

Audit and Risk Committee Meeting

13 June 2022

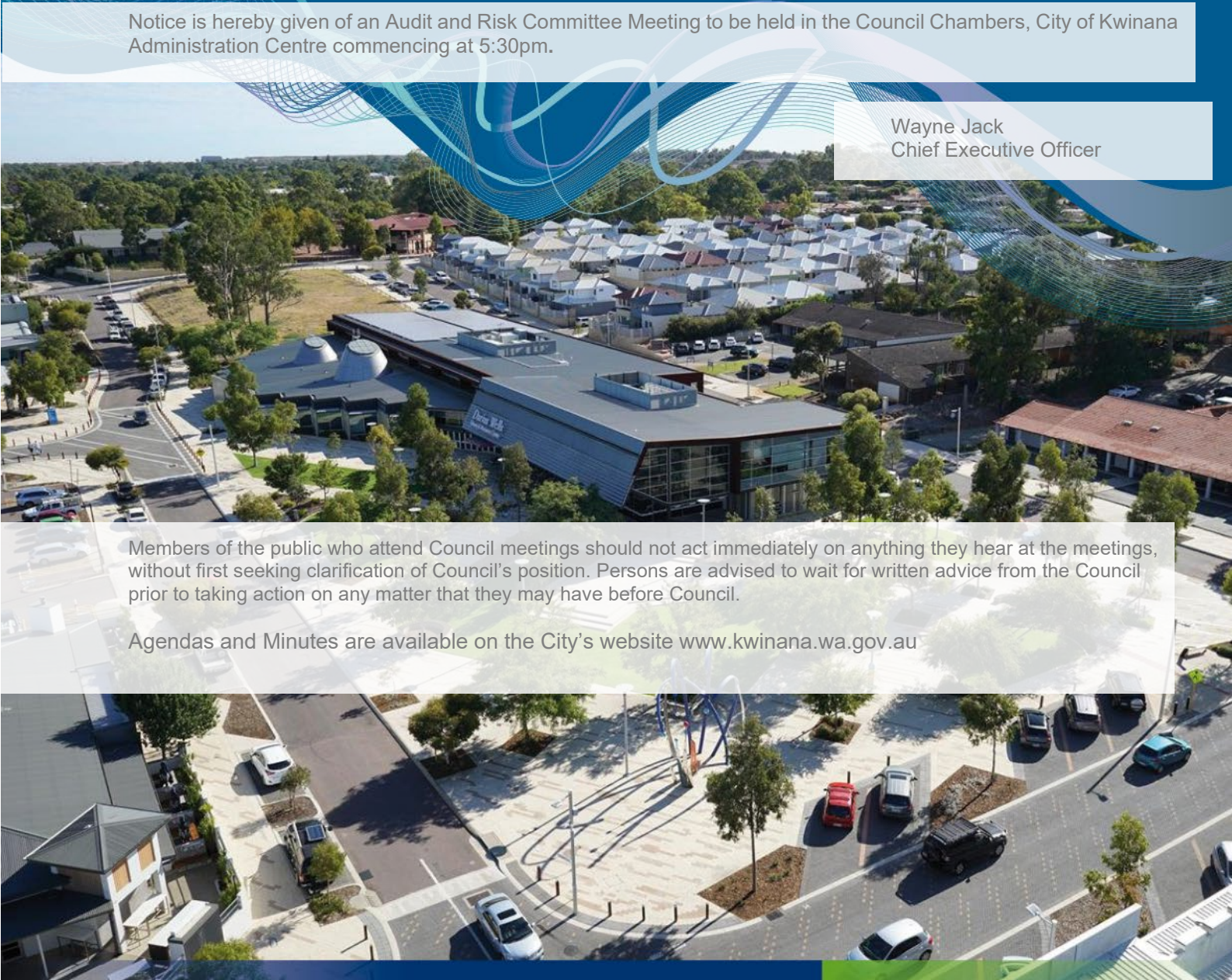
Agenda

Notice is hereby given of an Audit and Risk Committee Meeting to be held in the Council Chambers, City of Kwinana Administration Centre commencing at 5:30pm.

Wayne Jack
Chief Executive Officer

Members of the public who attend Council meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position. Persons are advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

Agendas and Minutes are available on the City's website www.kwinana.wa.gov.au



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1 OPENING AND ANNOUNCEMENT OF VISITORS

Presiding Member to declare the meeting open and welcome all in attendance.

Presiding Member to announce that the Audit and Risk Committee Meeting is being live streamed and recorded in accordance with the City's Live streaming and Recording Council Meetings policy.

By being present at this meeting, members of the public consent to the City recording and livestreaming their image and/or voice.

2 WELCOME TO COUNTRY AND ACKNOWLEDGEMENT OF COUNTRY

Councillor Barry Winmar to present the Welcome to Country:

"Ngullak nyinniny kooralong koora ngullak noitj nidja noongar boodjar. Noongar moort djoorapiny nyinniny nidja ngulla quopadok noongar boodjar kooralong.

From the beginning of time to the end, this is Noongar Country. Noongar people have been graceful keepers of our nation for many, many years.

Ngalla djoorapiny maambart boodjar ngallak bala maambart quop ngalla koort djoorapiny nidja ngalla mia mia nyinniny noongar boodjar.

We respect the earth our mother and understand that we belong to her - she does not belong to us. In all her beauty, we find comfort, wellbeing, and life that creates a home for everyone that has become a keeper of Noongar Country.

Djinanginy katatjin djoorapiny nidja weern noongar boodjar ngalla mia mia boorda.

Look, listen, understand and embrace all the elements of Noongar Country that is forever our home.

Kaya wandju ngaany Barry Winmar Wadjuk Ballardong maaman ngaany koort djoorapiny noonook nidja Noongar boodjar daadjaling waankganiny noitj Noongar Boodjar.

Hello and welcome my name is Barry Winmar and I am a Whadjuk Ballardong man my heart is happy as we are gathered on Noongar country and speaking here on Noongar Country"

Presiding Member to read the Acknowledgement of country:

"It gives me great pleasure to welcome you all here and before commencing the proceedings, I would like to acknowledge that we come together tonight on the traditional land of the Noongar people and we pay our respects to their Elders past and present."

3 ATTENDANCE, APOLOGIES, LEAVE(S) OF ABSENCE (PREVIOUSLY APPROVED)

Apologies:

Leave(s) of Absence (previously approved):

4 PUBLIC QUESTION TIME

In accordance with the *Local Government Act 1995* and the *Local Government (Administration) Regulations 1996*, any person may during Public Question Time ask any question.

In accordance with Regulation 6 of the *Local Government (Administration) Regulations 1996*, the minimum time allowed for Public Question Time is 15 minutes.

A member of the public who raises a question during Question Time is to state his or her name and address.

Members of the public must provide their questions in writing prior to the commencement of the meeting. A public question time form must contain all questions to be asked and include contact details and the form must be completed in a legible form.

Please note that in accordance with Section 3.4(5) of the *City of Kwinana Standing Orders Local Law 2019* a maximum of two questions are permitted initially. An additional question will be allowed by the Presiding Member if time permits following the conclusion of all questions by members of the public.

5 RECEIVING OF PETITIONS, PRESENTATIONS AND DEPUTATIONS

5.1 PETITIONS

A petition must –

- be addressed to the Mayor;
- be made by electors of the district;
- state the request on each page of the petition;
- contain at least five names, addresses and signatures of electors making the request;
- contain a summary of the reasons for the request;
- state the name of the person to whom, and an address at which, notice to the petitioners can be given; and
- be respectful and temperate in its language and not contain language disrespectful to Council.

The only motion which shall be considered by the Council on the presentation of any petition are –

- that the petition be received;
- that the petition be rejected; or
- that the petition be received and a report prepared for Council.

5.2 PRESENTATIONS

In accordance with Clause 3.6 of the *Standing Orders Local Law 2019* a presentation is the acceptance of a gift, grant or an award by the Council on behalf of the local government or the community.

Prior approval must be sought by the Presiding Member prior to a presentation being made at a Council meeting.

Any person or group wishing to make a presentation to the Council shall advise the CEO in writing before 12 noon on the day of the meeting. Where the CEO receives a request in terms of the preceding clause the CEO shall refer it to the presiding member of the Council committee who shall determine whether the presentation should be received.

A presentation to Council is not to exceed a period of fifteen minutes, without the agreement of Council.

5.3 DEPUTATIONS

In accordance with Clause 3.7 of the *Standing Orders Local Law 2019*, any person or group of the public may, during the Deputations segment of the Agenda with the consent of the person presiding, speak on any matter before the Council or Committee provided that:

- the person has requested the right to do so in writing addressed to the Chief Executive Officer by noon on the day of the meeting.
- setting out the agenda item to which the deputation relates;
- whether the deputation is supporting or opposing the officer's or committee's recommendation; and
- include sufficient detail to enable a general understanding of the purpose of the deputation.

A deputation to Council is not to exceed a period of fifteen minutes, without the agreement of Council.

6 DECLARATIONS OF INTEREST (FINANCIAL, PROXIMITY, IMPARTIALITY – BOTH REAL AND PERCEIVED) BY MEMBERS AND CITY OFFICERS

Section 5.65(1) of the *Local Government Act 1995* states:

A member who has an interest in any matter to be discussed at a council or committee meeting that will be attended by the member must disclose the nature of the interest —

- in a written notice given to the CEO before the meeting; or
- at the meeting immediately before the matter is discussed.

Section 5.66 of the *Local Government Act 1995* states:

If a member has disclosed an interest in a written notice given to the CEO before a meeting then —

- before the meeting the CEO is to cause the notice to be given to the person who is to preside at the meeting; and
- at the meeting the person presiding is to bring the notice and its contents to the attention of the persons present immediately before the matters to which the disclosure relates are discussed.

7 CONFIRMATION OF MINUTES

7.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 28 FEBRUARY 2022

RECOMMENDATION

That the Minutes of the Audit and Risk Committee Meeting held on 28 February 2022 be confirmed as a true and correct record of the meeting.

8 REPORTS

8.1 REGULATION 17 AUDIT AND DEVELOPER CONTRIBUTION PAYMENT AUDIT - ACTION UPDATE

SUMMARY

At the Audit and Risk Committee meeting of 14 June 2021, the findings of the recent Regulation 17 Audit conducted by Paxon Group as well as the Developer Contribution Payment ('DCP') Audit conducted by Crowe Australia were presented. Both audits contained recommendations as to areas of potential improvement to current practices.

An update of the actions recommended by the audits has been provided to the committee at its subsequent meetings. Those actions, as well as details from the relevant officers regarding their implementation are provided for noting by the Committee.

Those actions that have no further action required, as processes have been put in place or amended to reflect the audit findings, are detailed in Confidential Attachment A and B and are recommended to be closed.

OFFICER RECOMMENDATION

That the Audit and Risk Committee:

- **Note and provide comment where appropriate, the Regulation 17 audit action report detailed in Confidential Attachment A and the Developer Contribution Payment audit action report detailed in Confidential Attachment B.**
- **Note the closure of the following actions from the Regulation 17 audit as detailed in Confidential Attachment A:**
 - **I00013 No written procedures regarding COVID-19 for Customers**
 - **I00019 User access privileges not reviewed**
 - **I00023 Unsuccessful Grant Applications Register**
 - **I00028 No process for adding/amending general ledger accounts**
 - **I00029 Develop a list of software licences including costs and expiry date**
- **Note the closure of the following actions from the Developer Contribution Payment audit as detailed in Confidential Attachment B:**
 - **I00052 DCP Contribution Calculation**
 - **I00062 Infrastructure Costs**

VOTING REQUIREMENT

Simple majority.

DISCUSSION

City Officers have updated the following Regulation 17 actions, which are now recommended for closure:

- **I00013 No written procedures regarding COVID-19 for Customers**
- **I00019 User access privileges not reviewed**

- I00023 Unsuccessful Grant Applications Register
- I00028 No process for adding/amending general ledger accounts
- I00029 Develop a list of software licences including costs and expiry date

It is further recommended that the Committee note the closing of the following actions from DCP Audit:

- I00052 DCP Contribution Calculation
- I00062 Infrastructure Costs

Full details of the completed actions are included in Confidential Attachments A and B and are provided to the Committee for noting and comment where appropriate.

Further updates will be provided to each meeting of the Audit and Risk Committee until such time as all actions are approved for closure by the Committee.

In relation to its recording and monitoring of actions, the City is presently transitioning its reporting across the organisation:

- Strategic Community Plan and Corporate Business Plan Reporting – Previously the City stored and tracked this information in Performance Manager (Civica). Progress against actions is now being reported quarterly through spreadsheets as we progress towards tracking this information in OneCouncil. The first quarter for this financial year was provided to Council at its meeting of 24 November 2021.
- Team Business Plan Reporting – Remains on hold until the transition to recording this information in OneCouncil. Team Business Plans are currently being progressed through spreadsheets ahead of the new system.
- Opportunities for Improvement and Internal Non-Conformance Reporting – The City is transitioning from Performance Manager to Promapp software, with the intention of being able to identify, investigate and action an improvement/incident, rather than just report on them.

STRATEGIC IMPLICATIONS

There are no strategic implications as a result of this proposal.

SOCIAL IMPLICATIONS

There are no social implications as a result of this proposal.

LEGAL/POLICY IMPLICATIONS

No legal/policy implications have been identified as a result of this report or recommendation.

FINANCIAL/BUDGET IMPLICATIONS

There are no financial implications that have been identified as a result of this report or recommendation.

ASSET MANAGEMENT IMPLICATIONS

No asset management implications have been identified as a result of this report or recommendation.

ENVIRONMENTAL/PUBLIC HEALTH IMPLICATIONS

No environmental or public health implications have been identified as a result of this report or recommendation.

COMMUNITY ENGAGEMENT

There are no community engagement implications as a result of this report or recommendation.

ATTACHMENTS

- A. Regulation 17 Audit - Attachment A - Audit and Risk Committee Meeting - 13 June 2022 - Confidential**
- B. Developer Contribution Payment audit - Attachment B - Audit and Risk Committee Meeting 13 June 2022 - Confidential**

8.2 RISK MANAGEMENT REPORT

SUMMARY

The City's Risk Management Policy provides the foundations and organisational arrangements for embedding risk awareness, monitoring and management across strategic and operational levels of the organisation.

At each Audit and Risk Committee Meeting, a report is presented detailing all identified strategic risks and high-level operational risks, as well as the status of the actions to manage those risks.

These reports are provided at Confidential Attachments A and B. The City is continuing its transition to the Camms.Risk system, including providing further risk training and education across the organisation.

OFFICER RECOMMENDATION

That the Audit and Risk Committee note and provide comment where appropriate on:

- **City of Kwinana Organisational Risk Register – Strategic Risks detailed in Confidential Attachment A.**
- **City of Kwinana Organisational Risk Register – Operational Risks detailed in Confidential Attachment B.**

VOTING REQUIREMENT

Simple majority.

DISCUSSION

The City's Risk Management Strategy sets the following role and responsibilities for the Committee:

- a) Ensuring the City has appropriate risk management and internal controls in place;
- b) Approving and reviewing risk management programmes and risk treatment options for extreme risks;
- c) Setting and reviewing risk management tolerances/appetite and making recommendations to Council;
- d) Providing guidance and governance to support significant and/or high-profile elements of the risk management spectrum;
- e) Monitoring strategic risk management and the adequacy of internal controls established to manage the identified risks;
- f) Monitoring the City's internal control environment and reviewing the adequacy of policies, practices and procedures;
- g) Assessing the adequacy of risk reporting;
- h) Monitoring the internal risk audit function, including development of audit programs as well as monitoring of audit outcomes and the implementation of recommendations;
- i) Setting the annual internal audit plan in conjunction with the internal auditor considering the City Strategic and Operational Risk Registers;
- j) Conduct an annual review of the organisation's Risk Management Policy and Strategy; and
- k) Reporting through the Chief Executive Officer to the Council on its findings.

The Organisational Risk Registers are provided to the Audit and Risk Committee on a quarterly basis for their review and as an opportunity to provide advice regarding risk management, as the City is focussed on creating a culture that is committed to openness and transparency and fulfilling its responsibilities in relation to risk management.

The City of Kwinana Risk Management Strategy establishes the risk appetite/attitude for residual risk as follows:

Impact Category	Level of residual risk the City is willing to retain			
	Low	Moderate	High	Extreme
Environmental		●		
Financial	●			
Health and Safety	●			
ICT, Infrastructure and Assets		●		
Legislative Compliance	●			
Reputation/Image	●			
Service Delivery		●		

The Organisational Risk Register shows all strategic risks. Strategic and Operational Risk Registers are provided for the Committee's noting and comment where appropriate, showing those risks having a residual risk assessment of 'High' or 'Extreme'.

The March 2022 quarterly product update to Camm.Risk included amendments to the controls module, whereby risk controls are now maintained in a separate register. As a result, risk controls are no longer able to be amended within individual risks. Rather, officers are required to amend and update all controls from the separate control module.

Additional changes include the ability to select a risk control to link to each risk action. This enhances the relationship between risk controls and risk actions.

STRATEGIC IMPLICATIONS

There are no strategic implications as a result of this proposal.

SOCIAL IMPLICATIONS

There are no social implications as a result of this proposal.

LEGAL/POLICY IMPLICATIONS

Regulation 17 of the Local Government (Audit) Regulations 1996 provides:

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.*

- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

FINANCIAL/BUDGET IMPLICATIONS

There are no financial implications that have been identified as a result of this report or recommendation.

ASSET MANAGEMENT IMPLICATIONS

No asset management implications have been identified as a result of this report or recommendation.

ENVIRONMENTAL/PUBLIC HEALTH IMPLICATIONS

No environmental or public health implications have been identified as a result of this report or recommendation.

COMMUNITY ENGAGEMENT

There are no community engagement implications as a result of this report or recommendation.

ATTACHMENTS

- A. Audit Committee - 13 June 2022 - Attachment A - Strategic Risk Register for Risk Identification - Camms Risk - Confidential**
- B. Audit Committee - 13 June 2022 Meeting - Attachment B - Operational Risk Register for Risk Identification - Camms Risk - Confidential**

8.3 OFFICE OF THE AUDITOR GENERAL (OAG) — CYBER SECURITY PERFORMANCE AUDIT - ACTION UPDATES

SUMMARY

At the Audit and Risk Committee meeting of 4 October 2021, the findings of the cyber security performance audit conducted by the Office of the Auditor General ('OAG') were presented. The report contained recommendations as to areas of potential improvement to current practices. An update of outstanding actions, as well as details regarding their implementation are provided for noting by the Committee.

The following actions are recommended to be closed on the basis that no further action is required, as processes have been put in place or amended to reflect the audit findings (as detailed in Attachment A - Promapp Risk Status Report 01 June 2022):

- Cyber Security Incident Detection and Response
- Risk Management Strategy to define responsibilities to manage cyber risks
- Review Disaster Recovery Plan

OFFICER RECOMMENDATION

That the Audit and Risk Committee:

- 1. Note and provide comment where appropriate the cyber security performance audit action report detailed in Attachment A - Promapp Risk Status Report 01 June 2022; and**
- 2. Note closure of the following actions as detailed in Attachment A - Promapp Risk Status Report 01 June 2022:**
 - **Cyber Security Incident Detection and Response**
 - **Risk Management Strategy to define responsibilities to manage cyber risks**
 - **Review Disaster Recovery Plan**

VOTING REQUIREMENT

Simple majority.

DISCUSSION

All security recommendations are complete with systems, processes and policies in place to ensure ongoing compliance and adherence to cyber security best practice.

STRATEGIC IMPLICATIONS

There are no strategic implications as a result of this proposal.

SOCIAL IMPLICATIONS

There are no social implications as a result of this proposal.

LEGAL/POLICY IMPLICATIONS

No legal/policy implications have been identified as a result of this report or recommendation.

FINANCIAL/BUDGET IMPLICATIONS

There are no financial implications that have been identified as a result of this report or recommendation.

ASSET MANAGEMENT IMPLICATIONS

No asset management implications have been identified as a result of this report or recommendation.

ENVIRONMENTAL/PUBLIC HEALTH IMPLICATIONS

No environmental or public health implications have been identified as a result of this report or recommendation.

COMMUNITY ENGAGEMENT

There are no community engagement implications as a result of this report or recommendation.

ATTACHMENTS**A. Attachment A - Audit and Risk Committee OAG-IT Audit**

Incident Register



Filter: Open; Priority: All; Portfolio: Internal non-conformance (Audit); Categories: OAG-IT Audit

PRIORITY	TITLE	PORTFOLIO	PORTFOLIO MANAGER	CATEGORY	LOCATION	DATE	DUE DATE	STATUS	OWNER
HIGH	I00058: Cyber Security Awareness Training	Internal non-conformance (Audit)	Vicky Patton	OAG-IT Audit		16 Sep 2021	01 Jun 2022	Ready to Close	Thomas Ody
HIGH	I00060: Vulnerability Management	Internal non-conformance (Audit)	Vicky Patton	OAG-IT Audit		16 Sep 2021	01 Jun 2022	Ready to Close	Thomas Ody
MED	I00064: Cyber Security Policy	Internal non-conformance (Audit)	Vicky Patton	OAG-IT Audit		16 Sep 2021	01 Jun 2022	Ready to Close	Thomas Ody
MED	I00065: Cyber Security Incident Detection and Response	Internal non-conformance (Audit)	Vicky Patton	OAG-IT Audit		16 Sep 2021	01 Jun 2022	Ready to Close	Thomas Ody
MED	I00067: Risk Management Strategy to define responsibilities to manage cyber risks	Internal non-conformance (Audit)	Vicky Patton	OAG-IT Audit		16 Sep 2021	01 Jun 2022	Ready to Close	Thomas Ody
MED	I00069: Review Disaster Recovery Plan	Internal non-conformance (Audit)	Vicky Patton	OAG-IT Audit		16 Sep 2021	01 Jun 2022	Ready to Close	Thomas Ody

Printed: 01 Jun 2022 13:18:23 by Vicky Patton for City of Kwinana

Internal non-conformance (Audit)

PORTFOLIO MANAGER: Vicky Patton



I00058 Cyber Security Awareness Training

Testing performed outlined the need for security awareness training

Overview

HIGH

Owner:	Thomas Ody	Current Phase: Ready to Close
Reporter:	Alison Dymond (alison.dymond@kwinana.wa.gov.au)	
Reported:	16 Sep 2021	Date of Audit Action: 16 Sep 2021
Category:	OAG-IT Audit	
Product or service:	IT	
Responsible Officer:	Chris Hocking	

Investigation

Investigation Completed: 16 Sep 2021 (target: 31 Dec 2021)

Findings and Summary: We found that the City has implemented a security awareness program for staff. We performed tests to assess the effectiveness of the security awareness program and found that 4 users clicked on the link and 2 submitted their credentials. One user forwarded the test email to City staff and external users who were not on the initial target list. As a result:

- 29 City users clicked on the link and provided their credentials
- 15 external users also clicked on the link and provided their credentials
- an additional 4 clicked the link but did not provide any credentials.

Without an effective and ongoing cyber security awareness program, there is an increased risk that individuals will not understand the risks to the City and their personal responsibilities. This may result in inappropriate actions which affect the confidentiality, integrity and availability of the City's information and cause reputational damage.

Actions

PROVIDE TRAINING, CHRIS HOCKING

COMPLETED

Cyber Security Awareness Training

The City should review their cyber security awareness program and ensure that it maintains awareness of the cyber security risks relevant to the City. It should also ensure individuals are aware of their personal responsibilities for cyber security.

The awareness program should be updated regularly so it stays in line with City's policies and procedures and any new or emerging threats. It should also incorporate any lessons learned from cyber security incidents along with relevant details from cyber security standards and good practices

Action Completed: 16 Dec 2021 (target: 31 Dec 2021)

Completion Remarks: The City's cybersecurity awareness program has been updated and a solution implemented for all employees accessing ICT systems. The executive leadership team and all councillors have completed the training. 70% of employees have completed the cybersecurity awareness training with those remaining being reported to the Executive Leadership team for follow up.

Internal non-conformance (Audit)

PORTFOLIO MANAGER: Vicky Patton

I00060 Vulnerability Management

Vulnerability Management process is not fully effective



Overview

HIGH

Owner:	Thomas Ody	Current Phase: Ready to Close
Reporter:	Alison Dymond (alison.dymond@kwinana.wa.gov.au)	
Reported:	16 Sep 2021	Date of Audit Action: 16 Sep 2021
Category:	OAG-IT Audit	
Product or service:	IT	
Responsible Officer:	Chris Hocking	

Investigation

Investigation Completed: 16 Sep 2021 (target: 31 Dec 2021)

Findings and Summary: We found that the City's vulnerability management process is not fully effective. We performed vulnerability scans of the City's publicly accessible ICT infrastructure and detected a number of high and medium severity vulnerabilities. These vulnerabilities included:

- out of date software
- insecure configuration/use of protocol
- disclosure of information in error messages

sensitive configuration information disclosed via a publicly accessible test file. In addition, we found that there is no regular independent testing (penetration testing) of the City's network to ensure that attacks can be detected and prevented.

Without having an effective process for identifying, assessing and addressing relevant 'known' vulnerabilities within a timely manner, there is an increased risk that IT systems are not adequately protected against potential threats. These vulnerabilities could be exploited, which may result in unauthorised access to IT systems and information.

Actions

REMEDIAL ACTION, CHRIS HOCKING

COMPLETED

Review Vulnerability Management Process

The City should review its vulnerability management process. This process should ensure all relevant 'known' software and security vulnerabilities (operating system and application) are identified. These vulnerabilities, along with the actions and updates (e.g. patches) required to address them, should be appropriately assessed and tested. Following successful testing, the relevant actions and updates should then be applied to the IT systems within a timely manner.

Cyber Security Manual to specify required patching and vulnerability assessment standards.

Action Completed: 16 Dec 2021 (target: 31 Dec 2021)

Completion Remarks: Vulnerability management has been reviewed and is in the process of being addressed. An update schedule has been implemented for servers to start addressing outstanding updates. A vulnerability scanner has been implemented for daily scanning of servers and end user computers with scanning of internet facing systems being performed weekly. The cybersecurity manual specifies the patching and vulnerability assessment standards.

The remediation work is complex and ongoing and is likely to take a minimum of 9-18 months to complete once assessed and budget is approved. A number of internet facing services have been decommissioned as a result of a review as they are no longer required.

REMEDIAL ACTION, CHRIS HOCKING

COMPLETED

Test security of City's network

The City should regularly test the security of the City's network and address any identified issues.

Action Completed: 16 Dec 2021 (target: 30 Jun 2022)

Completion Remarks: A vulnerability scanner has been implemented for daily scanning of servers and end user computers with scanning of internet facing systems being performed weekly.

Internal non-conformance (Audit)

PORTFOLIO MANAGER: Vicky Patton

I00064 Cyber Security Policy

There is not a policy in place to cover Cyber Security



Overview

MED

Owner:	Thomas Ody	Current Phase: Ready to Close
Reporter:	Alison Dymond (alison.dymond@kwinana.wa.gov.au)	
Reported:	16 Sep 2021	Date of Audit Action: 16 Sep 2021
Category:	OAG-IT Audit	
Product or service:	IT	
Responsible Officer:	Chris Hocking	

Investigation

Investigation Completed: 16 Sep 2021 (target: 31 Dec 2021)

Findings and Summary: Without adequate cyber security policies there is an increased risk that the City's requirements and objectives for cyber security will not be achieved. This could affect the confidentiality, integrity and availability of City's IT systems and information.

Actions

REMEDIAL ACTION, CHRIS HOCKING

COMPLETED

Review and Update Cyber Security Control policies

The City should review, update, and endorse policies to cover cyber security controls and ensure that ICT securely meets business objectives. The City should utilise an internal security awareness program to communicate updates to policy and ensure individuals are aware of their personal responsibility for cyber security.

Action Completed: 16 Dec 2021 (target: 31 Dec 2021)

Completion Remarks: Cybersecurity Policy has been created and approved by ELT. D21/66588.

REMEDIAL ACTION, CHRIS HOCKING

COMPLETED

Implemented cyber security framework

Where appropriate, a suitable cyber security framework should be implemented to augment existing cyber and information security policies.

Action Completed: 16 Dec 2021 (target: 31 Dec 2021)

Completion Remarks: A cybersecurity manual has been created which provides the frame of standards that is required for the City of Kwinana. This will be published in early January 2022

Internal non-conformance (Audit)

PORTFOLIO MANAGER: Vicky Patton



I00065 Cyber Security Incident Detection and Response

The City does not have a cyber security incident plan

Overview

MED

Owner:	Thomas Ody	Current Phase: Ready to Close
Reporter:	Alison Dymond (alison.dymond@kwinana.wa.gov.au)	
Reported:	16 Sep 2021	Date of Audit Action: 16 Sep 2021
Category:	OAG-IT Audit	
Product or service:	IT	
Responsible Officer:	Chris Hocking	

Investigation

Investigation Completed: 16 Sep 2021 (target: 31 Dec 2021)

Findings and Summary: We found that the City does not have a cyber security incident response plan that provides details on how to manage cyber security incidents and there is no centralised cyber security incident register.

We performed vulnerability scans of the City's publicly accessible ICT infrastructure and identified that:

- attempts to identify vulnerabilities within City infrastructure were not blocked
- personnel were not alerted to scans performed on City's infrastructure.

Without an appropriate and documented cyber security incident response plan and controls, there is an increased risk that the City may not adequately respond to cyber security incidents in an effective and timely manner. This may impact IT systems and services and affect the City's business operations

Actions

REMEDIAL ACTION, THOMAS ODY

COMPLETED

Develop Cyber Security Incident Response Plan & Review agency involvement detection and response capabilities

The City should develop a cyber security incident response plan and a cyber security incident register. These should ensure the effective management, response, and reporting of all cyber security related incidents. It should also implement appropriate controls to detect and block intrusion attempts.

The City should consider the involvement of key cyber security agencies within their cyber security incident detection and response capabilities. It should also develop appropriate guidelines for the preservation of evidence relevant to cyber security incidents.

Action Completed: 09 May 2022 (target: 30 Jun 2022)

Completion Remarks: Cyber Security Incident response plan addressed in Chapter 13 of the Cyber Security Manual. Register created but blank as of now. Cyber security attack detection and response to be subsumed under networking hardware replacement end of FY22-23. Implementing IPS, holistic security reporting and IT staff alerting. Security escalation teams identified in the Cyber Security Manual.

Internal non-conformance (Audit)

PORTFOLIO MANAGER: Vicky Patton



I00067 Risk Management Strategy to define responsibilities to manage cyber risks

The City has a risk management strategy which defines responsibilities to ensure that internal controls to manage cyber risks are effective.

Overview

MED

Owner:	Thomas Ody	Current Phase: Ready to Close
Reporter:	Alison Dymond (alison.dymond@kwinana.wa.gov.au)	
Reported:	16 Sep 2021	Date of Audit Action: 16 Sep 2021
Category:	OAG-IT Audit	
Product or service:	IT	
Responsible Officer:	Chris Hocking	

Investigation

Investigation Completed: 16 Sep 2021 (target: 30 Jun 2022)

Findings and Summary: The City has a risk management strategy which defines responsibilities to ensure that internal controls to manage cyber risks are effective. However, we found that processes to identify and manage cyber security risks could be improved as key cyber security risks relevant to the City have not been assessed. The risk register does not include risks relevant to:

- unplanned disruption to systems
- external hack
- device theft or loss
- cloud systems.

In addition, there is no information to suggest that risks are reviewed in a timely manner.

Without the application of an effective risk management process for cyber security, business plans and objectives may fail if cyber security risks are not appropriately identified, assessed, and treated.

Actions

REMEDIAL ACTION, THOMAS ODY

COMPLETED

Review risk management process.

The City should review the risk management process to ensure that key cyber security risks relevant to the City are appropriately managed. Risks within the register should be pro-actively reviewed and monitored.

Action Completed: 09 May 2022 (target: 30 Jun 2022)

Completion Remarks: Risk management Process created, including regular assessment task in IT monthly meetings.

Internal non-conformance (Audit)

PORTFOLIO MANAGER: Vicky Patton

I00069 Review Disaster Recovery Plan

Disaster Recovery Plan out of date



Overview

MED

Owner:	Thomas Ody	Current Phase: Ready to Close
Reporter:	Alison Dymond (alison.dymond@kwinana.wa.gov.au)	
Reported:	16 Sep 2021	Date of Audit Action: 16 Sep 2021
Category:	OAG-IT Audit	
Product or service:	IT	
Responsible Officer:	Chris Hocking	

Investigation

Investigation Completed: 16 Sep 2021 (target: 31 Dec 2021)

Findings and Summary: We found that the City's Disaster Recovery Plan (DRP) was last reviewed in 2018 and contains out of date information. We also found that the City has not carried out any formal tests of their DRP. Due to the lack of testing the City's ability to recover key systems back to an operational state is unknown.

Without an adequate DRP, there is an increased risk that the City may not be able to effectively restore key systems following a major cyber security incident. This may impact business operations and the delivery of key services.

Actions

REMEDIAL ACTION, THOMAS ODY

COMPLETED

Review DRP

The City should review its DRP and undertake appropriate tests to verify its effectiveness. These tests should also verify that key staff are familiar with the plan and their specific roles and responsibilities in a disaster situation. The results of these tests should be recorded and relevant actions taken to improve the plan where necessary.

Action Completed: 09 May 2022 (target: 30 Jun 2022)

Completion Remarks: IT DRP written to cover IT response to changes, yearly testing process added. recording location added to document to allow for auditing and review. D22/20549

8.4 2021/2022 FINANCIAL AND INFORMATION SYSTEMS AUDIT

SUMMARY

The purpose of this report is to present the Audit Committee with the 2021/2022 audit plan to be performed by the Office of the Auditor General's contractor, RSM. The Office of the Auditor General is responsible for issuing the audit report to the City.

OFFICER RECOMMENDATION

That the Audit and Risk Committee accepts the Audit Planning Memorandum (Attachment A) as submitted by RSM for the 2021/2022 financial and information systems audit to be completed on behalf of the Office of Auditor General.

VOTING REQUIREMENT

Simple majority.

DISCUSSION

As per previous years, the City's auditors are the Office of the Auditor General (OAG) for Western Australia. The OAG have subsequently contracted the audit work for the 2021/2022 financial year to RSM, however it will be the OAG that issue the final opinion and any relevant management points.

The Audit Planning Memorandum (Attachment A) outlines the scope of works and key considerations in relation to the upcoming audit, including a timeline of key milestones. The memorandum also highlights the key areas of the audit focus, identifying the areas of significant risk which will be tested thoroughly.

As part of the 2021/2022 financial audit, RSM performed an interim audit of the City's financial and information systems during May 2022. The interim management letter is expected to be issued on the 24 June 2022.

STRATEGIC IMPLICATIONS

This proposal will support the achievement of the following outcome/s and objective/s detailed in the Strategic Community Plan and Corporate Business Plan.

Strategic Community Plan			
Outcome	Strategic Objective	Action in CBP (if applicable)	How does this proposal achieve the outcomes and strategic objectives?
5 – Visionary leadership dedicated to acting for its community	5.1 – Model accountable and ethical governance, strengthening trust with the community	N/A – There is no specific action in the CBP, yet this report will help achieve the indicated outcomes and strategic objectives	Financial audit ensures the City's practices and procedures are relevant and reduce the risk of fraud and misstatement.

SOCIAL IMPLICATIONS

There are no social implications as a result of this proposal.

LEGAL/POLICY IMPLICATIONS

Local Government Act 1995 section 7.12AB. states:

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.

FINANCIAL/BUDGET IMPLICATIONS

There are no specific financial/budget implications as a result of this report.

ASSET MANAGEMENT IMPLICATIONS

There are no specific asset management implications as a result of this report.

ENVIRONMENTAL/PUBLIC HEALTH IMPLICATIONS

There are no implications on any determinants of health as a result of this report.

COMMUNITY ENGAGEMENT

There are no community engagement implications as a result of this report.

ATTACHMENTS**A. RSM - Audit Planning Memorandum 2021/2022**

ASSURANCE & ADVISORY



CITY OF KWINANA

AUDIT PLANNING MEMORANDUM

30 June 2022

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



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1. INTRODUCTION

This audit plan outlines the scope of our work and the key considerations in relation to our audit of the City of Kwinana ("the City") for the year ending 30 June 2022.

The purpose of this document is to set out our understanding of the key areas in the audit, when we will conduct the audit and your audit team.

The audit plan is prepared with input from management. The audit plan is tailored for the City's environment and revised throughout the year to adjust for business developments, additional relevant matters arising, changes in circumstances, findings from activities performed and feedback we receive from you.

We look forward to working together with you.

Please do not hesitate to contact either Efthalia, myself or one of the other engagement team members should you wish to discuss any aspect of the engagement.

AMIT KABRA
Director – Assurance & Advisory
RSM Australia Pty Ltd

EFTHALIA SAMARAS
Director – Financial Audit
WA Office of the Auditor General

It is our **strong, collaborative** approach that differentiates us.

We will:

- Be committed to **quality** and **excellence**.
- Provide **tailored insights** to help you make **critical decisions with confidence**.
- **Add value** through ideas and insight.
- Bring you **expert global and local knowledge**.
- Help you **move forward with confidence**.

Experience the power of being understood.



2. AUDIT SUMMARY

Purpose of the Audit Planning Memorandum

The primary purpose of this Audit Planning Memorandum (APM) is to brief the City of Kwinana (the City) on the proposed approach by RSM Australia (RSM), on behalf of the Office of the Auditor General (OAG), to audit the financial report and controls of the City for the year ending 30 June 2022.

The APM forms the basis for discussion at the audit entrance meeting scheduled for 13 June 2022 and is a key tool for discharging our responsibilities in relation to communicating with those charged with governance.

Scope of the Engagement

The scope of this engagement involves:

- (a) Expressing an opinion on the audit of the general-purpose financial statements for the financial year ending 30 June 2022, prepared in accordance with the *Local Government Act 1995 (Act)*, the *Local Government (Financial Management) Regulations 1996 (Financial Management Regulations)*¹, Australian Accounting Standards, to the extent that they are not inconsistent with the LG Act and the Financial Management Regulations. The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).
- (b) Report on the City's compliance with other legal and regulatory requirements as required by the *Local Government (Audit) Regulations 1996 (Audit Regulations)*¹.

As required by the *Auditor General Act 2006*, the Auditor General is required to express an opinion on the audit of the financial statements and controls.

Matters of significance

In accordance with section 24(1) of the *Auditor General Act 2006*, the Auditor General is required to report on matters arising out of the performance of the Auditor General's functions that are, in the opinion of the Auditor General, of such significance as to require reporting.

¹ As at the date of this APM these regulations are currently undergoing review by the Minister. Refer to Section 4 – *Current Year Developments* of this APM for further discussions.

Arrangements

Audits are not an absolute guarantee of the accuracy or reliability of City's information and may not have identified all matters of significance. This is because the work undertaken to form an opinion is permeated by judgement and most audit evidence is persuasive rather than conclusive. In addition, there are inherent limitations in any audit, including the use of testing, the effectiveness of internal control structures and the possibility of collusion.

Primary responsibility for the detection, investigation and prevention of irregularities rests with City. Consequently, the City remains responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, complying with the *Financial Management Act 2006* and other relevant laws.

Under the *Auditor General Act 2006*, audit staff have unrestricted access to information held by City, irrespective of any restrictions on disclosure imposed, such as secrecy provisions.

Confidentiality of audit files and working papers is required under the *Auditor General Act 2006*. The Office of the Auditor General is an 'exempt agency' under the *Freedom of Information Act 1992*. The signed contract between the Auditor General and RSM contains strict confidentiality clauses.

RSM relationship with the OAG and City

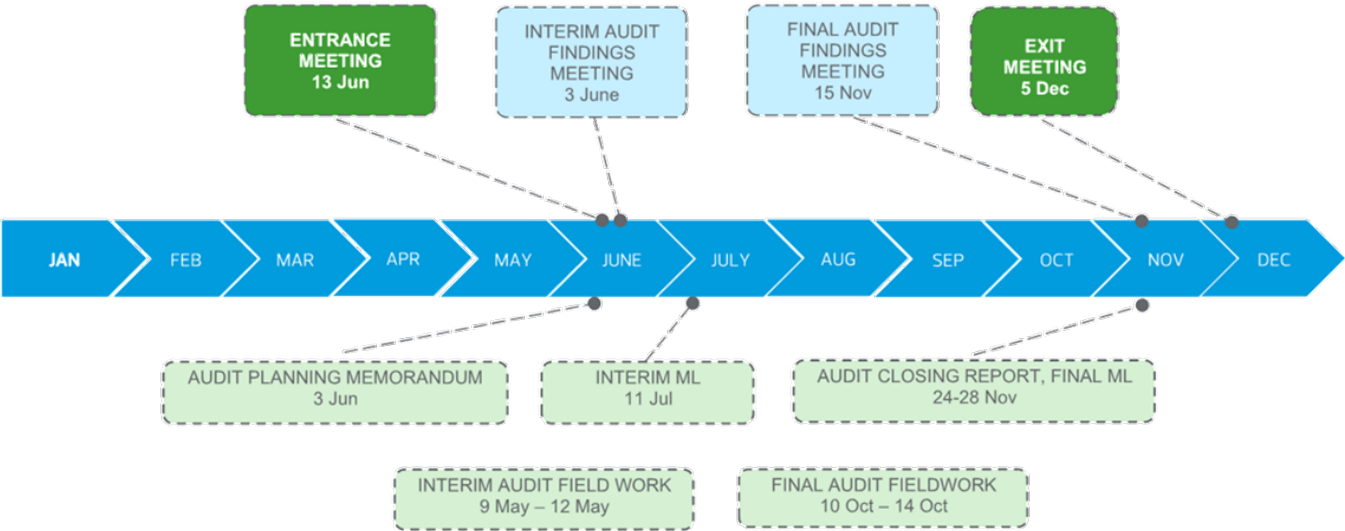
RSM has been contracted by the OAG to execute the scope and report to the OAG.

RSM is required to report to the OAG any matter which may affect the Auditor General's responsibilities under sections 15 and 24 of the *Auditor General Act 2006*.









RSM's services will be conducted under the overall direction of the Auditor General, who will retain responsibility for forming the audit opinion and issuing the audit report to City. The contract requires RSM to use its audit approach and methodology.

Timing

Based on discussion with management, we have agreed on the below milestones. A detailed timetable can be found at *Appendix 1*.



3. AUDIT APPROACH

Internal control environment 	<p>In accordance with Australian Auditing Standards, we will perform a review of the design and operating effectiveness of the entity's significant financial recording and reporting processes.</p> <p>We will ensure that any significant deficiencies that come to our attention during our audit are communicated to the councillors and management in a timely manner.</p> <p><i>Refer to Appendix 3 Key Controls for more details.</i></p>	Materiality 	<p>The planning materiality level will be calculated and determined using the RSM international audit methodology. The amount may be adjusted during the audit, depending on the results of our audit procedures.</p> <p>Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements and on our opinion.</p>
Fraud Considerations 	<p>Under Auditing Standard ASA 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i>, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error.</p> <p>Although ASA 240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with the management of City. City is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial statements. <i>Refer to Appendix 4 Fraud Risk for more details.</i></p>	Key Areas of Audit Focus 	<p>For all significant risk material account balances, the engagement team will specify which audit assertions pose significant audit risk and test this balance to ensure it is not materially misstated.</p> <p>Where we have determined that an assessed risk of material misstatement at the assertion level is a significant risk, we will perform substantive procedures that are specifically responsive to that risk.</p> <p>Non-significant risk material balances will be audited by substantive analytical procedures and tests of details, as necessary.</p> <p><i>Refer Section 5 Key Areas of Audit Focus for more details.</i></p>
Information Systems 	<p>In accordance with Australian Auditing Standards, we will obtain 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.</p> <p><i>Refer to Section 7 Information Systems Audit Specialists for more details.</i></p>	Other Critical areas 	<p>We will audit the critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed.</p> <p><i>Refer to Section 6 Other Critical Areas in the Financial Statements for more details.</i></p>
Going Concern 	<p>In accordance with Australian Accounting Standards, management is required to make an assessment of the entity's ability to continue as a going concern when preparing the financial report.</p> <p>We will review management's assessment and, along with our audit evidence, form an opinion on the entity's ability to continue as a going concern.</p>	Compliance 	<p>We will enquire and consider the impact on the financial report any non-compliance with laws and regulations during our audit. Any identified instances of non-compliance will be reported to the councillors and management in a timely manner.</p>

4. CURRENT YEAR DEVELOPMENTS

As at the date of this audit plan, the City has advised the following major developments have, or will, occur during the current financial year, which may significantly affect our audit approach and procedures. We will obtain an update on any further major developments during our interim and final audit procedures.

Revaluations to Infrastructure and Park's Assets	RSM Audit response
<p>The City will undertake revaluations of Infrastructure and Park assets as at 30 June 2022.</p> <p>We have been advised that the revaluations are expected to be completed by June 2022.</p>	<ul style="list-style-type: none"> We will consider the impact of the revaluations to ensure fair value measurement of Infrastructure and Park Assets as at 30 June 2022 is in accordance with the requirements of AASB 13 <i>Fair Value Measurement</i>. Detailed procedures on testing of PPE/Infrastructure assets is discussed in Section 5.
Proposed Changes in Local Government Regulation	RSM Audit response
<p>The State Government has announced a package of major reform for WA local government in November 2021. The proposed reforms have been developed based on findings identified as part of the Local Government Act Review and recommendations of various reports.</p> <p>The Department of Local Government, Sport and Cultural Industries (DLGSC) has started work to implement the changes. The work by the DLGSC aligns with six themes of the proposed reforms including improved financial management and reporting.</p> <p>As at the date of the APM, it is unclear if there will be any impacts on the City this financial year.</p>	<ul style="list-style-type: none"> We will continue to review developments arising from the reform project and will assess the impact of changes to regulatory requirements and determine whether, to the extent necessary, any changes in controls and processes may be required. We will also ensure that the financial statements comply with new requirements, if any.

5. KEY AREAS OF AUDIT FOCUS

As part of the risk assessment, we have determined whether any of the risks identified are, in our judgment, a significant risk. A significant risk is an identified and assessed risk of material misstatement that, in our judgment, requires special audit consideration. The assessment is based upon:

- Enquiries of management.
- The complexity of transactions within each area,
- The extent of specialist skill or knowledge needed to perform the planned audit requirement.
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of uncertainty.
- Whether the area is exposed to fraud risk.

Using the FY22 budget forecast, FY21 financial statements as a guide and referring to the RSM calculated materiality amount and risk assessment, RSM has identified the following potential significant balances for the current financial year.



5. KEY AREAS OF AUDIT FOCUS (CONTINUED)

Using the 31 March 2022 balances as a guide and referring to the RSM calculated materiality amount and risk assessment, RSM has identified the following potential significant risk areas for the current financial year:

Significant risk area and significant estimates	31 March 2022 \$'000 Actual	30 June 2021 \$'000 Actual	30 June 2020 \$'000 Actual
Revenue and receivables			
Rates	42,908	40,893	39,435
Fees and charges	11,428	12,993	11,439
Operating grants, subsidies and contributions	4,511	7,501	7,446
Non-operating grants, subsidies and contributions	2,651	11,178	10,811
Trade receivables (current and non-current)	11,972	6,564	5,215
Purchases and payment cycle			
Material and contracts	16,193	24,605	24,052
Property, Plant and Equipment (additions)	4,003	2,091	2,520
Infrastructure (additions)	3,926	4,638	4,739
Fixed assets cycle			
Property, Plant and Equipment	140,681	137,826	135,059
Infrastructure	362,199	366,067	363,573
Significant Estimates			
Fair value of property, plant and equipment and infrastructure	502,880	503,893	498,632
Employee benefit provisions (current and non-current)	6,184	6,152	5,915

5. KEY AREAS OF AUDIT FOCUS (CONTINUED)

SIGNIFICANT RISK

1. Management override of controls

Reasons why RSM considers this area as significant risk	RSM Audit response
Management is in a unique position to permeate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Management override can occur in areas such as journal entries, accounting estimates and judgements.	<ul style="list-style-type: none"> Testing journal entries recorded in the general ledger and adjustments on a sample basis to identify journal entries that exhibit characteristics of audit interest. Assessing accounting estimates for evidence of biases Review unusual, significant transactions and related party transactions. Conduct unpredictability test

2. Revenue recognition – Grant, Subsidies and Contributions

Reasons why RSM considers this area as significant risk	RSM Audit response
<p>The City recognises revenue from multiple revenue streams outside of its income from rates, such as operating grants, subsidies and contributions, fees and charges and non-operating grants, subsidies and contributions.</p> <p>There is a risk that the recognition of revenue may not be compliant with the requirements of AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income for Not-for-Profits</i>.</p> <p>Furthermore, there is a presumed fraud risk within revenue recognition under the Australian Auditing Standards.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none"> Assess the design, implementation and operating effectiveness of key internal controls operating within the revenue cycle, including application controls. Reviewing the IT general controls related to core financial accounting system. <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none"> Perform analytical procedures on fees and charges (such as those related to waste management). Performing test of details, on a sample basis, over fees and charges and grants, subsidies and contributions throughout the year and include transactions near year end to ensure they are correctly and completely accounted for in line with the Local Government's revenue recognition policy. Perform calculation checks for contract liabilities related to grants, subsidies and contributions and vouch to agreements. Review receivables balances on a sample basis and perform subsequent receipt testing. Perform testing on journal entries for any management override of internal controls related to revenue recognition.

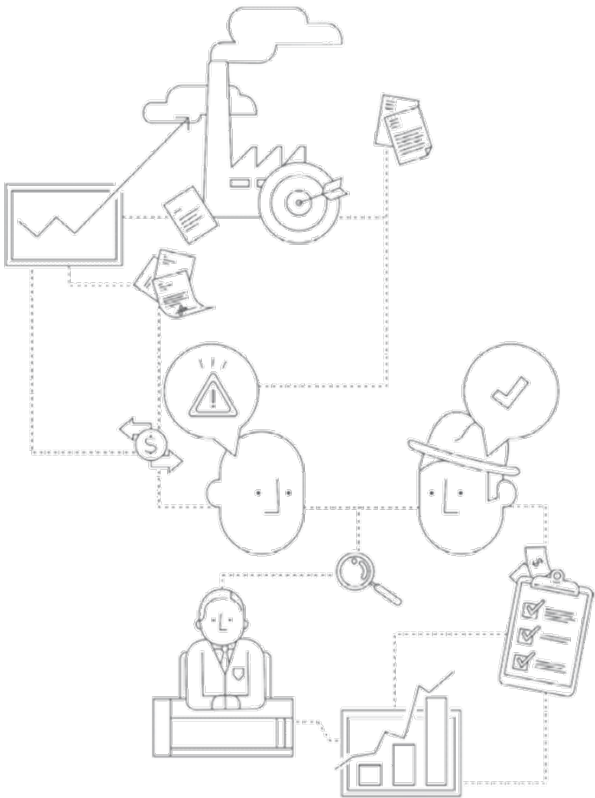
5. KEY AREAS OF AUDIT FOCUS (CONTINUED)

KEY BALANCES

Account and characteristics	RSM Audit response
<p><i>Revenue – Rates, fees and charges</i></p> <p>Revenue is measured by considering multiple elements, for example rates transactions are calculated by the application of a rate in the dollar to the Gross Rental Value (GRV) or Unimproved Value (UV), which is in turn determined by dividing the required rate collection amount by the total valuations on the roll.</p> <p>GRV's and UV's vary between the various property types, such as residential and commercial. The GRV / UV is supplied by Landgate.</p> <p>Lastly, rates revenue represents a significant portion of the Local Government's annual operating income and is an important revenue stream in terms of the Local Government's cash flows.</p> <p>Fees and charges is a material amount and is measured by the application of an annual charge to rateable land supplied with specified services and other services provided by the Local Government. For example, classic domestic bin services and swimming pool inspection fees. There are also further complexities with the application of the eligible pensioners rebate scheme. In addition, further complexity and risk is associated with the requirement for the Local Government to comply with Part 6, Division 6 'Rates and service charges' of the <i>Local Government Act 1995</i>.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none"> an assessment of the Town's effectiveness of key internal controls operating within the revenue cycle, including application controls perform a walkthrough of the key management controls over the revenue cycle and test key management controls <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none"> review, on a sample basis, the reconciliations and calculation of rates and compare these against historical results. perform revenue cut-off testing and review credit notes. ensure material revenue streams have been properly brought to account in accordance with AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> review receivables balances on a sample basis and perform subsequent receipt testing perform analytical procedures on rates through detailed comparison with prior year balances and budget forecasts determine if the disclosures in the notes to the financial report related to the Town's revenue recognition policy are appropriate
<p><i>Materials and contracts expense</i></p> <p>The Local Government's expenditure is comprised of several material components, including employee costs, materials and contracts, depreciation and other expenditure.</p> <p>Materials and contracts, comprises a significant portion of the total expenses (excluding employee benefits expense). Combined with the risk of management override, the different cost allocation methods, the strict and complex requirements of the Local Government functions and general regulations, materials and contracts expense is a key balance that has a risk of being materially misstated.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none"> Assess the design, implementation and operating effectiveness of key internal controls operating within the purchasing and procurement cycle, including application controls. Reviewing the IT general controls related to core financial accounting system. An evaluation of whether the Town's purchasing activities have complied with the Act and the Functions and General Regulations. <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none"> Performing test of details, on a sample basis, over materials and contracts expense. The samples will be selected from transactions occurring throughout the year and include transactions near year end to ensure they are correctly and completely accounted for in the correct period. Perform a search for unrecorded liabilities. Perform analytical procedures on procurement through detailed comparison with prior year balances and budget forecasts.

Account and characteristics	RSM Audit response
<p><i>PPE/ Infrastructure assets</i></p> <p>Infrastructure, Property, Plant and Equipment constitutes the majority of the Town's total assets.</p> <p>Due to the below points including the reliance on valuations for the correct determination and application of significant assumptions regarding the assets' service potential, useful life, asset condition and residual value, potential for management bias when assessing impairment indicators Infrastructure, Property, Plant and Equipment is a key balance that has the risk of being materially misstated.</p> <ul style="list-style-type: none"> Under the Financial Management Regulations, the Local Government's infrastructure land, buildings and investment properties is to be carried at fair value as defined in AASB 13 Fair Value Measurement less accumulated depreciation and accumulated impairment losses. Under regulation 17(4) of the Financial Management Regulations, the Local Government is required to revalue an asset: <ul style="list-style-type: none"> Whenever the Local Government believes the fair value of the asset is likely to be materially different from the carrying amount; and In any event, within a period of at least 3 years but not more than 5 years after the day on which the asset was last valued or revalued. In accordance with paragraph 9 of AASB 136 Impairment of Assets, the Local Government is required to assess at reporting date whether there is any indication that items of Infrastructure, Property, Plant and Equipment may be impaired. 	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none"> Assessing the design and implementation and where appropriate, testing the effectiveness of key controls operating within the infrastructure, property, plant, and equipment cycle. <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none"> Management review of fair value estimates (obtained from Administration expert's valuation report) and reconciliations to general ledger, and consider the scope, competency, and methodology of Administration expert's valuation to determine fair values, including consideration of significant assumptions, methods and data utilised. This is applicable in the financial years where a class of asset requires revaluation. Checking the accounting treatment and entries for revaluation adjustments. Performing test of details, on a sample basis, material additions to Infrastructure, Property, Plant and Equipment (which includes works in progress) to ensure they qualify for capitalisation under AASB 116 <i>Property, plant and equipment</i> Test accuracy and completeness of data sets including review useful lives, condition assessments and depreciation rates. Performing analytical procedures over the annual depreciation charge. Review management impairment assessment for any indication of management bias. Reviewing the disclosures in the notes to the financial statements are appropriate.
<p><i>Employee benefit expense and related provisions</i></p> <p>The Local Government's expenditure is comprised of several material components, including employee costs, materials and contracts, depreciation and other expenditure.</p> <p>Employee costs, comprises a significant portion of the total expenses.</p>	<p><i>Test of controls including:</i></p> <ul style="list-style-type: none"> Review and authorisation of new employees and changes in employee details, including terminations. Review and approval of payroll reports, including exception reports. Segregation of duties between upload and authorisation of pay run. <p><i>Substantive testing including:</i></p> <ul style="list-style-type: none"> Analytical procedures over employee benefit expenses and amounts allocated from employee benefits to capital projects. Analytical procedures over annual leave and long service leave provisions. Check the mathematical accuracy of the long service leave computation, including consideration of significant assumptions, methods and data utilised. Review of Key Management Personnel ('KMP') disclosures in the financial report. Review of the work performed by management's external expert in relation to actuarial valuation of the defined benefit superannuation liability.

Account and characteristics	RSM Audit response
Trade receivables and other receivables	<ul style="list-style-type: none">On a sample basis, test trade receivables to supporting documentation and subsequent receipts (where possible)Review management's assessment of reasonableness of provision for expected credit losses



6. OTHER CRITICAL AREAS IN THE FINANCIAL STATEMENTS

RSM will also audit the following critical disclosures in the financial statements by verifying the underlying calculations and auditing the evidence to support the amounts disclosed

Related party disclosures

The City is subject to the requirements of AASB 124 Related Party Disclosures. The Standard requires disclosures for senior officers' compensation and certain transactions with related parties. A review will be conducted to ensure proper accounting and disclosure of related party transactions and executive remuneration.

Further, section 7.12AL of the Act applies section 17 of the Auditor General Act 2006 to a local government, which requires the City to advise the Auditor General in writing of details of all related entities that are in existence.

RSM Audit response:

We will review the disclosures and supporting material to ensure compliance with AASB 124. We will also assess the City's internal controls around the identification and proper disclosure of related party transactions and executive remuneration.

Financial ratios

Under regulation 50 of the Financial Management Regulations, the annual report is to include financial ratios. Financial ratios are designed to enable users of annual financial reports to interpret more clearly the City's performance and financial results, as well as provide a comparison of trends over several years.

These indicators provide a measure of the financial sustainability of local governments and complement the national criteria endorsed by the Local Government and Planning Ministers. They provide for a comprehensive tool for monitoring the financial sustainability of local governments.

RSM Audit response:

We will obtain and audit the ratios to assess compliance with regulation 50 of the Financial Management Regulations.

Capital and other commitments for expenditure

The City must disclose in the financial statements its capital and other commitments relating to future asset construction and replacements.

RSM Audit response:

We will check the underlying calculations and review the evidence to support the amounts disclosed.

Reserve accounts

The City has established several reserve accounts under section 6.11 of the Act for the purpose of setting aside money for a specific purpose to be used in a future period. Cash reserves are required to be held in separate bank accounts. Although reserve accounts are aggregated with municipal funds in the financial statements, they are segregated in the notes to the financial statements as restricted funds.

RSM Audit response:

RSM will review the reserve account reconciliations and test that the transfers to and from these accounts are approved by Council and are in accordance with the specific purpose of the reserve.

Major land transactions

Regulation 46 of the Financial Management Regulations prescribes the disclosure requirement for major land transactions. The information to be disclosed by the City is set out in regulation 47 and includes:

- Details of the total income and expenditure for the transaction; and
- Details of the amount or value of any surplus of money or assets.

RSM Audit response:

RSM will review the financial records of the City to assess whether major land transactions, if any, have been identified and disclosed in accordance with regulation 47.

7. INFORMATION SYSTEMS AUDIT APPROACH

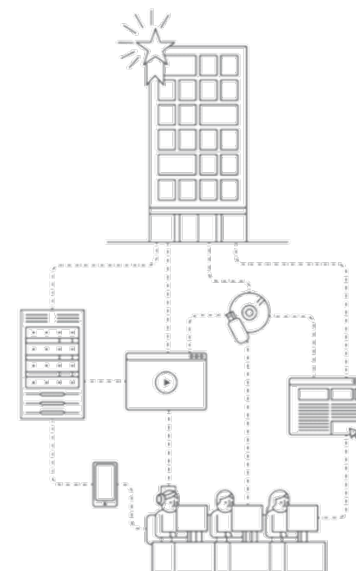
The financial management systems being used by the local government entities is varied, but there is a general reliance on "Authority". In some circumstances the information systems are integrated, whereas in others they are separate and rely on manual transfer of data between systems.

Due to the varying degree of financial system integration at each local government, RSM has assessed the information system environment as being sophisticated and we will engage an Information System Auditor (**ISA**) specialist to assess the risk of material misstatement imposed by the Information Technology (**IT**) environment at each local government.

The audit procedures conducted by the ISA will include, among others:

- Testing general IT controls around system access and testing controls over computer operations within Civica Authority which are required to be operating correctly to mitigate the risk of misstatement in the financial statements;
- Reviewing the key controls around change management related to significant IT systems.

RSM complies with Auditing Standard ASA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment. Our approach to information systems audit is to obtain 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.



8. YOUR ENGAGEMENT TEAM

Your engagement team has been carefully selected to provide you with an efficient and effective audit through their relevant experience. The audit team consists of the following members:

RSM Core Engagement Team



Amit Kbra
Engagement Director

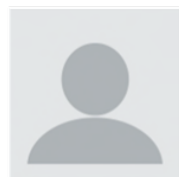
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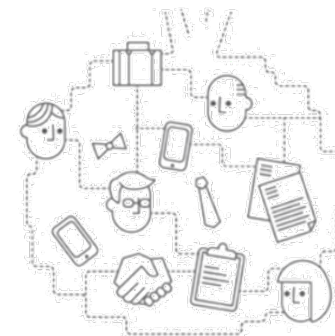
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9. HAVE YOU CONSIDERED?

Some recent publications from the WA Office of the Auditor General and RSM may be relevant to City has been included here for reference.

	<p>Western Australian Public Sector Financial Statements – Better Practice Guide</p> <p>This guide has been developed to promote better practice principles for financial statement preparation for the WA public sector.</p> <p>Western Australian Public Sector Financial Statements – Better Practice Guide - Office of the Auditor General</p>		<p>Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities</p> <p>This report summarises the third year of our 4-year transition into local government financial auditing. It includes the results of 117 local government entities.</p> <p>Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities - Office of the Auditor General</p>
	<p>Cyber Security in Local Government</p> <p>This audit assessed if a sample of 15 local government entities manage cyber security risks and respond to cyber threats effectively.</p> <p>Cyber Security in Local Government - Office of the Auditor General</p>		<p>Cyber Security in Local Government</p> <p>The report summarises the results of our 2020 annual cycle of information systems audits across a selection of 50 local government entities.</p> <p>Local Government General Computer Controls - Office of the Auditor General</p>
	<p>Perspectives on the economic opportunities for the South-West of Western Australia</p> <p>The South West of Western Australia is possibly the most attractive area to invest in throughout all of Australia. Rich in an array of natural resources, agriculture, viticulture and improved access to the city of Perth and beyond, the sun is shining in the South West.</p>		<p>CATCH 22 - Digital transformation and its impact on cybersecurity</p> <p>Regardless of their digital footprint, any business with a reliance on technology is at risk of cybercrime.</p> <p>An in-depth survey of successful companies across Europe has been undertaken for RSM International by the European Business Awards, in order to understand levels of industry awareness of these cyber risks, the actions being taken to combat them, as well as the reaction to breaches taking place.</p> <p>Digital transformation and its impact on cybersecurity (rsm.global)</p>



10. APPENDICES

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APPENDIX 1 – TIMETABLE

Phase	Task	Indicative timeframe*	Action
Planning	Issue draft APM to the City and OAG for commentary	27 May 2022	RSM
	Entrance meeting with the Audit (Finance and Risk) Committee, the City's Administration, OAG and RSM for the presentation and discussion of final APM	13 June 2022	RSM OAG City
Interim audit fieldwork	Issuing of Interim Audit Preparation Checklist to the City	26 April 2022	RSM
	Based on risk assessment, performance of cyclical controls testing, walkthrough of major business cycles and review of key reconciliation procedures	9 - 12 May 2022	RSM
	Assessment of status of Management Letter points raised for the prior year		
	Review of audit file by the OAG	week of 20 June 2022	OAG
Interim audit reporting	Interim audit findings meeting with the City's Administration and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any	3 June 2022	RSM City
	Issue the draft Interim Audit Management Letter (if any) for the year ending 30 June 2022 to the OAG for consideration and comment	6 June 2022	RSM OAG
	Issue of the draft Interim Audit Management Letter (if any) to the City for consideration and comment.	15 June 2022	RSM City
	Return of draft Interim Audit Management Letter (if any) to RSM with commentary	22 June 2022	City
	Issue the Interim Audit Management Letter (if any)	24 June 2022	OAG
Draft financial report	The City submits proforma financial report to RSM for review and comment. This will be in the form of the statutory model with the previous year's actuals displayed.	31 August 2022	City
Final audit fieldwork	Issuing of Final Audit Preparation Checklist	1 September 2022	RSM
	Provision of trial balance as at 30 June 2022 to RSM	No later than 30 September 2022	City
	City to submit draft financial report as per the Act deadline.	No later than 30 September 2022	City
	Performance of substantive tests for revenue and expenditure cycles for the 3 months ending 30 June 2022	10 – 14 October 2022	RSM
	Performance of substantive tests for balance sheet accounts as at year end and review of financial statement disclosure		
	Review of audit file by the OAG	Mid November 2022	OAG
Final audit reporting	Final audit findings meeting with the City's Administration, and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any.	15 November 2022	RSM City

Phase	Task	Indicative timeframe*	Action
	Issue the draft Final Audit Management Letter (if any) for the year ending 30 June 2022 to the OAG for consideration and comment	17 November 2022	RSM OAG
	Issue the draft Final Audit Management Letter (if any) for the year ending 30 June 2022 to the City for consideration and comment	20 November 2022	RSM City
	Return draft Final Audit Management Letter (if any) for the year ending 30 June 2022 to RSM with commentary	24 November 2022	City
	Issue the Final Audit Management Letter (if any) to the OAG	24 November 2022	RSM
	Issue draft Management Representation Letter and draft Financial Report to the City for consideration and comment	24 November 2022	RSM
	Issue, Financial Report and Audit Closing Report at least 1 week before exit meeting.	28 November 2022	RSM
	Final audit exit meeting with the Audit (Finance and Risk) Committee, the City's Administration, OAG and RSM.	5 December 2022	RSM OAG City
	Independent Contract Auditor's Report issued	7 December 2022	RSM
	OAG to sign and issue the Audit Report	Within 5 working days of receiving the signed financial statements and reporting from RSM.	OAG
	City's Ordinary Council Meeting for the adoption of the 30 June 2022 Financial Report	14 December 2022	City

*Based on timely receipt of audit information and reporting documentation and completion of all required audit procedures

Audit preparation checklist

To assist City to gather and collate the necessary audit information and documentation, we will issue in advance of each audit visit an Interim Audit Preparation Checklist and a Final Audit Preparation Checklist. As the requested information will be an important part of our audit working papers, the information required must be made available to RSM on or before the audit fieldwork dates specified above. This will facilitate the delivery of an efficient audit and help to minimise interruptions to City's staff. RSM will endeavour to make the checklists as detailed as possible in order to allow for changing working conditions in place due to applicable guidance at the time with respect to COVID 19.

We have established a fully secure data upload function, which is available to the City to file the documents and records we need for our audit. We have found this facility to be very useful and clients have appreciated the savings in time and reduced disturbance by auditors during the audit fieldwork.



APPENDIX 2 – RSM ORB



An RSM Audit puts quality at its heart to deliver.

We recognise that the delivery of a quality audit service is critical to achieving client satisfaction and our audit objectives.

In undertaking the audit on the financial report, we have utilised our technology platform and proprietary methodology, RSM Orb.

RSM Orb is our optimal risk-based audit methodology, deployed across more than 100 countries worldwide. Our technology platform and proprietary methodology enables our auditors to focus on your risks and design procedures tailored to your unique circumstances and environment. RSM Orb enables us to develop a deeper understanding of your business, providing you with critical insights now and for the future.

An RSM Orb audit delivers:

Consistency

- A consistent approach across any number of operations and jurisdictions, tailored to your unique risks and circumstances.

Innovation

- Optimising our use of technology in how we plan and conduct our work to enhance your audit experience.

Critical insights

- Pinpointing those areas that require closer scrutiny and enhanced judgement, enabling us to be more effective in addressing risk areas and adding intellectual value and critical insights.

Confidence

- Delivered through robust and considered planning, an efficient technology platform and a highly qualified, experienced team.



APPENDIX 3 – KEY CONTROLS

3.1 Internal controls

Internal controls are systems, policies and procedures that help an entity reliably and cost effectively meet its objectives. Sound internal controls enable the delivery of reliable, accurate and timely external and internal reporting. City is responsible for developing and maintaining its internal control framework to enable:

- Preparation of accurate financial records and other information;
- Timely and reliable external and internal reporting;
- Appropriate safeguarding of assets; and
- Prevention or detection and correction of errors and other irregularities.

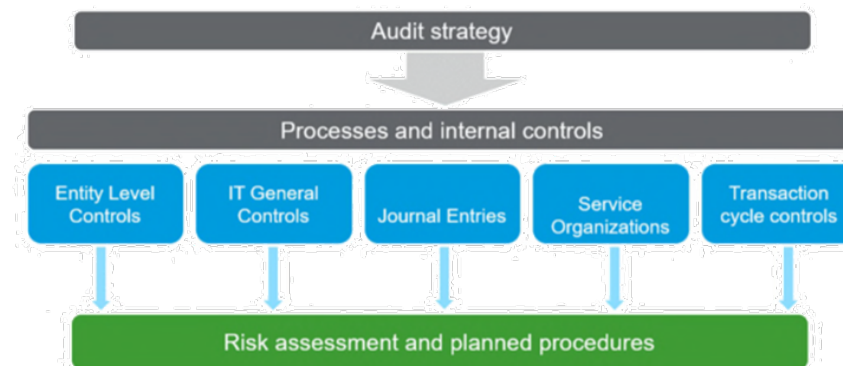
The annual financial audit enables the Auditor General to form an opinion on City's controls. An integral part of this, and a requirement of Australian Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*, is to assess the adequacy of an organisation's internal control framework and governance processes related to its financial reporting.

We focus on the internal controls relating to financial reporting and assess whether City has managed the risk that the financial statements will not be complete and accurate. Poor controls diminish management's ability to achieve City's objectives and comply with relevant legislation. They also increase the risk of fraud.

During our planning procedures reviewed our understanding of the following components of internal control:

- Control environment
- Risk assessment procedures
- Information systems
- Control activities
- Monitoring procedures

Our preliminary assessment of the internal control framework determined that internal controls are likely to be effective in preventing or detecting and correcting material misstatements in the financial report. As such, we plan to place reliance on the key internal controls relating to the material components in the financial statements to support the audit opinion.



3.2 Significant changes to internal controls

City advised that there are no major changes to its management and internal control environments and are not aware of any major changes that may significantly impact the FY22 financial statements.

3.3 Effectiveness of internal controls

City management team has a substantial focus on ensuring that controls in place are robust and that financial reporting is accurate. The financial controls, processes and procedures across City are at a mature stage with proper documentation and ownership within the various business units.

The status of the matters raised during the previous audit is as follows:

Matter	Rating	Due Date/Status
IT governance – policies and procedure	Significant	Partial
User access management	Significant	In progress
Capitalisation of work in progress	Moderate	Complete
Network security management	Moderate	In progress
IT Disaster Recovery Plan	Moderate	In progress
IT change management procedures	Moderate	Complete
Physical and environment security	Moderate	Partial
Network password management	Minor	Partial

We will review the above matters to ensure these have been resolved appropriately.

We will assess City's overall control environment, including meeting with senior management and City's compliance and internal audit functions. This will include consideration of senior management's approach, the quality of internal audit and risk management processes and procedures.

3.4 Internal audit

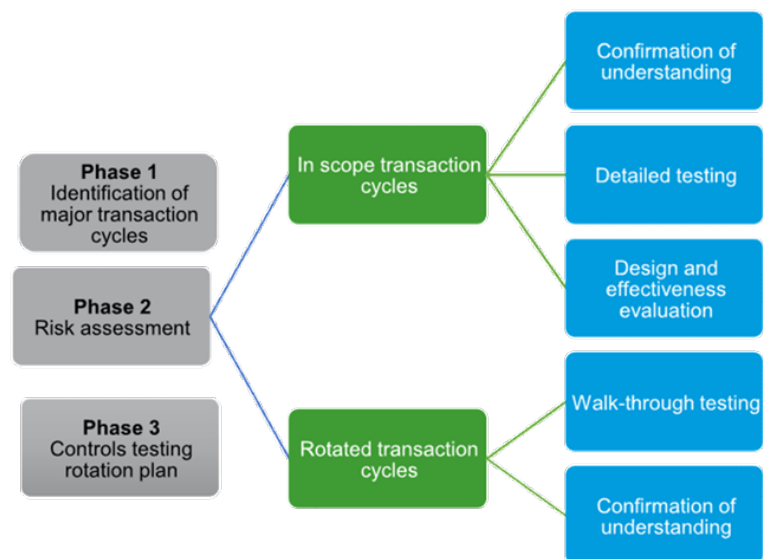
Subject to the requirements of Auditing Standard ASA 610 Using the Work of Internal Auditors, if we have satisfied ourselves regarding the competence and objectivity of internal audit, we plan to rely on their work. The use of City's internal audit function may be used in the following ways:

- To obtain information that is relevant to RSM's assessments of the risks of material misstatement due to error or fraud; and
- As partial substitution for audit evidence to be obtained directly by RSM.

3.5 Rotation approach

In accordance with our rotational controls testing approach, we will conduct a risk assessment for each major transaction cycle. The risk assessment is benchmarked against our knowledge of each transaction cycle which enables us to design a control testing rotation plan that will bring certain transaction cycles into audit scope each year. Those cycles not in scope will be subject to our normal walk-through procedures and confirmation of our understanding of the key controls. Those transactions cycles in scope will be subject to detailed controls testing, including testing of the design and effectiveness of those controls.

In FY22, we will be testing key management and operating controls over the purchases cycle including fixed asset cycle and rotating out the control testing over the payroll cycle & rates revenue which will update our understanding of the controls and confirm our understanding using walk-through procedures.



APPENDIX 4 - FRAUD RISK CONSIDERATIONS

Under Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial statements because of fraud and error.

Although ASA 240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with the management of City. City is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial statements.

4.1 Audit approach

Our audit procedures on fraud risk include the following:

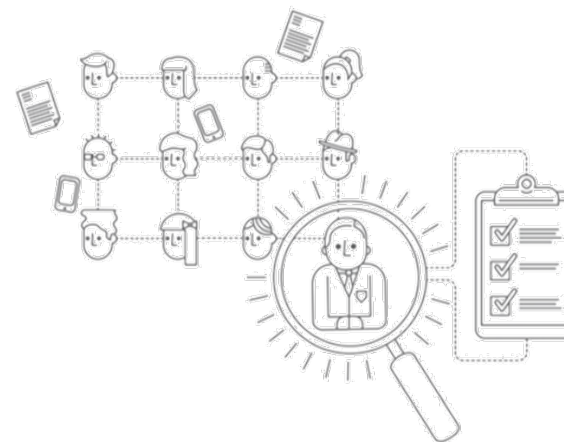
- Forward a copy of the fraud control checklist for self-assessment to City management, prior to our interim audit visit. The checklist allows us to make inquiries of management, to obtain its understanding of the risk of fraud within City and to determine whether management have any knowledge of fraud that has been perpetrated on or within the entity. We will review the fraud control self-assessment by City management and the Audit Committee.
- Review City's fraud control procedures in place to reduce the risk of fraud occurring within the entity, including City code of conduct and fraud risk profile.
- Understand City's manual general journal entries process as part of our fraud testing.
- Analyse the financial year end balances in comparison with prior period balances to confirm the movements of the balance are in line with our expectations.
- Understand the business rationale for significant or unusual transactions.

4.2 Unpredictability test

We will incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures to be performed as individuals within the entity who are familiar with the audit procedures normally performed on engagements may be more able to conceal fraudulent financial reporting.

4.3 Fraud incidences during the year

City's management has advised of one incident involving an employee falsifying a timesheet to gain benefit, which was reported to the Corruption and Crime Commission. The matter is now closed with the employee no longer working for the City. There is no impact on the financial statements. City management have confirmed that there were no other fraud incidences during the current financial year to the date of this APM.



APPENDIX 5 - AUDIT APPROACH TO THE KEY AUDIT AREAS

5.1 Risk assessment

Key audit areas are those areas that, in RSM's professional judgment, will be of most significance in our audit of the financial statements. As part of our audit approach, we have conducted an initial financial statement risk assessment to determine whether any of the risks identified are, in our judgment, significant or high. A significant or high risk is an identified and assessed risk of material misstatement in the financial statements that, in our judgment is a key audit area and requires special audit consideration. Our assessment of key audit areas is based upon:

- Enquiries of management and directors.
- The complexity of transactions within each area,
- The extent of specialist skill or knowledge needed to perform the planned audit requirement.
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of uncertainty.
- Understanding and reviewing prior year's audited financial statements and audit files
- Whether the area is exposed to fraud risk.

5.2 Professional scepticism

We approach all our audits with a degree of professional scepticism as required by Australian Auditing Standards and the *Auditor General Act 2006*. In addition, professional scepticism is a key component of delivering an effective public sector audit. *ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* defines professional scepticism as 'an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence'.

Professional scepticism is particularly relevant in areas that involve management assumptions and/or estimates. It is also critical when evaluating audit evidence to reduce the risk of the auditor:

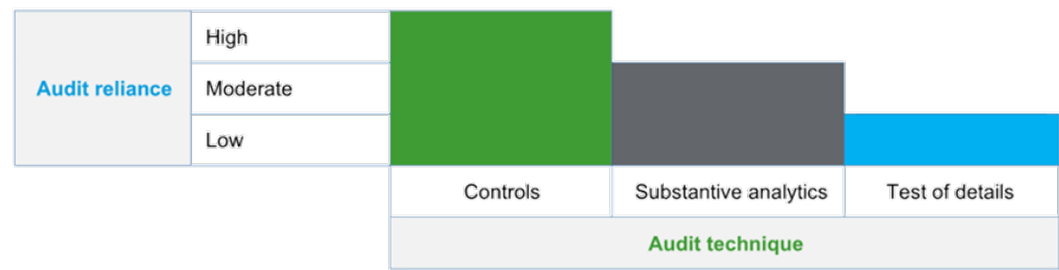
- Overlooking unusual circumstances; and
- Over generalizing when drawing conclusions from observations using inappropriate assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.



5.3 RSM approach to auditing significant risks

RSM's approach to auditing a class of transactions, account balance or disclosure is to initially assess whether there is a reasonable possibility that it could contain a material misstatement. Our risk assessment is based on both quantitative and qualitative criteria to determine whether they are significant.

Our audit strategy follows a hierarchy, which starts with testing of controls, then moves to substantive analytical review procedures and then finally testing of details. The following diagram shows an example where a high level of reliance on controls, along with a moderate level of reliance on substantive analytics is likely to result in testing of details that can safely rely on smaller sample sizes.



Based on previous audit experience at the City and review of the City's financial information, we have assessed that we can rely on internal controls, which effectively means we can apply a moderate level of substantive analytics and limited testing of details. This controls based approach is both efficient and effective.

Management representation letter

We will rely on the Chief Executive Officer and Chief Financial Officer of signing the financial statements as evidence that they have:

- Fulfilled their responsibilities for the preparation and fair presentation of the financial statements in accordance with the Financial Management Act 2006, Treasurer's Instructions and Australian Accounting Standards;
- Established and maintained an adequate internal control structure and adequate financial records and performance measurement data;
- Provided RSM with access to all information of which they are aware that is relevant to the preparation of the financial statements, and the operation of controls, such as records, documentation and other matters;
- Recorded all transactions in the accounting and other records and are reflected in the financial statements;
- Advised RSM of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- Advised RSM of all known instances of fraud or suspected fraud affecting City involving management, employees who have significant role in internal control or others where the fraud could have a material effect on the financial statements; and
- Provided RSM with the results of their assessment of the risk that the financial statements may be materially misstated because of fraud.

Independence

The Auditor General is an independent officer of the Western Australia Parliament, appointed under legislation to examine, on behalf of Parliament and Western Australia taxpayers, the management of resources within the public sector. The Auditor General is not subject to control or direction by either Parliament or the government. In conducting the audit, the Auditor General, staff and delegates will comply with all applicable independence requirements of the Australian accounting profession.

We are fully compliant with our Ethics and Independence Policies, which are verified and tested each year by our Partner Responsible for Ethics and Independence. Each year we are required to submit certain information to our Partner Responsible for Ethics and Independence, which is analyzed and subjected to a series of stringent tests. This system has been extensively reviewed by the Australian Securities and Investments Commission and found to be in accordance with Australian Auditing Standards, the Corporations Act 2001 and better practice.



APPENDIX 7 - CHANGES IN ACCOUNTING STANDARDS

Standard or pronouncements	Description	Who does it affect	Effective Date
AASB 2020-1 Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current.	<p>This narrow-scope amendment to AASB 101 Presentation of Financial Statements clarifies that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period; and also clarifies the definition of settlement of a liability.</p> <p>For example, a liability must be classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period.</p>	All entities	Annual reporting periods beginning on or after 1 January 2023.
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.	<p>This amending standard makes narrow scope amendments to a number of standards:</p> <ul style="list-style-type: none"> ▪ AASB 1: to simplify its application by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences; ▪ AASB 3: updating the reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; ▪ AASB 9: clarifying which fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; ▪ AASB 116: requiring an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use, and the related cost, in profit or loss, instead of deducting the amounts received from the cost of the asset; ▪ AASB 137: specifying the costs that an entity includes when assessing whether a contract will be loss-making; and ▪ AASB 141: removing the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards. 	All entities	Annual reporting periods beginning on or after 1 January 2022.

For more information, visit: www.rsm.global/australia/service/audit-and-assurance-services

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1

NAME

1

NETWORK

120

COUNTRIES

800

OFFICES

41,400

PEOPLE

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8.5 OCCUPATIONAL SAFETY AND HEALTH (OSH) STATISTICAL DATA REPORT

SUMMARY

This statistical data is provided to the Audit and Risk Committee for noting.

Council has endorsed a Health and Safety Policy to meet its moral and legal obligation to provide a safe and healthy work environment for all employees, contractors, customers and visitors. This commitment extends to ensuring the City's operations do not place the community at risk of injury, illness or property damage. At every Audit and Risk Committee Meeting the Committee receives a report detailing statistical data. This report entitled the City of Kwinana OSH Statistical Data Report is enclosed as Attachment A.

OFFICER RECOMMENDATION

That the Audit and Risk Committee note the City of Kwinana OSH Statistical Data Report detailed in Attachment A.

DISCUSSION

The OSH Statistical Data Report is provided to the Audit and Risk Committee at each Audit and Risk Committee Meeting. The City assesses the incident reporting data to provide information on the nature and extent of injury and/or disease, including a comprehensive set of data for the workplace, to assist in the efficient allocation of resources, to identify appropriate preventative strategies and monitor the effectiveness of these strategies and to provide a set of data for benchmarking against other Local Governments. As a result, the City can adequately identify, evaluate and manage the safety and health aspects of its workforce operations.

Summary of Statistical Data:

The statistical data report details information over a three-month period, 1 March 2022 to 31 May 2022. From the represented data, it is noted that the incident count trend from the previous period decreased by one incident, with six incidents reported in March and two incidents in April. Of note, there were no incidents reported in May 2022. These eight incidents are from the following directorates:

- Five from City Infrastructure, and
- Three from City Development and Sustainability directorate.

The departments that are domiciled to each directorate includes teams that are considered "high risk" teams due to their operational nature. The incidents reported over the three-month reporting period have predominately occurred in these "high risk" teams. One of the incidents was listed as lost time, two injury – no lost time and five reports only. Included in the data pertaining to the reports only were two incidents relating to the City's electric fences at the dog pound facility. On two occasions, employees from different directorates accidentally touched the fence and received a shock. It is not usual practice for the electric fence to be activated between 6am and 6pm, Monday through to Friday. Both of the incidents occurred in this timeframe and were reported, as required, to Western Power and the City's electrical contractor attended the facility. It was established that during the City Operations building refurbishment, that the re-set function of the electric fence was activating outside of the prescribed timeframes. This has since been rectified, noting that it was determined the City had appropriate signage in place.

OSH System Update:

As discussed at the Audit and Risk Committee meeting in October 2021, the City had undertaken research into an appropriate electronic system to remove the various manual and laborious recording systems and to further enhance the City's Safety and Health Management framework. The expected outcomes of the electronic system are to continually assess and advance processes, improve on the information obtained and collate data that provides meaningful evaluation thereby assisting in the appropriate management of hazards and risks at the City. A preferred system has been assessed, namely MyOSH. The City has now procured the software and is currently in the process of configuring the new system with the view to implement as soon as practicable.

The City identified the following core modules which are standard with the product: -

- Incident reporting,
- Action management,
- Hazard management, and
- Dash board.

Through a consultation process, the following modules were also agreed with the internal stakeholders being: -

- Inspections and audits,
- Risk assessments,
- Contractor management, and
- Safe work method statements (SWMS).

After configuration and implementation of the MyOSH software, appropriate staff will be provided with training.

New Work Health and Safety (WHS) Legislation:

On 30 March 2022, the new Work Health and Safety (WHS) legislation came into effect. The City through a recent desktop audit to AS 45001, coupled with a gap analysis of existing occupational safety and health documentation and processes, has identified specific amendments that will be required to align with the new legislation. There is a translation period of 12 months for this to be completed. The City has commenced the review and applicable amendments to reflect any changes.

STRATEGIC IMPLICATIONS

There are no strategic implications as a result of this proposal.

SOCIAL IMPLICATIONS

There are no social implications as a result of this proposal.

LEGAL/POLICY IMPLICATIONS

Regulation 17 of the Local Government (Audit) Regulations 1996 provides:

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.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

FINANCIAL/BUDGET IMPLICATIONS

The financial implications as a result of this report include the purchase/implementation of an electronic safety system.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications as a result of this report.

ENVIRONMENTAL/PUBLIC HEALTH IMPLICATIONS

No environmental or public health implications have been identified as a result of this report or recommendation.

COMMUNITY ENGAGEMENT

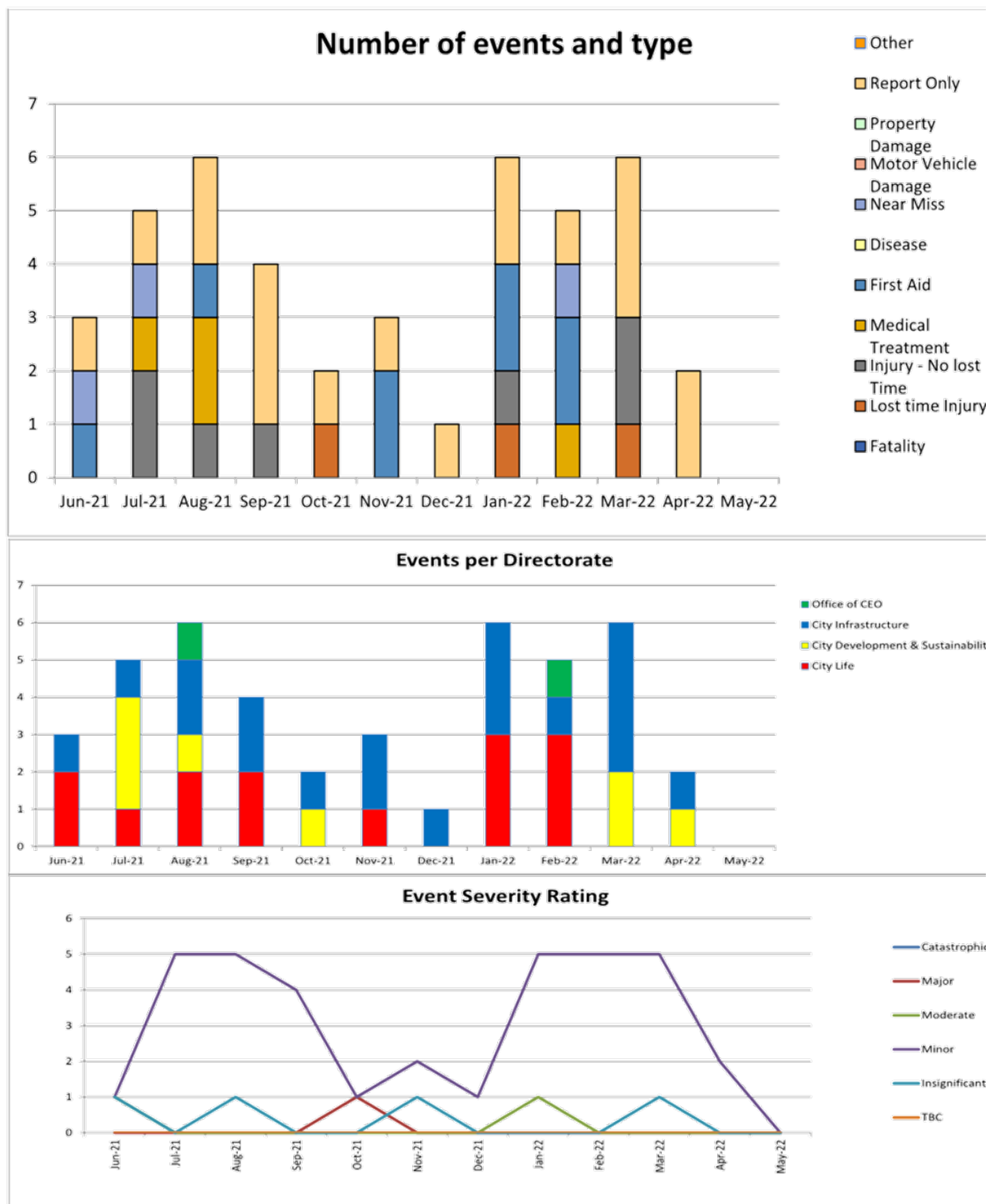
There are no community engagement implications as a result of this report or recommendation.

ATTACHMENTS

- A. Attachment A - Audit and Risk Committee - OSH Statistical Data Report - 31 May 2022**

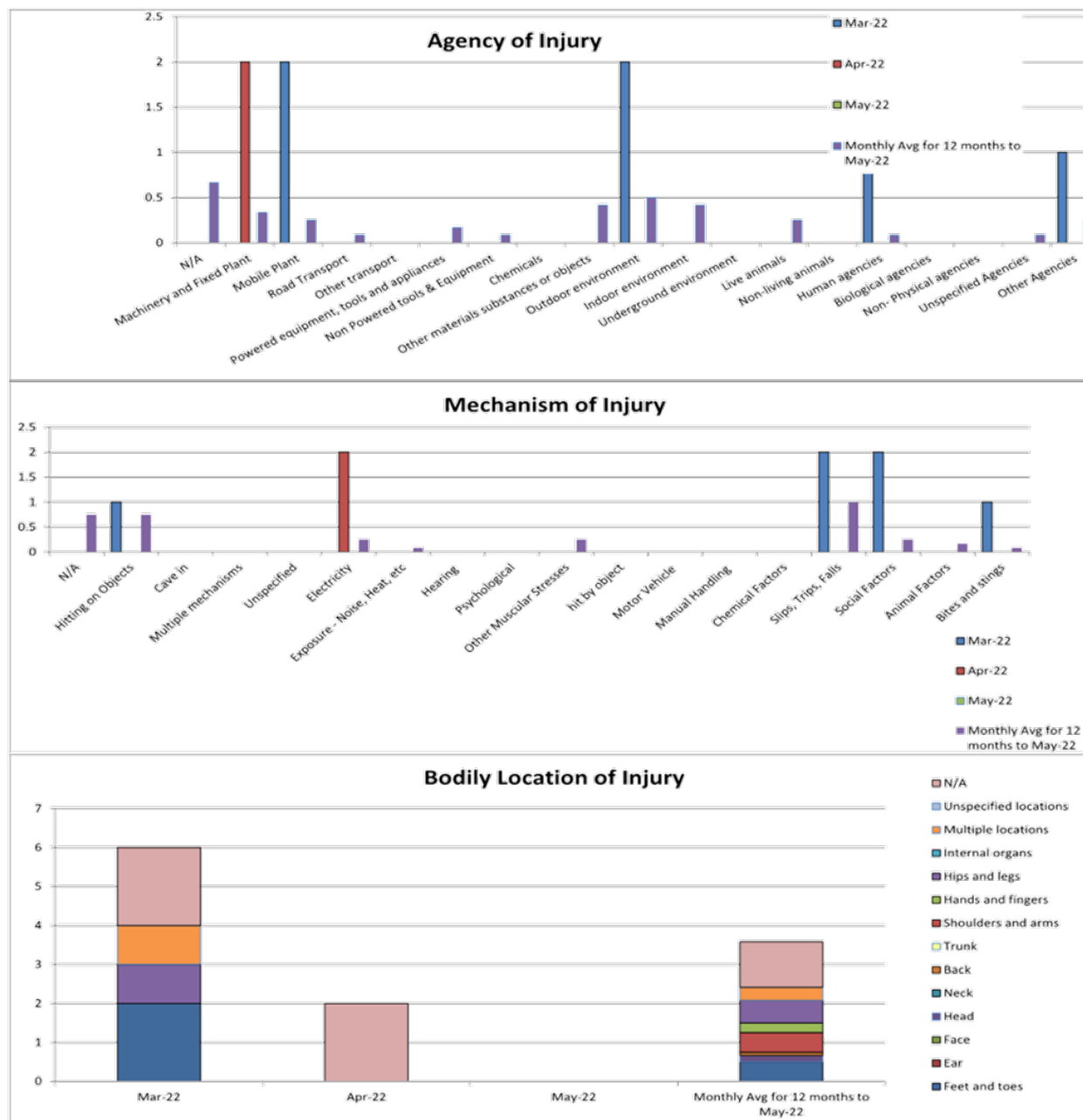
Attachment A

City of Kwinana – OSH Statistical Data Report – 31 May 2022



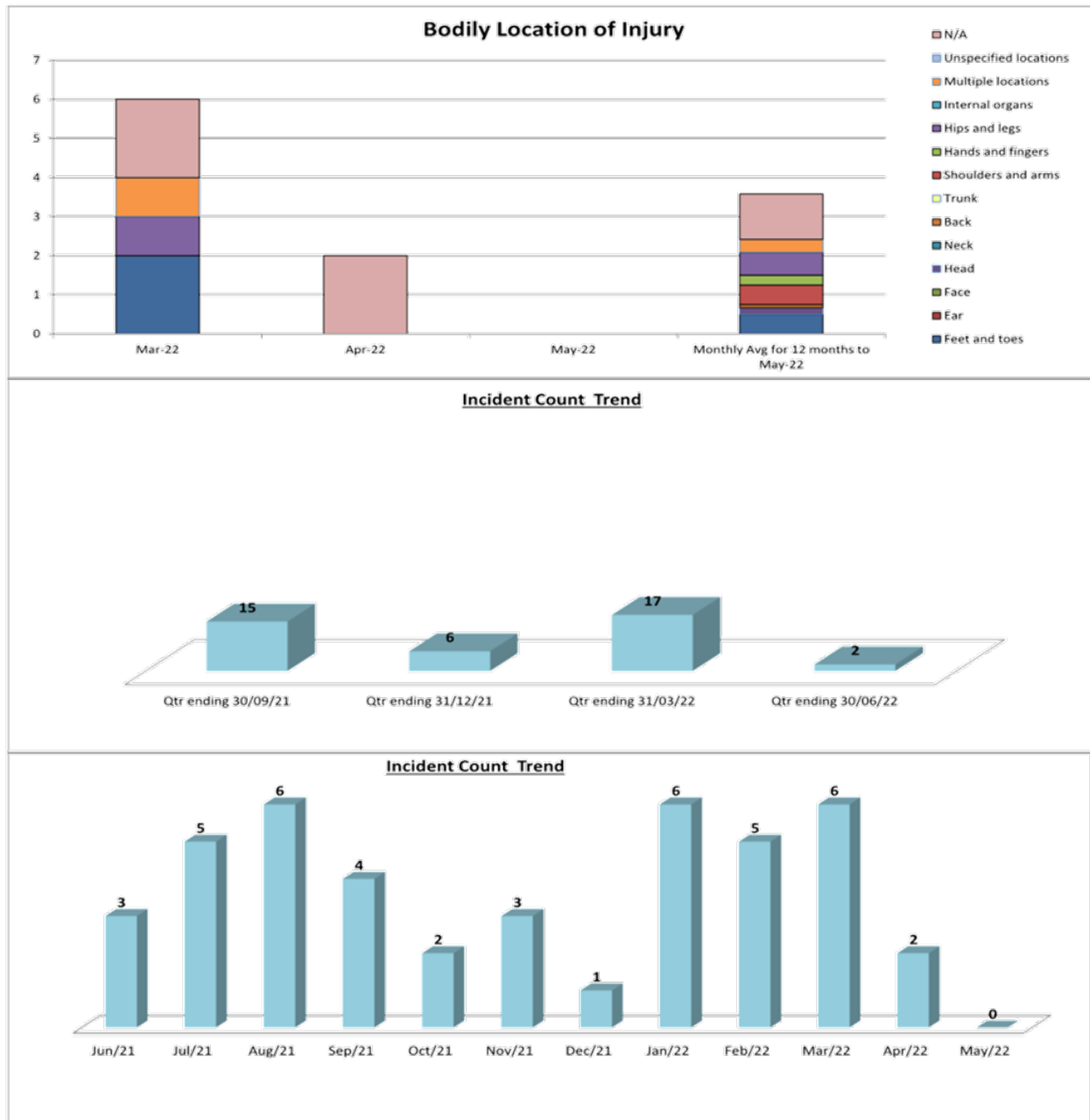
Attachment A

City of Kwinana – OSH Statistical Data Report – 31 May 2022



Attachment A

City of Kwinana – OSH Statistical Data Report – 31 May 2022



8.6 UPDATE ON THE PROGRESS OF THE ONECOUNCIL IMPLEMENTATION PROJECT

SUMMARY

Since the last update, the OneCouncil project has made significant progress towards a go live date of 1 July. Three parallel pay runs have been completed, all of which have balanced within \$1. In addition, each of the relevant departments has signed off approval to go live, based on completed testing and reviews of data. A pilot has been completed within the Operations centre, to ensure costing and timesheet processes will work correctly for day labour. As a result of testing, data verifications and departmental signoffs, the project board has endorsed the go live from 1 July 2022. This is a significant achievement, particularly in the context of a difficult market for technical project staff, and the additional challenges created by the Covid pandemic (including losing key project and operational staff through Covid infection).

The project team and key City officers are currently finalising transition activities, and planning for the shutdown of legacy systems. A program of staff training has commenced, with most training to be completed prior to go live, with a small amount of training to be completed in July (Covid has impacted some training timeframes). Officers have also determined the approach for “hypercare” (support through go live and for the first month) and ongoing support for the product.

Significantly, the residual risk for the project has been reduced from High to Moderate, and is likely to be reduced to low over the next few weeks. As a result of the progress made, and the achievements of the past few months, there is a high-level of confidence in the success of the phase one go live, and transition from the existing system to the new system.

With the OneCouncil system now on target to achieve the 1 July go live date, it is necessary to contemplate the Business As Usual (BAU) approach, and phase two. Prior to embarking on a project to deliver phase two of the OneCouncil project, it is necessary to pause in order to develop a thorough project plan, confirm delivery costs for phase two and ensure the ongoing soundness of the project, including budget. Reconfirming of the soundness of the project is a normal part of project management, and ensures continued application of resources is on the basis of informed decisions. A pause will also allow phase one to embed in the organisation, undertake a major upgrade, and assist with an understanding of the product, which will guide the phase two implementation.

It is recommended that the Audit and Risk committee note the significant progress of the phase one implementation of the OneCouncil project, and the need to plan phase two of the project, prior to investing in phase two implementation works.

OFFICER RECOMMENDATION

That the Audit and Risk Committee:

- 1. Note the significant progress on the phase one implementation of OneCouncil and the high confidence in achieving the 1 July go live date;**
- 2. Note the reduction in project risk from high to moderate; and**
- 3. Note the intent to pause the implementation of phase two, to give the organisation a break from change, to embed phase one into the organisation, to replan phase two on the basis of utilising another local authority configuration, and to update and confirm the project efficacy, including confirming the implementation cost.**

DISCUSSION

For a number of years, the City has been progressing the implementation of a new Corporate Business System, or Enterprise Resource Planning (ERP) system. This new system replaces the existing Authority system, which has reached the point of being essentially unsupported, and being difficult to use for the purposes of deep-diving into the business. The new system is the current industry standard, and, ultimately, is a full business system, replacing a number of existing software products.

Full ERP systems require significant setup to fit a business. This approach to modern business systems is a significant advancement to the last major software update undertaken by the City, with the business essentially modifying processes to match the constraints of the product. Modern ERP systems provides opportunity to create efficiency, but there is a significant upfront cost in building the system, and an ongoing investment is needed to ensure opportunities to streamline the business are realised.

Councillors will be aware that the change to modern ERP has been a challenge. The work involved in delivering the project has been significantly more than expected when the project was originally sold to Council. Officers have maintained the project risk as high-risk, with fortnightly board meetings, fortnightly CEO and Director meetings and monthly Executive Leadership Team meetings, to oversee the project and to monitor the mitigation of risk.

A significant challenge to the project delivery has been the tight market for business analysts, and the general lack of business analysts with experience in TechnologyOne. This issue has resulted in the City paying a premium for business analysts, and in some cases, having to “move on” business analysts who have not performed. The challenge with staffing the project has resulted in the delivery being “messy”. The “messiness” of the delivery has increased the challenge of managing the change process within the organisation, and was a contributing factor to the last project manager leaving the project. These issues have also led to the high project residual risk being maintained.

Moving forward, it is expected that go live will be achieved, with the new system being the City’s key business system from 1 July. From July 1, the project will be in “hypercare” mode, where the project team and vendor will support the organisation, and ensure key users are supported, and key business processes occur. For the first three months, after go live, the City will be working with Atturra, a specialist consultant with skills in the OneCouncil product, to support the product, working closely with the City’s Information Technology (IT) team, to ensure knowledge transfer. Atturra will also support the Finance team to run key business processes, such as month end, budget upload, journals and, ultimately year end. Finally, Atturra will assist the City in implementing the first version update, around October of this year. This particular version update is large, and will require the implementation of a robust test plan before the updated version is moved to the live operating environment. Working with Atturra to test and deploy this first version update will allow the IT team to document an ongoing change process for future updates.

The following modules are included in the phase one go live:

- Payroll;
- Finance – integrates with the existing Authority system, which retains Rates and Debtors;
- Supply Chain;
- Contracts;
- Assets;
- Works – this is ready for full implementation, although may be rolled out over a few weeks to support the outside workforce;
- Works Requests – basic implementation;
- ECM (records) – partial implementation to record documents related to the other modules; and

- Talent Management – partial at go live, with full implantation prior to September.

Once the product has settled into the organisation, focus will be changed to BAU improvements and rollouts, with particular focus on developing key business forms, and developing more detailed financial reports and dashboards. These improvements will generally be driven by the City's Finance team, and managed by the IT team, with support from Atturra. It is planned that the early improvements to reporting will be used to upskill on using the reporting tools within the product (in particular the Excel reporting tool), so that future reporting can be developed inhouse. Early after go live, the Talent Management module will be expanded to incorporate annual performance appraisals, and the payroll system will be simplified, with a view to implementing auto-pay.

Within the first 12 months after go live, BAU improvements are expected to include the Corporate Reporting module (Corporate Business Plan and KPI reporting), Works Requests (this will be expanded from a basic configuration at go live) and the finalisation of the Talent Management module. Consideration will also be given to configuring the Enterprise Budgeting module (this module simplifies the manual budget process, and avoids the use of Excel spreadsheets and manual uploads). The decision as to timing of the Enterprise Budgeting module will be made once the Finance team have been using the OneCouncil system for a few months, to allow the time to build knowledge of the product and skills with using the product. Following these BAU improvements, and separate to the phase two implementation, the City will be on a journey of continuous refinement and improvement with the product. The process of continuous improvement is how efficiencies will be gained, allowing for reallocation of internal resourcing, and increased accountability while reducing the risk of impropriety or error.

Phase Two

Noted above, the phase one implementation has been messy, and the cost and quality of labour has been a challenge. Also noted above, the project has been considered high risk throughout the phase one implementation. Prior to committing to phase two, it is recommended that there be a project pause (noting that there will still be BAU improvements, including several modules and enhanced functionality). The reasons to pause, are as follows:

- The organisation is fatigued, and a break is needed to allow the new product to be embedded, prior to progressing another journey of change;
- The Change Manager has also been responsible for project management for the past six months, and, once the hypercare period is complete, it is essential she be given the chance to take holidays, prior to progressing phase two.
- The City does not have a project manager, and it is essential that a project manager is appointed prior to phase two commencing.
- The risk profile for phase two should commence at no more than medium, which requires:
 - Detailed planning of the phase two rollout (planning prior to commencement, rather than trying to plan on the run);
 - Confidence that key project resources can be found, and the cost to employ the resources is reasonable (this should include considering delivering the project across more than one local authority with the same project team);
 - Confidence that the project budget for phase two is correct, including with a sufficient contingency (it is important that this is confirmed prior to commencing phase two, and that the Council agrees to fund the cost up front, rather than having to address budget over-runs, if they occur during implementation);
 - Opportunities to utilise configurations of other Councils are fully explored and signed off internally, prior to committing to phase two (advice from Atturra is that the City can save up to 40% of consultancy costs using this approach, providing it is well planned and agreed up front); and
 - Module requirements are defined upfront, to ensure the go live goal is understood, and to reduce the risk of scope creep.
- The pause will allow the software to embed in the organisation, and lift the skills and knowledge of staff, before they are asked to make business decisions about a new implementation.

- This will allow time for the IT team to be on top of the product, and to implement product upgrades (including documenting detailed testing processes as part of the change control process) prior to being pulled into a new release project (note that the City is required to be within one version release of the current product to maintain product support).

It is recommended that the City employ a resource towards the end of the current calendar year to work through phase two of the project, including opportunities to collaborate and to use configurations of other Councils. Once a detailed project plan has been developed and costed, it is recommended that this be presented to the Audit and Risk committee and Council for confirmation of continued commitment, and acceptance of costs, risks and timeframes. The commencement of phase 2 will be dependent upon the completion of this review and preparation of plan and report. Notably, while the word “pause” has been used within the report, in reality, a number of BAU improvements will be made, including module implementations, with the pause only being a pause of major module implementations to allow time to embed the current modules, upgrade the version, and properly plan and cost the phase two implementation.

As noted above, the current Change Manager needs to take a break, and once phase one processes are complete, the Change Manager will be looking to take leave. Once returned, it is planned to use the Change Manager to work with the IT team to develop improved internal change processes, and to support the BAU improvements in the next 12 months. It is also planned that the Change Manager will be used to develop skills and resources within the organisation more generally, in managing change. Finally, the Change Manager will work closely with the project planning resource (likely project manager) to assist in planning phase two and confirming the cost, scope and timing of the implementation.

STRATEGIC IMPLICATIONS

This proposal will support the achievement of the following outcome/s and objective/s detailed in the Strategic Community Plan and Corporate Business Plan.

Strategic Community Plan			
Outcome	Strategic Objective	Action in CBP (if applicable)	How does this proposal achieve the outcomes and strategic objectives?
5 – Visionary leadership dedicated to acting for its community	5.1 – Model accountable and ethical governance, strengthening trust with the community	5.1.1 – Implement the Strategic Community Plan and Corporate Business Plan 5.1.2 – Implement the Long-Term Financial Plan 5.1.3 – Implement the Infrastructure Strategy	

SOCIAL IMPLICATIONS

There are no social implications as a result of this proposal.

LEGAL/POLICY IMPLICATIONS

No legal/policy implications have been identified as a result of this report or recommendation.

FINANCIAL/BUDGET IMPLICATIONS

The project is currently tracking to be \$80k to \$100k under the phase one budget at go live. The project team will continue to support the City through July, and it will also be necessary to employ consultant hours to assist the City in the first month. Accordingly, it is expected that the City will be close to, or slightly under, the planned phase one expenditure by the end of the hypercare period.

ASSET MANAGEMENT IMPLICATIONS

No asset management implications have been identified as a result of this report or recommendation.

ENVIRONMENTAL/PUBLIC HEALTH IMPLICATIONS

There are no implications on any determinants of health as a result of this report.

COMMUNITY ENGAGEMENT

There are no community engagement implications as a result of this report or recommendation.

ATTACHMENTS

Nil

9 LATE AND URGENT BUSINESS

Note: In accordance with Clauses 3.13 and 3.14 of Council's Standing Orders, only items resolved by Council to be Urgent Business will be considered.

10 ANSWERS TO QUESTIONS WHICH WERE TAKEN ON NOTICE

11 CLOSE OF MEETING