



City of Perth

**Audit and Risk Committee Meeting  
Minutes**

**6 May 2020  
4.30pm**

**Meeting held via videoconference**

APPROVED FOR RELEASE

Mr Murray Jorgensen  
Chief Executive Officer



City of Perth

**Audit and Risk Committee Meeting  
Minutes**

**6 May 2020  
4.30pm**

**Meeting held via videoconference**

Minutes to be confirmed at the next Audit and Risk Committee Meeting.

THESE MINUTES ARE HEREBY CERTIFIED AS CONFIRMED

Presiding Member's Signature

\_\_\_\_\_

DATE: \_\_\_\_\_

## Order of Business

### Item

1. Declaration of opening
2. Apologies and members on leave of absence
3. Question time for the public
4. Confirmation of minutes  
Audit and Risk Committee – 19 February 2020
5. Correspondence
6. Disclosures of members interest
7. Matters for which the meeting may be closed

Attachment No.	Item No. and Title	Reason
Confidential Attachment 8.5C	Item 8.5 – Risk Management Quarterly Report – May 2020	s5.23(2)(e)(ii)

### 8. Reports

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8.3	Outstanding Audit Recommendations – April 2020	20
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8.6	Policy – Fraud and Corruption Control	35

9. Motions of which previous notice has been given
10. General business

**11. Items for consideration at a future meeting**

**12. Closure**

Minutes of the Audit and Risk Committee Meeting of the City of Perth held via videoconference on Wednesday, 6 May 2020.

### Members in attendance

Commissioner Gaye McMath	Presiding Member
Mr Robert Maurich	Independent Member

### Officers in attendance

Mr Murray Jorgensen	Chief Executive Officer
Mr Bill Parker	General Manager Corporate Services
Mr Chris Kopec	General Manager Infrastructure and Operations
Ms Karin Strachan	Project Director Corporate Recovery
Mr Michael Kent	Project Director Strategic Finance
Ms Reshma Jahmeerbacus	Acting Manager Finance
Mr Gary Clark	Acting Alliance Manager Governance
Mr Mario Cheldi	Internal Auditor
Ms Niloha Mendoza	Assistant Internal Auditor
Ms Siobhan Rippington	Governance Coordinator
Ms Sarah Gosling	Senior Financial Accountant
Mr Anthony Sharpe	Coordinator ICT (Technology Infrastructure)
Mr Chris Noble	Corporate Strategy and Risk Advisor
Mr Darren Turner	Strategic Procurement Lead
Ms Tess Jackson	Risk and Business Continuity Officer
Ms Vanessa Phillips	Governance Officer

**1. Declaration of opening**

**4.33pm** The Presiding Member declared the meeting open.

**2. Apologies and members on leave of absence**

Chair Commissioner Andrew Hammond  
Commissioner Len Kosova

**3. Question time for the public**

Nil

**4. Confirmation of minutes**

<b>Committee Decision</b>
<p><b>Moved:</b> Mr Maurich <b>Seconded:</b> Commissioner McMath</p> <p>That the Committee <u>CONFIRMS</u> the minutes of the Audit and Risk Committee Meeting held on 19 February 2020 as a true and correct record.</p> <p><b>CARRIED 2/ 0</b></p> <p><b>For:</b> Commissioner McMath Mr Maurich</p> <p><b>Against:</b> Nil</p>

**5. Correspondence**

Nil

## 6. Disclosures of members interest

Member/Officer	Item No. and Title	Nature of Interest
Mr Murray Jorgensen (CM 90542/20)	Item 8.1 – Internal Audit Plan 2019/20 – Corporate Credit Cards Review April 2020	<b>Nature:</b> Impartiality Interest. CEO holds a corporate credit card. <b>Extent:</b> Insignificant

## 7. Matters for which the meeting may be closed

In accordance with section 5.23(2) of the *Local Government Act 1995*, to preserve the confidentiality of attachment 8.5C, it was recommended that the meeting be closed to the public prior to consideration of the matter.

Attachment No.	Item No. and Title	Reason
Confidential Attachment 8.5C	Item 8.5 – Risk Management Quarterly Report – May 2020	s5.23(2)(e)(ii)

## 8. Reports

### 8.1 – Internal Audit Plan 2019/20 – Corporate Credit Cards Review April 2020

<b>File reference</b>	P1026043-2
<b>Report author</b>	Mario Cheldi, Internal Auditor
<b>Other contributors</b>	Nil
<b>Reporting Service Unit and Alliance</b>	Internal Audit, Chief Executive Officer
<b>Report author disclosure of interest</b>	Nil
<b>Date of report</b>	8 April 2020
<b>Nature of Council's role</b>	Executive
<b>Voting requirement</b>	Simple Majority
<b>Attachment/s</b>	Attachment 8.1A – Corporate Credit Cards Review April 2020 Report

### Purpose

For Council to approve the Corporate Credit Cards Review April 2020, completed in accordance with the Internal Audit Plan 2019/20.

**Background**

A Corporate Credit Cards Review has been included within the Internal Audit Plan 2019/20. This plan was approved by the Audit and Risk Committee and Council in May 2019.

In accordance with the abovementioned plan, this review was completed over the March/April 2020 period.

**Details**

The results of this review are detailed in Attachment 8.1A.

**Stakeholder engagement**

Engagement with the following internal stakeholders was undertaken in relation to this report:

- Manager Finance;
- Senior Financial Accountant;
- Funds Management Officer;
- Accounts Payable Officer;
- Strategic Procurement Lead; and
- Project Director, Strategic Finance.

**Strategic alignment**

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 – 2029:

<b>Aspiration:</b>	Performance
<b>Strategic Objective:</b>	5.5 A financial business model underpinned by a culture of cost management, best value and strategic financial analysis that is subject to ongoing oversight, transparency and accountability.

**Legal and statutory implications**

Under regulation 17 of the *Local Government (Audit) Regulations 1996* the Chief Executive Officer is to review certain systems and procedures including risk management, internal control and legislative compliance.

Connection with mandates in the *City of Perth Act 2016*

8(1)(a) - to provide for the good government of persons in the City of Perth, including residents, ratepayers and visitors

**Risk implications**

<b>Impact of decision</b>	
Organisation	Medium
Community	Low

<b>Risk domain</b>	<b>Consequence</b>	<b>Likelihood</b>	<b>Risk rating</b>
Financial	Insignificant	Unlikely	Low
Legal and Regulatory/Ethical	Insignificant	Almost certain	Medium
Reputation and External Stakeholders	Minor	Unlikely	Low

The findings of this review within Attachment 8.1A have been risk rated by the Internal Audit Team in accordance with the City’s Risk Assessment Matrix.

**Approval implications**

If Council does not adopt the recommendation of this report there will be no formal acceptance by Council of the Corporate Credit Cards Review April 2020 and recommendations contained within the report on this review completed in accordance with the Internal Audit Plan 2019/20.

**Financial implications**

There are no financial implications related to this report.

**Policy references**

19.1 – Risk Management

**Comments**

The cooperation and assistance received from various staff members to enable the completion of this review is appreciated.

**Officer and Committee Recommendation**

**Moved:** Mr Maurich

**Seconded:** Commissioner McMath

That Council APPROVES the Corporate Credit Cards Review April 2020 completed as part of the Internal Audit Plan 2019/20.

**CARRIED 2 / 0**

**For:**

Commissioner McMath

Mr Maurich

**Against:**

Nil

**Meeting Note:** Mr Maurich asked if the corporate credit cards are able to be used to purchase gift vouchers and if they have been used in that manner. The question was taken on notice.

**8.2 – City of Perth Internal Audit Plan 2020/21**

<b>File reference</b>	P1026043-2
<b>Report author</b>	Mario Cheldi, Internal Auditor
<b>Other contributors</b>	Niloha Mendoza, Assistant Internal Auditor
<b>Reporting Service Unit and Alliance</b>	Internal Audit, Chief Executive Officer
<b>Report author disclosure of interest</b>	Nil
<b>Date of report</b>	15 April 2020
<b>Nature of Council's role</b>	Executive
<b>Voting requirement</b>	Simple Majority
<b>Attachment/s</b>	Attachment 8.2A – Internal Audit Plan 2020/21 Attachment 8.2B – Internal Audit Plan - Activity Table

**Purpose**

To seek Council's approval of the City of Perth Internal Audit Plan 2020/21 as per Attachment 8.2A.

**Background**

During March and April 2020 an Internal Audit Plan has been developed by the Internal Auditor for the 2020/21 financial year.

The City of Perth Internal Audit Plan 2020/21 Attachment 8.2A is presented to the Audit and Risk Committee for its review and approval in line with oversight responsibilities as described within the Committee's Terms of Reference.

**Details****Internal Audit Plan 2020/21**

The Internal Audit Plan 2020/21 Attachment 8.2A comprises statutory/compliance audits as well as risk based audits.

Audit areas and their broad objective as well as timeframes for completion of audits is provided within this plan. In addition, the plan includes a breakdown of audit activity in terms of budgeted hours.

A description of the audit areas (in the order that they appear within the Internal Audit Plan 2020/21) is provided below.

With the exception of the statutory/compliance audits i.e DRIVES24 (NSW)/VicRoads Security and Access Audits; Local Government Compliance Audit; CEO Review of Systems and Procedures; and Financial Management Review, the audits described below for the Internal Audit Plan 2020/21 as well as proposed audit areas for the 2021/22 and 2022/23 financial years have been selected based on a risk based approach identifying the key risks for each audit. Given the pending restructure of the City's Risk Management Framework, Internal Audit will consider the identified controls within these risks and other controls in relation to the target area.

#### 2020 DRIVES24 (NSW)/VicRoads Security and Access Audits

These audits are required to certify the City's compliance with obligations under access to registered driver detail agreements in place with NSW and Victorian Government Transport Authorities. Access to details on interstate registered drivers i.e. names and addresses are required by the City for the purposes of enforcing parking infringements incurred within the City's boundaries.

Following a request from the Parking Services Unit, these audits have been carried out by Internal Audit since 2015.

#### Cyber Security Review

Cyber security is the practice of protecting systems, networks and programs from digital attacks. These attacks are usually aimed at accessing, changing or destroying sensitive information; extorting money from individuals; or interrupting normal business processes. Effective cyber security reduces the risk of attacks and protects organisations and individuals from the unauthorised exploitation of systems, networks and technologies. The risks from lapses in this security can be significant including from a financial loss and reputational damage perspective.

Research carried out in developing this Internal Audit Plan 2020/21 has provided confirmation that cyber security continues to be a relevant and high risk area for organisations in 2020 as well as a highlighted focus for the internal audit function.

Following a request from the Audit and Risk Committee, a Cyber Security Review was undertaken in October 2019 as part of the Internal Audit Plan 2019/20. This review identified that the Information Communication and Technology (ICT) Unit has been proactive in engaging a number of information technology security consultant firms to assess its information security (includes cyber security). It was also confirmed that this Unit is in the process of addressing the recommendations to improve this security as made by these firms.

The Audit and Risk Committee, at the meeting held on 19 February 2020, requested a progress report be presented on the implementation of the abovementioned recommendations to improve information security.

This Cyber Security Review will examine and provide a report on the status of implementation of the recommendations from the information security assessments carried out as well as the adequacy of internal measures being undertaken by the ICT Unit to control cyber security threats.

### Tenders

Tenders has been assessed by the Internal Audit and Risk Management Teams as a high risk area for the City. Potential risks of inadequate tendering processes include the City not achieving value for money in purchasing, non-compliance with relevant legislation and policy/procedures, duplication (tendering of same goods or services by different Units), and negative effects on service delivery.

At the Audit and Risk Committee meeting held on 19 June 2018, the Committee requested that additional audits on tenders be undertaken. This request was in response to a planned increase in the delegated authority of the Chief Executive Officer to approve tenders to a value of up to \$1 million (previously \$500,000). This increase in delegated authority was approved at the Ordinary Council meeting held on 26 June 2018. Inclusion of a tender audit within the Internal Audit Plan 2020/21 is in line with the abovementioned request of the Committee.

The Tenders Audit as included within the Internal Audit Plan 2020/21 will assess whether the tender evaluation and approval process is resulting in the acceptance of valid tenders. A Procurement Transformation Program is currently being implemented within the City. This review will provide assurance on the effectiveness of tender evaluation and approval processes in place as a result of implementation of the abovementioned program.

A Tenders Audit was scheduled to be undertaken during the 2020/21 financial year as per the three year projection of audits shown within the Internal Audit Plan 2019/20.

### Information Technology (IT) Disaster Recovery

IT disaster recovery is the process for recovering systems following a major disruption. Research carried out in developing this Internal Audit Plan 2020/21 has confirmed that IT disaster recovery continues to be considered a high risk area for organisations and a highlighted focus for the internal audit function.

In the absence of effective disaster recovery capability the risks include the following:

- extended disruption or inability to deliver services that depend on systems;
- inability to recover systems and restore lost data;
- subsequent financial loss; and
- reputational damage, including loss of community confidence in the effective delivery of services.

A review of the City's IT Disaster Recovery plans and processes was scheduled to be undertaken during the 2020/21 financial year as per the three year projection of audits shown within the Internal Audit Plan 2019/20. This review has previously not been undertaken by Internal Audit and therefore is considered timely.

An assessment of the adequacy of the City's plans and processes for the effective recovery of its critical ICT systems and data in the event of a disruption is planned for this review.

Support for this review was obtained from the External Member of the Audit and Risk Committee.

### Local Government Compliance Audit 2020

A Compliance Audit Return which assesses compliance with various sections of the *Local Government Act 1995* and Regulations is completed as part of the Local Government Compliance Audit. This return is required to be provided to the Department of Local Government, Sport and Cultural Industries for each calendar year.

This is a significant audit requiring sourcing of evidence of compliance for each legislative requirement on the return.

For reasons of independence and objectivity, the Local Government Compliance Audit has been carried out by Internal Audit since 2014.

### Project Management

Project management continues to be recognised as a high risk area for the City as confirmed via feedback from the Risk Management Team. There are many types of risk in project management, however, the most common project risks are as follows:

- **Cost risk**, typically escalation of project costs due to poor cost estimating accuracy and scope creep;
- **Schedule risk**, the risk that activities will take longer than expected. Being behind schedule typically increases costs and also delays the receipt of project benefits; and
- **Performance risk**, the risk that the project will fail to produce results consistent with project specifications.

In response to the recognised high risk area of project management, during 2019 a team was created to work on facilitating an improvement in the project management maturity of the organisation. This team have been instrumental in establishing a project management system and processes within the City. A review of project management in 2020/21 is considered to be timely and is supported by the External Member of the Audit and Risk Committee.

This review will assess whether sound project management processes and controls are in place and being applied for the management of a sample of major projects.

### Contract Management

Contract management is in the same category as tenders as a high risk area assessed by the Internal Audit and Risk Management Teams. Potential risks of inadequate contract management practices include contract cost blow-outs not being adequately controlled, contractor obligations under the contract not being met and contractor performance issues not being resolved resulting in delays or non completion of deliverables under the contract.

This review will examine how effectively the City is managing its contracts after contracts have been awarded. A Procurement Transformation Program is currently being implemented within the City. Assurance is to be obtained on the effectiveness of contract management processes in place as a result of implementation of the abovementioned program.

A review of contract management was scheduled to be undertaken during the 2020/21 financial year as per the three year projection of audits shown within the Internal Audit Plan 2019/20.

#### Data Analytics Review – Accounts Payable

Following the Organisational Capability and Compliance Assessment undertaken between March and May 2017, Deloitte provided the City with results of data analytical testing they carried out on accounts payable and payroll transactions/records using their own data analytics software. The results were reviewed by Internal Audit (as part of the Internal Audit Plan 2017/18) and found to be useful for identifying potential anomalies in these transactions/records which require further investigation.

As a result of the ICT Unit now having in place data analytical software (Microsoft Power BI), an opportunity is available to once again undertake the abovementioned reviews.

Research carried out in developing this Internal Audit Plan 2020/21 has confirmed that data analytical reviews can provide value to organisations and that such reviews should be an area of focus for the internal audit function.

It was identified during the Fraud and Corruption Controls Review July 2019 (carried out by Internal Audit) that the Australian Standard, AS8001-2008 Fraud and Corruption, recommends that data mining (the use of software to identify suspect transactions for investigation into potential fraudulent or corrupt conduct) should be part of an organisation's fraud detection system. Fraud presents a risk to the organisation not only in terms of financial loss but reputational damage as well.

A Data Analytics Review – Accounts Payable was scheduled to be undertaken during the 2020/21 financial year as per the three year projection of audits shown within the Internal Audit Plan 2019/20.

The objective of this review is to obtain evidence to provide assurance that accounts payable transactions are able to be adequately accounted for and valid vendors are recorded on the Finance 1 system.

#### 2021 DRIVES24 (NSW)/VicRoads Security and Access Audits

Refer above 2020 DRIVES24 (NSW)/VicRoads Security and Access Audits for a description of this review.

**Internal Audit Activity Table**

An Internal Audit Activity Table is provided within Attachment 8.2B showing internal audits undertaken in the 2017/18, 2018/19 and 2019/20 financial years as well as the proposed audits for the 2020/21, 2021/22 and 2022/23 financial years.

For the 2020/21 financial year, a description of audit areas has been provided in the above section.

Proposed audit areas for the 2021/22 and 2022/23 financial years are summarised below.

**Statutory/Compliance Audits**

- DRIVES24 (NSW)/VicRoads Security and Access Audits; and Local Government Compliance Audit required to be undertaken during each financial year. A description of these audits is provided in the above section.
- Reviews required by legislation to be undertaken every three financial years i.e CEO Review of Systems and Procedures (Regulation 17 of the *Local Government (Audit) Regulations 1996*); and Financial Management Review (Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*). The CEO Review of Systems and Procedures and Financial Management Review is next scheduled to be undertaken in the 2021/22 financial year and 2022/23 financial year respectively.

**Risk Based Audits**

- Data Analytics Reviews – Accounts Payable and Payroll. A description of the Data Analytics Review for Accounts Payable is provided within the above section discussing proposed audits for the Internal Audit Plan 2020/21. Payroll is another major expense area for the City suited to the carrying out of a data analytical review. The objective of the Data Analytics Review for Payroll is to obtain evidence to provide assurance that payroll transactions and records identified from the data analytical testing are valid and able to be adequately accounted for. It was advised by the External Member of the Audit and Risk Committee as well as confirmed via research that data analytical reviews are more effective when they are repeatable. As a result, both the Data Analytics Review for Accounts Payable and Payroll have been scheduled for the 2021/22 and 2022/23 financial years.
- Tenders. Tenders is described as a high risk area for the City in the above section on proposed audits for the Internal Audit Plan 2020/21. As a result of the CEO delegation to approve tenders being increased in June 2018 to a value of up to \$1million, the Audit and Risk Committee has requested that more audits on tenders be undertaken. This audit has therefore been included to be undertaken in both the 2021/22 and 2022/23 financial years.
- Contract Management. Contract Management is described as a high risk area in the above section on proposed audits for the Internal Audit Plan 2020/21. An audit on Contract Management has also been scheduled for the 2022/23 financial year in order to provide assurance on the effectiveness of the City's practices in this high risk area.

- Risk Management. As mentioned on page 2 of this report the City’s Risk Management Framework is being restructured. As a result of this restructure, an audit on Risk Management has been proposed by the External Member of the Audit and Risk Committee. The External Member has suggested that this audit take place in the 2021/22 financial year to allow sufficient time for a new framework to be embedded within the organisation. This audit will review and assess the City’s new Risk Management Framework, including the identification, assessment, management and reporting of risks.
- Asset Management. Asset Management is considered a current high risk area for the City as determined via feedback from the Risk Management Team. A review of asset management is supported by the External Member of the Audit and Risk Committee. The risks from poor asset management include increased maintenance costs, decreased level of service to the community, increase in safety issues and public liability claims. Although a high risk area the City is making good progress with treatment actions to address a number of risks associated with asset management as demonstrated in the latest Risk Management Quarterly Update Report (November 2019). A review of the adequacy of relevant processes including asset data collection and recording, asset planning and maintenance as well as reporting on asset management is to be undertaken. This audit is scheduled for the 2022/23 financial year.

**Stakeholder engagement**

The following stakeholders were engaged in relation to this report:

- Corporate Strategy and Risk Advisor;
- Chief Executive Officer;
- External Member of the Audit and Risk Committee;
- Strategic Procurement Lead;
- Alliance Manager Information and Communications Technology (ICT) Services;
- Coordinator ICT (Analytics and Insights);
- Coordinator ICT (Technology Infrastructure);
- Coordinator ICT (Business Systems); and
- Supervisor, Legal Compliance & Infringement Services.

**Strategic alignment**

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 – 2029:

<b>Aspiration:</b>	Performance
<b>Strategic Objective:</b>	5.5 A financial business model underpinned by a culture of cost management, best value and strategic financial analysis that is subject to ongoing oversight, transparency and accountability.

**Legal and statutory implications**

Under Regulation 17 of the *Local Government (Audit) Regulations 1996* the CEO is to review certain systems and procedures including risk management, internal controls and legislative compliance.

Connection with mandates in the *City of Perth Act 2016*

8(1)(a) - to provide for the good government of persons in the City of Perth, including residents, ratepayers and visitors

**Risk implications**

Impact of decision	
Organisation	High
Community	Low

The audits within the Internal Audit Plan 2020/21 Attachment 8.2A as well as proposed audits for the 2021/22 and 2022/23 financial years Attachment 8.2B have been selected based on a risk based approach with a focus on considered high risk areas of the City.

**Approval implications**

If Council does not adopt the recommendation of this report there will be no formal acceptance of the Internal Audit Plan 2020/21.

**Financial implications**

There are no financial implications related to this report.

**Policy references**

19.1 – Risk Management

**Comments**

It should be noted that the City of Perth Internal Audit Plan is flexible in that it may be updated during the financial year to cater for new risks or changing audit priorities.

The outcomes of the City of Perth Panel Inquiry may also emerge as a determinant of audit areas within Internal Audit Plans.

Cooperation and assistance received a number of staff in the development of the Internal Audit Plan is appreciated.

**Officer and Committee Recommendation**

**Moved:** Mr Maurich

**Seconded:** Commissioner McMath

That Council APPROVES the City of Perth Internal Audit Plan 2020/21 as per Attachment 8.2A.

**CARRIED 2 / 0**

**For:**

Commissioner McMath

Mr Maurich

**Against:**

Nil

**8.3 – Outstanding Audit Recommendations – April 2020**

<b>File reference</b>	P1026043-2
<b>Report author</b>	Mario Cheldi, Internal Auditor
<b>Other contributors</b>	Niloha Mendoza, Assistant Internal Auditor
<b>Reporting service unit and alliance</b>	Internal Audit, Chief Executive Officer
<b>Report author disclosure of interest</b>	Nil
<b>Date of report</b>	17 April 2020
<b>Nature of Council's role</b>	Information and Executive
<b>Voting requirement</b>	Simple Majority
<b>Attachment/s</b>	Attachment 8.3A – Status of the implementation of internal audit and other report recommendations as at 17 April 2020 Attachment 8.3B – Risk and Audit Response Matrix

**Purpose**

Provide a summary on the status of implementation of outstanding audit recommendations as at 17 April 2020 to the Audit and Risk Committee.

**Background**

This report is a standard item on the agenda for the Audit and Risk Committee meeting. It provides a status of implementation of outstanding audit recommendations from prior audits carried out by the Internal Audit Team or by external parties.

**Risk and Audit Response Matrix**

A Risk and Audit Response Matrix was approved by the Audit and Risk Committee at their meeting held on 20 May 2019. The Matrix Attachment 8.3B includes guidelines in relation to addressing risk and audit items. Based on the risk rating assigned to these items, the Matrix provides a timeframe for management to implement an action plan to address the items arising from the risk and audit reviews carried out.

The report on the Risk and Audit Response Matrix as presented at the 20 May 2019 Audit and Risk Committee meeting states "Following approval, the Risk Management and Internal Audit Teams will apply the requirements of the Matrix to all risks and internal audits reported to the Committee from August 2019".

**Details**

The status of implementation of outstanding audit recommendations (as at 17 April 2020) from prior audits carried out is shown within Attachment 8.3A.

A summary of this status is provided in the table below.

	Behind schedule	12
	On track	5
	Completed	4
<b>Total</b>		<b>21</b>

Extended timeframes for outstanding audit recommendations

In relation to the twelve “behind schedule” outstanding audit recommendations (refer above table), staff responsible for implementation of actions to address these recommendations are seeking acceptance from the Audit and Risk Committee of an extended completion date, refer to Attachment 8.3A for details.

**Stakeholder engagement**

Engagement with internal stakeholders as listed within Attachment 8.3A was undertaken in relation to this report.

**Strategic alignment**

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 – 2029:

<b>Aspiration:</b>	Performance
<b>Strategic Objective:</b>	5.5 A financial business model underpinned by a culture of cost management, best value and strategic financial analysis that is subject to ongoing oversight, transparency and accountability. 5.6 Decision-making that is ethical, informed and inclusive. 5.7 Asset management, community services and major projects all guided by strategies that are inclusive, transparent, contemporary and intrinsically linked to the community’s strategic vision.

This report facilitates the monitoring of implementation of outstanding audit recommendations which may contribute towards the abovementioned strategic objectives.

**Legal and statutory implications**

The Audit and Risk Committee is to oversee the implementation of any action that Council has accepted should be taken following receipt of an audit report (Regulation 16 of the *Local Government (Audit) Regulations 1996*).

Connection with mandates in the *City of Perth Act 2016*

8(1)(a) - to provide for the good government of persons in the City of Perth, including residents, ratepayers and visitors

**Risk implications**

Impact of decision	
Organisation	High
Community	Low

The outstanding audit recommendations within Attachment 8.3A have been risk rated by the Internal Audit Team in accordance with the City’s Risk Assessment Matrix.

**Approval implications**

This report is submitted to the Audit and Risk Committee for information as well as seeking the acceptance of extended timeframes for outstanding audit recommendations as described above. If the Committee does not adopt the officer recommendation, there will be a lack of formal accountability within the organisation for addressing the outstanding audit recommendations.

**Financial implications**

There are no financial implications related to this report.

**Policy references**

19.1 – Risk Management

**Comments**

Provision of this report facilitates the monitoring of implementation of actions to address the outstanding audit recommendations from prior audits carried out.

The format of Attachment 8.3A (Status of the implementation of internal audit and other report recommendations as at 17 April 2020) has been based on an Australian National Audit Office template used for the follow up of outstanding audit recommendations.

**Officer and Committee Recommendation**

**Moved:** Mr Maurich

**Seconded:** Commissioner McMath

That the Audit and Risk Committee RECEIVES the report Outstanding Audit – April 2020 and accepts the extended timeframes for completion of action to address the outstanding audit recommendations.

**CARRIED 2 / 0**

**For:**

Commissioner McMath

Mr Maurich

**Against:**

Nil

**8.4 – Internal Audit Plan 2019/20 - Payment Vouchers Review April 2020**

<b>File reference</b>	P1026043-2
<b>Report author</b>	Niloha Mendoza, Assistant Internal Auditor
<b>Other contributors</b>	Mario Cheldi, Internal Auditor
<b>Reporting Service Unit and Alliance</b>	Internal Audit, Chief Executive Officer
<b>Report author disclosure of interest</b>	Nil
<b>Date of report</b>	22 April 2020
<b>Nature of Council's role</b>	Executive
<b>Voting requirement</b>	Simple Majority
<b>Attachment/s</b>	Attachment 8.4A – Payment Vouchers Review Report

**Purpose**

For Council to approve of the Payment Vouchers Review April 2020 completed in accordance with the Internal Audit Plan 2019/20.

**Background**

A Payment Vouchers Review has been included within the Internal Audit Plan 2019/20. This plan was approved by the Audit and Risk Committee and Council in May 2019.

In accordance with the abovementioned plan, this review was completed over the March/April 2020 period.

**Details**

The results of this review are detailed in Attachment 8.4A.

**Stakeholder engagement**

The following internal stakeholders were engaged in relation to this report:

- Manager Finance;
- Senior Financial Accountant;
- Senior Management Accountant;
- Accounts Payable Officer;
- Records Team;
- Senior Rates Coordinator; and
- Human Resources – Learning and Development Team.

## Strategic alignment

### Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 – 2029:

<b>Aspiration:</b>	Performance
<b>Strategic Objective:</b>	5.5 A financial business model underpinned by a culture of cost management, best value and strategic financial analysis that is subject to ongoing oversight, transparency and accountability.

## Legal and statutory implications

Under Regulation 17 of the *Local Government (Audit) Regulations 1996* the CEO is to review certain systems and procedures including risk management, internal controls and legislative compliance.

### Connection with mandates in the City of Perth Act 2016

8(1)(a) - to provide for the good government of persons in the City of Perth, including residents, ratepayers and visitors

## Risk implications

Impact of decision	
Organisation	Medium
Community	Low

Risk domain	Consequence	Likelihood	Risk rating
Financial	Minor	Likely	Medium
Legal and Regulatory/Ethical	Insignificant	Unlikely	Low
Reputation and External Stakeholders	Insignificant	Rare	Low
Service Delivery/Strategic Objectives	Insignificant	Rare	Low

The findings of this Payments Vouchers Review within Attachment 8.4A have been risk rated by the Internal Audit Team in accordance with the City’s Risk Assessment Matrix.

## Approval implications

If Council does not approve this report, there will be no formal acceptance of the Payment Vouchers Review completed in accordance with the Internal Audit Plan 2019/20 and the recommendations to improve controls as contained within the report of this review.

**Financial implications**

There are no financial implications related to this report.

**Policy references**

19.1 – Risk Management

**Comments**

The cooperation and assistance received from various staff members to enable the completion of this review is appreciated.

**Officer and Committee Recommendation**

**Moved:** Mr Maurich  
**Seconded:** Commissioner McMath

That Council APPROVES the Payment Vouchers Review April 2020 completed as part of the Internal Audit Plan 2019/20.

**CARRIED 2 / 0**

**For:**  
Commissioner McMath  
Mr Maurich

**Against:**  
Nil

## 8.5 – Risk Management Quarterly Report – May 2020

<b>File reference</b>	P1013822-3
<b>Report author</b>	Chris Noble, Corporate Strategy and Risk Advisor
<b>Other contributors</b>	Tess Jackson, Risk and Business Continuity Officer Mario Cheldi, Internal Auditor
<b>Reporting Service Unit and Alliance</b>	Strategy and Risk, Chief Executive Officer
<b>Report author disclosure of interest</b>	Nil
<b>Date of report</b>	23 April 2020
<b>Nature of Council's role</b>	Executive
<b>Voting requirement</b>	Simple Majority
<b>Attachment/s</b>	Attachment 8.5A - Extreme and High Risk - Summary Report Attachment 8.5B - Extreme and High Risk - Treatment Action Status Confidential Attachment 8.5C - Extreme and High Risk – Confidential Treatment Action Status <i>Confidential attachments are distributed to Committee Members under separate cover</i> Attachment 8.5D - Risk Control Assurance Scorecards

### Purpose

This report provides an update to the Audit and Risk Committee on the City's operational and strategic risk profile.

### Background

This update report is a standard item for the Audit and Risk Committee meeting and is provided to facilitate appropriate and independent oversight to the management and control of the City's risk management processes.

The City's approach to the reporting and management of risks has been reviewed and overhauled over the past three months with the following key outcomes:

- City of Perth consolidated risk register (in Excel) which contains the majority of the City's Strategic and Operational risks. The register allows for filters to search for risks by owner and by risk rating;
  - *There are still some of the risks from the list that was handed over at the end of 2019, that are under review. These will be added to the Risk Register as the review of each is finalised, if appropriate.*

- Compliance, Audit and Risk (CGR) software has been formatted to meet the City's requirements and will be populated with the current risk register data as soon as the chart of Accounts has been integrated into HRIS;
  - *The same CGR software can be applied for OSH, Audit and Compliance outcomes reporting and tracking, as soon as it has been launched*
- Completed a review of all risk ratings and associated actions to achieve a more consistent and updated approach;
- Established a process for the regular update of risks and risk actions by the risk owners;
- Better integration of Risk Management into the City's Operations through the Service Unit Planning process, a dedicated intranet page for risk management and regular follow-up with key staff on their risk mitigation actions; and
- Initiated a control assurance process, which is actioned by the Internal Audit team that focusses on assessing controls that have been identified to mitigate risks.

Apart from the outcomes listed, there is still room for improvement regarding the level of integration between risk management and the auditing process. This will be addressed over the next period.

A review of the risk acceptance criteria will also be done over the next period and incorporated into a proposed updated Risk Management Framework, which is expected to be with the Audit and Risk Committee for approval at the next meeting.

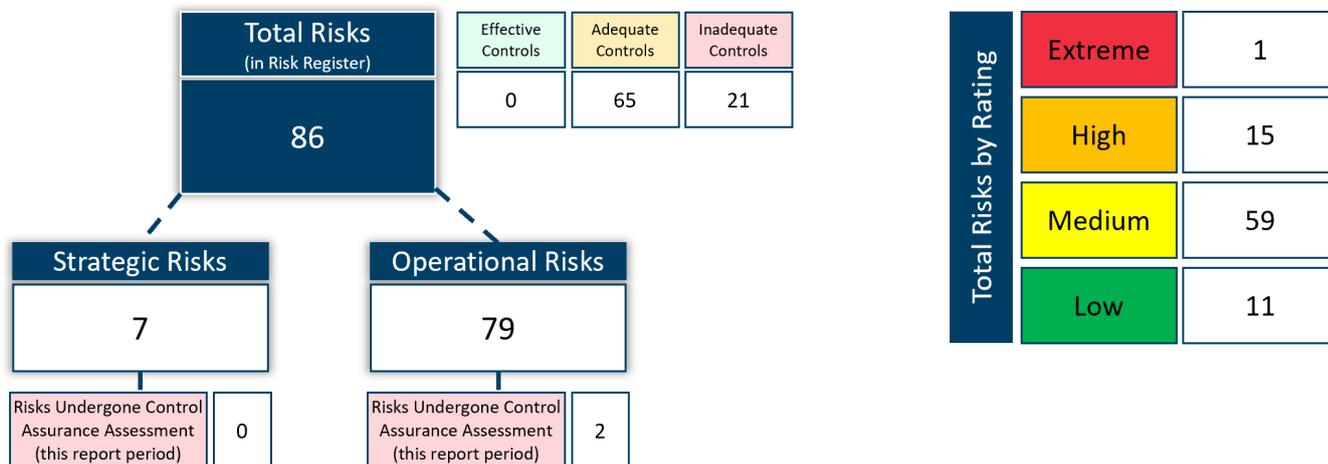
### Details

The risk management update is segmented into four areas of focus:

- **Profile Summary** – an overview (as of report close off) of the City's risk profile (in the body of this document);
- **Extreme/High Risk Summary** – a summary of the City's extreme and high risk areas (Attachment 8.5A);
- **Treatment Action Status** – a summary of progress made towards delivering agreed treatment actions for extreme and high risks (Attachment 8.5B and 8.5C); and
- **Risk Control Assurance** – a scorecard summary of the risks that have undergone a control assurance process during the reporting period (since the last Audit and Risk Committee update report – Attachment 8.5D).

**Profile Summary**

The City has 86 risks within its risk profile, which is made up of seven strategic and 79 operational risks registered. The strategic risks are owned and reported on by the Executive Leadership Team, with the operational risks owned, treated and reported by Alliance Managers. The summary of the City’s Risk Profile shown below.



\*New or unrated risks not included in the risk register until full assessment is complete with risk owner agreement.

There have been three additional risks identified and assessed since the last risk management update and ten risks downgraded:

**Additional Risks Identified:**

Risk Name	Risk Description	Existing Rating	New Rating
COVID-19 Respond and Recover	Failure to adequately respond to and recover from COVID-19 Pandemic impacting the City's operations, financial sustainability and overall community well-being	N/A	Extreme

Downgraded Risks:

<b>Risk Name</b>	<b>Risk Description</b>	<b>Existing Rating</b>	<b>New Rating</b>
Financial Sustainability	Erosion of the City’s Financial Sustainability	Extreme	High
Homelessness (Rough Sleeping)	Failure to provide adequate community support through programs and advocacy efforts addressing current homelessness, specifically rough sleeping.	Extreme	High
Procurement	Failure of the City's procurement approach, including policies and procedures, caused by lack of controls and oversight, resulting in poor value for money and legislative non-compliance."	High	Medium
Strategic Direction Execution	Unsuccessful Delivery of the City’s Strategic Objectives.	High	Medium
Stakeholder Management	The inability to provide timely, relevant and accurate research, stakeholder activity, potential opportunities and areas of alignment (or misalignment), resulting in a lack of effective response to stakeholder needs, concerns or issues.	High	Medium
Audit Assurance	The inability to provide independent, objective assurance and consulting services to improve the effectiveness of risk management, control, and governance processes, resulting in non-compliance.	High	Medium
Advocacy and Inter-Governmental Relations	The failure to proactively plan, monitor and respond strategically to key issues that require a whole of government response, resulting in the inability to develop joint initiatives and capitalise on opportunities.	High	Medium
Strategic Asset Management	Failure to maintain assets in a proactive and systematic manner, caused by inadequate planning or process, resulting in underperforming or unsustainable assets.	High	Medium

It is anticipated that all risks will be reported to the Executive Leadership Team on a monthly basis, with any new risks identified subject to an appropriate communications protocol.

***Extreme/High Risk Summary***

The City currently has one extreme risk, located in the Strategic Risk Register, and 15 high risks found across both the Strategic and Operational Risk areas.

The City’s only extreme risk has an adequate control rating, with only three high risks having adequate controls in place. There are currently no risks identified that are rated with having overall controls as effective.

The full summary of the City’s risks rated as Extreme or High can be found in Attachment 8.5A.

***Control Assured Risks***

Over the current reporting period, two operational risks have gone through a control assurance process. The control assurance process is a new process facilitated by the Risk team and actioned by the Internal Audit team that focusses on assessing controls identified to mitigate risks.

The control assurance process reviews each control identified for a specific risk and assesses each control based on the following criteria:

- **Completeness** – The control appropriately responds to the entirety of the material issues related to the risk and its potential impacts;
- **Existence** – The control is documented, endorsed and accessible to those who need it;
- **Awareness** – There is appropriate awareness of the existence of the control and where to find it;
- **Understanding** – There is an appropriate degree of comprehension and competency around the interpretation and application of the control; and
- **Adherence** – The control is adhered to and its effective implementation is routinely evaluated.

This process is in its testing phase and is designed to provide an independent view on the adequacy of controls that are in place to mitigate or control a specified risk, outside of the City's management team.

The below risk controls have been assessed during the February to May period. The full scorecard(s) can be found in Attachment 8.5D of this report

**Procurement:**

The City's Internal Audit team provided an analysis on the controls identified to mitigate the failure of the City's procurement approach. The team found that all existing controls are adequate, with one control proposed to be elevated from inadequate to adequate. The scorecard has assisted in a downgrade of this risk from a high to a medium risk.

**Statutory Compliance Management:**

The City's Internal Audit team provided an analysis on the controls identified to mitigate the failure to effectively interpret, monitor, manage and apply the City's statutory requirements and obligations. The team found that most existing controls are adequate, with one control proposed to be elevated from adequate to effective. The scorecard has resulted in no change to the high rating of this risk.

**Stakeholder engagement**

All stakeholder engagement for items within the City’s Risk Profile are of internal nature. The following officers have provided input or commentary that has shaped this update to the Audit and Risk Committee:

- Project Director Corporate Recovery;
- Alliance Manager Finance;
- Alliance Manager Infrastructure & Assets;
- Alliance Manager Community Safety and Amenity;
- Alliance Manager Human Resources;
- Corporate Strategy and Risk Advisor;
- Internal Auditor;
- Governance Coordinator;
- Integrated Strategic Planning Analyst;
- Risk and Business Continuity Officer; and
- CEO Alliance Project Officer.

**Strategic alignment**

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 – 2029:

<b>Aspiration:</b>	Performance
<b>Strategic Objective:</b>	An integrated strategic framework with clear line of sight between community vision and operational outcome.

This report provides opportunity for appropriate oversight by the Audit and Risk Committee to oversee the City’s management of its risk profile.

**Legal and statutory implications**

*Local Government Act 1995 - Regulation 17 of the Local Government (Audit) Regulations 1996*

Connection with mandates in the City of Perth Act 2016

8(1)(a) - to provide for the good government of persons in the City of Perth, including residents, ratepayers and visitors

**Risk implications**

Impact of decision	
Organisation	Low
Community	Low

This report provides some control and mitigation to the following risks domains:

Risk domain	Consequence	Likelihood	Risk rating
Financial	Minor	Unlikely	Low
Legal and Regulatory/Ethical	Moderate	Rare	Low
Reputation and External Stakeholders	Minor	Rare	Low

There are no direct risk implications regarding this report.

**Approval implications**

This report is provided as a status for Council oversight. There are no implications should the Committee not approve officer recommendations.

**Financial implications**

There are no financial implications directly relating to this report.

**Policy references**

Council Policy 19.1 - Risk Management

**Comments**

The City is currently reviewing all elements of its Risk Management Approach, to ensure it provides appropriate and contemporary management and control of the City’s Risk Profile, some of which has been used in the development of this report. Further enhancements will be implemented over the coming year(s).

**Officer Recommendation and Committee Decision**

**Moved:** Mr Maurich

**Seconded:** Commissioner McMath

That Audit and Risk Committee APPROVES the Risk Management Update for May 2020

**CARRIED 2 / 0**

**For:**

Commissioner McMath

Mr Maurich

**Against:**

Nil

**Meeting Note:** A revised risk management framework and policy will be presented at the next Audit and Risk Committee Meeting to be held on 5 August 2020.

**8.6 – Policy – Fraud and Corruption Control**

<b>File reference</b>	P1005611-3
<b>Report author</b>	Gary Clark, Acting Alliance Manager Governance
<b>Other contributors</b>	Nil
<b>Reporting service unit and alliance</b>	Governance, Corporate Services
<b>Report author disclosure of interest</b>	Nil
<b>Date of report</b>	6 April 2020
<b>Nature of Council's role</b>	Executive
<b>Voting requirement</b>	Simple Majority
<b>Attachment/s</b>	Attachment 8.6A – Draft Council Policy – Fraud and Corruption Control

**Purpose**

The purpose of this report is to consider the adoption of a Fraud and Corruption Control Policy.

**Background**

Acts of Fraud and Corruption can damage the City's capacity to serve the community through loss of financial capacity, loss of assets, loss of community trust and reputational damage.

The City's Internal Auditor completed a Fraud and Corruption Controls Review, in accordance with the Internal Audit Plan 2019/20, in July 2019. The review was adopted at the Audit and Risk Committee meeting held on 19 November 2019, and the Ordinary Council meeting held on 26 November 2019.

The City has a range of control measures in place to reduce the risk of fraud and corruption however the Fraud and Corruption Controls Review found that the "City is not adhering to best practice guidance, Australian Standard AS 8001-2008 Fraud and Corruption Control, which recommends a fraud and corruption control plan as an organisation's first step to control its fraud and corruption exposure." The review recommended that "A fraud and corruption control plan to be developed and implemented within the organisation."

**Details**

A review of other local government policies, plans and frameworks revealed a diverse approach to fraud and corruption control. The adoption of a Council Policy and the implementation of a Fraud and Corruption Control Plan by the Chief Executive Officer (CEO) appears to be the approach that best reflects the strategic role of Council and the implementation role of the CEO.

The Australian Standard for Fraud and Corruption Control (AS8001:2008), advises an approach of Planning and Resourcing, Prevention, Detection and Response as a framework for minimising instances of fraud and corruption.

The Commonwealth Attorney-General's Department website describes good governance, engaged leadership and ethical culture as fundamentals for sound fraud control. Its systematic approach to fraud control contains the following elements in an ongoing cycle:

- Fundamentals for sound fraud control (Governance, Leadership and Culture);
- Risk management and planning;
- Prevention;
- Detection;
- Response; and
- Recording and reporting.

The draft Council Policy – Fraud and Corruption Control Attachment 8.6A has been developed to articulate the requirements for good governance, engaged leadership and ethical culture.

Through the Policy, the Fraud and Corruption Control Plan will describe:

- the Council's commitment to "no tolerance" for acts of fraud and corruption;
- the City's approach to building resilience to, and control of, fraud and corruption;
- the embedding of a strong and proactive fraud and corruption control culture within the City;
- the roles and responsibilities for building resilience to and the control of fraud and corruption;
- strategies implemented within the City to prevent, detect and respond to fraud and corruption; and
- protocols for the reporting of suspected fraud or corruption within and against the City including systematic analysis of behaviours and conduct to be mindful of and address.

The Fraud and Corruption Control Plan will be based on the following best practice resources:

- the Australian Standard for Fraud and Corruption Control (AS8001:2008);
- the Commonwealth Fraud Control Framework 2017;
- the State Office of the Auditor General's report on Fraud Prevention in Local Government 2019.
- the Western Australian Corruption and Crime Commission – Guidelines for Notification of Serious Misconduct;
- the Western Australian Public Sector Commission's guidance on reporting Minor Misconduct; and
- the Western Australian Public Sector Commission's guidance on promoting integrity in public authorities.

The Fraud and Corruption Control Plan strategies will be integrated with the City’s Risk Management Framework to provide assurance that risks are identified and managed through compliance with control measures and internal audit. The implementation of the strategies will be accountable to Council through results reported to the Audit and Risk Committee.

The Risk Management Framework will detail:

- the fraud risks (internal and external) associated with the City’s functions;
- the controls in place to minimise the opportunity for fraud, corruption and corruption; and
- their implementation details.

**Stakeholder engagement**

City of Perth staff including Governance, Internal Audit, Risk Management and Strategic Finance were consulted during the preparation of this report and the draft Council Policy.

**Strategic alignment**

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following Aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 – 2029:

<b>Aspiration:</b>	Performance
<b>Strategic Objective:</b>	There is no specific strategic objective relating to fraud and corruption control however good governance and risk management are essential determinants of organisational performance.

**Legal and statutory implications**

- Public Interest Disclosure Act 2003*
- Corruption, Crime and Misconduct Act 2003*
- Local Government (Rules of Conduct) Regulations 2007*

Connection with mandates in the City of Perth Act 2016

8(1)(a) - to provide for the good government of persons in the City of Perth, including residents, ratepayers and visitors

**Risk implications**

<b>Impact of decision</b>	
Organisation	Medium
Community	Medium

<b>Risk domain</b>	<b>Consequence</b>	<b>Likelihood</b>	<b>Risk rating</b>
Legal and Regulatory/Ethical	Major	Possible	Medium
Reputation and External Stakeholders	Major	Possible	Medium
Financial	Moderate	Unlikely	Low

The decision to approve the Council Policy - Fraud and Corruption Control has a high impact for the organisation. Failure to obtain this approval result may place the organisation at risk in this area. In addition, existing risk ratings for the above-mentioned risk domains may be adversely affected.

**Approval implications**

If the recommendation to adopt the Council Policy - Fraud and Corruption Control is not adopted, Council may need to consider alternative options for controlling fraud and corruption.

**Financial implications**

There are no financial implications to this report. The resource requirements for implementation of the Fraud and Corruption Control Plan will be identified during the development of the plan. It is expected that current staff will have the capacity to implement the plan.

**Policy references**

- CP19.1 Risk Management
- CP10.1 Code of Conduct

**Comments**

The draft Council Policy Attachment 8.6A recognises the leadership role of Elected Members and the role of the CEO in implementing the policy through a Fraud and Corruption Control Plan. Elected Members will support a culture of ethical behaviour through compliance with the Code of Conduct. The Council will provide oversight of implementation and performance through the Audit and Risk Committee.

The first draft of the Fraud and Corruption Control Plan is nearing completion. It will be submitted to Executive Leadership Team for review on Wednesday 6 May 2020.

The adoption of a Council Policy and the implementation of a Fraud and Corruption Control Plan will provide assurance that the City’s approach to managing fraud and corruption risks is comprehensive, ongoing and effective.

**Officer and Committee Recommendation**

**Moved:** Mr Maurich

**Seconded:** Commissioner McMath

That Council:

1. RECEIVES the draft Council Policy – Fraud and Corruption Control as detailed in Attachment 8.6A; and
2. Agrees to INITIATE a 21 day public consultation on the draft Council Policy – Fraud and Corruption Control.

**CARRIED 2 / 0**

**For:**

Commissioner McMath

Mr Maurich

**Against:**

Nil

**9. Motions of which previous notice has been given**

Nil

**10. General business**

Nil

**11. Items for consideration for a future meeting**

Nil

**12. Closure**

**5.16pm** The Presiding Member declared the meeting closed.