



**City of
Kalgoorlie
Boulder**

MINUTES

of the

Audit and Risk Committee Meeting

held at 11:00 AM

on

21 SEPTEMBER 2022

at the

Administration Building

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Audit and Risk Committee Members

Independent Chairperson Allan Pandal

Independent Member Robert Northcoat

Mayor John Bowler

Cr Glenn Wilson

Cr John Matthew

Cr Terrence Winner

Cr Kirsty Dellar

Cr Kim Eckert

Cr Amy Astill

1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chairperson declared the meeting open at 11:05 am welcoming those present.

2 RECORD OF ATTENDANCE

2.1 Attendance

In Attendance:

Independent Chairperson
Allan Pandal
Independent Member via Teams
Robert Northcoat
Mayor John Bowler
Deputy Mayor Glenn Wilson
Cr John Matthew
Cr Kirsty Dellar
Cr Terrence Winner
Cr Kim Eckert

Members of Staff:

Andrew Brien	Chief Executive Officer
David Trevaskis	Director of Corporate and Commercial
Xandra Curnock	Executive Manager Finance
Frances Liston	Executive Manager Governance and Risk Services
Amy Toor	PA to Director of Corporate and Commercial

2.2 Apologies

Apologies - Elected Members:

Nil

Apologies - Members of Staff:

Nil

Leave of Absence:

Nil

3 PETITIONS/ DEPUTATIONS / PRESENTATIONS

Nil

4 DECLARATIONS OF MEMBERS' AND OFFICERS' INTEREST

4.1 Interest Affecting Impartiality City of Kalgoorlie-Boulder Code of Conduct

Nil

4.2 Financial Interest Local Government Act Section 5.60A

Nil

4.3 Proximity Interest Local Government Act Section 5.60B**5 CONFIRMATION OF MINUTES****Committee Recommendation****Moved By: Deputy Mayor Glenn Wilson****Seconded By: Cr Kirsty Dellar**

That the minutes of the Audit and Risk Committee Meeting held on 29 June 2022 be confirmed as a true record of that meeting.

CARRIED
(9 / 0)

6 REPORTS OF OFFICERS**6.1 Chief Executive Officer****6.1.1 AUDIT AND RISK COMMITTEE STANDING ITEMS SEPTEMBER 2022**

Responsible Officer:	David Trevaskis Director of Corporate and Commercial
Responsible Business Unit:	Corporate and Commercial
Disclosure of Interest:	Nil
Voting Requirements:	Simple
Attachments:	<ol style="list-style-type: none"> 1. 220916 Audit recommendations progress report 21092022 [6.1.1.1 - 5 pages] 2. Action Items Update 21092022 [6.1.1.2 - 2 pages]

OFFICER/ COMMITTEE RECOMMENDATION

Moved By: Cr John Matthew

Seconded By: Cr Amy Astill

That the Committee recommends Council receive the information

CARRIED
(9 / 0)

Executive Summary

At the May 2021 Audit and Risk Committee Meeting, members recommended the inclusion of two standing items in future agendas, being the Audit Recommendations Progress Report and the Audit and Risk Committee action item list. The items are attached for review.

Community Engagement Consultation

No community consultation was considered necessary in relation to the recommendations of the report.

Community Strategic Plan Links

This report links to the Strategic Community Plan through the following Guiding Theme:

EMPOWERED: We ensure considered decision making based on collaborative, transparent and accountable leadership.

Budget Implications

There are no financial implications resulting from the recommendations of this report.

Report

The Audit and Finance Committee considered the Better Practice Guide for Public Sector Audit Committees at its May 2021 meeting and supported the inclusion of two standing items on the agenda.

Audit recommendations progress report

This report is designed to provide the Committee with an update on the progress of actions taken by management to implement audit recommendations from the OAG, internal audit and external reviews.

The September 2022 audit recommendations report has been updated to include the two findings from the Financial Management Review June 2022 undertaken by Hall Chadwick.

Audit and Risk Committee action item list

This report identifies Audit and Risk Committee recommendations that are adopted by Council, and how the resolutions are followed-up and addressed by the responsible officer. The report aims to include a level of information to allow the audit committee to understand the nature of actions taken to date and the real reasons for any delays.

The report uses a 'traffic light system' to categorise progress into three groups: red – not started, amber – in progress, and green – complete.

Please note the City is has yet to complete the Strategic Risk Register Review which was first requested at the Council meeting 23 August 2021. Since this meeting Hall Chadwick has been engaged to complete the review and they have advised the report will be finalised end of September 2022. This will then be presented to the Audit and Risk Committee at the meeting scheduled for December 2022.

Statutory Implications

There are no statutory implications resulting from the recommendations of this report.

Policy Implications

There are no policy implications resulting from the recommendations of this report.

6.1.2 FINANCE MANGEMENT REVIEW FY2022

Responsible Officer:	Xandra Curnock Executive Manager Finance
Responsible Business Unit:	Finance
Disclosure of Interest:	Nil
Voting Requirements:	Simple
Attachments:	1. 2022 CKB Financial Management Report [6.1.2.1 - 13 pages]

OFFICER/ COMMITTEE RECOMMENDATION

Moved By: Mayor John Bowler
Seconded By: Cr Terrence Winner

That the Committee recommends Council, in accordance with *section 5(2)(c) of the Local Government (Financial Management) Regulations 1996*, receives the Chief Executive Officer report on the appropriateness and effectiveness of the financial management systems and procedures of the City for the financial year 2021/22.

CARRIED
(9 / 0)

Executive Summary

The report has been prepared to provide the Committee with the final Financial Management Systems Review, required to be completed to meet regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

Community Engagement Consultation

No community consultation was considered necessary in relation to the recommendations of the report.

Community Strategic Plan Links

This report links to the Strategic Community Plan through the following Guiding Theme/s:

CAPABLE: We will have the resources to contribute to our community and economy.

Budget Implications

There are no financial implications resulting from the recommendations of this report.

Report

The CEO is responsible for implementing policies, procedures and controls designed to ensure the effective and efficient management of the City’s resources. At least once in every three financial years the CEO is to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the local government and report to Council the results of those reviews.

The last Financial Management Review was reviewed by Council on 15 May 2019 covering the period from 1 July 2018 to 8 May 2019. In accordance with the Regulations this review is now due for 2022. The City does not have an internal audit team and any staff who are responsible for the day to day accounting or financial management operations, including those who manage or supervise these employees, are not to conduct the financial management systems review in accordance with the regulations. To provide an accurate and unbiased review the CEO engaged an external accounting firm, Hall Chadwick.

Hall Chadwick have completed a review of documentation provided by the City’s finance team and have provided feedback within the attached report.

They identified two findings;

FINDINGS	RATING
<p>CREDIT CARD PROCEDURES</p> <ul style="list-style-type: none"> The policy needs to be updated to reflect the current procedures performed 	Moderate
<p>BANK RECONCILIATIONS</p> <ul style="list-style-type: none"> All Cash and Trust Reconciliations must be performed in a timely manner 	Low

Low risk items are identified as should “Manage by routine procedures – action when resources permit. Corrective action is required but with a lower priority than higher risks.”

Moderate risk items are identified as “Management responsibility and timeframe for risk reduction must be specified. Corrective action is generally required as soon as possible.”

The finance team will review the Credit Card Policy and provide an update prior to the next Audit and Risk Committee meeting.

Completion of bank reconciliations were delayed during the FY2022 year due to staffing issues within the finance team. The City does not consider this to be an issue moving forward.

Statutory Implications

Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 requires the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

Regulation 5(1) of the Local Government (Financial Management) Regulations 1996 requires that the Chief Executive Officer establish efficient systems and procedures:

- (a) For the proper collection of money owing the local government; and
- (b) For the safe custody and security of all money collected or held by the local government; and
- (c) For the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and
- (d) To ensure proper accounting for municipal or trust – (i) Revenue received or receivable; and
- (ii) Expenses paid or payable; and
- (iii) Assets and liabilities;

AND

- e) To ensure proper authorisation for the incurring of liabilities and the making of payments; and
- (f) For the maintenance of payroll, stock control and costing records; and
- (g) To assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

Regulation 6 of the Local Government (Financial Management) Regulations 1996 A local government is to ensure that an employee to whom is delegated responsibility for the day to day accounting or financial management operations of a local government is not also delegated the responsibility for –

- (a) Conducting an internal audit; or
- (b) Reviewing the discharge of duties by that employee,

Or for managing, directing or supervising a person who carries or a function referred to in paragraph (a) or (b).

Policy Implications

There are no policy implications resulting from the recommendations of this report.

6.1.3 OAG - Local Government Focus Reports 2022

Responsible Officer:	David Trevaskis Director of Corporate and Commercial
Responsible Business Unit:	Finance Governance
Disclosure of Interest:	Nil
Voting Requirements:	Simple
Attachments:	<ol style="list-style-type: none"> 1. Fraud- Risk- Management- Better- Practice- Guide [6.1.3.1 - 64 pages] 2. Information- Systems- Audit- Report-2022- Local- Government- Entities [6.1.3.2 - 28 pages] 3. Financial- Audit- Results- Local- Government- 2020-21 [6.1.3.3 - 68 pages]

OFFICER/ COMMITTEE RECOMMENDATION

Moved By: Cr Kirsty Dellar

Seconded By: Cr Kim Eckert

That the Committee recommends Council review the results from the following Western Australian Auditor General's reports:

- Information Systems Audit Report 2022 – Local Government Entities;
- Financial Audit Results – Local Government 2020-21; and
- Fraud Risk Management – Better Practice Guide.

CARRIED
(9 / 0)

Executive Summary

The Audit and Risk Committee is responsible for communicating and liaising with the OAG. This includes reviewing results of relevant OAG reports and better practice publications for guidance on good practices. Management will undertake self-assessment against the better practice principles and where applicable include as actions items in the City's risk register. The OAG has recently published the following reports which are presented for the Committee's review:

- Information Systems and Audit Report 2022 – Local Government Entities (28 June 2022);
- Financial Audit Results – Local Government 2020-21 (17 August 2022); and
- Fraud Risk Management – Better Practice Guide (22 June 2022).

Community Engagement Consultation

No community consultation was considered necessary in relation to the recommendations of the report.

Community Strategic Plan Links

This report links to the Strategic Community Plan through the following Guiding Theme/s:

EMPOWERED: We ensure considered decision making based on collaborative, transparent and accountable leadership.

Budget Implications

There are no financial implications resulting from the recommendations of this report.

Report

Information Systems Audit Report 2022 – Local Government Entities

The report summarises important findings and recommendations from the OAG's 2020-21 annual cycle of information systems audits with 45 local government entities. The recommendations provided are useful for the City to identify any weaknesses in information systems controls and to help improve capability maturity.

The report provides the following recommendations based on 6 capability and maturity focus categories:

1. *Information security*
 - a. *Senior executives should implement appropriate policies and procedures to ensure the security of information systems and support their entity business objectives.*
 - b. *Management should ensure good security policies and practices are implemented and continuously monitored for control areas identified, including:*
 - i. *patching and vulnerability management*
 - ii. *application hardening and control*
 - iii. *implement technical controls to prevent impersonation and detect/prevent phishing emails*
 - iv. *strong passphrases/passwords and multi-factor authentication*
 - v. *limit and control administrator privileges*
 - vi. *segregate network and prevent unauthorised devices*
 - vii. *secure cloud infrastructure, databases, email and storage, and know clearly 'who' they are handing entity and citizen data to through their use of cloud services*
 - viii. *cyber security monitoring, intrusion detection and protection from malware.*
2. *Business continuity*

Entities should have appropriate business continuity, disaster recovery and incident response plans to protect critical systems from disruptive events. These plans should be periodically tested.

3. Management of IT risks

Entities should:

- a. *understand their information assets and apply controls based on their value*
- b. *ensure IT risks are identified, assessed and treated within appropriate timeframes. Senior executives should have oversight of information and cyber security risks.*

4. IT operations

Entities should implement policies and procedures to guide key areas of IT operations such as incident management and supplier performance monitoring.

5. Change control

Approved change control processes should be consistently applied when making changes to IT systems. All changes should go through planning and impact assessment to minimise the occurrence of problems. Change control documentation should be current and approved changes formally tracked.

6. Physical security

Entities should develop and implement physical and environmental control mechanisms to prevent unauthorised access, or accidental or environmental damage to IT infrastructure and systems.

These recommendations will form part of the City's guiding ICT Strategy and to inform the City's priority list of upcoming ICT improvement projects.

Financial Audit Results – Local Government 2020-21

The OAG published the report on the 17 August, tabling the results of financial audits for 132 local governments and the recurring issues identified during these annual audits.

The City was referenced in the report in relation to the following matter:

The City has operated the Yarri Road Refuse Facility in east Kalgoorlie since 1993. The site operates under a Class II landfill license under Part V of the Environmental Protection Act 1986 which requires licensing.

The City has never previously recognised a provision for landfill rehabilitation. It has disclosed a contingent liability for at least the three previous annual financial reports to fully restore the site at the end of its useful life. The City was also undertaking work to establish the scope and estimate the cost of the restoration, which was unable to be reliably estimated in previous financial reports.

During the 2020-21 period, the City engaged a third-party expert to prepare a closure and post-closure management plan and provide a comprehensive estimation of the future costs for the site closure, capping, restoration and monitoring activities. The plan was finalised in March 2021 and a landfill rehabilitation provision of \$28.8 million was recognised.

Recommendation 3.

The Department of Local Government, Sport and Cultural Industries should provide guidance to assist entities with understanding the requirements of and interpreting the AASB accounting requirements to ensure greater accounting consistency across the sector, including recognising provisions for the rehabilitation of landfills and other contaminated sites.

In addition, the City was highlighted for the below emphasis of matter which was included in the auditor's report:

Restatement of comparative balances – The opinion draws attention to Note 34 to the financial report which states that the amounts reported in the previously issues 30 June 2020 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.

The emphasis of matter was in relation to the employee back pay error. The value was deemed relevant for the prior period 30 June 2019 and was restated in the opening and closing Trade and Other Payables and Retained Earnings comparative balances detailed in the 2020/21 Statement of Financial Position.

Fraud Risk Management – Better Practice Guide

This better practice guide aims to assist public sector entities to manage their fraud and corruption risk and provide advice on the development of a fraud and risk management program.

The City has an adopted Risk Management Policy and Risk Management Framework that provides guidance for the Executive, Audit and Risk Committee and Council in relation to Risk Management. An outstanding action item for the Committee is the review of the Strategic Risk Register. Hall Chadwick are currently working on this review in conjunction with the CEO's review of the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control and legislative compliance (LG Audit regulation 17). This review and report will be presented at the Committee's next meeting in December 2022.

Statutory Implications

There are no statutory implications resulting from the recommendations of this report.

Policy Implications

There are no policy implications resulting from the recommendations of this report.

7 DATE OF NEXT MEETING

The next Audit and Risk Committee Meeting will be held on 07 December 2022.

8 CLOSURE

There being no further business, the Chairperson thanked those present for their attendance and declared the meeting closed at 11:57 pm.