inform, our financial audit program.*

*This report summarises the GCC audit findings reported to 45 entities for 2020-21. For 12 of these entities, generally medium to large, we also performed capability maturity assessments. A GCC audit with a capability maturity assessment is the most comprehensive information systems audit we undertake. We use these findings to inform our financial audit risk assessment and work program for the sector.*

*For our capability maturity assessments, we asked the 12 entities to self-assess against the provided capability maturity model. We then compared their results to ours (which were based on the results of our GCC audits). These assessments are a way to see how well developed and capable entities' established IT controls are.*

*For the remaining 33 entities, our contract audit firms or our financial audit teams examined the GCCs but did not undertake capability maturity assessments. Information system findings identified during these audits are included in this report."*

## **DETAILS**

The Conclusion of the report states:

*"We reported 358 control weaknesses to 45 entities this year, compared to 328 weaknesses at 50 entities last year. Ten percent (37) of this year's weaknesses were rated as significant and 71% (254) as moderate. These weaknesses represent a considerable risk to the confidentiality, integrity and availability of entities' information systems and need prompt resolution.*

*Fifty-six percent (202) of the findings were unresolved issues from last year. Entities need to address these weaknesses to reduce the risk of their systems and information being compromised.*

*None of the 12 entities that had capability maturity assessments met our expectations across all 6 control categories, a similar finding to last year. Information security remains a significant risk again this year and needs urgent attention. Compared to 2019-20, there have been some improvements in change control, management of IT risks, physical security and IT operations. However, entities need to improve in all 6 control categories."*

The City's general comments in relation to the report is as follows:

- The report refers to entities not meeting the Auditor General's expectations; however there are no specific statutory or regulatory obligations on local government in this area.
- Local government is measured against the Office of the Auditor General's subjective benchmark and whilst this is based on various international standards or best practices, they are not a recognised standard for local government. The results are very similar for state government agencies.
- If the City were to define its own standard (including the Australian Cyber Security Centre's *Essential Eight* as State and Federal government have done), the City would still be assessed against the Office of the Auditor General's benchmark.
- As part of 2020-21 audit, the City recommended advocating for the Department of Local Government, Sport and Cultural Industries to set clear and binding standards. The Department could set benchmarks and develop procedures on cyber security standards for local government in Western Australia.

- The Office of the Auditor General audit is based on Capability Maturity Model Integration which has five levels, with the top two levels mainly focussed on quantitative management and continuous process improvement. These top two levels are only achieved after the City has process control standardisation over a certain period of time.

The report also includes the commentary of the common weaknesses of cyber security within local government. To mitigate such risks, the City already has taken the following actions:

- Implemented multi-factor authentication; and is in the process of extending it to all external service providers where technically possible.
- Detection of unauthorised device connectivity; and is in the process of blocking the use of USB devices.
- Implemented email authentication protocols (DMARC) and techniques (DKIM).
- Separated accounts for administration privileges.

The current projects in progress include the following:

- Implementation of Tenable.io scanning system for vulnerability management.
- Implementation of network segregation; however equipment delivery timeframes are delaying finalisation.

### **Issues and options considered**

The timing of the City's past three information systems audits are as follows:

- 2019-20 – entrance meeting held in October 2020; findings received in March 2021.
- 2020-21 – entrance meeting held in August 2021; findings received in January 2022.
- 2021-22 – entrance meeting held in June 2022; audit currently underway.

The seven matters identified from 2020-21 and 17 from 2019-20 are being progressed or have been completed. These findings were presented to the Audit and Risk Committee at its meeting held on 1 March 2022.

### **Legislation / Strategic Community Plan / Policy implications**

**Legislation** Not applicable.

#### **Strategic Community Plan**

**Key theme** Leadership.

**Outcome** Proactive and represented – You are confident that the City is advocating on your behalf for initiatives that benefit the community.

**Policy** Not applicable.

### **Risk management considerations**

These audits provide the City an opportunity to implement risk mitigate actions. Weaknesses identified from the information systems audits conducted for 2019-20 and 2020-21 are currently being progressed or have been implemented.

### **Financial / budget implications**

Not applicable.

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

**Consultation**

Not applicable.

**COMMENT**

Not applicable.

**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Fishwick, SECONDED Cr Logan that the Audit and Risk Committee NOTES the Western Australian Auditor General report titled Information Systems Audit Report 2022 – Local Government Entities forming Attachment 1 to this Report.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.

*Appendix 5 refers*

To access this attachment on electronic document, click here: [Attach5AUDRISK220808.pdf](#)

**ITEM 11 CONFIDENTIAL – CYBER SECURITY ARRANGEMENTS**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Corporate Services
<b>FILE NUMBERS</b>	05768, 101515
<b>ATTACHMENT</b>	Attachment 1 The Essential Eight  <i>(Please Note: The Report and Attachment is Confidential and will appear in the official Minute Book only)</i>
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

This report is confidential in accordance with Section 5.23(2)(f)(ii) of the *Local Government Act 1995*, which also permits the meeting to be closed to the public for business relating to the following:

- *endanger the security of the local government's property*

A full report was provided to Elected Members under separate cover. The report is not for publication.

**MOVED Cr McLean, SECONDED Cr Raftis that the Audit and Risk Committee NOTES the controls in place to manage and mitigate cyber-security risks at the City.**

**The Motion was Put and CARRIED (7/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.

## ITEM 12 **ELECTED MEMBER DINNER ATTENDANCE REPORT – QUARTER 4 (APRIL 2022 – JUNE 2022)**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Jamie Parry Governance and Strategy
<b>FILE NUMBERS</b>	110049, 101515
<b>ATTACHMENT</b>	Attachment 1 Confidential – Attendance List – 27 May 2022  <i>(Please Note: The Attachment is Confidential and will appear in the official Minute Book only)</i>
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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### **PURPOSE**

For the Audit and Risk Committee to note attendees to elected member dinners as per clause 10 of the *Elected Members' Entitlements Policy*, which provides that “*details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis.*”

### **EXECUTIVE SUMMARY**

Elected Members are entitled under the *Elected Members' Entitlement Policy* (the Policy) to host up to six dinners per financial year and invite up to nine guests to each dinner.

Clause 10 of the *Elected Members' Entitlements Policy* provides that “*details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis.*”

Provided as Attachment 1 to this Report is the attendance lists for the elected member dinner held on 27 May 2022.

*It is therefore recommended that the Audit and Risk Committee NOTES the Elected Member Dinner Attendance report for Quarter 4 (April 2022 – June 2022), as detailed in this Report.*

### **BACKGROUND**

Elected member dinners are a provision within the *Elected Members' Entitlement Policy*. At its meeting held on 18 May 2021 (CJ072-05/21 refers), Council reviewed and endorsed the policy with clause 10.1 identifying the parameters relating to elected member dinners as follows:

“a To provide an avenue to facilitate networking possibilities and for elected members to undertake discussions with various representatives of the community, the Council has agreed to host Elected Member dinners.

- b *The Mayor is entitled to host six dinners per calendar year, and each Ward a total of 12 each year, based on six dinners per Ward Councillor.*
- c *Each table will allow for the Elected Member as host, plus up to a maximum of nine guests. Except for the Elected Member's spouse or partner, all guests invited are to have a relationship with the City or be a stakeholder of the City. Prior to an Elected Member dinner, elected members are to advise the City the details of their invited guests and their relationship with the City. Details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis."*

## **DETAILS**

Elected members are entitled, under the *Elected Members' Entitlement Policy* (the Policy), to host up to six dinners per financial year and invite up to nine guests to each dinner.

Clause 10 of the *Elected Members' Entitlements Policy* provides that "details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis."

Provided as Attachment 1 to this Report, is the attendance lists for the elected member dinner held on 27 May 2022.

## **Issues and Options Considered**

The Committee may accept the report as presented or request further information.

## **Legislation / Strategic Community Plan / Policy Implications**

**Legislation** *Local Government Act 1995.*

### **Strategic Community Plan**

**Key theme** Leadership.

**Outcome** Capable and effective - You have an informed and capable Council backed by a highly-skilled workforce.

**Policy** *Elected Members' Entitlements Policy.*

## **Risk Management Considerations**

Not applicable.

## **Financial / Budget Implications**

The 2021-22 budget for elected member dinners is \$10,000 (excluding staffing costs).

## **Regional Significance**

Not applicable.

## **Sustainability Implications**

Not applicable.



## **Consultation**

Not applicable.

## **COMMENT**

Elected members are entitled, under the *Elected Members' Entitlement Policy*, to host up to six dinners per financial year and invite up to nine guests to each dinner.

Clause 10 of the *Elected Members' Entitlements Policy* provides that “*details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis.*”.

One elected member dinner has taken place and was held on 27 May 2022.

## **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Jones, SECONDED Mayor Jacob that the Audit and Risk Committee NOTES the Elected Member Dinner Attendance report for Quarter 4 (April 2022 – June 2022) as detailed in this Report.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.

## **ITEM 13 CHANGE OF MEETING TIMES – AUDIT AND RISK COMMITTEE**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Jamie Parry Governance and Strategy
<b>FILE NUMBERS</b>	107022, 101515
<b>ATTACHMENTS</b>	Nil
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

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### **PURPOSE**

For the Audit and Risk Committee (the Committee) to consider changing the start time for the Audit and Risk Committee meeting scheduled for 8 November 2022.

### **EXECUTIVE SUMMARY**

In order to assist with forward planning for all elected members, management and staff, a schedule of meeting dates/times for the Audit and Risk Committee were presented and adopted by the Committee on 1 November 2021.

Those dates/times are as follows:

- 1 Tuesday 1 March 2022, commencing at 5.45pm.
- 2 Monday 8 August 2022, commencing at 5.45pm.
- 3 Tuesday 8 November 2022, commencing at 5.45pm.

At a recent Strategy Session there was some discussion amongst elected members about changing the start times of Committee meetings to 6.00pm.

### **BACKGROUND**

The basis for this request is to allow those Elected Members who work full-time sufficient time to arrive at the meetings. It was noted that a start time of 5:45pm is difficult for some Elected Members to meet.

### **DETAILS**

It is proposed that the start time for the Audit and Risk Committee meeting scheduled on Tuesday 8 November 2022 be amended to 6.00pm.

Elected members should note, however, that there is a Briefing Session scheduled for 6.30pm on Tuesday 8 November 2022. Changing the start time for the Audit and Risk Committee meeting to 6.00pm will allow only 30 minutes for the meeting.

## Issues and options considered

The Committee can choose to either:

- reschedule the Committee start times to 6.00pm
- keep the Committee start times at 5.45pm  
or
- suggest an alternative start time.

Officers can support the change in start time to 6.00pm for the Audit and Risk Committee meetings.

## Legislation / Strategic Community Plan / Policy implications

**Legislation**                      *Local Government Act 1995.*  
*Local Government (Administration) Regulations 1996.*  
*City of Joondalup Meeting Procedures Local Law 2013.*

## Strategic Community Plan

**Key theme**                      Leadership.

**Outcome**                      Capable and effective – you have an informed and capable Council backed by a highly-skilled workforce.

**Policy**                          Not applicable.

## Risk management considerations

Should forward planning of Committee meetings not be identified, then there is a risk for meetings to be held on an ad-hoc basis, lacking coordination with other key meetings and corporate planning processes.

## Financial / budget implications

Not applicable.

## Regional significance

Not applicable.

## Sustainability implications

Not applicable.

## Consultation

Not applicable.

## COMMENT

The current committee meeting dates/times, as adopted by the Audit and Risk Committee, can be amended however, consideration should be given to the calendar of meetings for all other Council/Committee meetings.

## **VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Fishwick, SECONDED Cr Jones that the start time for the Audit and Risk Committee meeting scheduled on Tuesday 8 November 2022 be AMENDED to 6.00pm.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr Raftis, Mayor Jacob, Crs Fishwick, Jones, Logan, McLean and Mr Thomas.

## **URGENT BUSINESS**

Nil.

## **MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil.

## **REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION**

Nil.

## **CLOSURE**

There being no further business, the Presiding Member declared the meeting closed at 6.50pm the following Committee Members being present at that time:

CR JOHN RAFTIS  
MAYOR HON. ALBERT JACOB, JP  
CR TOM MCLEAN, JP  
CR NIGE JONES  
CR RUSS FISHWICK, JP  
CR JOHN LOGAN  
MR RICHARD THOMAS