

minutes

Audit and Risk Committee

MEETING HELD ON

TUESDAY 8 NOVEMBER 2022 AND RESUMED ON
WEDNESDAY 16 NOVEMBER 2022

Acknowledgement of Traditional Custodians

The City of Joondalup acknowledges the traditional custodians of the land, the Whadjuk people of the Noongar nation, and recognises the culture of the Noongar people and the unique contribution they make to the Joondalup region and Australia. The City of Joondalup pays its respects to their Elders past and present and extends that respect to all Aboriginal and Torres Strait Islander peoples.

This document is available in alternate formats upon request

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Note:

Clause 15.10 of the City's *Meeting Procedures Local Law 2013* states:

This local law applies generally to committee meetings except for clause 7.1 in respect of members seating and clause 7.8 in respect of limitation on members speaking.

CITY OF JOONDALUP

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD IN CONFERENCE ROOM 1, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY 8 NOVEMBER 2022.

ATTENDANCE

Committee Members

Mayor Hon. Albert Jacob, JP
Cr Nige Jones *Deputy Presiding Member*
Cr Russ Fishwick, JP
Cr John Logan

Officers:

Mr James Pearson	Chief Executive Officer
Mr Jamie Parry	Director Governance and Strategy
Mr Mat Humfrey	Director Corporate Services
Mrs Kylie Bergmann	Manager Governance
Ms Christine Robinson	Manager Audit, Risk and Executive Services
Mr Peter McGuckin	Internal Auditor

DECLARATION OF OPENING

The Presiding Member declared the meeting open at 5.45pm.

DECLARATIONS OF FINANCIAL INTEREST / PROXIMITY INTEREST / INTEREST THAT MAY AFFECT IMPARTIALITY

Nil.

APOLOGIES AND LEAVE OF ABSENCE

Apologies

Cr Tom McLean, JP.
Cr Russell Poliwka.
Cr John Raftis.
Mr Richard Thomas.

Leave of Absence Previously Approved

Cr John Logan	18 to 27 November 2022 inclusive.
Cr Nige Jones	29 November to 6 December 2022 inclusive.
Cr John Raftis	19 to 31 December 2022 inclusive.

CONFIRMATION OF MINUTES

MINUTES OF THE AUDIT AND RISK COMMITTEE HELD ON 8 AUGUST 2022

MOVED Cr Fishwick, **SECONDED** Mayor Jacob that the minutes of the meeting of the Audit and Risk Committee held on 8 August 2022 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (4/0)

In favour of the Motion: Mayor Jacob, Crs Fishwick, Jones and Logan.

ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

Nil.

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

In accordance with Clause 5.2 of the City's *Meeting Procedures Local Law 2013*, this meeting is not open to the public.

PETITIONS AND DEPUTATIONS

Nil.

PROCEDURAL MOTION – THAT THE MEETING BE ADJOURNED

MOVED Mayor Jacob, **SECONDED** Cr Logan that the meeting **NOW ADJOURN** under clause 10.8(1) of the *City of Joondalup Meeting Procedures Local Law 2013*, to Wednesday 16 November 2022 commencing at 6:00pm to be held at the Joondalup Civic Centre (Conference Room 1), Boas Avenue Joondalup.

The Motion was Put and

CARRIED (4/0)

In favour of the Motion: Mayor Jacob, Crs Fishwick, Jones and Logan.

The meeting **ADJOURNED** at 5.47pm the following Committee Members being present at that time:

MAYOR HON. ALBERT JACOB, JP
CR NIGE JONES
CR RUSS FISHWICK, JP
CR JOHN LOGAN

RESUMPTION OF MEETING

The Presiding Member declared the **Audit and Risk Committee** meeting that commenced on 8 November 2022 **RESUMED** at 6.00pm on Wednesday 16 November, the following persons being present:

ATTENDANCE

Committee Members

Cr John Raftis	<i>Presiding Member</i>
Cr Tom McLean, JP	
Cr Nige Jones	<i>Deputy Presiding Member</i>
Cr Russell Poliwka	
Cr Russ Fishwick, JP	
Mr Richard Thomas	<i>External Member</i>

Officers:

Mr James Pearson	Chief Executive Officer	
Mr Mat Humfrey	Director Corporate Services	
Mrs Kylie Bergmann	Manager Governance	
Ms Christine Robinson	Manager Audit, Risk and Executive Services	
Mr Peter McGuckin	Internal Auditor	
Ms Candice Colbourne	Risk and Business Continuity Advisor	<i>to 6.32pm</i>
Mrs Deborah Gouges	Governance Officer	
Mrs Avril Schadendorf	Governance Officer	

APOLOGIES AND LEAVE OF ABSENCE

Apologies

Mayor Hon. Albert Jacob, JP.
Cr John Logan.

Leave of Absence Previously Approved

Cr John Logan	18 to 27 November 2022 inclusive.
Cr Nige Jones	29 November to 6 December 2022 inclusive.
Cr John Raftis	19 to 31 December 2022 inclusive.
Cr Christine Hamilton-Prime	17 November to 1 December 2022 inclusive.
Cr Christine Hamilton-Prime	7 December to 31 December 2022 inclusive.
Cr Russ Fishwick	8 December to 31 December 2022 inclusive.
Cr Christopher May	21 December 2022 to 6 January 2023 inclusive.

REPORTS

ITEM 1 STRATEGIC RISK REGISTER

WARD	All
RESPONSIBLE DIRECTOR	Mr James Pearson Office of the CEO
FILE NUMBER	10011, 101515
ATTACHMENTS	Attachment 1 Strategic Risk Register
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

PURPOSE

For the Audit and Risk Committee to review the Strategic Risk Register forming Attachment 1 to this Report.

EXECUTIVE SUMMARY

The Chief Executive Officer is required to ensure the identification and management of strategic risks, with the Executive Leadership Team required to manage the strategic risk portfolio including raising new risks as they arise and ensuring mitigation strategies are appropriate and effective.

The Audit and Risk Committee is required to review the strategic risks to the City and the plans to minimise or respond to those risks. This report provides details of the Strategic Risk Register.

It is recommended that the Audit and Risk Committee REVIEWS the Strategic Risk Register forming Attachment 1 to this Report.

BACKGROUND

The *Risk Management Policy* outlines the City's commitment and approach to managing risks. Risks are to be recorded, analysed and reported, based on the context of the individual risk and the risk portfolio it belongs to.

The *Risk Management Framework* requires a strategic risk portfolio, which outlines risks of an internal or external nature that affect the achievement of the City's long-term objectives defined by the *Strategic Community Plan*. This category of risk requires input from Council.

DETAILS

The Strategic Risk Register is a result of a strategic risk assessment developed from the challenges that the City faces as it enters the next 10-year strategic planning period, as identified at the 2022 Elected Member Strategic Weekend, as well as feedback from Directors and Managers.

A gap analysis was undertaken using the *JLT Public Sector Risk Report 2021* which provides insight from 237 senior local government executives throughout Australia; with 27% of local governments in Western Australia responding. The survey was carried out in August 2021 and has also used data from the 2020 survey to compile the report. The top 14 risks considered as of most concern nationally, along with the top five risks identified by Western Australian local governments have been reviewed to see if they apply to the City's current risk environment.

The following 12 strategic risks have been identified:

- DECISIONS – ineffective / improper decision making that does not align with City plans, values, strategic direction and/or legislative requirement.
- EXPECTATIONS – inability to understand community expectations.
- ENVIRONMENT – ineffective management of natural environment and climate changes impacting services and assets.
- REPUTATION – reputation damage / loss of community trust.
- INFORMATION TECHNOLOGY – inability to protect information technology network/s from degradation, data loss, security breach or other cyber-attack.
- WORKFORCE – inability to attract or retain skilled and competent workforce.
- HEALTH/SAFETY – failure to maintain safe and healthy workplace.
- ASSETS – inadequate asset planning, maintenance and renewals.
- FINANCIAL – lack of financial sustainability.
- ATTRACTION – lack of desirability as a place to visit, live, invest and do business.
- WASTE – inability to meet strategic waste objectives.
- LEGISLATION – inability to influence or effectively advocate for statutory changes that benefits the City's growth and change.

Causes of the risks have also been identified and are shown in the Strategic Risk Register forming Attachment 1 to this Report.

Once adopted by Council, the Strategic Risk Register will be presented to the Audit and Risk Committee on an annual basis for review; with major changes that affect the risk profile of the Strategic Risk Register to be reported upon discovery.

Issues and options considered

Controls and Treatments

Controls (existing implemented activities) and/or treatments (intended activities or processes) have been identified for the 12 strategic risks and are currently being assessed for their effectiveness to manage the risk causes, and whether they meet the required risk tolerance levels.

Control effectiveness requires the analysis of individual control effectiveness levels to provide a rating for overall control effectiveness as follows:

- Strong – controls are operating as intended with no indication of deficiencies. Overall reasonable assurance that risk is being managed and control objectives are met.
- Adequate – one or more control weaknesses identified with overall control environment being adequate, appropriate and effective. Some controls may require improvement.
- Inadequate – no controls, numerous weaknesses identified, or gaps noted. Overall control environment does not give reasonable assurance that risks are being managed or that control objectives are being met.

Legislation / Strategic Community Plan / Policy implications

Legislation *Local Government (Audit) Regulations 1996.*

10-Year Strategic Community Plan

Key theme Leadership.

Outcome Capable and effective - you have an informed and capable Council backed by a highly-skilled workforce.

Policy *Risk Management Policy.*

Risk management considerations

The development of a Strategic Risk Register supports the objective of the City's *Risk Management Policy* which outlines the City's commitment and approach for managing risks that may impact on the achievement of its objectives.

This provides evidence of the appropriateness and effectiveness of systems and procedures in regard to risk management, internal control and legislative compliance, as required by the *Local Government (Audit) Regulations 1996.*

The management of risk is not an isolated function and should be an integral part of organisational culture, through the creation and updating of policies, protocols, plans, systems and processes. The effective use of risk management will ensure the City's readiness to manage the delivery of critical services with least impact possible following a disruptive risk event.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Risk consultation sessions have been held with each Director and their Managers. Comments were invited on the risk event and cause (validity) and alignment to the challenges identified at the 2022 Elected Member Strategic Weekend (relevance). Risks were assessed against the classifications within the City's *Risk Management Framework* to provide a profile and allow identification of the maximum risk level perceived (inherent risk level). During the sessions there was an opportunity to raise new risks for assessment (omission).

A draft strategic risk assessment was presented to Elected Members at the Strategy Session held on 4 October 2022 seeking feedback, which has been incorporated into the Strategic Risk Register.

Following the meeting of the Audit and Risk Committee, Elected Members will be offered the opportunity to provide further feedback on the Strategic Risk Register at a Strategy Session scheduled for 29 November 2022.

COMMENT

Once identified, risk owners will be responsible to ensure the control effectiveness is either in line with tolerance levels, requested effectiveness levels or as strong as possible.

VOTING REQUIREMENTS

Simple Majority.

OFFICER'S RECOMMENDATION

That the Audit and Risk Committee **REVIEWS** the Strategic Risk Register forming Attachment 1 to this Report.

MOVED Cr Raftis, SECONDED Cr Poliwka that the Audit and Risk Committee NOTES the progress of the review of the Strategic Risk Register forming Attachment 1 to this Report.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs Raftis, Fishwick, Jones, McLean, Poliwka and Mr Thomas.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1AUDRISK221108.pdf](#)

ITEM 2 FRAUD RISK MANAGEMENT – BETTER PRACTICE GUIDE

WARD	All
RESPONSIBLE DIRECTOR	Mr James Pearson Office of the CEO
FILE NUMBER	107481, 101515
ATTACHMENTS	Attachment 1 WA Auditor General's Report 20: 2021-22
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

For the Audit and Risk Committee to NOTE the review of the *Fraud Risk Management – Better Practice Guide* published by the Office of the Auditor General and the actions to be taken to strengthen integrity and conduct controls within the City.

EXECUTIVE SUMMARY

The purpose of the *Fraud Risk Management – Better Practice Guide* is to raise the standard of fraud and corruption control across the Western Australian public sector and to empower entities to do more to discharge their governance responsibilities by better controlling their risks of fraud and corruption. The publication of the *Better Practice Guide* follows the establishment of the Office of the Auditor General's Forensic Audit Team.

The Office of the Auditor General encourages the use of the *Better Practice Guide* to manage the risk of fraud; and while fraud risks cannot be eliminated, a robust and well-resourced fraud risk management program can minimise the likelihood and consequences of fraud events.

This report outlines the City's review of the *Better Practice Guide* and the actions to be taken to strengthen integrity and conduct controls.

It is therefore recommended that the Audit and Risk Committee NOTES the review of the Fraud Risk Management – Better Practice Guide published by the Office of the Auditor General and the actions to be taken to strengthen integrity and conduct controls within the City.

BACKGROUND

Analysis of reports from external oversight agencies are undertaken to compare the City's position and/or practices. This provides the City an opportunity to review its own systems to identify risks and implement recommendations as appropriate.

The continuation of implementation of the City's *Whistleblowing Program* demonstrates the City's improvement and commitment to its integrity and conduct controls, and ongoing communication of the City's zero tolerance approach and response actions to fraudulent and corrupt conduct.

DETAILS

Parts one and two of the *Better Practice Guide* are aimed at decision makers, highlighting the importance of a fraud and corruption risk management program and the current state of fraud control in the Western Australian public sector. Part three is aimed at guiding those responsible for developing and implementing an entity's fraud risk management program.

Current processes to control fraud and corruption at the City are based on:

- an established *Risk Management Framework* that is fairly well integrated throughout the organisation
- an *Integrity Framework* which aims to guide the City in providing the highest level of integrity for its community, and brings together the instruments, processes and structures within the organisation that foster integrity and help prevent corruption and misconduct from taking place
- a fraud and misconduct data analytics program which informs the Internal Audit Plan of potential areas where fraudulent and/or misconduct risks may exist
- dedicated resources to implement the proposed improvements.

An assessment of the fraud control principles outlined in the *Better Practice Guide* along with the requirements of the updated Australian Standard *AS 8001:2021 Fraud and Corruption Control* will be undertaken.

The implementation of improvements described within this report will change the context of risk management that will seek to identify, and in the first instance help prevent, then effectively manage occurrences of fraud and corruption. These improvements will assist the City to meet the risk requirements of the *Better Practice Guide*; with the status of implementation to be reported to the Audit and Risk Committee.

Risk Management Perspective

The *Better Practice Guide* recommends a fraud control system that uses an effective fraud risk management program, which is partially met by the City.

The City's *Risk Management Framework* will be updated to include references to fraud, corruption and business continuity, as it has been noted by the WA Auditor General that *“good business governance and controls can be at risk during times of disruption, particularly in environments of crisis and urgent response. There are some who will seek to take advantage of any sense of chaos for their own interests.”*

While the City has a dedicated risk resource, this alone does not guarantee fraud and corruption risk is understood and documented. A risk 'expert' can build extensive knowledge for common areas of fraud and corruption through experience, or by asking questions that should identify where these risks lie through the normal risk process.

Real expertise lies within the knowledge of processes and systems that contain gaps for fraud or corruption to occur, as well as with those that are exposed to misconduct reports and investigations. The City's electronic risk management system provides the ability to match process activities with risk, which allows to easily identify when and where risk events can occur and where risk controls sit.

While internal and external audits and/or investigations are conducted, specifically or not, to identify fraud or corruption, the level of awareness needs to be broadened beyond those involved in the audits and investigations. Increased awareness will lessen reliance on the reactive controls provided by audits, staff observation or reporting to uncover acts of fraud or corruption. Proactive prevention via training and awareness programs will help to negate this risk. Reporting of potential fraud or corruption incidents needs to be a business-as-usual activity.

Audits and reviews that identify risk of any kind (actual or potential) should be shared with those conducting and reviewing risk assessments, as sharing this knowledge will result in a better application of risk identification and control throughout the organisation. While better education and awareness is required on the types of incidents that can, or have occurred at the City, which will increase the knowledge of current controls that are in place and the consequences, there is a need to balance procedural fairness and confidentiality while audits and/or investigations are active. Incidents may take some time to resolve and may never be able to be widely known within the organisation, including until sometime later.

Continued reinforcement by formal leaders of risk management requirements will increase the identification of fraud and corruption risk and prevention activities. By increasing the number of risk assessments being undertaken, along with training and awareness programs, it can naturally be assumed that more fraud and corruption risks will be identified and controlled before any incidents occur, or allow for better treatments to be implemented. This will be assisted by the proposed changes in the City's *Risk Management Framework* with risk classification consequence to include specific impacts of fraud and corruption.

Monitoring and Reporting

The ability to monitor and track fraud and corruption risk is not currently included in the *Risk Management Framework*. Proposed changes include additional classifications to allow specific monitoring within the City's electronic risk management system, are as follows:

- Fraud – to flag risks that can be the result of fraudulent activity such as deception based loss.
- Corruption – to flag risks that can be the result of a corrupt activity such as an employee abusing their position to achieve gain for themselves or others.
- Business Continuity – to flag risks that may be the result of a crisis situation; the controls of which may be the focus of any Crisis Management Team meeting.

This will allow strategic and operational risks that fall into the category of fraud and corruption to be flagged. This will help to address the *Better Practice Guide* recommendation to have fraud risk registers, as the risks flagged could be viewed as one register, without a substantial change in current practice.

Issues and options considered

The following actions will be implemented to strengthen integrity and conduct controls within the City.

ACTION	STATUS
1. Assess the fraud control principles as outlined in the <i>Better Practice Guide</i> along with the requirements of the updated Australian Standard AS 8001:2021 <i>Fraud and Corruption Control</i> to inform the development of a fraud and corruption control system.	In progress
2. Update the current <i>Risk Management Framework</i> to specifically mention fraud and/or corruption and present to the Audit and Risk Committee before being endorsed by Council.	In progress
3. Update the current <i>Fraud, Corruption and Misconduct Control Policy</i> to align with the Australian AS 8001:2008 Standard <i>Fraud and Corruption Control</i> and present to the Audit and Risk Committee before being presented to the Policy Committee and Council for endorsement.	In progress
4. Update the Misconduct Protocol to ensure alignment with policy intent of the <i>Fraud, Corruption and Misconduct Control Policy</i> .	Not yet commenced

ACTION	STATUS
5. Develop a Fraud, Corruption and Misconduct Control Plan and initiate awareness training amongst Elected Members and employees related to fraud and misconduct.	Not yet commenced
6. Match process activities with risk within the City's electronic risk management system to easily identify when and where risk events can occur and where risk controls sit.	In progress
7. Review the current Codes of Conduct and update if required, any references to misconduct to include fraud and corruption.	Not yet commenced
8. Progress an awareness raising program across the organisation to ensure employees recognise red flags for fraud, corruption and misconduct.	Not yet commenced
9. Training to be included as part of the City's Induction Process and refresher training to maintain awareness of: <ul style="list-style-type: none"> • Fraud, Corruption and Misconduct Control Policy • Risk Management Policy • Risk Management Framework • Integrity Framework. 	In progress

Legislation / Strategic Community Plan / Policy implications

Legislation Not applicable.

10-Year Strategic Community Plan

Key theme Leadership.

Outcome Capable and effective - you have an informed and capable Council backed by a highly-skilled workforce.

Policy *Fraud, Corruption and Misconduct Control Policy.*
Risk Management Policy.

Risk management considerations

The activity of analysing reports from external oversight agencies allows the City to review its systems to identify risks and implement recommendations as appropriate; this provides evidence of the appropriateness and effectiveness of systems and procedures in regard to risk management, internal control and legislative compliance, as required by the *Local Government (Audit) Regulations 1996*.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

As a large local government providing a wide variety of services to the community, appropriate systems of control are required to be developed and implemented to ensure that objectives are achieved. However, even with sophisticated and effective controls in place, it would be naive to think that the City is immune to acts of fraud and corruption. Vigilance should be constant, and systems of control should be subject to regular review and updated as appropriate to prevent, deter and detect opportunities for fraudulent and corrupt activity.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr McLean, SECONDED Cr Jones that the Audit and Risk Committee NOTES the review of the *Fraud Risk Management – Better Practice Guide* published by the Office of the Auditor General and the actions to be taken to strengthen integrity and conduct controls within the City.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs Raftis, Fishwick, Jones, McLean, Poliwka and Mr Thomas.

Appendix 2 refers

To access this attachment on electronic document, click here: [Attach2AUDRISK221108.pdf](#)

ITEM 3 INTERNAL AUDIT OUTCOMES

WARD	All
RESPONSIBLE DIRECTOR	Mr James Pearson Office of the CEO
FILE NUMBER	108687, 105850, 100983, 101515
ATTACHMENTS	Nil
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

For the Audit and Risk Committee to note the outcomes and/or status of the following internal audits:

- Use of Zoom and Microsoft teams for meetings (cyber security).
- Payments to casual and part time employees.
- Changes to bank details.
- Potential false or duplicate invoices.
- Review of unique / specialised provider (parking ticket machines).
- Payments made to ghost employees.
- Drug and alcohol testing of employees (process only; not results).
- Human resources misconduct investigation procedures.

EXECUTIVE SUMMARY

The *Three Year Internal Audit Plan* is designed to bring a systematic methodology that contributes to the overall assurance provided to management and the Audit and Risk Committee, that risks are appropriately identified, managed and controls are implemented and operating effectively.

Audits have been completed using the City's fraud and misconduct data analytics program and audit testing processes to determine if appropriate levels of controls are in place.

This report provides the outcomes of audits which have been completed.

It is therefore recommended that the Audit and Risk Committee NOTES the outcomes and/or status of the internal audits.

BACKGROUND

Internal audit is an independent and objective appraisal service designed to add value and assist an organisation achieve its objectives through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

The Office of the Auditor General places reliance on internal audit activities when conducting their annual financial audit of the City.

The Internal Audit Program has the following two objectives:

- To report to the Audit and Risk Committee – with the service level being via the provision of reports to allow the Audit and Risk Committee to oversee internal / external auditing, risk management, internal control and compliance functions of the City.
- To undertake activities listed in the Annual Internal Audit Program – with the service level being via the provision of an independent and objective review of City operations and systems – provides assurance that risk management, controls and compliance processes are effective.

DETAILS

Use of Zoom and Microsoft teams for meetings (cyber security)

The *COVID-19 Audit Activity Plan* includes risk exposures for the City arising from Covid-19.

The surge in the use of Zoom and Microsoft Teams introduced risks for the City relating to identity theft, impersonation, eavesdropping and the installation of viruses and malware. The risk heightened due to the requirement for some employees to work from home and Council meetings being held online. The City kept up-to-date and monitored emerging risks via the federal Australian Signals Directorate and the Cybersecurity Unit of Department of Premier and Cabinet.

The risks for using Microsoft Teams are relatively low with adequate controls in place, including linking into the City's security systems and the requirement to use multi-factor authentication.

The risks for using Zoom are also low, however this application was not the preferred method of use at the City and state government agencies restricted the use of the application. Full function licences were purchased for elected members and employees who regularly attend Council meetings. Security tips were provided to employees if this option was used.

Payments to casual and part time employees

During the Covid-19 lockdown ordered in February 2021, the Acting Chief Executive Officer instructed that casual employees who were rostered at 5.00pm on Sunday 31 January 2021 would be paid as normal during the lockdown until 6.00pm Friday 5 February. The Acting Chief Executive Officer requested that an audit be undertaken post Covid-19 to ensure that casual employees who received a lockdown payment did so legitimately, and to determine the robustness of casual rostering processes.

With the exception of one casual employee, audit testing revealed that 24 casual employees, from the sample size of 25, legitimately received payment during lockdown. 23 employees were based at Craigie Leisure Centre across various services including customer service, lifeguards, sports umpires, creche and group fitness. The two remaining employees were a casual Parking Officer with Community Safety and a casual Events Assistant with Cultural Services.

Evidence could not be obtained that the casual Parking Officer had been rostered to work during the lockdown period. Evidence was obtained to confirm that system improvements had been made within Community Safety to maintain and store rosters and casual employee timesheets on corporate systems.

Changes to bank details

The Internal Audit Plan includes data analytics testing to identify changes to supplier bank account details that have then been changed back to the original value. Such changes to bank account details may be suspicious and can indicate potentially fraudulent activity, particularly where payments have been made to the supplier between the account changes.

Audit testing of five suppliers found all changes to bank account details were based on legitimate requests from the supplier and were appropriately authorised. However, evidence could not be obtained for two suppliers that the supplier was contacted by telephone by the City to verify the bank account changes before they were processed. It appears that the *New Supplier Information* form was completed by the supplier and the details were amended via that form; therefore, there is no record of the supplier being contacted by the City to confirm new bank account details prior to them being changed.

It has been recommended that Financial Services ensure that all suppliers are contacted on all occasions to confirm new bank account details before the changes are processed; with a record of the date, time and person who made contact being maintained.

Potential false or duplicate invoices

The Internal Audit Plan includes data analytics testing to identify if there were any potential payments made by the City on false or duplicate invoices.

39 potential incidents were identified for the 2021-22 financial year; with 35 being a false positive result due to:

- Elected Members receiving the same amount with the same payment description for example 'Meeting Fees'
- persons receiving the same amount with the same payment description for example 'Attendance at Joondalup Design Reference Panel'
- volunteers receiving the same amount with the same payment description for example 'Volunteer / Bus Duties Subsidy Reimbursement'.

Of the remaining four incidents:

- one was not a duplicate payment as it related to two bookings of a community centre
- one duplicate payment was detected by Financial Services with a reimbursement of \$21.33 being made
- requests for reimbursement for two duplicate payments (\$525.80 and \$224) have been made.

Financial Services will determine any control improvements that may be required to prevent duplicate payments or detect them when they have been made.

Review of unique / specialised provider (parking ticket machines)

Following a request from the Director Corporate Services, a review of the City's arrangements for maintaining, repairing and servicing City parking ticket machines was undertaken to determine if there is only one potential service provider.

Before the review was finalised the City initiated an expression of interest process with seven responses being assessed as compliant. Given this, a tender process will be initiated.

Payments made to ghost employees

The Internal Audit Plan includes data analytics testing of human resource systems to determine if employees are being set up on the system correctly and to identify if there are any potential payments being made to invalid or “ghost” employees.

The City’s data analytics identifies all employees who have received payment over the last 18-month period with a core assumption being a receipt of a payment greater than zero dollars. Data analytics applies tests over a range of categories and identifies employees who have failed one or more of these tests and that require further internal audit analysis.

Employees maintained on human resource systems, including payroll, are valid and have been set up correctly. In addition to data analytics testing the human resource system has various controls to ensure accuracy of payments and employee validity.

There is no evidence of the existence of ghost employees receiving payments, with the test results being:

Employee tax file number validity

Three current employees and three former employees were identified as failing this test by having the same tax file number of 333 333 333. Investigation revealed that all these employees were casual and were issued with this tax file number by the City in line with Australian Taxation Office guidelines as they were all under 18 years of age and earned less than \$350 per week, or \$700 per fortnight or \$1,517 per month.

Employee address validity

One employee failed this test by having a post office box as their home address and postal address. Investigation confirmed that this is a valid employee.

Employee age validity

76 current and former employees were identified who were either under 18 years of age or over 65 years of age. Review and testing revealed that these were all valid employees.

Employee contact number validity

24 current and former employees were identified that did not have a telephone contact number recorded on their personal details. Employees can have a work telephone number as a contact and are able to update or delete contact numbers by accessing the human resource system. Review and testing revealed that these were all valid employees.

Employee bank account number validity

Seven current employees and one former employee were identified as having an invalid bank account. This may be due to banks changing their BSB number or merging with other banks. When payment is sent to an invalid account the banks generally redirect the BSB to a new BSB through a bank internal transaction.

It is the employee's responsibility to advise Human Resources of the change, or the employee can update their account details via the City's human resource system. If the account number is invalid the bank returns payment to the City. The City then informs the employee and requests new account details.

It should be noted that when an employee's bank account details are changed by Human Resources or by the employee via the City's human resource system, an automatic email is generated to the employee alerting them to the change of bank details. Review revealed that these were all valid employees.

Drug and alcohol testing of employees (process only; not results)

Following an anonymous allegation that employees within the City can avoid being selected for random drug and alcohol testing, an audit was undertaken.

No significant issues were identified after meeting with the service provider which identified the systems in place, reviewed testing undertaken at various locations, reviewed communications regarding upcoming testing arrangements and interviews with a sample of employees who were subject to testing. The allegation was therefore unsubstantiated.

As testing did not occur for a number of months due to Covid-19, a future systems audit may be considered.

Human resources misconduct investigation procedures

Following a request from a Director, an independent review of the procedures followed by Human Resources when conducting the investigation into allegations of misconduct was undertaken.

The review found that Human Resources complied with the City's *Misconduct Protocol* and its formal investigation procedures. However, even if fully complied with, the Protocol contains weaknesses that may not guarantee misconduct investigations will be conducted in a manner that meets its objectives and the principle of managing matters "*in a manner that is consistent with procedural fairness and natural justice*".

The review recommended to address the weaknesses identified, improve Human Resources' misconduct investigation procedures, and assist in achieving all the Protocol's objectives including managing matters in a manner consistent with the principles of procedural fairness and natural justice.

Legislation / Strategic Community Plan / Policy implications

Legislation Section 14 and 15, *Local Government (Audit) Regulations 1996*.

10-Year Strategic Community Plan

Key theme Leadership.

Outcome Capable and effective - you have an informed and capable Council backed by a highly-skilled workforce.

Policy Not applicable.

Risk management considerations

The City has controls in place, including data analytics testing, that mitigates the risk exposures in the areas subject to audit. The controls must be consistently applied and regularly reviewed to ensure they remain relevant and robust.

A lack of controls, or inconsistent application of controls, by the City within the areas subject to audit increases the risks of significant reputational damage and/or financial losses being incurred through error or fraudulent activity.

Process and continuous improvements ensure any weaknesses identified can be rectified within a timely manner.

These audit activities also provide evidence of the appropriateness and effectiveness of systems and procedures in regard to risk management, internal control and legislative compliance, as required by the *Local Government (Audit) Regulations 1996*.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

COMMENT

Not applicable.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Poliwka, SECONDED Cr Fishwick that the Audit and Risk Committee NOTES the outcomes and/or status of the internal audits.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs Raftis, Fishwick, Jones, McLean, Poliwka and Mr Thomas.

ITEM 4 SETTING OF THE 2023 MEETING DATES – AUDIT AND RISK COMMITTEE

WARD	All
RESPONSIBLE DIRECTOR	Mr Jamie Parry Governance and Strategy
FILE NUMBER	107022, 101515
ATTACHMENTS	Nil
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

PURPOSE

For the Audit and Risk Committee to consider the setting of the first committee meeting date for 2023.

EXECUTIVE SUMMARY

In order to assist with forward planning for all Elected Members, management and staff, a schedule of meeting dates is required to be prepared for the Audit and Risk Committee, ensuring synergy between meeting dates and the flow of information and decision-making.

The setting of the 2023 Council meeting dates is scheduled to be presented at the Council meeting to be held on 15 November 2022. This report will provide Elected Members with two alternative meeting cycles options for their consideration, which may impact the committee meeting dates.

Due to the timing of the last Audit and Risk Committee meeting for 2022 and the Council decision in November, only the first Committee meeting date is proposed to be set for the committee's consideration. A further report will be presented to the first Audit and Risk Committee meeting in 2023 setting the remainder of the committee dates for 2023.

It is therefore recommended that the Audit and Risk Committee:

- 1 ADOPTS the following meeting date and time for the Audit and Risk Committee of the City of Joondalup to be held on Wednesday 8 March 2023, commencing at 6.00pm to be held at the Joondalup Civic Centre (Conference Room 1), Boas Avenue, Joondalup;*
- 2 NOTES that a further report will be presented to the first Audit and Risk Committee meeting in 2023 setting the remainder of the Audit and Risk Committee dates for 2023.*

BACKGROUND

The Audit and Risk Committee was established at the Special Council Meeting held on 1 November 2021 and the Audit and Risk Committee's Terms of Reference were initially adopted at the time.

Subsequently, the Audit and Risk Committee's Terms of Reference were reviewed by Council at its meeting held on 20 September 2022 (CJ151-09/22 refers) and it was resolved that the revised Terms of Reference for the Audit and Risk Committee, are as follows:

- a) guide and assist the City in carrying out its functions:
 - i under part 6 – Financial Management, of the *Local Government Act 1995*;
 - ii in relation to audits conducted under Part 7 – Audit, of the *Local Government Act 1995*;
 - iii relating to other audits and other matters related to financial management;
- b) review the CEO's report into the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control and legislative compliance, presented to it by the CEO under regulation 17 of the *Local Government (Audit) Regulations 1996* and:
 - i report to the Council the results of that review;
 - ii give the Council a copy of the CEO's report;
- c) review the CEO's report into the appropriateness and effectiveness of the City's financial management systems and procedures under regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* and:
 - i report to the Council the results of that review;
 - ii give the Council a copy of the CEO's report;
- d) support the auditor of the City to conduct an audit and carry out the auditor's other duties under the *Local Government Act 1995* in respect of the City and to oversee the implementation of any actions in accordance with regulation 16(f) of the *Local Government (Audit) Regulations 1996*;
- e) consider the adequacy and effectiveness of internal controls by reviewing reports from the Internal Auditor, the Administration, Office of the Auditor General, consultants and other external oversight agencies as appropriate;
- f) enquiring with the Internal Auditor or the Administration about processes to detect and prevent fraud or corruption and to their awareness of any suspected, alleged or actual fraud or corruption and the City's response to it (subject to confidentiality considerations);
- g) assessing the adequacy of the annual internal audit plan and the three-year internal audit plan;
- h) identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the Internal Auditor and the Council if appropriate and receive any reports detailing the results of those investigations;
- i) review the strategic risks to the City and the plans to minimise or respond to those risks. This includes assessing whether risks that may prevent the City from achieving its objectives or maintaining its reputation have been identified.

DETAILS

It has been requested that committee meetings not be held on the same week as Briefing Sessions and Council Meetings to reduce Elected Member fatigue in reading multiple meeting papers. This request has been incorporated into the Committee meeting schedule.

The setting of the 2023 Council meeting dates is scheduled to be presented at the Council meeting to be held on 15 November 2022. This report will provide Elected Members with two alternative meeting cycle options for their consideration, which may impact the committee meeting dates.

It is therefore recommended that the first meeting of the Audit and Risk Committee for 2023 be held on Wednesday 8 March 2023, commencing at 6.00pm and a further report be presented to that meeting for the setting of the remainder of the Audit and Risk Committee meetings for 2023.

Issues and options considered

The Audit and Risk Committee can either:

- adopt the meeting date as proposed in this Report
or
- amend the meeting date.

Legislation / Strategic Community Plan / Policy implications

Legislation *Local Government Act 1995.*
Local Government (Administration) Regulations 1996.
City of Joondalup Meeting Procedures Local Law 2013.

10-Year Strategic Community Plan

Key theme Leadership.

Outcome Capable and effective – you have an informed and capable Council backed by a highly skilled workforce.

Policy Not applicable.

Risk management considerations

Should forward planning of committee meetings not be identified, then there is a risk for meetings to be held on an ad-hoc basis; lacking coordination with other key meetings and corporate planning processes.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

The proposed Audit and Risk Committee meeting date for the first meeting in 2023 has been set based on the expected demand and timeframes associated with the Compliance Audit Return and other matters being reported to the Audit and Risk Committee in March.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Jones, SECONDED Cr McLean that the Audit and Risk Committee:

- 1 ADOPTS the following meeting date and time for the Audit and Risk Committee of the City of Joondalup to be held on Wednesday 8 March 2023, commencing at 6.00pm to be held at the Joondalup Civic Centre (Conference Room 1), Boas Avenue, Joondalup;**
- 2 NOTES that a further report will be presented to the first Audit and Risk Committee meeting in 2023 setting the remainder of the Audit and Risk Committee dates for 2023.**

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs Raftis, Fishwick, Jones, McLean, Poliwka and Mr Thomas.

ITEM 5 ELECTED MEMBER DINNER ATTENDANCE REPORT – QUARTER 1 (JULY 2022 – SEPTEMBER 2022)

WARD	All
RESPONSIBLE DIRECTOR	Mr Jamie Parry Governance and Strategy
FILE NUMBERS	110049, 101515
ATTACHMENT	Nil
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

For the Audit and Risk Committee to note attendees to Elected Member Dinners as per clause 10 of the *Elected Members' Entitlements Policy*, which provides that *details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis.*

EXECUTIVE SUMMARY

Elected Members are entitled under the *Elected Members' Entitlement Policy* (the Policy) to host up to six dinners per financial year and invite up to nine guests to each dinner.

Clause 10 of the *Elected Members' Entitlements Policy* provides that *details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis.*

For an Elected Member Dinner to occur a quota of three Councillors are required to host tables. During Quarter 1 no elected member dinners were held due to the quota not being met.

It is therefore recommended that the Audit and Risk Committee NOTES the Elected Member Dinners in Quarter 1 did not go ahead due to the quota not being met.

BACKGROUND

Elected member dinners are a provision within the *Elected Members' Entitlement Policy*. At its meeting held on 18 May 2021 (CJ072-05/21 refers), Council reviewed and endorsed the policy with clause 10.1 identifying the parameters relating to elected member dinners as follows:

- “a *To provide an avenue to facilitate networking possibilities and for elected members to undertake discussions with various representatives of the community, the Council has agreed to host Elected Member dinners.*

- b The Mayor is entitled to host six dinners per calendar year, and each Ward a total of 12 each year, based on six dinners per Ward Councillor.*
- c Each table will allow for the Elected Member as host, plus up to a maximum of nine guests. Except for the Elected Member's spouse or partner, all guests invited are to have a relationship with the City or be a stakeholder of the City. Prior to an Elected Member dinner, elected members are to advise the City the details of their invited guests and their relationship with the City. Details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis."*

DETAILS

Elected Members are entitled, under the *Elected Members' Entitlement Policy* (the Policy), to host up to six dinners per financial year and invite up to nine guests to each dinner.

Clause 10 of the *Elected Members' Entitlements Policy* provides that "details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis."

Issues and Options Considered

The Committee may accept the report as presented or request further information.

Legislation / Strategic Community Plan / Policy Implications

Legislation *Local Government Act 1995.*

10-Year Strategic Community Plan

Key theme Leadership.

Outcome Capable and effective - you have an informed and capable Council backed by a highly-skilled workforce.

Policy *Elected Members' Entitlements Policy.*

Risk Management Considerations

Not applicable.

Financial / Budget Implications

The 2022-23 budget for elected member dinners is \$10,000 (excluding staffing costs).

Regional Significance

Not applicable.

Sustainability Implications

Not applicable.

Consultation

Not applicable.

COMMENT

Elected Members are entitled, under the *Elected Members' Entitlement Policy*, to host up to six dinners per financial year and invite up to nine guests to each dinner.

Clause 10 of the *Elected Members' Entitlements Policy* provides that “*details of invited guests that attend elected member dinners are to be reported to the Audit and Risk Committee on a quarterly basis.*”.

No Elected Member Dinners have occurred in Quarter 1 (July 2022 – September 2022).

The Risk and Business Continuity Advisor left the room at 6.32pm.

MOVED Cr Fishwick, SECONDED Cr Poliwka that the Audit and Risk Committee NOTES the Elected Member Dinners in Quarter 1 did not go ahead due to the quota of three councillors not being met.

AMENDMENT MOVED Cr Raftis, SECONDED Cr Jones that an additional Part be ADDED to the Motion to read as follows:

“2 REQUESTS consideration of the budget implications, during the 2023-24 budget process, to reduce the minimum number of Elected Members required to hold an Elected Member dinner to two Elected Members.”

The Amendment was Put and

CARRIED (6/0)

In favour of the Amendment: Crs Raftis, Fishwick, Jones, McLean, Poliwka and Mr Thomas.

The Original Motion as Amended being:

That the Audit and Risk Committee:

- 1 NOTES the Elected Member Dinners in Quarter 1 did not go ahead due to the quota of three councillors not being met;**
- 2 REQUESTS consideration of the budget implications, during the 2023-24 budget process, to reduce the minimum number of Elected Members required to hold an Elected Member dinner to two Elected Members.**

Was Put and

CARRIED (6/0)

In favour of the Motion: Crs Raftis, Fishwick, Jones, McLean, Poliwka and Mr Thomas.

ITEM 6 UPDATE ON CYBER SECURITY ARRANGEMENTS

WARD	All
RESPONSIBLE DIRECTOR	Mr Mat Humfrey Corporate Services
FILE NUMBER	05768, 101515
ATTACHMENTS	Nil
AUTHORITY / DISCRETION	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

PURPOSE

For the Audit and Risk Committee to note the verbal update on cyber security arrangements.

EXECUTIVE SUMMARY

At its meeting held on 8 August 2022, the Audit and Risk Committee received a report on the controls in place to manage and mitigate cyber-security risks at the City.

A verbal update of the City's position will be provided by the Director Corporate Services.

It is therefore recommended that the Audit and Risk Committee NOTES the verbal update on cyber security arrangements.

BACKGROUND

At its meeting held on 8 August 2022 (Item 11 refers), the Audit and Risk Committee received a confidential report on the controls in place to manage and mitigate cyber-security risks at the City. The report outlined the policy, procedural, and technological protections in place, grouped using the categorisation of the *National Institute of Standards and Technology, US Department of Commerce Cybersecurity Framework*. It also described the elements of the *Australian Signals Directorate's Essential Eight*, which is becoming the standard baseline for cyber-security in Australian public entities.

Legislation / Strategic Community Plan / Policy implications

Legislation Not applicable.

10-Year Strategic Community Plan

Key theme Leadership.

Outcome Capable and effective - you have an informed and capable Council backed by a highly-skilled workforce.

Policy Not applicable.

Risk management considerations

Cyber-security measures are risk management in action. Their sole purpose is to eliminate or mitigate risk. It is entirely proper that the Audit and Risk Committee be regularly briefed on the cyber-security posture of the City.

Financial / budget implications

Not applicable.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Poliwka, SECONDED Cr Jones that the Audit and Risk Committee NOTES the verbal update on cyber security arrangements.

The Motion was Put and

CARRIED (6/0)

In favour of the Motion: Crs Raftis, Fishwick, Jones, McLean, Poliwka and Mr Thomas.

URGENT BUSINESS

Nil.

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Cr Raftis requested the following reports be presented to the next ordinary meeting of the Audit and Risk Committee:

Pinnaroo Point development

To aid in the delivery of the following City of Joondalup Strategic Community Plan outcomes:

- 5.1 *“Capable and effective leadership”*
- 5.4 *“Responsible and financially sustainable”*
- 4.1 *“Prosperous and local economy”*

It is requested that the CEO prepare a report on the Pinnaroo Point development to be presented to the Audit and Risk Committee. The scope of the report will include but not be limited to, the following:

- The full business case for the Pinnaroo Point development, including all City funds spent and planned to be spent on upgrading the carpark and other surrounding facilities and utilities to help meet the expected demands of the proposed café/restaurant.
- The legal advice provided throughout the development of the proposal.
- The rationale and legal advice for the type of lease document (retail tenancy) used to detail the lease of land arrangement between the City and the sub-lessee.
- The process undertaken when the City permitted the sub-lease for the site to be changed to a different legal entity than that which submitted the Expression of Interest and whether this was in accordance with the required policies and legislative requirements.
- The potential conflicts of interest that may exist or have existed between Elected Members or City staff and the parties associated with the sub-lessee and sub-sub-lessee.
- The potential lost income for the City when the proposed development was upgraded in size after the awarding of the EOI to While Salt and not made open to expressions of interest again for interested parties to re-submit proposals on the increased scope of the project.
- The clarity of information provided to Elected Members throughout the entire process of the development.
- What steps the City and Council could have taken to generate a higher rate of return for the investment made by the City in the development.
- Suggested improvements to the City’s policies and processes for future similar developments to improve the governance and the financial return for the City.

Allegations of Misconduct

To aid in the delivery of Outcome 5.1 of the City's *Strategic Community Plan*, being "*Capable and effective leadership – you have an informed and capable Council backed by a highly-skilled workforce*", it is requested that the CEO prepare and present a report to the Audit and Risk Committee meeting on:

- 1 All allegations of misconduct since 1 July 2021, the status of those allegations, any applicable legal costs, and recommendations from the CEO to address issues raised.
- 2 With regards to Part 1 above, that all legal advices and briefs in connection with the allegations are made available for review.
- 3 The processes and supporting documentation in place to inform the Council via the Audit and Risk Committee of all allegations of misconduct and how the timing and level of detail of the reporting of allegations can be improved to enable the Council to perform its role under the LGA. The improvements to be considered include but are not limited to, more timely and regular reporting, reporting based on receipt of allegations as well as full details on the finalisation of any investigations required to be undertaken including learnings gained from the review of the allegations, the legal and other costs incurred in the management of the investigation and review.

Legal Expenses

To aid in the delivery of Outcome 5.1 of the *Strategic Community Plan*, being "*Capable and effective leadership – you have an informed and capable Council backed by a highly-skilled workforce*", it is requested that the CEO prepare and present a report to the Audit and Risk Committee meeting on:

- 1 All legal expenses incurred since 1 July 2021.
- 2 The reasons for each item of advice being sought.
- 3 The applicable legal briefs to the legal practitioners.
- 4 Details of the applicable advice received.

CLOSURE

There being no further business, the Presiding Member declared the meeting closed at 6.58pm the following Committee Members being present at that time:

CR JOHN RAFTIS
CR TOM MCLEAN, JP
CR NIGE JONES
CR RUSSELL POLIWKA
CR RUSS FISHWICK, JP
MR RICHARD THOMAS