



TOWN OF

**Bassendean**

## **MINUTES**

# **Audit and Governance Committee**

**Wednesday 6 September 2023, 5:30 pm**

in the Council Chamber,  
Administration Building  
48 Old Perth Road, Bassendean WA 6054

## **1 Declaration Of Opening; Acknowledgment of Country; Acknowledgment of Visitors; Disclaimer**

The Presiding Member declared the meeting open at 5:35pm, welcomed all those in attendance and acknowledged the past and present traditional owners and custodians of the land on which the meeting was held.

*The Presiding Member advised that this was the last Audit and Governance Committee meeting prior to the 2023 Local Government elections and a new Committee being elected. The Presiding Member thanked the current committee for their time and input over the last 2 years.*

## **2 Announcements by the Presiding Member without Discussion**

Nil

## **3 Attendances, Apologies and Leave of Absence Present**

Cr Kathryn Hamilton, Mayor (Presiding Member)  
Cr Renee McLennan, Deputy Mayor  
Cr Paul Poliwka  
Mr Patrick Eijkenboom, Community Representative  
Mr Ron Back, Advisor to the Committee  
Mr Paul White, Director Corporate Services  
Mr Matthew Monkhouse, Manager Governance & Strategy  
Mr Tristan Loney, Manager Information and Technology

### Public

There were no members of the public in attendance.

### Apologies

Cr Hilary MacWilliam  
Ms Kim Stewart, Community Representative

## **4 Declarations of Interest**

Nil.

## **5 Presentations or Deputations**

Nil.

## 6 Confirmation of Minutes

6.1 Confirmation of minutes - Monday 12 June 2023	
<b>Attachments</b>	1. Audit and Governance Committee Minutes 12 June 2023 [6.1.1 - 10 pages]

### Committee/Officer Recommendation – Item 6.1 AGC-1/09/23

MOVED Cr Kathryn Hamilton, Seconded Cr Paul Poliwka,

That the minutes of the Audit and Governance Committee meeting held on 12 June 2023 be received and confirmed as a true and correct record.

CARRIED UNANIMOUSLY 4/0

## 7 Business Deferred from Previous Meeting

Nil.

## 8 Reports

8.1 Audit Risk Register	
<b>Property Address</b>	N/A
<b>Landowner/Applicant</b>	N/A
<b>File Reference</b>	GOVN/CCLMEET/1
<b>Author</b>	Paul White
<b>Department</b>	Director Corporate Services
<b>Previous Reports</b>	N/A
<b>Authority/Discretion</b>	<b>Executive</b> The substantial direction setting and oversight role of the Council.
<b>Attachments</b>	1. CONFIDENTIAL - Sept 2023 Audit Risk Register [8.1.1 - 8 pages]

### Purpose

The purpose of this report is to provide the Audit and Governance Committee with the Town's Audit Risk Register, with revised actions since the last update delivered at the Committee meeting on 12 June 2023.

## Background

In 2019, a review was undertaken on the appropriateness and effectiveness of the Town's systems and procedures in relation to risk management, internal controls and legislative compliance, pursuant to Regulation 17 of the Local Government (Audit) Regulations 1996. One of the recommendations arising from that review was the creation of an Audit Risk Register.

## Communication and Engagement

Nil.

## Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions 6.1 Make brave decisions in line with a risk appetite 6.3 Ensure operational activities reflect the strategic focus of Council 6.4 Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community 6.6 Respond effectively and efficiently to crises.

## Comment

The Audit Risk Register presents a summary of the audit risks and recommendations made in recent internal and external audit reports relating to the Town and provides an update on actions taken or proposed to address the identified risks.

One internal audit report was tabled at the Committee meeting in June 2023: General and Rates Debtors. The recommendations from that audit and management action taken or proposed to be taken have been incorporated into the Audit Risk Register.

## Statutory Requirements

The *Local Government (Audit) Regulations 1996, Regulation 16* states:

*"An audit committee has the following functions —*

*(a) to guide and assist the local government in carrying out —*

- (i) its functions under Part 6 of the Act; and*
- (ii) its functions relating to other audits and other matters related to financial management;*

*(b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*

*(c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*

- (i) report to the council the results of that review; and*
- (ii) give a copy of the CEO's report to the council;*

*(d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*

*(i) regulation 17(1); and*

*(ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*

*(e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*

*(f) to oversee the implementation of any action that the local government —*

*(i) is required to take by section 7.12A(3); and*

*(ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*

*(iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*

*(iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*

*(g) to perform any other function conferred on the audit committee by these regulations or another written law.”*

### **Financial Considerations**

Implementation of some audit recommendations may require additional funds and will be the subject of separate budget submissions as and when required. Any required engagement will be guided by Council's Purchasing Policy and the Town's Procurement Framework.

### **Risk Management Implications**

Risk implications are detailed in the Audit Risk Register.

### **Declaration of Conflicts of Interest**

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

### **Committee/Officer Recommendation – Item 8.1**

#### **AGC-2/09/23**

MOVED Patrick Eijkenboom, Seconded Cr Renée McLennan,

That the Audit and Governance Committee receives the Audit Risk Register and notes the action taken or proposed to be taken, to address the identified risks.

### **Voting requirements: Simple Majority**

**CARRIED UNANIMOUSLY 4/0**

<b>8.2 LG Professionals Audit Survey Analysis</b>	
<b>Property Address</b>	N/A
<b>Landowner/Applicant</b>	N/A
<b>File Reference</b>	FINM/AUD/1
<b>Department</b>	Corporate Services
<b>Previous Reports</b>	N/A
<b>Authority/Discretion</b>	<b>Information</b> For the Council/Committee to note.
<b>Attachments</b>	1. Local Government Professionals Audit Survey Analysis [8.2.1 - 10 pages]

### **Purpose**

The purpose of this report is to present the Local Government Professionals Report on Audit Survey Analysis to the Committee.

### **Background**

In April 2023, Local Government Professionals WA partnered with WALGA to conduct a survey of the sector to ascertain current issues and attitudes associated with the annual local government audit process. This followed the transition of responsibility for Local Government audits to the Office of the Auditor General (OAG) in 2017, with the OAG auditing all local governments from 2020/21.

The survey was jointly designed to enable the Associations to provide consistent and constructive advice to the OAG.

The report presents the results of the survey and identifies some key emerging issues as reported by the sector.

### **Proposal**

That the Audit and Governance Committee notes the Local Government Professionals Report on Audit Survey Analysis.

### **Communication and Engagement**

Nil.

### **Strategic Implications**

Priority Area 6: Providing Visionary Leadership and Making Great Decisions 6.4 Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community

## Comment

Local Government Professionals identified some emerging key issues from the survey results, including:

- Timeframe and delays
- Cost
- Additional workload for Local Government staff
- Inconsistent advice from contract Auditors and OAG
- Asset valuation requirements.

Local Government Professionals intends to use the survey results to work with the OAG to continue to improve the audit process for local governments.

## Statutory Requirements

### Local Government Act 1995

#### **7.12AB. Conducting a financial audit**

The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

#### **7.12AD. Reporting on a financial audit**

1. The auditor must prepare and sign a report on a financial audit.
2. The auditor must give the report to —
  - (a) the mayor, president or chairperson of the local government; and
  - (b) the CEO of the local government; and
  - (c) the Minister.

## Financial Considerations

Nil.

## Risk Management Implications

Financial Risk

Low

## Declaration of Conflicts of Interest

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

## **Committee/Officer Recommendation – Item 8.2**

### **AGC-3/09/23**

MOVED Cr Renée McLennan, Seconded Patrick Eijkenboom,

That the Audit and Governance Committee notes the Local Government Professionals Report on Audit Survey Analysis.

**Voting requirements: Simple Majority**CARRIED UNANIMOUSLY 4/0

<b>8.3 Recovery of Sundry Debts - 2022-23</b>	
<b>Property Address</b>	N/A
<b>Landowner/Applicant</b>	N/A
<b>File Reference</b>	FINM/AUD1
<b>Department</b>	Corporate Services
<b>Previous Reports</b>	N/A
<b>Authority/Discretion</b>	<b>Review</b> When the Council operates as a review authority on decisions made by Officers for appeal purposes.
<b>Attachments</b>	1. Sundry Debts Status - Sept 2023 [ <b>8.3.1</b> - 1 page]

**Reason for this Item to be discussed behind closed doors:**

*This matter is to be considered with members of the public excluded from the Chamber under Clause 5.23(b) of the Local Government Act as the officer report discusses the personal affairs of any person.*

**Purpose**

The purpose of this report is to provide Council, via the Audit and Governance Committee, with an update on the status of sundry debts owed to the Town, and recommend Council write off certain outstanding debts.

**Background**

Section 6.12 of the Local Government Act 1995 provides Council with the power to write off debts owed to the Town.

Council has delegated authority to the CEO to write off debts of up to \$250 and the CEO has sub-delegated the authority to the Director Corporate Services, Director Community Planning and Manager Finance (Delegation 1.2.15 *Defer payment, Grant Discounts, Waive Fees or Write Off Debts*).

The delegation is subject to certain conditions, including:

- A debt may only be written off where all necessary measures have been taken to locate/contact the debtor and where costs associated to continue the action to recover the debt will outweigh the net value of the debt if recovered by the Town.



- This Delegation must be exercised in accordance with Council Policies - Recovery of Sundry Debts, and Town of Bassendean Financial Hardship Policy.
- Council shall be informed of the details whenever this delegation is exercised.

While the delegation is silent on the required frequency of reporting to Council, it is proposed to do so annually in June, following this initial report.

The Recovery of Sundry Debts Policy sets out the steps to be taken to recover outstanding debts due to the Town, and states:

*Where the proposed debt write-off is not within the delegated authority of the CEO or delegate, a report will be prepared for Council with recommendations for Council to write off debts owed to the Town. Such recommendations will be made when the Town has exhausted reasonable attempts at recovery commensurate with the size of the debt.*

### **Proposal**

That the Committee recommends that Council note the exercise of delegated authority by the Manager Finance to write off sundry debts as shown in **Attachment 1**.

That the Committee recommends that Council write off the debts listed for write-off in **Attachment 1**, in accordance with section 6.12(1)(c) of the Local Government Act 1995.

That the Committee notes those outstanding debts for which a Notice of Intention to Claim has issued or will shortly be issued, as shown in **Attachment 1**.

### **Communication and Engagement**

Nil.

### **Strategic Implications**

Priority Area 4: Driving Financial Suitability 4.1 Ensure there is sufficient, effective and sustainable use of assets

### **Comment**

During 2022/23, the Manager Finance has written off three sundry debts totaling \$270 under delegated authority, as shown in **Attachment 1**.

It is recommended that Council write off one debt for \$313.44, shown in **Attachment 1**. Multiple attempts to contact the debtor have been unsuccessful, and it is considered uneconomical to pursue legal action, given the size of the debt.

The Town has, or will shortly, issue a Notice of Intention to Claim for seven sundry debts totaling \$4,445.80, listed in **Attachment 1**. Pending the outcome, further debt write-offs may be recommended to Council during the 2023/24 financial year.

The Town's finance system generates an aged debtors report at the end of each month and any amounts that are more than 30 days overdue are reviewed by Town officers and followed up in line with the Town's Recovery of Sundry Debts Policy. The current delegation provides for the effective collection of debts while balancing revenue risk to the Town.

## Statutory Requirements

### *6.12. Power to defer, grant discounts, waive or write off debts*

1. *Subject to subsection (2) and any other written law, a local government may –*
  - (a) when adopting the annual budget, grant\* a discount or other incentive for the early payment of any amount of money; or*
  - (b) waive or grant concessions in relation to any amount of money; or*
  - (c) write off any amount of money, which is owed to the local government.*

*\* Absolute majority required.*

## Financial Considerations

As mentioned above, the Town has, or will shortly, issue a Notice of Intention to Claim for seven sundry debts totaling \$4,445.80.

Sundry debts written off under delegation are expected to total less than \$1,500 per year.

## Risk Management Implications

Financial Risk Low

## Declaration of Conflicts of Interest

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

## **Committee/Officer Recommendation – Item 8.3** **AGC-4/09/23**

MOVED Cr Renée McLennan, Seconded Cr Kathryn Hamilton,

That the Audit and Governance Committee:

1. Recommends that Council note the exercise of delegated authority by the Manager Finance to write off sundry debts as shown in **Attachment 1**, in accordance with section 6.12 (1)(c) of the *Local Government Act 1995*, and delegation 1.2.15 Defer payment, Grant Discounts, Waive Fees or Write Off Debts.

2. Recommends that Council write off the debt listed for write-off in **Attachment 1**, in accordance with section 6.12(1)(c) of the *Local Government Act 1995*.
3. Notes those outstanding debts for which a Notice of Intention to Claim has issues or will shortly be issued, as shown in **Attachment 1**.

**Voting requirements: 1 and 3 Simple Majority; 2 Absolute Majority**

CARRIED UNANIMOUSLY 4/0

<b>8.4 ICT Security / Penetration Testing Report</b>	
<b>Property Address</b>	N/A
<b>Landowner/Applicant</b>	N/A
<b>File Reference</b>	INFT/IMPLTN/1
<b>Department</b>	Corporate Services
<b>Previous Reports</b>	N/A
<b>Authority/Discretion</b>	<b>Information</b> For the Council/Committee to note.
<b>Attachments</b>	Nil

### **Purpose**

The purpose of this report is to inform the Audit and Governance Committee of the results of recent penetration testing conducted on the Town's Information and Communications Technology (ICT) infrastructure.

### **Background**

The 2022 Information Technology General Controls Audit by the Office of the Auditor General (OAG) identified the risk below, associated with Network Security Management:

*“The Town has not performed security / penetration testing during the audit period to understand the network security posture and identify any potential security weaknesses or vulnerabilities to the network. There is not a defined policy / procedure to outline security / penetration testing frequency and requirements. Failure to regularly test network security may result in vulnerabilities going undetected. These vulnerabilities may be exploited which could result in unauthorised access to the Town's systems and information”.*

The OAG recommended:

*“The Town should establish a process to perform security / penetration testing on a regular basis (at least annually) on critical infrastructure and systems to improve*

*network security and provide protection against any potential vulnerabilities or cyber breaches.”*

This risk was documented in the Town’s Audit Risk Register. To remediate the risk, the Town committed to the implementation of a program of penetration testing by an external provider. The town requested quotes for penetration testing and associated cybersecurity services in February 2023, and awarded a 3-year contract to ES2.

ES2 then conducted a series of penetration tests on the Town from both outside and inside the Town’s network perimeter and compiled reports detailing the individual points of risk, actionable remediations and overall risk level.

### **Proposal**

That the Committee notes the details presented in this report and continues to support and monitor the investment by the Town in penetration testing services and remediation efforts as part of the ongoing and appropriate management of the cybersecurity risks to the Town’s operations.

### **Communication and Engagement**

Nil.

### **Strategic Implications**

Priority Area 5: Facilitating People-Centred Services 5.2 Deliver efficient and well-connected internet and computer technology systems

### **Comment**

The external penetration test was conducted with a ‘black box’ approach, with no prior information provided to the testing team. The report from ES2 noted:

“Two (2) high as well as seven (7) medium priority vulnerabilities were discovered in the external infrastructure tested....There were some positive signs during testing of defensive mechanisms in place, which reduced the overall vulnerability count.”

ES2 reported that the Town’s external security profile represented a medium to high risk to operations and represented a higher-than-average risk rating both broadly across all industries and restricted to local government.

This rating was also reflected in the wireless network penetration test which noted one (1) high priority risk and two (2) low priority risks.

The internal penetration test was conducted with direct access to the Town’s physical network at 48 Old Perth Road, inside the firewall and other aspects of the Town’s perimeter defenses. The report from ES2 noted that the Town’s internal security profile “represented a medium risk to business operations” and represented a lower-than-average risk rating both broadly across all industries and restricted to local government. ES2 also noted “This risk is offset due to multiple attacks being

discovered by the SIEM utilised by Town of Bassendean”. This test also identified a critical vulnerability, which has since been addressed, along with several high priority vulnerabilities.

The vulnerability profile reported by ES2 is shown in the following table:

VULNERABILITY PRIORITY	VULNERABILITY LOCATION		
	Internal	External	Wireless
<b>Critical</b>	1		
<b>High</b>	8	2	1
<b>Medium</b>	17	7	
<b>Low</b>	4	8	2

The Town’s ICT team commenced remediation efforts once the reports were verified. Remediations have been applied to the sole critical vulnerability and several high priority vulnerabilities. These continue as a stream of work based on the priorities established in the reports, with a target to remediate as many as feasible by the next annual penetration test, currently scheduled for May 2024.

Additionally, the Town’s ICT team are consulting with ES2 to revise the structure of all information security policies to ensure a contemporary, consistent and comprehensive control structure to the management and security of information managed by the Town.

A resultant policy update from this framework will aim to establish a mandatory annual penetration test of the Town’s infrastructure, which matches the current planned cadence, accommodated within the value of the existing 3-year contract and long term financial planning.

### **Statutory Requirements**

*Local Government (Functions and General) Regulations 1996*

#### **17. CEO to review certain systems and procedures**

- (1) The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —
- (a) risk management; and
  - (b) internal control; and
  - (c) legislative compliance.

### **Financial Considerations**

The cost of penetration testing is included in the Town’s annual budget.

### **Risk Management Implications**

## Financial Risk High

Testing the Town's security is an essential step in addressing the risk of unauthorised access to the Town's systems and any resultant impact on the operations of the Town. Continual effort to address the risks identified through the tests will reduce the chances of an unauthorised access attempt succeeding in the future.

## Declaration of Conflicts of Interest

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

## Committee/Officer Recommendation – Item 8.4 AGC-5/09/23

MOVED Cr Renée McLennan, Seconded Patrick Eijkenboom,

That the Audit and Governance Committee:

1. Notes the results of recent penetration testing conducted on the Town's ICT infrastructure, as presented in this report.
2. Continues to support and monitor investment by the Town in penetration testing services and remediation efforts as part of the ongoing and appropriate management of the cybersecurity risks to the Town's operations.
3. Notes that cybersecurity risks identified from external and internal audits, and management actions proposed to remediate those risks, will continue to be reported to the Committee through the Audit Risk Register.

## Voting requirements: Simple Majority

CARRIED UNANIMOUSLY 4/0

## 9 Motions of Which Previous Notice Has Been Given

Nil.

## 10 Announcements of Notices of Motion for the Next Meeting

Nil.

## 11 Confidential Business

Nil.

## 12 Closure

The next Briefing Session will be held on Tuesday 19 September 2023, commencing at 6pm. The next Ordinary Council Meeting will be held on **Tuesday 26 September 2023**, commencing at 6pm.

There being no further business, the Presiding Member declared the meeting closed, the time being 6:25pm.