



CITY OF VINCENT

AGENDA

Audit Committee

5 May 2020

Time: 1pm
Location: E-Meeting

David MacLennan
Chief Executive Officer

Order Of Business

1	Introduction and Welcome	3
2	Apologies / Members on Leave of Absence	3
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4	Confirmation of Minutes	3
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1 INTRODUCTION AND WELCOME

“The City of Vincent would like to acknowledge the Traditional Owners of the land, the Whadjuk people of the Noongar nation and pay our respects to Elders past, present and emerging”.

2 APOLOGIES / MEMBERS ON LEAVE OF ABSENCE

Nil

3 DECLARATIONS OF INTEREST**4 CONFIRMATION OF MINUTES**

Audit Committee - 26 November 2019
13 March 2020

5 BUSINESS ARISING**5.1 OAG ENTRANCE MEETING 2019/20 AUDIT**

Attachments: 1. **City of Vincent - Planning Summary** [↓](#) 

RECOMMENDATION:

That the Audit Committee **NOTES** the audit planning summary for the 2019/20 financial year.

PURPOSE OF REPORT:

To present the planning summary for the upcoming audit for 2019/20. This report will be presented by the Office of the Auditor General (OAG), Senior Director - Financial Audit, Mark Ambrose.

BACKGROUND:

Following proclamation of the *Local Government Amendment (Auditing) Act 2017*, OAG assumed responsibility for the external audit for local governments in 2017-18. This was the first of a four year transition of local government financial auditing to the OAG.

The City's audit was transitioned to OAG in 2018/19 financial year and was contracted by the OAG to Moore Stephens. OAG confirmed the City's 2019/20 audit will be conducted by OAG directly.

DETAILS:

Good governance requires the external auditor to conduct an entrance meeting prior to the commencement of the audit. Mark Ambrose will conduct the entrance meeting and will discuss the planning summary report at **Attachment 1**.

OAG's audit for 2019/20 will comprise both a financial audit and information system audit. The financial audit has a dependency on the information system audit. The City's information system audit commenced early in March, however due to COVID19, this audit had to be delayed. We have now confirmed that both the financial audit and information system audit will commence on the 18th May 2020.

CONSULTATION/ADVERTISING:

Not applicable

LEGAL/POLICY:

Section 7.2 of the *Local Government Act 1995* provides that "*the accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.*"

RISK MANAGEMENT IMPLICATIONS:

Low External audit facilitates good financial governance and is a legislative requirement for the City.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Innovative and Accountable

Our resources and assets are planned and managed in an efficient and sustainable manner.

We are open and accountable to an engaged community.

SUSTAINABILITY IMPLICATIONS:

Not applicable.

FINANCIAL/BUDGET IMPLICATIONS:

The fees for the 2019/20 still need to be confirmed by OAG. We have budgeted for audit fees for 2019/20 based on 2018/19 fees.

Office of the Auditor General
Western Australia

Annual financial audit Audit planning summary

City of Vincent

Year ended 30 June 2020

5 May 2020



1. The audit planning summary

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

In particular, this summary includes:

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

If there are any matters in the audit planning summary that you would like clarified, please do not hesitate to contact us. There may be areas where you would like us to increase the audit focus. We would be pleased to discuss these to determine the most efficient and effective approach to performing this work.

2. Introduction

The annual financial statement audit of your local government is one of 132 that the Auditor General will perform for 2019-20. We have elected to use our OAG staff to perform your audit in-house.

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

It is important to note that:

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

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

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

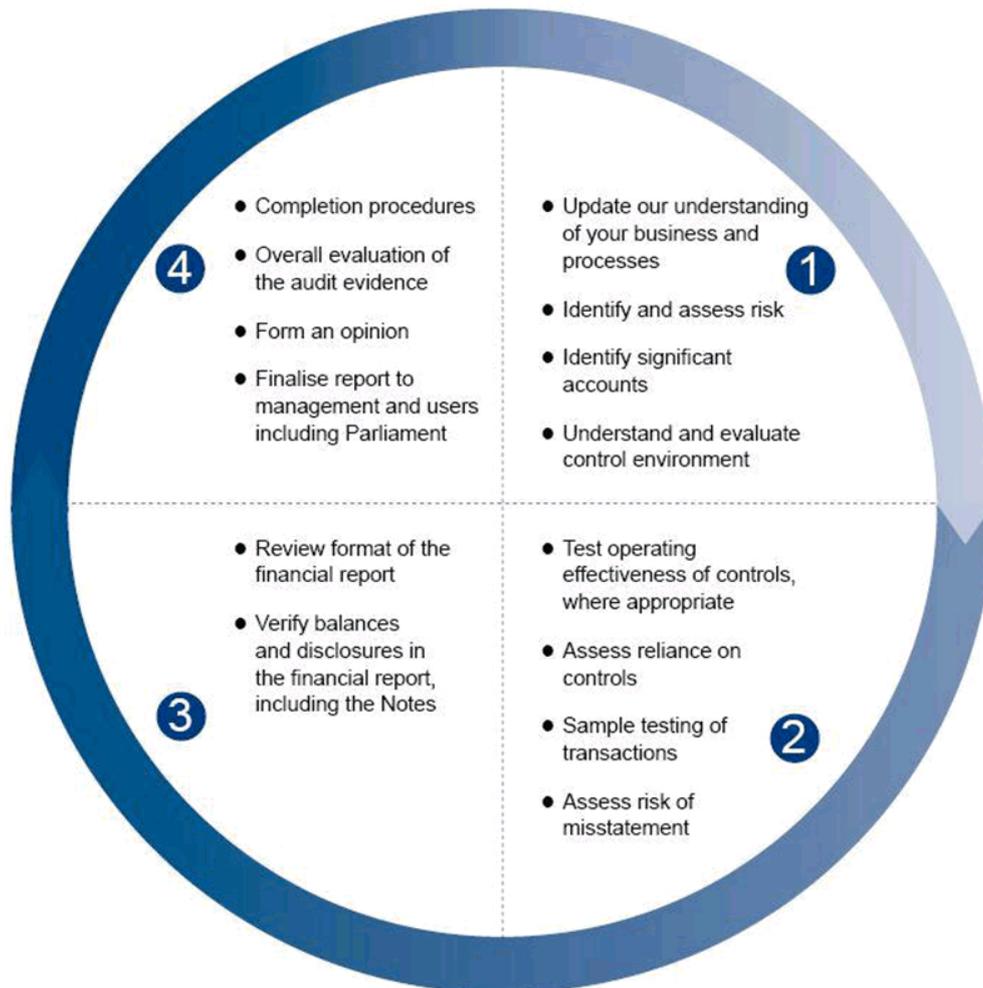
- the use of professional judgement
- selective testing
- the inherent limitations of internal controls
- the availability of persuasive rather than conclusive evidence.

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

policies and disclosures used and the reasonableness of significant accounting estimates made by management.

3. Our audit approach

Our audit approach comprises four steps:



4. Significant risks and other audit issues

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

Details of risk / issue	Audit approach / response
COVID-19	<p>We will work with your management to minimise the risk for your staff and councillors, our staff, and to your operations, while completing audits in the best timeframe possible under the circumstances.</p> <p>This will likely involve more audit work being performed remotely rather than at your premises, and/or delaying audit work as and when unforeseen circumstances arise.</p>
<p>Prior year audit report matters:</p> <ul style="list-style-type: none"> • Significant adverse trend <ul style="list-style-type: none"> ○ Asset sustainability ratio 	We will follow up this issue to assess the extent of action taken.
<p>Prior year management letter issues:</p> <ul style="list-style-type: none"> • 2 significant <ul style="list-style-type: none"> ○ Interest on trust funds ○ Fixed assets below \$5,000 • 3 moderate <ul style="list-style-type: none"> ○ Reconciliation of payroll to the general ledger not reviewed ○ Journals not independently reviewed ○ Purchase order dated after invoice date 	We will follow up these issues to assess the extent of action taken.
<p>Key changes to accounting standards that impact your entity for the first time this year:</p> <ul style="list-style-type: none"> • <u>AASB 15 Revenue from Contracts with Customers</u> New requirements for recognising revenue i.e. when performance obligations are satisfied. Critical elements that need to be satisfied: <ul style="list-style-type: none"> ○ Agreement between parties must create 'enforceable' rights and obligations ○ Entity's promise to transfer goods or services needs to be 'sufficiently specific' to be able to determine when the obligation is satisfied. ○ • <u>AASB 1058 Income of Not-for-Profit Entities</u> Applies to transactions of not-for-profit entities where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives. Whether income is recognised and its timing will depend on whether a transaction 	We will review management's assessment of the impact of the new standards, determine whether, to the extent necessary, your entity has applied the standards correctly, and ensure the annual financial report complies with the revised requirements of each standard.

Details of risk / issue	Audit approach / response
<p>gives rise to a performance obligation, liability or contribution by owners. Transactions include those where an entity acquires or receives an asset in exchange for no consideration (i.e. cash grants, taxes and rates).</p> <ul style="list-style-type: none"> • <u>AASB 16 Leases</u> For lessees the distinction between operating leases and finance leases has been removed and requires all leases (except short term leases and leases of low-value) to be recognised as lease assets and lease liabilities on the balance sheet. This will result in the grossing up of the balance sheet and higher expenses in the early years of the lease term. Lessor accounting remains similar to current practice (i.e. lessors continue to distinguish between operating leases and finance leases). 	
<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> • Provision for annual and long service leave • Fair value of assets • Impairment of assets 	<p>We will review the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. This will include considering the reasonableness of assumptions and corroborating representations.</p>
<p>The following interest in joint ventures has been accounted for based on interpretation of the accounting standards:</p> <ul style="list-style-type: none"> • Mindarie Regional Council • Tamala Park Regional Council 	<p>We will review the assessment made by management of the treatment of the joint ventures.</p>
<p>Important changes in management or the control environment</p>	<p>As at the date of the entrance meeting, we are not aware of any changes in management or the control environment. Where we are made aware of changes during the audit, we will review any relevant changes to management roles and related delegations, to confirm that no temporary or ongoing control gaps have occurred.</p>

5. Audit emphasis and significant account balances

Our audit approach involves assessing your overall control environment and understanding key business processes/cycles and internal controls relevant to the audit.

As this is our first year as auditor, we will need to test key controls for all significant business cycles. The level of testing will be dependent on our assessment of the risk in each business cycle. We plan to cover the following cycles:

- Revenue
- Expenditure
- Payroll
- Cash and financing
- Inventory
- Property, plant, equipment and infrastructure

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

Our audit will be split into two components, the interim audit and the final audit.

The interim audit includes:

- understanding your current business practices
- understanding the control environment and evaluating the design and implementation of key controls and, where appropriate, whether they are operating effectively
- testing transactions to confirm the accuracy and completeness of processing accounting transactions
- clarifying significant accounting issues before the annual financial report is prepared for audit.

The final audit focuses on verifying the annual financial report and associated notes, and includes:

- verifying material account balances using a combination of substantive analytical procedures, tests of details, substantiation to subsidiary records and confirmation with external parties
- reviewing the annual financial report and notes for compliance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

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

Significant accounts	2019 Audited balance \$'000	Audit approach
Statement of financial position		
Cash and cash equivalents	24,965	<ul style="list-style-type: none"> • Review internal controls and reconciliations • Verify year end balance through bank confirmations • Analytical review

Significant accounts	2019 Audited balance \$'000	Audit approach
Receivables	4,901	<ul style="list-style-type: none"> Year end cut-off testing Review subsequent receipts Review provision for impairment of trade receivables Analytical review
Property, plant, equipment, intangibles, and infrastructure <ul style="list-style-type: none"> PPE will be revalued this year. The revaluation of light fleet, heavy fleet, specialised equipment and parking tickets machines will be outsourced. The City is scheduled to engage a consultant in early May 2020. Furniture and equipment will be revalued in-house. 	472,359	<ul style="list-style-type: none"> Review key processes/controls Verify asset additions and disposals Assess assets for impairment Test items posted to construction in progress to assess appropriateness of expenses being capitalised Assess whether carrying amounts approximate fair value Confirm balances to independent valuation reports
Interests in joint ventures	9,791	<ul style="list-style-type: none"> Assess whether carrying amount accurately reflects the City's interest, based on the audited financial statements of the Joint Ventures
Payables	7,200	<ul style="list-style-type: none"> Review of key processes/controls Test for unrecorded liabilities Year end cut off testing Analytical review
Borrowings	13,948	<ul style="list-style-type: none"> Agree amounts to WATC confirmation
Employee related provisions <ul style="list-style-type: none"> Annual leave Long service leave 	4,383	<ul style="list-style-type: none"> Review the reasonableness of assumptions and calculations Agree amounts to actuary/expert's report Analytical review
Statement of comprehensive income		
Rates revenue	34,102	<ul style="list-style-type: none"> Review of key processes and controls Analytical review Year end cut off testing
Fees and charges	19,415	<ul style="list-style-type: none"> Review of key processes and controls Analytical review Year end cut off testing
Employee related expenses	25,865	<ul style="list-style-type: none"> Review of key processes and controls Sample testing of transactions Analytical review

Significant accounts	2019 Audited balance \$'000	Audit approach
Materials and contracts	17,205	<ul style="list-style-type: none"> Review of key processes and controls Sample testing of transactions
Depreciation and amortisation	11,361	<ul style="list-style-type: none"> Review of management's assessment of the useful lives of assets and assess reasonableness. Analytical review
Statement of note disclosures		
Related parties <ul style="list-style-type: none"> Elected members Key management personnel 	326 1,248	<ul style="list-style-type: none"> Obtain representation from relevant parties to ensure the disclosure is complete Review of transactions Verify to contracts/agreement Review accounting treatment
Contingent liabilities	Estimated to be between 1,500 – 7,200	<ul style="list-style-type: none"> Obtain representation from management Review for reasonableness and agree to confirmations from relevant agencies Review of minutes Review of legal expense
Major land transactions	415	<ul style="list-style-type: none"> Obtain representation from management Review of transactions

6. Internal audit

We seek to rely on internal audit work to reduce our own audit work wherever possible. This avoids duplication of audit effort and the associated workload on your operational and administrative staff.

The amount of reliance we place on internal audit depends on the period covered by the internal audit work, and the degree of alignment between our planned controls testing and the testing carried out by internal audit. It is also dependent on the quality of the internal audit function.

7. Management representation letter

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

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

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

8. Related entities

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

9. Reporting protocols

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

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

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

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

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

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

10. Proposed audit schedule

	Date
Entrance meeting (Audit Committee Meeting)	5 May 2020
Planning	By 18 May 2020
Information systems audit	May 2020 <i>(There is a request from the City of Vincent to postpone the IS audit for a year, the matter is under discussion with the OAG)</i>
Interim audit	18 May – 29 May 2020
Receipt of proforma annual financial report	By 15 June 2020
Interim management letter	By 31 July 2020
Final trial balance	By 21 September 2020
Receipt of annual financial report	By 21 September 2020
Final audit	28 September – 16 October 2020
Exit meeting (Audit Committee Meeting)	03 November 2020
Issue of auditor's report	By 10 November 2020 <i>(Within a week of receiving the signed financial statements and management representation letter)</i>

11. Audit evidence – Specific audit requirements

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

12. Audit fee

Our expected costs are still being estimated. The indicative fee is based on full cost recovery. It is calculated from an estimate of the time required by our staff to complete your audit, and includes a proportion of the OAG's financial audit related overheads, for example the cost of preparing reports to Parliament.

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

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

13. Your audit team

	Name	Contact
Assistant Auditor General	Don Cunninghame	6557 7526
Senior Director	Mark Ambrose	6557 7521 Mark.Ambrose@audit.wa.gov.au
Assistant Director	Kevin Ng	6557 7658 Kevin.Ng@audit.wa.gov.au
Team Leader	Nancy Wong	6557 7617 Nancy.Wong@audit.wa.gov.au
Team Members	Huei Chie Soh Iris Yap	HueiChie.Soh@audit.wa.gov.au Iris.Yap@audit.wa.gov.au

	Name	Contact
	Cindy Angelova	Cindy.Angelova@audit.wa.gov.au
Information Systems Auditor	Kamran Aslam	6557 7582 Kamran.Aslam@audit.wa.gov.au

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

14. Other audit activities

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

Report	Date Tabled
Information Systems Audit Report 2020 – State Government Entities	06 April 2020
Controls over Purchasing Cards	25 March 2020
Audit Results Report – Annual 2018-19 Financial Audits of Local Government Entities	11 March 2020
Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities	14 November 2019
Fraud Prevention in Local Government	15 August 2019
Verifying Employee Identity and Credentials	19 June 2019
Information Systems Audit Report	15 May 2019
Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities	7 March 2019

5.2 CITY'S CORPORATE RISK REGISTER

Attachments: 1. [Corporate Risk Register - as at 23 April 2020](#)  

RECOMMENDATION:

That the Audit Committee recommends that Council:

1. **RECEIVES** the City's Corporate Risk Register as at 23 April 2020, at Attachment 1; and
2. **APPROVES** the proposed risk management actions for the high and extreme risks.

PURPOSE OF REPORT:

To receive the City's Corporate Risk Register, comprising of operational and strategic risks rated as medium, high and extreme, and review the proposed risk management actions for these risks.

BACKGROUND:

The Audit Committee reviewed the City's draft Corporate Risk Register at its 3 March 2020 Meeting (Item 5.3) and requested that the Chief Executive Officer review the prioritisation and timing of the risk management actions and present the updated Corporate Risk Register to the 5 May 2020 Meeting.

DETAILS:

Administration has reviewed the risk management actions for the high and extreme risks, particularly the timing, prioritisation and associated resourcing implications. Administration has also added the "COVID-19 pandemic" as an extreme risk. The updated Corporate Risk Register is at **Attachment 1**.

The risks have been rated in their current state, taking into account the current controls. The table below shows the risk rating before and after the risk management action (RMA) for the City's high and extreme risks.

<i>Risk description</i>	<i>Current rating</i>	<i>Rating following RMA</i>
Supplier / contractor management	High	Medium
Major project management	High	Medium
Financial stability, sustainability and reporting	High	Medium
Inadequate asset management framework	Extreme	High
Cyber security	High	Medium
COVID-19 pandemic	Extreme	Extreme
Fraud risk management	High	Medium
Systems	High	Medium

In accordance with the updated Risk Policy, high and extreme risks require reporting to Council, for endorsement of the risk management action. This occurs through the Audit Committee.

It is proposed that the Corporate Risk Register is reviewed as follows:

- Quarterly reporting to the Executive Management Committee – update on the implementation of risk management actions for medium, high and extreme risks;
- Bi-annual reporting to Audit Committee – update on the implementation of risk management actions for high and extreme risks.

CONSULTATION/ADVERTISING:

Nil.

LEGAL/POLICY:

Regulation 17 of the *Local Government (Audit) Regulations 1996* provides that the CEO is to:

“review the appropriateness and effectiveness of a local government’s systems and procedures in relation to –

(a) risk management; and

(b) internal control; and

(c) legislative compliance

... not less than once in every 3 financial years.”

RISK MANAGEMENT IMPLICATIONS:

Low: Regular monitoring and reporting on the Corporate Risk Register will enable the City to better manage its risk and make more informed decisions, which align with the City’s risk appetite and tolerance.

STRATEGIC IMPLICATIONS:

This is in keeping with the City’s *Strategic Community Plan 2018-2028*:

Innovative and Accountable

We are open and accountable to an engaged community.

SUSTAINABILITY IMPLICATIONS:

Nil.

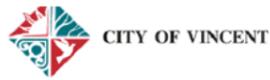
FINANCIAL/BUDGET IMPLICATIONS:

Nil.



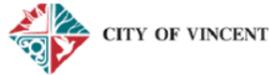
CITY OF VINCENT CORPORATE RISK REGISTER

Risk Category	Risk Description	Comment	Impact Analysis			RISK MANAGEMENT				ACCOUNTABILITY						
			Likelihood	Consequence	Remarks	Actual Risk	Current Risk Management Strategy (what happens now)	Risk Management Actions (RMA)	Strength (5<M<W)	Risk Acceptance (Y/N)	Net Risk (after RMA)	Direction of further RM	Risk Owner	Timetable	Assurances available	Last updated
Finance, Procurement and Contracts																
<small>Any additional row can only be added below this row</small>																
Procurement for facilities (Beatty Park Leisure Centre)	ineffective procurement processes and management of suppliers resulting in a lack of supplies / parts (i.e. chemicals) which impacts use of pool / pool safety		1	5		M	Building good relationship with suppliers, review alternative suppliers, ensure invoices are processed in a timely fashion - have a stock of chemicals, have an emergency plan	1. Stockpile chemicals - Complete 2. build relationships with suppliers - Done, continue during procurement and new contract setup 3. Complete supplier/contract management - July 2020	Strong - Continue to liaise with suppliers and finalise supplier agreements.	Y	L	Review supply contracts regularly	CEO (report to Executive Management Committee)	01-Jul-20	Review contracts yearly	23-Apr-20
Supplier / contract management	There is a risk that inappropriate contract management in respect to initiation and management of contract with suppliers may result in the City's interests not being protected or the contract terms not being filled resulting in financial losses to the City		5	2		H	Limited controls. Use of some Australian standard contracts. Procurement training provided and procurement policy communicated to all staff.	1. develop contract management framework, train staff in use and communicate - December 2020 2. develop contract register - consultant currently preparing - June 2020 3. update the contract template / use WALGA / AS templates - December 2020 4. monitor compliance with the framework and use of templates - December 2020	Strong	N	M	Need adequate resourcing	Council (report to Audit Committee)	1. 01-Dec-20 2. 01-Jun-20 3. 30-Dec-20 4. 30-Dec-20	Monitoring of contracts register and procurement processes	23-Apr-20
Major project management	Large number of projects, limited resources and ineffective management of projects resulting in financial losses and potentially poor project outcomes for the City		5	2		H	New project management framework and project prioritisation in place, but in early stage of adoption.	1. continue implementation of framework 2. staff training on implementing framework - June 2020 3. Ensuring timely reporting and accountability by staff - June 2020. 4. Ongoing prioritisation of existing projects	Medium	Y	M	Review number and priority of projects against available resources and capacity	Council (report to Audit Committee)	1. Ongoing 2. 01-Jun-20 But need PMO to be adequately skilled to address risk 3. June 2020 4. Ongoing	review of the application of the framework will be included in the internal audit plan, and will form part of other internal and external compliance audits	23-Apr-20
Financial stability, sustainability & reporting	Poor financial and management reporting regime leads to ineffective financial management and results in insufficient resources to operate the City effectively		4	4	Roads to Recovery Breach and Asset Sustainability Ratio have financial implications for the City - therefore currently this is a high risk based on financial consequence	H	No current controls. Noted that City currently has ability to borrow funds.	1. Developing an accurate and updated LTFP which will be adopted by Council. 2. Will commence comprehensive monthly reporting covering cash flow management as well as relevant financial metrics 3. Will assess financial sustainability as part of the development of the City's strategic priorities and masterplans 4. Will report on financial sustainability to the Audit Committee.	Strong	Y	M		Council (report to Audit Committee)	All 30 June 2020		23-Apr-20
Asset, sustainability and environment management																
<small>Any additional row can only be added below this row</small>																
Inadequate asset management	Inadequate asset management, including accountabilities, controls, framework, accountability and inadequate systems to record and interrogate data to inform Asset renewal programs will result in poor asset management outcomes - financial loss and reputational damage	Event - asset failure Impact - financial losses, reputational damage	5	4		E	Using alternative systems such as spreadsheets, Payvise Annual review of asset renewal plans regular engagement with internal and external stakeholders	1. Allocate additional resources to adequately assess and report on key risks. 2. Continue investigating an Asset Management System in conjunction with the current review of the City's Corporate IT Systems 3. Table auditor's report on condition of assets at EMC and Audit Committee 4. Establish asset specific accountability processes and procedures.	Weak - as only investigating the system/framework	N	H	Determine what asset management strategy is appropriate and implement it	Council (report to Audit Committee)	01-Dec-20		23-Apr-20
Asbestos management	Inadequate framework to manage the risk in respect to asbestos on City owned or managed land, or land adjoining this, will leave the City vulnerable to staff and community harm resulting in financial loss and reputational damage		3	3		M	LGIS has prepared an asbestos register, and is currently development an asbestos management framework in accordance with the legal advice received.	1. Finalise and implement the asbestos management framework, and communicate to staff. 2. Develop actions based on gaps identified in framework.	Medium - Investment in OSH/Reporting/workflow technology to reduce risk even further.	Y	L		CEO (report to Executive Management Committee)	30-Jun-21		23-Apr-20
<small>Any additional row can only be added below this row</small>																
OH&S, employment practices																
<small>Any additional row can only be added below this row</small>																



CITY OF VINCENT CORPORATE RISK REGISTER

Risk Category	Risk Description	Comment	Impact Analysis			RISK MANAGEMENT				ACCOUNTABILITY						
			Likelihood	Consequence	Remarks	Actual Risk	Current Risk Management Strategy (what happens now)	Risk Management Actions (RMA)	Strength (S<M<W)	Risk Acceptance (Y/N)	Net Risk (after RMA)	Direction of further RM	Risk Owner	Timetable	Assurances available	Last updated
Systems	A lack of a centralised OH&S system is likely to result in incomplete information and incomplete responses to risk potentially resulting in injury and death and also key person risk.		1	3	No centralised system in place increasing human error for processing/monitoring etc. However, cost of system is too high to justify benefit to the City given current staff skillset. Results in key person risk.	L	Highly skilled OH&S representative; manual processes driven by employee and HR department HR team has now trained HR Business Partners on OH&S and workers compensation processes.	Implementation of OSH/reporting/workflow technology.	Medium - Investment in OSH/Reporting/workflow technology to reduce risk even further.	Y	L	HR Business Partners trained on OSH. Unsure at this time if the City will invest in a system to support OSH reporting and requirements.	CEO (report to Executive Management Committee)	01-Jan-21	Annual review	23-Apr-20
Workforce Planning	Robust and effective workforce planning process not in place to truly ascertain future skills, emerging positions and linkages to CSP will result in the City not being future ready and not meeting the needs of the community		1	2		L	Professional development, services on a page and strategy house processes, but no linkage into a plan for the future at this stage	Update the workforce plan; Development of a 'general' Workforce Planning Framework and process by August 2019 with workshops conducted with Directorates on workforce challenges, future skills etc. in 2020.	Strong - With the newly developed SOAPs, POAPs, PROAPs and Strategy House to feed into Workforce Plan, City is in a good position. strong - investment in technology and a mandatory training/compliance framework for positions puts the City in a good position to reduce this risk.	Y	L	N/A	CEO (report to Executive Management Committee)	02-Feb-21	Annually	23-Apr-20
Skills & training	Poor induction may result in staff being unclear on COV policies and procedures resulting in error, inefficiency, misconduct and poor customer outcomes		1	2		L	Online induction program	Continue development of 'mandatory' training profile framework for COV positions. Will be implementing a induction and orientation online system in June 2020	strong - investment in technology and a mandatory training/compliance framework for positions puts the City in a good position to reduce this risk.	Y	L	Budget confirmed for online induction and orientation system and framework currently being developed by April 2020	CEO (report to Executive Management Committee)	30-Jun-20	Annually	23-Apr-20
Skills & training	Lack of centralised competency framework and training needs analysis may result in the City not maintaining appropriate records in respect to mandatory training, qualifications and licenses being current, resulting in potential community harm and regulator fines. Highest risk for Beatty Park, Loftus Community Centre and community partners working with youth.		2	2		L	Relevant Managers aware of staff training requirements for different positions, and ensure training is completed	Continue creating a positional compliance register for all staff and monitoring currency of tickets / permits. Build on and maintain required mandatory training of all staff.	Strong - Investment in technology and a mandatory training/compliance framework for positions puts the City in a good position to reduce this risk.	Y	L	Budget confirmed for online induction and orientation system and framework currently being developed by April 2020	CEO (report to Executive Management Committee)	30-Jun-20	Annually	23-Apr-20
Leadership	Lack of quality leadership may impact on the direction and achievement of operational KPIs, managing staff and performance etc. resulting in inefficient and ineffective operations, not meeting stakeholder needs		1	3		L	Performance review process. Training provided when requested, including from LGPro.	Leadership framework and leadership training program to be developed and implemented by September 2020.	Strong - investing in and developing our leaders sets expectations/performance of 'what is required of a leader at the City'.	Y	L	Budget yet to be confirmed for leadership training (i.e. \$20K) for 2020/2021.	CEO (report to Executive Management Committee)	30-Sep-20	Bi-Annually	23-Apr-20
Succession planning	Neglect of succession planning may result in a key person leaving the City, making City operationally vulnerable resulting in inefficient and ineffective operations, not meeting stakeholder needs.		2	3		M	Some work instructions	Continue developing corporate process management framework and develop a succession planning framework.	Strength - Once succession planning framework is completed for critical positions, risk will be low.	Y	L	Succession planning framework to be developed in 2021 per HR Strategy House.	CEO (report to Executive Management Committee)	30-Jun-21	Annually	23-Apr-20
Safety and security practices for staff	Staff working alone, after hours works, accessing building sites and/or private property, negative interaction with members of the community. Lack of comprehensive risk management in respect to safety practices leads to a lack of understanding of the appropriate training needs and potentially inadequate action against risks.		2	4		M	Staff training, patron education, emergency equipment provision and safety audits. Follow working alone procedures, toolbox weekly for handover, vehicle handover and audit of PPE, GPS monitoring enabled enforcement and communication devices. Regular reporting of incidents to foster safety awareness culture	1. Review of safety management plan and systems 2. Identify high risk positions 3. Identify gaps in OH&S procedures 4. Refer to OH&S Committee	Medium	Y	M	Note that this risk depends on behaviour of public - which City can not control. So remains medium risk.	Council (report to Audit Committee)	30-Dec-20		23-Apr-20
Volunteer and contractor management	There is a risk that inappropriate contract management in respect to contractor/volunteer induction and adherence to COV policies and procedures is not appropriately applied to leaving the City vulnerable to contractor/volunteer injury and legal action.		3	3		M	Induction process in place for Contractors, it does rely on the staff who get the contractors in to complete the induction and educate on policies and procedures.	1. Implement a centralised induction system to induct all contractors and volunteers. Ensure all contractors and volunteers have completed mandatory training/compliance (one off compliance training or yearly/bi-yearly) 2. Monitoring contractors and volunteer compliance	Strong - Implementation of a orientation and induction program	Y	L	Budget confirmed for online induction and orientation system and framework currently being developed by April 2020	CEO (report to Executive Management Committee)	30-Jun-20	Annually	23-Apr-20
Any additional row can only be added above this row																
Business service disruption																
Any additional row can only be added below this row																
Disaster Recovery Plan & Business Continuity Management, including IT	An ineffective or non-existent Disaster Recover Plan and BCP may result in short or long-term disruption to services, network failures / breaches, business confusion and staff and community safety		3	2	The City does not currently have any documented processes to manage a business disruption event or crisis	M	1. City is part of the LEMAC	1. Preparation of BCP (including BIA) scheduled for 2019/20. 2. Consultant has been engaged to assist with preparation of the BIA and BCP, but delay in commencement.	Strong if implemented.	No, require resourcing to implement.	L		CEO (report to Executive Management Committee)	BIA: 01-Jun-20	Council and EOC review of BCP; internal audit on plan and procedures, and their operational effectiveness	23-Apr-20
Disaster Recovery Plan & Business Continuity Management for Beatty Park Leisure Centre	Building or pool failure leading to an unexpected closure of part or whole of facility may lead to not meeting shareholder expectations and experiencing financial losses.		3	3		M	Asset audits, maintenance programs in place and reviewed regularly, communication strategies for any shutdowns	Locate/create BCP for Beatty Park	Medium - Need to increase Audit of Assets and put plan in place for maintenance including contracts and agreements	Yes - note that Medium risk as plant failure can still occur despite strategies	M	No further action	CEO (report to Executive Management Committee)	01-Jul-20		23-Apr-20



CITY OF VINCENT CORPORATE RISK REGISTER

Risk Category	Risk Description	Comment	Impact Analysis			RISK MANAGEMENT		ACCOUNTABILITY								
			Likelihood	Consequence	Remarks	Actual Risk	Current Risk Management Strategy (what happens now)	Risk Management Actions (RMA)	Strength (S<M<W)	Risk Acceptance (Y/N)	Net Risk (after RMA)	Direction of further RM	Risk Owner	Timetable	Assurances available	Last updated
Emergency Management (Interagency)	Ineffective collaboration with agencies results in a poor relationship and ineffective cooperation regarding emergency management leading to ineffective disaster management with an impact of extended service outages, worsened disaster outcomes		2	4		M	Local emergency management arrangements are in place with City of Perth and Western Central Councils	1. Provide additional training for relevant staff members and community agencies. 2. Working towards implementation of exercises with WC LEMC	Strong	Y	L	Conduct 4 desktop exercises per year	CEO (report to Executive Management Committee)	Sep-20	Audit of arrangements and the number of desktop exercises per year	23-Apr-20
Critical incident response - Power outage to ICT server room	A lack of power to the on premise ICT systems through extended power outages will result in a failure after 1-2 hours of reserve power supply. If reserve power fails or cannot continue to be supplied, staff will lose access to all electronic systems, potentially leading to loss of data and service levels		2	3	Risk likelihood based on Admin Centre not being available to staff.	M	1. On-premise Back-up server with some offsite copies 2. Restoration of File servers, Email, Authority and Content Manager within 2 days. Up to 1 day data loss.	ICT Strategy House D19/98015 identifies several cloud-first objectives to mitigate server room dependency. July-2020: Offsite business systems (incl. telephony) on standby that can "go live" for Depot/remote access within 4 hours. Up to 1 day data loss. 2021/2022: File, email, records and core business system to move to cloud solutions. Depot/remote access continuous, no data loss.	Strong	Y	L	Link to BCP and BIA - need to understand the business service continuity needs	CEO (report to Executive Management Committee)	01-Jul-20 2021/22	Audit of the systems and server	23-Apr-20
Primary site Internet outage	Loss of Internet will result in reduced staff access to business systems including web, email and cloud-based systems resulting in reduced or non compliance with service levels.	Impact - service outages	3	2	Communication Links review completed in 2019 to enable redundant architecture decisions.	M	1. Internet-based systems accessible via 4G-enabled tablets. 2. 2 x 4G Wi-Fi dongles available to business teams for up to 15 staff each. 3. Offsite backup to Library remains operational.	July-2020: Redundant Internet supply (and supporting security infrastructure including firewalls) implemented. Up to 1 hour outage.	Strong	Y	L		CEO (report to Executive Management Committee)	01-Jun-20		23-Apr-20
Mapping data	Inaccurate mapping data may lead to poor or incorrect business decisions and possible safety issues resulting in financial loss to the City and potential harm to the community		4	2	GIS contract resource onsite fortnightly to respond to any data issues raised by staff.	M		April-2020: GIS and Assets officer is being recruited in 2019/2020 and this will help mitigate this risk.	Strong	Y	L	Dependant on additional resources.	CEO (report to Executive Management Committee)	01-Jul-20	Process to check GIS updates and verify data	23-Apr-20
Cyber Security	The City suffers a material breach of Information Security through ineffective protocols and processes	This is trending as an escalating risk in many organisations	3	4	Technical Security Review completed against Australian Signals Directorate "Essential 8". For Technical Security Review and current action item status, see D19/128564	H	Anti-virus software deployed for computers, web traffic and email filtering.	July-2020: ongoing staff awareness training; upgraded anti-virus software for computers and email filtering; new anti-virus software for server environment; data loss protection config in Office 365 for external file sharing; data loss protection controls are being deployed as part of Office 365 implementation - to be completed in 2019/2020; multi-factor authentication for Office 365 and remote access.	Strong	Y	M		Council (report to Audit Committee)	01-Jul-20		23-Apr-20
COVID-19 pandemic	Disruption to City service delivery, local business and community group operations and staff and community well being	Global pandemic, declared state emergency and public health emergency	5	5	City has very limited capacity to control risk due to global nature	E	COVID-19 Relief and Recovery Committee formed, strategy and action plan developed and being implemented, staff working from home, public health directives are being implemented, community support is being provided, City's operations being reviewed	Implement COVID-19 Relief and Recovery Strategy - all risk management actions are encompassed within this document	Strong	Y	E	The Strategy and Implementation Plan are being updated every week	Council (report to Audit Committee)	Ongoing	Administration is accountable to the COVID-19 Relief and Recovery Committee	23-Apr-20
Any additional row can only be added above this row																
Governance, misconduct and fraud																
Any additional row can only be added below this row																
Corporate governance / legislative compliance	Lack of an effective governance framework and culture, including risk management, leads to complacency in corporate governance, risk management and legislative compliance, potentially resulting in a failure to comply with legislative requirements and poor decision making		3	2		M	1. Governance team undertakes manual checks to ensure legislative compliance and communicates governance principles and legislative requirements to organisation. 2. Audit Log monitors some financial and audit related risks, and improvements required, and is reported to EMC monthly and to Audit Committee. 3. Currently no clear documentation of requirements.	1. Compliance calendar, review and Governance Framework is being developed and will be communicated to all staff - March 2020 2. Internal audit plan and improvement plan are being reviewed and will be reported to Audit Committee (will be informed by reg 17 review) - June 2020 3. Regulation 17 review being undertaken in 2020 (internal controls, legislative compliance and risk management) - April 2020	Strong RMA once implemented, however, resourcing required to implement actions identified by previous reg 17 review (improvement plan) and implement a compliance calendar, and ongoing monitoring / compliance checks.	N	L		CEO (report to Executive Management Committee)	1. 01-Mar-20 2. 01-Jun-20 3. 01-Apr-20	1. planned reg 17 review 2. planned internal audit 3. Compliance calendar creates checklist 4. Audit Log is reported to EMC and Council	23-Apr-20
Fraud Risk Management	A lack of coordinated approach to identification, mitigation, management and monitoring of fraud, through a fraud risk framework increases the Risk of fraud occurring potentially leading to reputational damage, and financial losses		4	3	Initial consideration by City has identified following fraud risk areas: 1. Payroll 2. Theft (property / money) 3. Credit card use 4. Procurement (invoices)	H	1. A number of fraud risks have been identified as a result of the OAG's Fraud Performance Audit in 2019, which recommended that the City have a coordinated approach to fraud management and a mechanism for reporting fraud. 2. These items are being actioned and progress is reported to Audit Committee. 3. Procurement risks are managed by two level approval process for purchases. 4. Note, No specific current policies & procedures to prevent, detect and respond to fraud other than step 3 above	1. Develop and communicate a fraud risk management plan, and provide staff training 30 June 2020 (consultant to be engaged). 2. Testing for fraud will form part of the internal audit plan, and random checks will be undertaken by procurement. - December 2020 3. Recruitment and selection process review - April 2020 4. Procurement review supplier verification - June 2020	Strong RMA, however, fraud risks must first be comprehensively identified and resourcing required to develop plan, train staff and undertake fraud testing / internal audits	N	M		Council (report to Audit Committee)	1. 30-Jun-20 2. 01-Dec-20 3. 01-Apr-20 4. 01-Jun-20	Audit Log is reported to EMC and Council; random checks on transactions, inventory and processes (e.g. HR and payroll)	23-Apr-20



CITY OF VINCENT CORPORATE RISK REGISTER

Risk Category	Risk Description	Comment	Impact Analysis			RISK MANAGEMENT				ACCOUNTABILITY						
			Likelihood	Consequence	Remarks	Actual Risk	Current Risk Management Strategy (what happens now)	Risk Management Actions (RMA)	Strength (S<M<W)	Risk Acceptance (Y/N)	Net Risk (after RMA)	Direction of further RM	Risk Owner	Timetable	Assurances available	Last updated
Polices & Procedures	Outdated policies, procedures and controls leads to a failure to properly execute on its mandate and protect its assets leading to errors, omissions and delays in service delivery		3	2		M	1. Policies are reviewed and updated on an ad hoc basis. 2. New template has been prepared, Council approval of policies is required, which functions as a form of control.	1. Finalise and oversee the policy review plan - April 2020 2. Develop guidance on policy content - Council approval required, align with SCP objectives - April 2020 3. Communicate to all staff - June 2020 4. process improvement - Continue trialling the use of a corporate process management tool (Pro-mapp) - June 2020	Strong RMA.	Yes, policy review plan and framework will provide clear guidance on policy requirements and drafting. Corporate Process Management is assisting with process documentation	M		CEO (report to Executive Management Committee)	1. 01-Apr-20 2. 01-Apr-20 3. 01-Jun-20 4. 01-Jun-20	Internal audit on policies and procedures, and their operational effectiveness	23-Apr-20
Information & Systems Management																
Document management	Inconsistency in record keeping and poor / inconsistent use of CM, results in loss of records, records not easily obtainable - prevents good decision making and business continuity, hinders access to records for FOI purposes and leaves the City vulnerable to legal action; furthermore there are delays and costs incurred when retrieving information		4	2		M	Record Keeping Plan (RKP) approved by State Records Office in 2016, health check completed in 2019 to ensure compliance. RKP, guides and policies and procedures all available to staff on the Intranet. Record keeping training (Content Manager) is provided to new staff and offered as a periodic refresher to all staff.	1. Review RKP when due (2021), including in relation to updated Privacy Act (2019 amended) 2. Record-keeping policies being reviewed/updated in early 2020 in preparation for external Audit; 3. Additional training promotion and opportunities also planned	Medium	Y	M	Staff training and accountability - HR training register would be a sensible longer-term tool to record and track record-keeping training and refreshers.	CEO (report to Executive Management Committee)	2020	Internal audit of document management	23-Apr-20
Systems	Core business system (Authority) has data integrity challenges. This leads to the possibility of inaccurate reporting and sharing of information potentially resulting in reputational damage and poor business decisions		5	3		H	NIL	project to be completed by 2021/2022 per CBP. Change management, business process mapping and data clean-up to underpin migration to new system. Incremental change opportunities being reviewed to fast track improvements and reduce major business impacts. Conduct Business Impact Analysis per business unit in order to properly assess recovery point requirements. Office 365 backup to be introduced as part of Office 365 implementation in 2020.	Medium	Y	M	Review of Authority system to determine genuine shortcomings vs issues will determine where the City will receive best return on investment.	Council (report to Audit Committee)	2021/22		23-Apr-20
Data backup retention	Inadequate data backup procedures may result in data recovery points not meeting business needs and thereby impacting on business continuity		3	2		M	Backup schedule covers business system data and is retained offsite in daily, weekly and monthly restoration points. Recovery within 1 day for daily and weekly backups.		Strong	Y	L		CEO (report to Executive Management Committee)	2020		23-Apr-20
Project management and process mapping for new ERP implementation	Inappropriate project management methodology regarding new ERP system may result in an ineffective product selection, implementation and execution and the outcome of poor service delivery		2	3		M	Project Control Group governance introduced by ICT in 2019. Business stakeholder representatives oversee the project, including project management resourcing and objectives.		Strong	Y	L	Ensure this aligns with project management methodology	CEO (report to Executive Management Committee)	2020		23-Apr-20
Staff IT security awareness	Lack of training and process may result in staff behaviour which could have unintended impact on data or compromise systems resulting in poor business decisions, poor service delivery		3	3		M	Minimal current activity. Ad hoc notices to staff regarding current security issues. Upgraded desktop, email, server and web browsing security implemented by ICT in 2019/2020.	ICT to complete ISMF (Information Security Management Framework) in 2020. ICT to introduce ongoing cyber-security training module for all staff in 2020 as part of Office 365 roll-out.	Strong	Y	L		CEO (report to Executive Management Committee)	2020		23-Apr-20
Infrastructure readiness for cloud based systems	Business performance may be impacted if staff do not have adequate internet connectivity to cloud-based systems resulting in poor service delivery		2	3		M	Cloud-based system requirements are minimal for most staff.	mid-2020: Redundant and scalable Internet bandwidth supply (and supporting security infrastructure including firewalls) being implemented to CoV wide area network. Staff mobility improvements being realised through Corporate wifi, remote access and growing mobile device fleet in 2019/2020.	Strong	Y	L		CEO (report to Executive Management Committee)	01-Jun-20		23-Apr-20
Community Services																

5.3 REVIEW OF THE CITY'S AUDIT LOG

Attachments: 1. City's Audit Log as at 29 April 2020 [↓](#) 

RECOMMENDATION:

That the Audit Committee recommends to Council that it **NOTES** the status of the City's Audit Log as at 29 April 2020, at Attachment 1.

PURPOSE OF REPORT:

To provide an update on the status of all outstanding items in the City's Audit Log and to advise which items can now be closed.

BACKGROUND:

The Audit Log tracks all open audit items from audits and reviews, until closure, and provides a summary of the progress made against the management actions. The Audit Log is at **Attachment 1**.

DETAILS:

The Audit Log is regularly reviewed and updated by Administration. Items that are completed are reported to the Audit Committee and subsequently removed from the Audit Log.

Additions are made to the Audit Log from time to time, arising from internal audit, external audit and other relevant review or audit activity.

The following table summarises action items added or closed at each Audit Committee Meeting:

	30 Oct 18	26 Feb 19	9 Apr 19	11 Jun 19	27 Aug 19	26 Nov 19	3 Mar 20	5 May 20
Closed	5	3	5	1	4	2	2	3**
Added	4	1	0	5	8	1	1	0
Total	13	11	6	10	14	13	12	11

**Butler Settineri – Office of the Auditor General's Performance Audit 2019 – Fraud Prevention in Local Government – Findings and Recommendations – Have policies and procedures in place to verify the identity and integrity of employees and suppliers (EA: 2019/10) (2) was completed but (1) is still ongoing. This was recorded as one item.

The items recommended for closure at the 5 May 2020 Audit Committee meeting are:

- Butler Settineri – Office of the Auditor General's Performance Audit 2019 – Fraud Prevention in Local Government – Findings and Recommendations – Have policies and procedures in place to verify the identity and integrity of employees and suppliers (EA: 2019/10) (2); and
- Butler Settineri – Payroll – Internal Audit Review actions – Payroll Processing (EA: 2019/12) (4)
- Failure to meet Australian Government 'Roads to Recovery' expenditure maintenance requirements for 2018-19 (EA:2019/10)

Have policies and procedures in place to verify the identity and integrity of employees and suppliers

Verification of suppliers is currently undertaken as part of the Request for Quotation and Tender processes. ASIC statements, financial viability letter, reference checks and insurance certificates of currency are required to be provided by suppliers submitting a tender or quote.

The City's Procurement Team checks the ABN and ACN registration details and insurance certificates for successful suppliers for Request for Tenders (\$150,000 and above) and the evaluation panel conducts referee checks. Request for Quotations verification process is conducted through checking ABN and ACN registration details, insurance certificates and referee checks.

Request for Quotations and Tenders conducted through WALGA and CUA do not require verification as WALGA/ CUA have a verification process in place.

Payroll Processing

The City has implemented weekly timesheets for all staff, with electronic signatures, which require supervisor sign off.

Failure to meet Australian Government 'Roads to Recovery' expenditure maintenance requirements for 2018-19

Moore Stephens completed the re-audit of the reference amount for the period 2011-2016 in April 2020. This resulted in a readjustment of the City's own source expenditure reference amount to \$2,543,787. This means that the City has met the Australian Government's 'Roads to Recovery' expenditure requirements for this period.

The ongoing Audit Log items are:

- Asbestos Review 2019 (2) – Development of an Asbestos Management Plan
- OAG's Performance Audit 2019 – Assess fraud risks across business (EA: 2019/6)
- OAG's Performance Audit 2019 – Develop a fraud and corruption control plan and review at least every 2 years (EA: 2019/7)
- OAG's Performance Audit 2019 – Develop and implement a periodic fraud awareness and training program (EA: 2019/8)
- OAG's Performance Audit 2019 – Have policies and procedures in place to verify the identity and integrity of employees and suppliers (EA: 2019/10) (1)
- OAG's Performance Audit 2019 – Collect, review and manage fraud information and identify trends and emerging issues (EA: 2019/11)
- Butler Settineri – Payroll – Internal Audit Review actions - (EA: 2019/12), (6), (9))
- Moore Stephens / OAG – Audited Financial Statements and Concluding Memorandum – Asset Sustainability Ratio (EA:2019/13)

CONSULTATION/ADVERTISING:

Not applicable.

LEGAL/POLICY:

In accordance with the terms of reference of the Audit Committee, the Audit Committee's duties and responsibilities include:

Reviewing reports of internal audits, monitoring the implementation of recommendations made by the audit and reviewing the extent to which the Council and management reacts to matters raised.

RISK MANAGEMENT IMPLICATIONS:

Low: Follow up and closure of audit and review related findings and recommendations is good corporate governance. The reporting of the Audit Log to the Audit Committee increases transparency and accountability.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Innovative and Accountable

Our resources and assets are planned and managed in an efficient and sustainable manner.

SUSTAINABILITY IMPLICATIONS:

Nil.

FINANCIAL/BUDGET IMPLICATIONS:

Nil.

CITY OF VINCENT AUDIT LOG

AUDIT DETAILS	MANAGEMENT RESPONSE	ACTION	PROPOSED COMPLETION DATE
<p>Asbestos Review 2019 (2) Development of an Asbestos Management Plan</p> <p>Findings: The City does not currently have a plan / process for managing asbestos on City land (freehold and Crown land) or on private property.</p> <p>Recommendation: At the 26 February 2019 Audit Committee it was resolved that: <i>“the City obtains legal advice in relation to asbestos management and provides it to the next Audit Committee meeting.”</i></p> <p>Administration presented the legal advice dated 5 April 2019 to the 9 April 2019 Audit Committee. The legal advice recommends that the City have an asbestos management plan (framework) which outlines how the City will inspect, identify and manage ACM on City land and respond to ACM identified on private property. The plan will outline what the appropriate response will be to material identified as containing asbestos, which will depend on the specific circumstances, including the consideration of cost and risk to public safety. The Audit Committee resolved at this meeting that: <i>“Administration report back to the Audit Committee no later than October 2019 detailing how the City’s asbestos management framework will meet legislative requirements.”</i></p> <p>Risk Rating (prior to controls) High</p> <p>Risk Rating (with current controls): Medium</p>	<p>Responsible Officer: Executive Director Infrastructure & Environment</p> <p>Comments: City to prepare an Asbestos Management Plan as recommended by the legal advice dated 5 April 2019.</p>	<p>April 2019: At its meeting on 9 April 2019, the Audit Committee requested Administration to reopen this item and provide further advice prior to October 2019 detailing how the City’s Asbestos Management Framework will meet legislative requirements.</p> <p>November 2019: Asbestos awareness training for front line staff has been arranged for the 14 and 15 of November.</p> <p>The City is working with LGIS to develop a framework to meet the requirements of the recommendation contained in the legal advice. Officer time has been limited in both organisations and the matter has been delayed. Proposed new timeframe March 2020.</p> <p>February 2020: LGIS has been engaged to prepare the framework and draft framework is estimated to be available by end of April 2020.</p> <p>March 2020: City will liaise with LGIS in respect to a revised completion date due to COVID-19. LGIS are still developing the framework. The draft framework will be presented to the 30 June 2020 Audit Committee meeting.</p>	<p>30/09/2019</p> <p>31/3/2020</p> <p>30/4/2020</p> <p>30/06/2020</p>
<p>EA: 2019/6 Office of the Auditor General’s Performance Audit 2019 - Fraud Prevention in Local Government - Findings and Recommendations</p> <p>Finding: 1. Entities have not implemented a coordinated approach to manage their fraud risk. 2. Entities could make themselves more fraud resistant if they strengthen their controls; and 3. Better reporting avenues would help entities detect and respond to fraud.</p> <p>Recommendation: Assess fraud risks across business</p> <p>Risk Rating (prior to controls): High</p> <p>Risk Rating (with current controls): Medium</p>	<p>Responsible Officer: Executive Manager Corporate Strategy and Governance</p> <p>Comments: Governance will manage the annual review of fraud risks via the City’s Corporate Risk Register.</p>	<p>November 2019: The Corporate Risk Register is being developed by BDO Pty Ltd. It is proposed that the risk register will be presented to the Audit Committee for review in early 2020.</p> <p>February 2020: The Corporate Risk Register will be provided to Audit Committee at its 3 March meeting. The risk treatment plans for high and extreme risks will require approval by Council.</p> <p>March 2020 The Corporate Risk Register was provided to the Audit Committee at its 3 March 2020 meeting. Further changes were requested in respect to the risk ratings and risk management action implementation dates. The updated Corporate Risk Register will be provided to the Audit Committee at its 5 May 2020 meeting.</p>	<p>30/06/2020</p>

CITY OF VINCENT AUDIT LOG

<p>EA: 2019/10 Office of the Auditor General's Performance Audit 2019 - Fraud Prevention in Local Government - Findings and Recommendations</p> <p>Finding: 1. Entities have not implemented a coordinated approach to manage their fraud risk. 2. Entities could make themselves more fraud resistant if they strengthen their controls; and 3. Better reporting avenues would help entities detect and respond to fraud.</p> <p>Recommendation: Have policies and procedures in place to verify the identity and integrity of employees and suppliers</p> <p>Risk Rating (prior to controls) Medium</p> <p>Risk Rating (with current controls): Low</p> <p>They are on Chrome. They are all under Items on Block</p> <p>Go to the top of the page</p>	<p>Responsible Officer: Procurement Contracts Officer Executive Manager Human Resources</p> <p>Comments: 1) Human Resources will develop and implement a recruitment and selection procedure (which will include identity and integrity checks) for the City. Human Resources will periodically monitor employees for change of circumstances via a declaration form which WALGA are currently preparing to supply to Local Governments. 2) Procurement will review and update the City's supplier verification process. The proposed implementation date is March 2020.</p>	<p>November 2019: 1) The Human Resources team are currently developing a recruitment and selection procedure in combination with a review of position descriptions, requirements for qualification and police clearances (only certain positions require clearances) per position. 2) Procurement will review policy documents of other local governments and determine threshold.</p> <p>February 2020: 1) HR have drafted a new Recruitment, Selection and Appointment procedure. To be reviewed by EMC based on new recruitment, selection and appointment changes to processes. 2) Verification is currently requested through the Request for Tender document. ASIC statements, financial viability letter, reference checks, insurance certificates of currency and the Form of Tender are all used as part of the verification process. Procurement will check ABN and ACN registration details, insurance certificates for successful suppliers for Request for Tenders (\$150,000 and above) and the evaluation panel will check referees. Request for Quotations verification process is conducted through checking ABN and ACN registration details, insurance certificates and referee checks. Request for Quotations and Tenders conducted through WALGA and CUA do not require verification.</p> <p>March 2020 1) Recruitment, Selection and Appointment procedure completed, subject to Executive approval at its 23 April Meeting.</p>	<p>1) 30/4/2020</p> <p>2) 30/3/2020</p> <p>2) Completed</p> <p>1) 31/5/2020</p>
<p>EA: 2019/11 Office of the Auditor General's Performance Audit 2019 - Fraud Prevention in Local Government - Findings and Recommendations</p> <p>Finding: 1. Entities have not implemented a coordinated approach to manage their fraud risk. 2. Entities could make themselves more fraud resistant if they strengthen their controls; and 3. Better reporting avenues would help entities detect and respond to fraud.</p> <p>Recommendation: Collect, review and manage fraud information and identify trends and emerging issues</p> <p>Risk Rating (prior to controls): High</p> <p>Risk Rating (with current controls): N/A</p>	<p>Responsible Officer: Executive Manager Corporate Strategy and Governance</p> <p>Comments: The City will investigate systems and processes to report, review and manage any potential fraud, including anonymous reporting and the escalation of fraud reporting. The proposed implementation date is December 2020.</p> <p>The fraud reporting system, as referred to in 6. Above, should enable this data to be easily compiled. Governance will review the data annually.</p>	<p>November 2019 The City will engage a consultant to prepare the fraud management plan, and the fraud reporting system will be considered as part of this review.</p> <p>February 2020: No progress to date.</p> <p>March 2020: No progress to date.</p>	<p>31/12/2020</p>

CITY OF VINCENT AUDIT LOG

<p>EA: 2019/12(4) Butler Settineri – Payroll – Internal Audit Review</p> <p>PAYROLL PROCESSING</p> <p>General Findings: An HR Manager reviews the Payroll Officer's Collated Timesheet Data Spreadsheet visually and that evidence of review is not present for all documents.</p> <p>Recommendations: Collated Timesheet Data Spreadsheets are signed by reviewers as evidence of review to provide management with comfort that captured data has been reviewed for accuracy before processing into the official payroll system. Timesheet data is captured directly into the Civica Authority payroll system and not first having to be recorded in the Collated Timesheet Data Spreadsheets.</p> <p>Risk Rating (prior to controls) Low</p> <p>Risk Rating (with current controls) Low</p>	<p>Responsible Officer: Executive Manager Human Resources</p> <p>Comments: Will be resolved as part of the City of Vincent's ICT Strategy.</p>	<p>November 2019: Will be resolved as part of the ICT strategy which will incorporate an electronic timesheet system with workflows from employee, their manager and then to HR for processing.</p> <p>February 2020: No progress to date and no decided date of system implementation at this time.</p> <p>March 2020: Implementing weekly timesheets with electronic signatures, which requires supervisor sign off.</p>	<p>TBC</p> <p>Completed</p>
<p>EA: 2019/12(6) Butler Settineri – Payroll – Internal Audit Review</p> <p>LEAVE</p> <p>General Findings: The leave forms for two employees [names removed for privacy] were not filed electronically within the TRIM and Civica Authority system and could not be located in employee files. The City has recently moved to an "online" leave management system for all staff other than the Works Department and Beatty Park Leisure Centre.</p> <p>Recommendations – General Findings: All manual leave application forms, duly approved and authorised, be filed electronically within the TRIM and Civica Authority system. All staff be transitioned to the "online" leave management system to ensure a more accurate leave recording and processing system.</p> <p>Risk Rating (prior to controls) Low</p> <p>Risk Rating (with current controls) Low</p>	<p>Responsible Officer: Executive Manager Human Resources</p> <p>Comments: It is our intent by March 2020 that all staff transition to complete online leave via CIVICA.</p>	<p>November 2019 Review all staff members that are currently completing a hard copy leave form and train staff on the online leave processes through Civica.</p> <p>February 2020: Only staff not completing online timesheets are outdoor workers. A new time sheeting form has been implemented as a pilot with Waste and Engineering Operations with success. Will rollout time sheeting process to all outdoor workers by 30 April 2020.</p> <p>March 2020: Develop online training for outdoor workers to complete electronic leave forms through Authority.</p>	<p>30/04/2020</p> <p>31 July 2020</p>

CITY OF VINCENT AUDIT LOG

<p>EA: 2019/12(9) Butler Settineri – Payroll – Internal Audit Review</p> <p>Recommendation - Specific Findings: Gross pay paid at penalty rates to "outside workers" and certain Beatty Park Leisure Centre employees is incorrectly reflected under the "Allowances" column on the Pay Edit Report.</p> <p>A large number of employees salary sacrifice additional superannuation contribution. Audit noted that superannuation contributions reflected as "Council" on the Pay Edit Listing don't represent 9.5% of gross earnings but instead the additional 6% Council portion were applicable. This was due to an error in the set-up of reporting fields on the Pay Edit Report</p> <p>Risk Rating (prior to controls) Low</p> <p>Risk Rating (with current controls) Low</p>	<p>Responsible Officer: Executive Manager Human Resources</p>	<p>November 2019 These reports are HARD Coded by Civica and would require a new report to be developed and/or written for both findings. This will require Civica to confirm that they can make these changes in the Authority system.</p> <p>February 2020: No progress to date.</p> <p>March 2020: EM Human Resources to follow up with Civica to see if they can arrange an individual work around for the City of Vincent.</p>	<p>30/6/2020</p>
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CITY OF VINCENT AUDIT LOG

AUDIT DETAILS	MANAGEMENT RESPONSE	ACTION	PROPOSED COMPLETION DATE
<p>EA: 2019/10 Failure to meet Australian Government 'Roads to Recovery' expenditure maintenance requirements for 2018-19</p> <p>General Findings: Breach of program procedures (Part 7) – shortfall of \$1,598,263.</p> <p>Recommendation: Explanation of the breach – including: 1. The reasons for the breach in detail – what the problem was, when it happened, how it impacted on the projects etc. 2. The budgeted figure for own source expenditure on roads for 2019/20 and, where possible projected own source expenditure figures for 2020-21 and 2021-22. These should be realistic in terms of the Council's overall budgetary position.</p> <p>Risk Rating (prior to controls): Medium</p> <p>Risk Rating (with current controls): Medium</p>	<p>Responsible Officer: Executive Director Infrastructure & Environment</p> <p>Comments: 1. Under the Roads to Recovery funding agreement the City is obliged to maintain an appropriate level of road funding from its own resources, and not be overly reliant upon grant funding. The level of appropriate 'own resources' funding is measured against a 'reference amount'. The reference amount was based upon the City's average expenditure over the previous 5 years of the program. However the City's (new) Auditors in 2018 'struck out' a number of claimed expenditure items, which the previous Auditor's had approved. As a consequence the level of expenditure from our own resources was deemed to have dropped below the 'reference amount' resulting in the breach notice. The potential impact is a reduction in, or cancellation of, future Roads to Recovery Grant funding. 2. Essentially the City needs to demonstrate that it will substantially increase its level of road funding in subsequent years of the program to make up for the shortfall. This matter was raised at the Councillor Workshop on 11 November 2019. The Local Road Program budget, currently in the order of \$580,000 per annum, would have needed to increase to approx. \$1,100,000 <u>this financial year</u> to address the Department concerns and maintain the current level of grant funding.</p>	<p>November 2019 Administration will consider the below options and prepare a response to the Department of Infrastructure, Transport, Cities and Regional Development to advise of the action that will be taken by the City.</p> <p>The options are:</p> <ul style="list-style-type: none"> • Increase the annual Local Roads Program expenditure to the order of \$1,100,000 pa this financial year (Council will need to approve any increase in the budget). • Appeal the 'reference amount' based upon the current auditors assessment of deductible items. • Review the financial information sent to Auditor to ensure that all appropriate deductions were included, both operating and renewal, that can be attributed to roads. <p>December 2019 As per the November 2019 Audit Committee recommendation (Item 5.6 26/11/19 meeting) and Council's resolution of December 2020 (Item 12.7 10/12/19), Administration will prepare a report to the March 2020 Audit Committee detailing the City's failure to meet the Australian Government "Roads to Recovery" expenditure maintenance requirements for 2018/19 and the proposed response to the Department of Infrastructure, Transport, Cities and Regional Development (as per the resolution at Item 5.6 26/11/19 Audit Committee meeting).</p> <p>February 2020: The Department of Infrastructure, Transport, Cities and Regional Development will not approve any further R2R grant allocation in 2018/19 until the City formally responds to the 'breach' notice. Administration has prepared an information sheet for Council at the 18 February budget workshop to consider the impact of the breach, and to provide guidance, prior to a response being prepared.</p> <p>March 2020: Department of Infrastructure, Transport, Cities and Regional Development has allowed the City to re-audit the reference amount for the period 2011 – 2016.</p> <p>April 2020: Moore Stephens completed the re-audit of the reference amount for the period 2011-2016 in April 2020. This resulted in a readjustment of the City's own source expenditure reference amount to \$2,543,787. This means that the City has met the Australian Government's 'Roads to Recovery' expenditure requirements for this period.</p>	<p>30/06/2020</p> <p>Completed</p>

CITY OF VINCENT AUDIT LOG

<p>EA: 2019/13 Moore Stephens / OAG – Audited Financial Statements and Concluding Memorandum</p> <p>General Findings: 1. Significant Adverse Trends: The Asset Sustainability Ratio has been below the DLGSCI standard for all 3 years reported in the annual financial report.</p> <p>Recommendation: Provide a report to the Minister for Local Government explaining the City's non-compliance with the Asset Sustainability Ratio and the action the City will take to rectify this.</p> <p>Risk Rating (prior to controls): High</p> <p>Risk Rating (with current controls): High</p>	<p>Responsible Officer: Executive Director Community and Business Services</p> <p>Comments: In accordance with section 7.12A of the <i>Local Government Act 1995</i>, a response must be provided to the Minister for Local Government by 28 February 2020 detailing the action the City has taken or intends to take to address the Asset Sustainability Ratio non-compliance.</p>	<p>December 2019 As per the November 2019 Audit Committee recommendation (Item 5.3 26/11/19 meeting) and Council's resolution of December 2020 (Item 12.7 10/12/19), Administration will track the Asset Sustainability Ratio non-compliance through the Audit Log and provide a response to the Minister for Local Government within the deadline.</p> <p>February 2020: The draft response to the Minister for Local Government will be provided to the Audit Committee at its 3 March 2020 Meeting, and to Council at its 17 March 2020 meeting. The draft letter will be simultaneously provided to DLGSC, with an update on the timing of the approved letter.</p> <p>March 2020: The City has met the compliance requirements by providing the Council and Audit Committee minutes to the Minister (letter sent on 28th February 2020). Action needs to be taken to address the ratio non-compliance.</p>	<p>31/3/2020</p> <p>31/12/2020</p>
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6 GENERAL BUSINESS

7 NEXT MEETING

The next meeting will be held on 30 June 2020.

8 CLOSURE