

NOTICE OF MEETING

AUDIT AND RISK COMMITTEE

Members of the Audit and Risk Committee are advised that a meeting of the Committee will be held in the Council Chambers, Civic Building, 83 Mandurah Terrace, Mandurah on

**Monday 14 June 2021
at 5.30pm**

ALLAN CLAYDON
Acting Chief Executive Officer
10 June 2021

Committee Members:
Councillor P Jackson (Chairperson)
Mayor Williams
Councillor J Green
Councillor P Rogers
Councillor A Zilani
Mr W Ticehurst

Deputies:
Councillor D Pember
Councillor C Knight

AGENDA

1 OPENING OF MEETING

2 APOLOGIES

3 IMPORTANT NOTE

Members of the public are advised that the decisions of this Committee are referred to Council Meetings for consideration and cannot be implemented until approval by Council. Therefore, members of the public should not rely on any decisions of this Committee until Council has formally considered the resolutions agreed at this meeting.

4 RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

5 PUBLIC QUESTION TIME

Public Question Time provides an opportunity for members of the public to ask a question of Council. For more information regarding Public Question Time please visit the City's website mandurah.wa.gov.au or telephone 9550 3787.

6 ANNOUNCEMENTS

Modification to *Standing Orders Local Law 2016* - electronic attendance at meeting.

7 PRESENTATIONS

7.1 Ernst and Young – Introduction

7.2 Executive Manager Systems and Projects – Cyber Risk Assessment

8 DEPUTATIONS

Any person or group wishing to make a Deputation to the Committee meeting regarding a matter listed on this agenda for consideration must complete an application form. For more information regarding making a deputation please visit the City's website mandurah.wa.gov.au or telephone 9550 3787.

9 CONFIRMATION OF MINUTES: 8 MARCH 2021

Minutes available on the City's website via mandurah.wa.gov.au/council/council-meetings/agendas-and-minutes

10 DECLARATIONS OF INTERESTS

11 QUESTIONS FROM COMMITTEE MEMBERS

11.1 Questions of Which Due Notice Has Been Given (Pages 1 – 2)

11.2 Questions of Which Notice Has Not Been Given

12 BUSINESS LEFT OVER FROM PREVIOUS MEETING

13 REPORTS

<i>No.</i>	<i>Item</i>	<i>Page No</i>	<i>Note</i>
1	Office of the Auditor General: Application Controls Audit	3 - 5	
2	Office of the Auditor General: Local Government Computer Controls	6 - 8	
3	City of Mandurah Culture Review 2021	9 - 12	

14 LATE AND URGENT BUSINESS ITEMS

15 CONFIDENTIAL ITEMS

<i>No.</i>	<i>Item</i>	<i>Page No</i>	<i>Note</i>
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16 CLOSE OF MEETING

QUESTIONS OF WHICH DUE NOTICE HAS BEEN GIVEN AUDIT AND RISK COMMITTEE 14 JUNE 2021

11.1 COUNCILLOR P ROGERS: SLAVERY ACT AND INSURANCE

1. Local government entities across Australia are not required to comply with the reporting requirement of the Modern Slavery Act which ensures that local government entities are treated in the same way as state and territory governments.

However, local governments have an important role to play in combating modern slavery through their significant procurement activities. As such, local government entities are encouraged to voluntarily comply with the Act where they have a capacity to do so.

Could officers outline any actions currently being undertaken, or that have been identified to be undertaken in the future, to combat modern slavery through our procurement activities?

2. Are Elected Members currently covered under any insurance policy (e.g. similar to D&O Insurance)?
3. Could officers please briefly outline the City's insurance coverage and clarify whether there are any substantial areas of risk that we insure against which are not included on our Strategic Risk Register?

City of Mandurah Response

1. *As part of the City's Procurement Planning process, officers are required to actively identify and address modern slavery risks in procurement activities. At the City, the areas that are of a high risk for modern slavery include cleaning and security. As part of the Tender process, the City requests that the market provide a written declaration providing details of any court proceedings that the organisation has been involved with relating to unsafe work practices or breaches of minimum employment awards in Australia and provide a written declaration to demonstrate that all employees are covered by a relevant award or certified industrial agreement.*

2. *Elected Members are currently covered under the following insurance policies:*

Personal injury - provides lump sum payment for permanent injury, weekly wage replacement for temporary disablement, non-Medicare medical expenses, and some out of pocket expenses following an accidental bodily injury.

Motor vehicle - Where Elected Members are using their private vehicle for the benefit of the Council, they will be covered by the local governments' motor vehicle policy for damage and their liability.

Liability protection - If damage is caused to third party property or cause injury to a third party the policy will respond to protect the legal liabilities arising from duties as an Elected Member.

Travel - Covered for travel during the time as an Elected Member on Council business trips, including cover for expenses for overseas medical treatment, emergency medical evacuation, flight cancellation, lost baggage and personal effects.

Councillor's liability - Councillor's Liability provided in respect to claims for alleged wrongful acts arising out of the official duties. This includes a complimentary legal helpline for related matters before a claim arises.

Personal property - LGIS Property extends cover for damage/loss to personal property whilst undertaking official duties.

3. *The City has a range of insurance policies to cover local government specific events. There are two strategic risks that do not have insurance policies identified as a mitigating/recovery control and not initially covered by insurance and they are:*

1. *Financial Risk Event – where there is a failure to adequately budget for and meet the City's current and future financial commitments and needs. The impacts may be covered by insurance for some decisions when the decision has been implemented and operational, however the initial decision would generally not be covered.*
2. *Reputational Risk Event – where there is a failure to identify, understand and meet community expectations. The impacts may be covered by insurance once implemented and operational, however there may be instances where a decision is made and the consequence may not be covered by insurance.*

The City is a member of the mutual insurance scheme (LGISWA) that covers WA local governments. It is designed to ensure local government are protected and the industry manages the risks of local governments.

1	SUBJECT:	Office of the Auditor General: Application Controls Audit 2021
	DIRECTOR:	Business Services
	MEETING:	Audit and Risk Committee
	MEETING DATE:	14 June 2021

Summary

The Auditor General (OAG) has issued a report assessing the controls applied to business applications at four State Government entities. The objective of the audit was to establish whether or not entities exercise effective controls to manage their applications and information. The report identified 75 findings across nine different categories.

A comparison between the report's findings and the City's applications has been undertaken.

The Audit and Risk Committee is requested to note the comparison of the status of the City's information systems controls with the findings of the audit on State Government entities.

Disclosure of Interest

None

Previous Relevant Documentation

None

Background

Each year the OAG¹ reviews a selection of key applications that entities rely on to deliver services. The focus is on key controls that ensure that data are complete, accurately captured, processed and maintained. The audit process reviews and tests people, processes, technology and data in the following control categories:

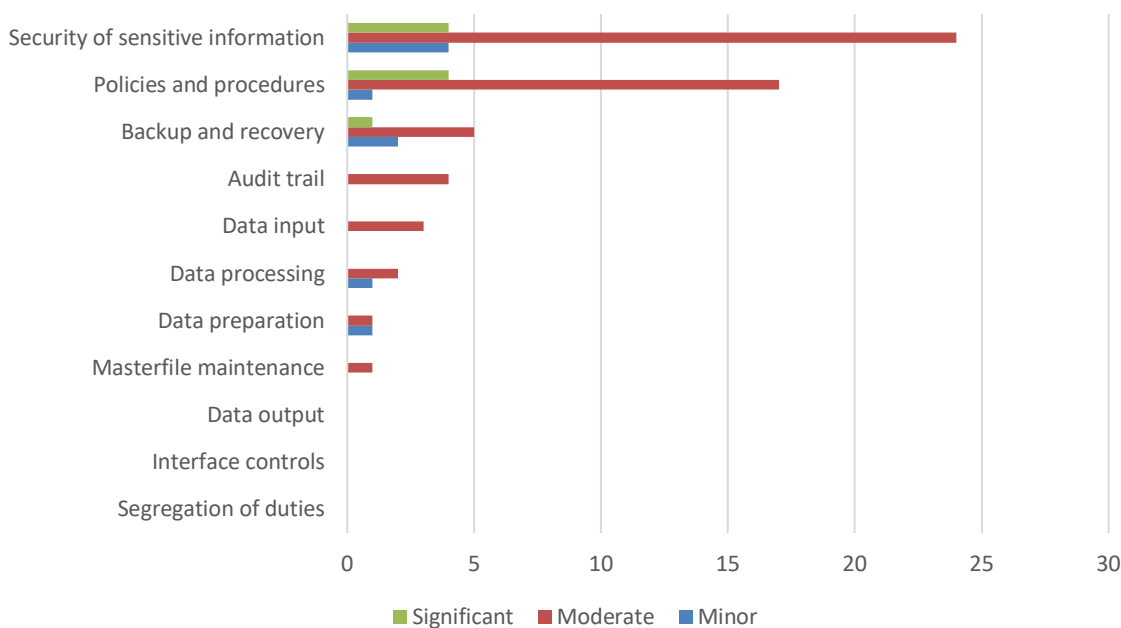
1. Policies and procedures – are appropriate and support reliable processing of information
2. Security of sensitive information – controls exist to ensure integrity, confidentiality and availability of information at all times
3. Data input – information entered is accurate, complete and authorised
4. Backup and recovery – is appropriate and in place in the event of a disaster
5. Data output – online or hard copy reports are accurate and complete
6. Data processing – information is processed as intended, in an acceptable time
7. Segregation of duties – no staff perform, or can perform, incompatible duties
8. Audit trail – controls over transaction logs ensure history is accurate and complete
9. Masterfile maintenance, interface controls, data preparation – controls over data preparation, collection and processing of source documents ensure information is accurate, complete and timely before the data reaches the application.

The entities and their applications which were assessed were:

1. Teacher Registration System – Department of Education, Teacher Registration Board of Western Australia
2. Deliveries and Billing System – Forest Products Commission
3. Housing Management System (Habitat) – Department of Communities
4. Student Management System – Department of Training and Workforce Development, North Metropolitan TAFE, South Regional TAFE.

¹ Due to the size of the Auditor General's report it has not been included as an attachment. The report can be accessed at audit.wa.gov.au/wp-content/uploads/2021/03/Report-16_Application-Controls-Audits-2021.pdf

A summary of the findings is as follows:



Comment

Although the nature of the applications assessed by the OAG have no equivalent in the City’s systems, the report highlights many areas which are common to all systems such as security of sensitive data. A full list of items noted by the OAG and the City’s status, where relevant, is attached at Confidential Attachment 1.1.

In many cases, it is difficult to be specific when providing comments. Although detailed findings would have been discussed with individual departments, the report assumes rightly that each department knows how it operates. For the outside observer, assumptions have to be made in some circumstances as to how the departments are organised and operate.

The City has committed to the following actions which are seen as useful to improving systems and security:

• Development of a cloud strategy and management plan	30 June 2021
• Organisation-wide service level agreement	30 June 2021
• Implementation of full multi-factor authentication	30 June 2021
• Review of privileged accounts	30 September 2021
• Implementation of network upgrade and cutover testing for disaster recovery	Sept. – Nov 2021 (provisional)

Consultation

None

Statutory Environment

Local Government Act 1995 s5.41(h) Functions of CEO

“ensure that records and documents of the local government are properly kept for the purposes of this Act and any other written law”

Policy Implications

None

Financial Implications

None

Risk Analysis

The inability to maintain systems which are as robust as possible presents risks both in terms of data loss and impairment of operating capability. Damage would then be seen to the City's reputation and possibly to stakeholders such as suppliers and the community.

Strategic Implications

The following strategy from the City of Mandurah Strategic Community Plan 2020 – 2040 is relevant to this report:

Organisational Excellence:

- Ensure the City has the capacity and capability to deliver quality services and facilities through accountable and transparent business practices, governance, risk and financial management.

Conclusion

Although the City does not have comparable systems to those examined by the OAG, the report nevertheless provides useful information on areas of commonality, such as the security of sensitive data, and helps the City in its security improvement programme.

NOTE:

- Refer ***Confidential Attachment 1.1 Comparison of City systems with Auditor General's report on certain State Government applications.***

Further information pertaining to the Auditor General's report can be viewed online at audit.wa.gov.au/wp-content/uploads/2021/03/Report-16_Application-Controls-Audits-2021.pdf

RECOMMENDATION

That the Audit and Risk Committee note the comparison of the status of the City's applications with the findings of the Auditor General's report on State Government entities as detailed in Confidential Attachment 1.1.

2	SUBJECT:	Office of the Auditor General: Local Government General Computer Controls
	DIRECTOR:	Business Services
	MEETING:	Audit and Risk Committee
	MEETING DATE:	14 June 2021

Summary

The Auditor General has issued a performance audit report assessing the general information technology (IT) controls at 11 local governments. Each entity was assessed over six categories. The City of Mandurah was not one of the 11 local governments included in the Auditor General audit.

A comparison between the report's findings and the City's IT structure and organisation has been undertaken.

The Audit and Risk Committee is requested to note the comparison of the status of the City's information systems controls with the findings of the performance audit.

Disclosure of Interest

None

Previous Relevant Documentation

- G.4/9/20 22 September 2020 Auditor General's report on local government systems performance audit

Background

The Office of the Auditor General (OAG) has carried out its second performance audit on the effectiveness of computer controls in local government. A total of 11 local governments were evaluated against the following six areas:

- Information security
- Management of IT risks
- Change control
- Business continuity
- IT operations
- Physical security

For this part of the report each category was assigned a score based on the following table:

0 Non-existent	Management processes are not applied at all. Complete lack of any recognisable processes.
1 Initial/ad hoc	Processes are ad hoc and overall approach to management is disorganised.
2 Repeatable but intuitive	Processes follow a regular pattern where similar procedures are followed by different people with no formal training or standard procedures. Responsibility is left to the individual and errors are highly likely.
3 Defined	Processes are documented and communicated. Procedures are standardised, documented and communicated through training. Processes are mandated; however it is unlikely that deviations will be detected. The procedures themselves are not sophisticated but are the formalisation of existing practices.

4 Managed and measurable	Management monitors and measures compliance with procedures and takes action where appropriate. Processes are under constant improvement and provide good practice. Automation and tools are used in a limited or fragmented way.
5 Optimised	Good practices are followed and automated. Processes have been refined to a level of good practice, based on the results of continuous improvement and maturity modelling with other enterprises. IT is used in an integrated way to automate the workflow, providing tools to improve quality and effectiveness, making the entity quick to adapt.

The general finding was that:

“LG entities need to improve their general computer controls. We reported 328 control weaknesses to 50 LG entities, with 10% (33) of these rated as significant and 72% (236) as moderate. As these weaknesses could significantly compromise the confidentiality, integrity and availability of information systems, the LG entities should act promptly to resolve them.

“Our capability assessment results show that none of the 11 audited LG entities met our expectations across six control categories, with 79% of the audit results below our minimum benchmark. We found weaknesses in controls for information security, business continuity, change management, physical security and IT operations. Entities also need to improve how they identify and treat information risks. Five of the entities were also included in last year’s in-depth assessment and could have improved their capability by promptly addressing the previous year’s audit findings but, overall, did not discernibly do so.”

Comment

Although the OAG refers to a large number of findings, none of these have been published as part of the report. There are, however, six key recommendations on which a commentary is provided (Confidential Attachment 2.1).

Consultation

None

Statutory Environment

Section 5.41(h) of the *Local Government Act 1995*. Functions of CEO

“ensure that records and documents of the local government are properly kept for the purposes of this Act and any other written law”

Policy Implications

Nil

Financial Implications

Nil

Risk Analysis

The inability to maintain systems and infrastructure which are as robust as possible presents risks both in terms of data loss and impairment of operating capability. Damage would then be seen to the City’s reputation and possibly to stakeholders such as suppliers and the community.

Strategic Implications

The following strategy from the City of Mandurah Strategic Community Plan 2020 – 2040 is relevant to this report:

Organisational Excellence:

- Ensure the City has the capacity and capability to deliver quality services and facilities through accountable and transparent business practices, governance, risk and financial management.

Conclusion

The OAG has provided some useful insights regarding the work which needs to be done to meet even the minimum standard of acceptable controls. The City is committed to a programme of continuous improvement in this area, subject to the availability of resources, and recognising the complexities of risk management in cyber security.

NOTE:

- Refer ***Confidential Attachment 2.1 City Assessment against OAG Recommendations***

RECOMMENDATION

That the Audit and Risk Committee note the comparison of the status of the City's general computer controls with the findings of the Auditor General's report on Local Government controls as detailed in Confidential Attachment 2.1.

3	SUBJECT:	City of Mandurah Culture Review 2021
	DIRECTOR:	Strategy and Economic Development
	MEETING:	Audit and Risk Committee
	MEETING DATE:	14 June 2021

Summary

An independent review of the City of Mandurah's culture is currently underway by the recently appointed Coordinator, Performance and Culture. The review's objective is to identify priority focus areas for the business and a recommended action plan to address these over the coming twelve months. This plan will be critical for ensuring the organisation remains focused on delivering those activities that are likely to have the most significant, positive impact on realising the CEO's vision of achieving a strong, constructive culture by June 2022.

The purpose of this paper is to:

- Inform the Audit and Risk Committee that a review of the City's culture, and actions to address priority areas, is currently being conducted.
- Communicate the role of the Audit and Committee, and the Elected Members, in helping the organisation successfully implement culture change within the City.
- Propose a six-monthly reporting frequency to the Audit and Risk committee.

Disclosure of Interest

Nil

Previous Relevant Documentation

- Council Culture Report December 2020 Inform Council of the City's culture program to date.

Background

The City of Mandurah (the City) has embarked on a cultural change journey since 2005 using the Human Synergistics framework.

To date:

- Significant improvement has been made with respect to two of the four constructive styles, namely Affiliative and Humanistic Encouraging. This was externally recognised through the organisation receiving the Human Synergistics Culture Transformation Award in 2007 and the Human Synergistics Sustainability Award in both 2009 and 2012.
- The City has seen inconsistent results for the remaining two constructive styles: Achievement and Self-Actualising. The goal is to improve these styles over the coming 12 months.

The latest 2019 Human Synergistics culture survey results for the City of Mandurah are depicted in Attachment 3.1. The City's CEO committed to Council in 2020 that the City will achieve a positive score of 50th percentile or over for all four constructive (blue) styles, whilst ensuring the remaining eight passive/aggressive defensive (green/red) styles score below the 50th percentile, on the Human Synergistics circumplex when the culture survey is next conducted in July 2022. In response to this commitment, and a need for a stronger task-oriented culture, the Organisational Development team was restructured in late 2020 to Performance and Culture.

Since the appointment of the Performance and Culture Coordinator, a review of the City's culture has been undertaken to identify opportunities to promote the growth of the constructive styles. The key objectives of the review are to:

1. Identify key themes with regards to the strengths and challenges of the City of Mandurah's organisational culture.
2. Recommend key priority areas and actions for the Performance and Culture team in 2021/22 to achieve the highest return on investment in delivering positive, sustained cultural change.
3. Ensure clear alignment between the Executive Leadership Team (ELT), Elected Members and the Performance and Culture team in relation to the priority areas and recommended actions to address these.

Comment

To address priority areas identified in the review, an action plan for the Performance and Culture team is under development. The proposed role of the Audit and Risk Committee within this will be to:

- Note the findings of the review and associated action plan when provided.
- Monitor the delivery of the action plan. The Committee will receive an update every six months from the Performance and Culture team regarding the progress of implementing the action plan. These updates will also include key culture measures to assess the effectiveness of the actions implemented e.g. engagement surveys, Enterprise Agreement workshop findings, organisational culture survey results, etc.

Statutory Environment

Nil

Policy Implications

Nil

Financial Implications

Actions identified in the review will focus on ensuring there is no net increase in budget or resource requirement.

Strategic Implications

The following strategies from the City of Mandurah Strategic Community Plan 2020 – 2040 are relevant to this report:

Economic

- Advocate for and facilitate opportunities for improved pathways to education and learning outcomes in Mandurah.
- Actively partner and engage with business and industry to build Mandurah's entrepreneurial capacity and capability.

Organisational Excellence:

- Build and retain a skilled, agile, motivated and healthy workforce.
- Ensure the City has the capacity and capability to deliver quality services and facilities through accountable and transparent business practices, governance, risk and financial management.

Conclusion

Over the next 12-18 months, the Performance and Culture team will be undertaking a program of work to address priority areas identified in the review to enhance the City of Mandurah's organisational culture. It is critical that the Audit and Risk Committee, and the broader Elected Members, continue to provide support, advice and guidance to the ELT and the Performance and Culture team in the delivery of this program of work.

NOTE:

- Refer ***Attachment 3.1 2019 Organisational Culture Circumplex***

RECOMMENDATION

That the Audit and Risk Committee:

1. **Notes that a review of City's culture is currently being conducted by the Performance and Culture team. An action plan to address key priority areas will be developed and reported to the Audit and Risk Committee.**
2. **Endorses the Audit and Risk Committee's role as the monitoring entity for the implementation of the cultural action plan.**
3. **Endorses a reporting frequency of six-monthly updates. The next update will focus on the lessons learnt from the current Enterprise Agreement process and the results from the upcoming Employee Engagement Survey.**

ATTACHMENT 3.1

City of Mandurah 2019 Human Synergistics Overall Culture Survey Results (n=428 respondents)

