

AGENDA

Audit and Governance Committee Meeting Wednesday 4 September 2024, 5:30 pm

Notice is hereby given of the next Committee Meeting to be held at 5:30 pm on Wednesday 4 September 2024, in the Council Chamber, Administration Building, 48 Old Perth Road, Bassendean.

Table of Contents

1 Declaration Of Opening; Acknowledgment of Country; Acknowledgment of Visitors; Disclaimer	3
2 Announcements by the Presiding Member without Discussion.....	3
3 Attendances, Apologies and Leave of Absence.....	3
4 Declarations of Interest.....	4
5 Presentations or Deputations	4
6 Confirmation of Minutes	4
6.1 Confirmation of Minutes - 12 June 2024	4
7 Business Deferred from Previous Meeting	4
8 Reports	5
8.1 Review - Risk Management Policy and Framework.....	5
8.2 Small Balances Write Offs for Rates	8
8.3 Internal Audit of Tenders and Quotes	11
8.4 Annual Audit 2023/24 - Interim Audit Findings for Finance and IT General Controls	15
8.5 Audit Findings Log	20
9 Motions of Which Previous Notice Has Been Given	22
10 Announcements of Notices of Motion for the Next Meeting	22
11 Confidential Business.....	22
12 Closure	22

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

Acknowledgement of Country

The Town of Bassendean acknowledges the Whadjuk people of the Noongar Nation as the Traditional Custodians of this land. We pay our respects to Elders past and present, and acknowledge their continuing culture and the contribution they make to the region.

2 Announcements by the Presiding Member without Discussion

3 Attendances, Apologies and Leave of Absence

Councillors

Cr Ken John (Presiding Member)
Cr Kathryn Hamilton, Mayor
Cr Jamayne Burke

Officers

Ms Joanne Burges, Manager Governance & Strategy
Ms Waruni De Silva, Manager Financial Services
Mr Tristan Loney, Manager Information and Technology

Community Member

Ms Sasha Rademakers

Advisor to the Committee

Mr Ron Back

Guests

Mr Jay Teichert, Office of the Auditor General
Mr Amit Kabra, RSM
Mr Cameron Palassis, Executive Director, Paxon
Mr Ian Ekins, Associate Director, Paxon

Public

Apologies

Mr Paul White, Director Corporate Services

4 Declarations of Interest

5 Presentations or Deputations

6 Confirmation of Minutes

6.1 Confirmation of Minutes - 12 June 2024	
Attachments	1. Audit and Governance Committee 120624 Unconfirmed Minutes [6.1.1 - 7 pages]

Officer Recommendation – Item 6.1

That the minutes of the Audit and Governance Committee meeting held on 12 June 2024 be received and confirmed as a true and correct record.

Voting requirements: Simple Majority

7 Business Deferred from Previous Meeting

8 Reports

8.1 Review - Risk Management Policy and Framework	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	GOVR/POLCY/1
Directorate	Office of the CEO
Previous Reports	Item 8.4 Audit and Governance Committee 09/03/2022
Authority/Discretion	Legislative Includes adopting local laws, local planning schemes & policies.
Attachments	<ol style="list-style-type: none"> 1. Current Risk- Management- Policy [8.1.1 - 3 pages] 2. Risk Management Policy with Tracked Changes [8.1.2 - 4 pages] 3. Clean Risk Management Policy 240924 [8.1.3 - 4 pages] 4. 2024 Review Risk Management Framework [8.1.4 - 27 pages] 5. Clean 2024 Review Risk Management Framework [8.1.5 - 27 pages]

Purpose

The purpose of this report is for the Audit and Governance Committee to consider the administrative review of the Town of Bassendean (the Town) Risk Management Policy and Framework, and if satisfied, recommend to Council adoption of the reviewed documents.

Background

Following a July 2019 recommendation by Moore Stephens (the Town's then internal auditors) the Town developed a formal risk management framework to support a new risk management policy.

Although the Risk Management Policy exists independently on the website and to guide decision making, it also forms part of the Risk Management Framework.

The Risk Management Policy and Framework developed and presented to the Audit and Governance Committee in March 2022 sought to embed risk management within the Town's operational activities and provided a contemporary approach.

Considerable work was undertaken in late 2022 and early 2023, including the engagement of a Project Officer, to implement the Risk Management Framework

including workshops across all business units to raise risk awareness, instil risk literate behaviours and capture operational risks onto registers.

To meet the requirements of Policy Review, a review of the Policy and Framework has been undertaken.

Proposal

That the Committee recommends that Council adopts the reviewed Risk Management Policy and Framework, as attached to this report.

Communication and Engagement

Internal administrative staff have been consulted on this review to ensure its contemporary approach, and that all tables and figures reflect the organisational structure and processes.

The reviewed Policy and Framework were presented for consideration and feedback to the Corporate Management Committee (CMC) at its meeting of Monday 19 August 2024.

Strategic Implications

Performance Area 5: Performance

9.1 Continuously improve operational performance and service delivery.

Comment

The *Local Government (Audit) Regulations 1996* Reg.17 requires the CEO 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.

Further, the review may relate to any or all of the matters referred to in (a), (b) and (c) above, but each of those matters is to be the subject of a review not less than once in every 3 financial years.

Given the legislative requirements of the CEO to review risk management it is appropriate that the Risk Management Policy and Framework form part of this review.

The current Risk Management Policy is provided at Attachment 8.1.1, with a tracked changes version at 8.1.2 and finally a clean version can be found at 8.1.3.

The current combined Policy and Framework were adopted by Council at the Ordinary Council Meeting held on 22 March 2022. The documentation remains contemporary and fit for purpose.

Only minor administrative amendments to organisational structure and process charts throughout the document have been deemed necessary in this review and those changes are identified via tracked changes in Attachment 8.1.4. Further, a 'clean' copy has been attached for ease of viewing that includes these minor changes. Please see Attachment 8.1.5.

Finally, arrangements are in place to provide training sessions / workshops to all business units in the coming months to ensure risk awareness, risk literate behaviours and operational risks capture continues, and risk registers are updated.

Statutory Requirements

Local Government (Audit Regulations) 1996

Financial Considerations

N/A

Risk Management Implications

No Risks Identified

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.

Officer Recommendation – Item 8.1

That the Committee:

- Notes the administrative review of the Risk Management Policy and Framework, and
- recommends the adoption of the reviewed Risk Management Policy and Framework to Council.

Voting requirements: Simple Majority

8.2 Small Balances Write Offs for Rates	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	FINM/AUD/1
Directorate	Corporate Services
Previous Reports	
Authority/Discretion	Legislative Includes adopting local laws, local planning schemes & policies.
Attachments	Nil

Purpose

The purpose of this report is to provide Council, via the Audit and Governance Committee, with a summary of small rates balances written off during the financial year ended 30 June 2024.

Background

Council has delegated authority to the CEO to write off small rates balances up to a maximum of \$10.00 per property per annum, and the CEO has sub-delegated the authority to the Director Corporate Services and Manager Financial Services. (Delegation 1.2.15: Defer Payment, Grant Discounts, Waive Fees or Write Off Debts).

A condition of the delegation of authority is that Council shall be informed of the details whenever this delegation is exercised. While the condition does not specify the frequency of notification to Council, it is proposed to do so annually.

Proposal

That the Committee recommends to Council that it note the exercise of delegated authority by the Manager Financial Services to write off small rates balances listed below in Table 1, in accordance with section 6.12(1)(c) of the *Local Government Act 1995*.

That the Committee recommend to Council that, for the purpose of Delegation 1.2.15, it require notification of the exercise of the delegation annually, as soon as practicable after the end of each financial year.

Communication and Engagement

Nil.

Strategic Implications

Performance Area 5: Performance

9.1 Continuously improve operational performance and service delivery.

Comment

Small rates balances totaling \$454.66 were written off under delegation 1.2.15 during 2023/24, as summarised in Table 1.

Table 1: Small Rates Balances Written off in 2023/24

Month	Amount	Month	Amount	Month	Amount
July 2023	\$1.28	November 2023	\$31.74	March 2024	\$56.59
August 2023	\$64.76	December 2023	\$8.52	April 2024	\$2.70
September 2023	\$157.98	January 2024	\$26.92	May 2024	\$8.05
October 2023	\$61.46	February 2024	\$26.92	June 2024	\$7.74
Total					\$454.66

The following are the key factors that resulted in small balances in the rates ledger:

- The Town's rates module continues to calculate daily interest until the payment is applied. Sometimes, there is a delay of up to a few days between receipt of the payment and processing the payment in the rates module;
- The application of daily interest by the rates module and timing of the processing of property settlements;
- On occasions when properties settle, the amount received differs from the settlement amount, and
- Errors made by the payer.

In all the above cases, one of the following conditions applies:

- The outstanding balance is not a debt due and payable to the Town as it arose from the application of interest by the system to the period between receipt and processing of the payment; or
- The outstanding balance is due and payable to the Town, but the cost of collection would exceed the amount outstanding.

The Town's finance system generates a report at the end of each month and any amounts that are below \$10 are extracted and reviewed by Town officers and, if deemed appropriate, recommended for write-off.

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

The administration anticipates the small rates balances written off each year to be less than \$1,000 in total.

The Town amended the BPay limit for bank transfers to \$1.00 from May 2022, enabling ratepayers to make payment of small amounts owing.

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.

Officer Recommendation – Item 8.2

That the Audit and Governance Committee recommends that Council:

1. Notes the exercise of delegated authority by the Manager Financial Services to write off small rates balances totaling \$454.66 for 2023/24, in accordance with section 6.12(1)(c) of the *Local Government Act 1995*; and
2. For the purpose of Delegation 1.2.15, Council requires notification of the exercise of the delegation annually, as soon as practicable after the end of each financial year.

Voting requirements: Simple Majority

8.3 Internal Audit of Tenders and Quotes	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	FINM/AUD/1
Directorate	Corporate Services
Previous Reports	N/A
Authority/Discretion	Executive The substantial direction setting and oversight role of the Council.
Attachments	1. CONFIDENTIAL REDACTED - 240820 - ToB - Tenders and RFQs Internal Audit Review Final [8.3.1 - 10 pages]

Purpose

The purpose of this report is for the Audit and Governance Committee to receive the Internal Audit Review Report for Tenders and Quotes, and to consider the recommendations therein and the management action proposed by the Town.

Background

In June 2024, Council resolved to adopt a three-year Internal Audit Schedule for the Town for the period 2023/24 to 2025/26. In accordance with that Schedule, the Town's internal auditors Paxon Group conducted an internal audit on the Town's procurement processes for tenders and quotes. The attached report outlines the scope of the audit, and details key findings and recommendations.

Proposal

That the Audit and Governance Committee recommends that Council receives the Internal Audit Review Report for Tenders and Quotes and notes the findings and recommendations, and the management action to be taken to address the identified risks.

Communication and Engagement

Staff from the Town and Paxon engaged in regular communication during the conduct of the audit and in relation to draft findings, recommendations and management comments.

Strategic Implications

Performance Area 5: Performance

9.1 Continuously improve operational performance and service delivery.

Comment

Paxon identified three key findings and made three recommendations to address the risks highlighted by those findings. One finding was rated as medium risk and two were rated as low risk.

Importantly, Paxon noted the following areas as having appropriate practice in place:

- *Internal Guidance documents and forms for procurement processes are in place and aligned with legislation and regulation*
- *Operational processes for the sample tested are compliant with required processes and recorded, including evaluations and conflicts of interest*
- *Segregation of duties and independent oversight were noted as being in place for the sample tested*
- *Financial delegations are accurately reflected within the Synergy system in relation to the raising of purchase orders, and*
- *Tender and contract registers are in place.*

In summary, Paxon found:

Procurement Monitoring (Medium)

There are limited processes in place for the monitoring of procurement to assess compliance with required practice. Our testing did not highlight that appropriate practice wasn't followed, but there is limited oversight in place currently to monitor this within the Town's processes.

We understand that the reporting functionality within Synergy is limited in terms of producing meaningful reports to assess if appropriate procurement processes were performed and contracts are in place, as expenditure across contracts cannot be reported.

However, reports such as purchase order to invoice variance, invoice date before purchase order date, split purchase orders, and open purchase order reports can be run but are not currently operational.

Management comment:

Agreed. Procurement monitoring procedures will be established, as recommended. The Town informed the Audit & Governance Committee in June 2024 that it will develop an internal audit program to monitor compliance with purchasing thresholds, for reporting through the Audit & Governance Committee. The new procurement monitoring procedures will form part of that process

Purchasing Policy and Procurement Manual (Low)

The Town's purchasing policy and manual do not include requirements for variations and extensions to contracts to facilitate consistent and appropriate processes are applied. There are forms in place for these processes. Our testing did not identify any inappropriate activity in the operation of these processes, but documenting requirements would help to ensure consistent application that is aligned with the Regulations and internal process expectations.

Establishment of panels of pre-qualified suppliers are also not covered within the purchasing policy or procurement manual. We understand that the Town does not currently use panels, but if included they could be considered as an alternative if desired.

Management comment:

The Town does not intend to use panels of pre-qualified suppliers, due to the scale of operations, but will document the extension and variation processes in its Procurement Manual.

Update of Documents, Forms and Templates (Low)

Documents and forms [listed in the report] were noted as either due for review or they do not contain the last date of review and update.

Management comment:

The Employee Code of Conduct is under review. The Fraud and Corruption Control Policy is overdue for review but remains fit for purpose. The remaining forms and templates are all used regularly as part of RFT and RFQ processes. They are reviewed constantly as part of these processes, with regular modifications and improvements having been made, most recently in July 2024 following Council adoption of the amended Purchasing Policy.

Statutory Requirements

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Financial Considerations

Nil.

Risk Management Implications

Financial Risk

Low

The review of tenders and quotes report details the risks associated with each of the findings. These risks and action taken to address those risks will be reported to the Committee via the Audit Findings Log.

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.

Officer Recommendation – Item 8.3

That the Audit and Governance Committee recommends that Council:

- Receives the Internal Audit Review Report for Tenders and Quotes; and
- Notes the findings, recommendations, and the management action to be taken to address the identified risks.

Voting requirements: Simple Majority

8.4 Annual Audit 2023/24 - Interim Audit Findings for Finance and IT General Controls	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	FINM/AUD/1
Directorate	Corporate Services
Previous Reports	N/A
Authority/Discretion	Executive The substantial direction setting and oversight role of the Council.
Attachments	<ol style="list-style-type: none"> 1. CONFIDENTIAL REDACTED - Interim Management Letter to CEO - Town of Bassendean 30 June 2024 [8.4.1 - 1 page] 2. CONFIDENTIAL REDACTED - Interim Management Letter Attachment ITGC - Town of Bassendean 30 June 2024 [8.4.2 - 10 pages]

Purpose

The purpose of this report is for the Audit and Governance Committee to consider the findings from the interim audit component of the 2023/24 annual audit.

Background

The Audit and Governance Committee received the RSM Audit Planning Memorandum at its meeting on 12 June 2024, which outlined the proposed approach by RSM Australia Pty Ltd (**RSM**), on behalf of the Office of the Auditor General (**OAG**), to audit the financial report of the Town for the year ending 30 June 2024.

The annual audit is required so the Auditor General may express an opinion on the audit of the general purpose financial statements of the Town for the financial year ending 30 June 2024. In practice, the audit is conducted in two phases, with an interim audit conducted around April to June, and the final audit around October/November, after submission of the final trial balance to the auditors by 30 September.

Importantly, the audit includes two key components:

1. Reviewing the design and operating effectiveness of the Town’s significant financial recording and reporting processes; and
2. Obtaining an understanding of the information system, including the related business processes, relevant to financial reporting, including (amongst others) how the information system captures events and conditions, other than transactions, that are significant to the financial statements. This may include

engagement of an Information System Auditor specialist to assess the risk of material misstatement imposed by the Information Technology environment.

The interim audit is now complete and the Auditor General has provided an interim Management Letter.

Proposal

That the Audit and Governance Committee receives the interim audit results and notes the findings and recommendations, and the management action to be taken to address the identified risks.

Communication and Engagement

Town finance and ICT staff engaged in regular communication with RSM during the conduct of the interim audit. RSM teams attended the Town in May 2024 to conduct the audit field work, and the Town continued to provide documents and information to RSM through to completion of the audit.

Strategic Implications

Performance Area 5: Performance

9.1 Continuously improve operational performance and service delivery.

Comment

Interim Audit – Financial Component

No findings have arisen from the financial component of the interim audit.

Interim Audit – IT General Controls

Eight findings were identified from the IT General Controls audit, with 12 recommendations. The findings are summarised in Table 1.

Table 1: IT General Controls – Summary of Findings

3. Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Change Management	No		✓		✓
2. Network Security Management	No		✓		✓
3. Data Loss Prevention	No		✓		✓
4. Physical and Environmental Security	No		✓		✓
5. Vulnerability Management	No		✓		
6. Disaster Recovery	No			✓	✓
7. Synergy Finance Application – User Access Management	No			✓	✓
8. IT Governance – Standards, Policies & Procedures	No			✓	✓

The detailed recommendations and management comments are included in the attachment to the interim Management Letter, a confidential attachment to this report.

Management is of the view that the findings and recommendations of the 2023/24 IT General Controls audit reflect a continuing year-on-year improvement in ICT controls by the Town. The singular Significant finding from the 2022/23 audit, regarding User Access Management, is now rated as Minor. Several findings result in recommendations relating to a governance control such as the development and implementation of a policy or procedure to reinforce a technical control, rather than the absence of a technical practice that mitigates a risk to the Town.

While most findings are noted as having been raised over multiple years, in most cases, key elements of the original finding have been remediated, again, with many associated recommendations relating to a governance control.

For example, in the 2022 audit, when a finding related to Network Security was initially raised, no penetration testing, network diagram update or firewall review had been undertaken within the 12-month period by the Town. In 2024, the outstanding ICT control recommendation for the Town is to establish a suitable policy or procedure relevant to the substantial technical controls now undertaken annually by the Town.

During the 2023/24 financial year, an ICT Governance Document Review was completed, and an ICT Policy Roadmap with a vision to implement a comprehensive set of policies and procedures has been endorsed by the Town's Corporate Management Committee. However, development and implementation of some governance controls require a significant resource allocation. Limited resources have resulted in challenge for the ICT team to deliver the roadmap while balancing business and operational support, asset refresh and transformational enterprise-level project delivery as required by the Town's ICT Strategic Plan.

The outstanding, costly and complex recommendations around Physical and Environmental Security highlight a growing demand for continued and accelerated investment in the Town's ICT infrastructure and governance, to meet the appropriate risk mitigations as recommended. Physical separation and relocation of one or both data centres of the Town to appropriate off-site facilities or private cloud services will require additional investment within the 2025/26 budget cycle or beyond for the reported risks to be effectively treated.

The ICT team has also engaged with the Department of Premier and Cabinet's Office of Digital Government to take part in a pilot project to assess the maturity of cybersecurity controls deployed at Tier 3 and 4 Local Government Authorities, with the aim to inform an upcoming expectation by DPC that all State and Local Government Authorities adhere to a blanket benchmark maturity level per the Australian Signals Directorate's Essential Eight framework for cyber security.

The requirement to adhere to not only the expectations of appropriate practice by the OAG and the Office of Digital Government has raised concern in the sector of increasing compliance expectations on Local Government ICT services, further compounding the inherent increases in the expenditure and risk profile of this business service for Councils.

Statutory Requirements

The Audit and Governance Committee meets at least four times each year to carry out its functions under its Charter, which specifies the authority, objectives and responsibilities of the Committee and governs its membership and meeting requirements.

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

An audit committee has the following functions —

- (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.*

Financial Considerations

As outlined elsewhere in this report, some audit recommendations involve significant capital and operating expenditure by the Town. While the Town has the capacity to implement some recommendations from its current budgets, the remaining recommendations will be considered for funding via the 2025/26 annual budget and long-term financial plan.

Risk Management Implications

Financial Risk
Medium

Risks are detailed in the attachment to the interim Management Letter, attached as a confidential attachment to this report.

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.

Officer Recommendation – Item 8.4

That the Audit and Governance Committee recommends that Council:

- Receives the interim audit results; and
- Notes the findings and recommendations detailed in the interim Management Letter, and the management action to be taken to address the identified risks.

Voting requirements: Simple Majority

8.5 Audit Findings Log	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	GOVN/CCLMEET/1
Directorate	Corporate Services
Previous Reports	N/A
Authority/Discretion	Executive The substantial direction setting and oversight role of the Council.
Attachments	1. CONFIDENTIAL REDACTED - September 2024 Audit Findings Log [8.5.1 - 8 pages]

Purpose

The purpose of this report is to provide the Audit and Governance Committee with the Town’s Audit Findings Log, with updated actions since the meeting of the Committee on 12 June 2024.

Background

The Audit Findings Log presents a summary of the audit findings and recommendations made in recent internal and external audit reports relating to the Town.

Proposal

For the Audit and Governance Committee to receive the Audit Findings Log and consider the action taken or proposed to be taken to address the recommendations.

Communication and Engagement

Nil.

Strategic Implications

Performance Area 5: Performance

9.1 Continuously improve operational performance and service delivery.

Comment

The following audits have been completed since the last meeting of the Committee in June, and are the subject of separate reports for this meeting:

1. Internal audit of the Town's procurement function, focused on formal Requests for Quotations and Tenders, by the Town's internal auditors Paxon Group; and
2. The interim component of the annual audit of the Town's financial statements for 2023/24 by RSM and the OAG.

The findings and recommendations from these audits will be incorporated into the Audit Findings Log for the next meeting of the Committee, in December 2024.

Statutory Requirements

The Audit and Governance Committee meets at least four times each year to carry out its functions under its Charter, which specifies the authority, objectives and responsibilities of the Committee and governs its membership and meeting requirements.

Regulation 16 of the Local Government (Audit) Regulations 1996 specifies the functions of audit committees.

Financial Considerations

Implementation of some audit recommendations may require additional funds and will be the subject of separate budget submissions as and when required. The Town's Purchasing Policy and Procurement Framework will govern any required Engagements.

Risk Management Implications

Financial Risk
Low

Risk implications are detailed in the Audit Findings Log.

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.

Officer Recommendation – Item 8.5

That the Audit and Governance Committee receives the Audit Findings Log and notes the action taken or proposed to be taken, to address the recommendations.

Voting requirements: Simple Majority

9 Motions of Which Previous Notice Has Been Given

10 Announcements of Notices of Motion for the Next Meeting

11 Confidential Business

12 Closure

The next Audit and Governance Committee will be held on Monday 9 December 2024 commencing at 5.30pm.