



Audit & Risk Committee

Minutes

3 December 2024

INDEX

1. Official Opening.....	3
2. Attendance, Apologies and Leave of Absence Previously Approved	3
3. Public Question Time	4
4. Petitions/Deputations	4
5. Confirmation of Minutes from Previous Meeting	4
6. Announcements by the Member Presiding Without Discussion.....	4
7. Matters for Which the Meeting may be Closed	4
8. Disclosure of Interest	6
9. Reports to Council.....	7
9.1. Development Services Reports	7
9.2. Asset Services Reports	7
9.3. Corporate Services Reports	7
9.3.1. Information Systems Audit Results for the year ended 30 June 2024.....	7
9.5. Office of the CEO Reports.....	12
9.6. Chief Executive Officer Reports	12
9.6.1. Annual Financial Report 2023/2024 - Annual Audit Findings	12
10. Motions of Which Previous Notice has been Given	19
11. Questions by Members Without Notice	19
12. Questions by Members of Which Due Notice has been Given.....	19
13. Urgent Business Approved by the Presiding Member or by Decision	19
14. Meeting Closed to the Public	19
15. Closure.....	19

1. Official Opening

The Presiding Member opened the meeting at 6:30pm and welcomed Councillors, Staff, Members of the Public Gallery and those watching via live stream. The Presiding Member also acknowledged the Traditional Owners of the land on which we meet the Whadjuk Noongar people.

2. Attendance, Apologies and Leave of Absence Previously Approved

Mayor

Margaret Thomas JP

Councillors

South East Ward

John Giardina

South West Ward

Mary Cannon

Brooke O'Donnell (Presiding Member)

North West Ward

Lisa Cooper

Dylan O'Connor

North Ward

David Modolo

Kathy Ritchie

Members of Staff

Chief Executive Officer

Anthony Vuleta - Chief Executive Officer

Executive Team

Chris Thompson - A/Director Asset Services

Luke Ellis - Director Community Services

Gary Ticehurst - Director Corporate Services

Nathan Ritchie - Director Development Services

Management Team

Rajesh Malde - Manager Financial Services

Administration Support

Darrell Forrest - Governance Advisor

Donna McPherson - Executive Assistant to the CEO

Guest

Suraj Karki - Audit Representative

Members of the Public 11

Members of the Press Nil.

Apologies

Cr Geoff Stallard

Leave of Absence Previously Approved Nil.

3. Public Question Time

3.1 Nil.

4. Petitions/Deputations

4.1 Nil.

5. Confirmation of Minutes from Previous Meeting

5.1 That the Minutes of the Audit & Risk Committee held on 6 August 2024, as published and circulated, are confirmed as a true and accurate record of the proceedings.

Moved: **Cr John Giardina**

Seconded: **Mayor Margaret Thomas**

Vote: For: **Mayor Margaret Thomas, Cr Dylan O'Connor, Cr John Giardina, Cr Mary Cannon, Cr Brooke O'Donnell, Cr Lisa Cooper, Cr Kathy Ritchie and Cr David Modolo**

Against: **Nil**

CARRIED UNANIMOUSLY (8/0)

6. Announcements by the Member Presiding Without Discussion

6.1 Nil.

7. Matters for Which the Meeting may be Closed

7.1 Information System Audit Results for the year ended 30 June 2024

Reason for Confidentiality: Local Government Act 1995 (WA) Section 5.23 (2) (f) - "a matter that if disclosed, could be reasonably expected to - (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; (ii) endanger the security of the local government's property; or (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety"

7.2 Adoption of the Annual Financial Report 2023/2024

Reason for Confidentiality: Local Government Act 1995 (WA) Section 5.23 (2) (f) - "a matter that if disclosed, could be reasonably expected to - (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; (ii) endanger the security of the local government's property; or (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety"

8. Disclosure of Interest

8.1. Disclosure of Financial and Proximity Interests

- a. Members must disclose the nature of their interest in matter to be discussed at the meeting. (Section 5.56 of the *Local Government Act 1995*.)
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Section 5.70 of the *Local Government Act 1995*.)

8.1.1 Nil.

8.2. Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

8.2.1 Nil.

9. Reports to Council

9.1. Development Services Reports

No reports presented.

9.2. Asset Services Reports

No reports presented.

9.3. Corporate Services Reports

9.3.1. Information Systems Audit Results for the year ended 30 June 2024

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

Previous Items	OCM 33/2021
Directorate	Corporate Services
Business Unit	Financial Services
File Reference	
Applicant	N/A
Owner	N/A

Attachments	Nil
-------------	-----

Confidential Attachments	1. Information Systems Audit Results Report 2024
	2. City of Kalamunda IS Capability Maturity Model 2024

Reason for Confidentiality: Local Government Act 1995 (WA) Section 5.23 (2) (f) - "a matter that if disclosed, could be reasonably expected to - (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; (ii) endanger the security of the local government's property; or (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety"

TYPE OF REPORT

Advocacy	When Council is advocating on behalf of the community to another level of government/body/agency
Executive	When Council is undertaking its substantive role of direction setting and oversight (eg accepting tenders, adopting plans and budgets
✓ Information	For Council to note

Legislative	Includes adopting Local Laws, Town Planning Schemes and Policies. When Council determines a matter that directly impacts a person's rights and interests where the principles of natural justice apply. Examples include town planning applications, building licences, other permits or licences issued under other Legislation or matters that could be subject to appeal to the State Administrative Tribunal
-------------	--

STRATEGIC PLANNING ALIGNMENT

Kalamunda Advancing Strategic Community Plan to 2031

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

EXECUTIVE SUMMARY

1. The purpose of this report is to provide Council with the findings of the Information Systems Audit Results Report (Confidential Attachment 1 and 2).
2. The Information Systems Audit Results Report for the financial year ending 30 June 2024 was undertaken by the Office of the Auditor General.
3. It is recommended Council accept the 2023/2024 Information Systems Audit Results Report (Confidential Attachment 1 and 2).

BACKGROUND

4. On 28 October 2017, the Local Government Amendment (Auditing) Act 2017 was proclaimed, giving the Auditor General the mandate to audit Western Australia's 139 local governments and 9 regional councils.
5. The Act allowed the Auditor General to conduct performance audits of local government entities from 28 October 2017. From the 2018/2019 financial year the City's audit has been performed by the Officer of the Auditor General (OAG).

DETAILS AND ANALYSIS

6. The OAG Information Systems Audit was conducted as part of their audit of the annual financial report for the year ending 30 June 2024.

7. In May 2024, City staff and the Chair of the Audit and Risk Committee met with relevant officers from the OAG, to discuss the audit plan. The Information Systems Audit Report covers the 2023/24 Financial Year with (Confidential Attachment 1 and 2) being the outcome of the Information Systems Audit.
8. OAG completed the audit field work, with the outcome as detailed in (Confidential Attachment 1). The City aims to implement recommendations from OAG using a risk- based approach, with implementation also dependent upon available resourcing.
9. The OAG Audit had a larger scope for the year, and the results of the audit found no significant deficiencies.
10. As part of the Information Systems Audit, a Capability Maturity Assessment was undertaken in order to assess how well developed and capable established IT controls are and how well developed or capable they should be. The Capability Maturity Assessment recorded improvements in four assessment areas.

APPLICABLE LAW

11. *Local Government Act 1995 and Local Government Amendment (Auditing) Act 2017. Local Government (Financial Management) Regulations 1996.*

APPLICABLE POLICY

12. There are no policy implications.

STAKEHOLDER ENGAGEMENT

13. The Administration worked closely with the Auditors and the Executive were briefed on the findings identified within the Information Systems Audit.

External Referrals

14. Although no community engagement consultation is required, the findings of the OAG are reported to Parliament and a report is published on the OAG website.

FINANCIAL CONSIDERATIONS

15. The Budget includes provision for the cost of having the accounts, the Annual Financial Report and the Information Systems audited by an externally appointed registered auditor.

SUSTAINABILITY

16. Nil.

RISK MANAGEMENT

17.	Risk: With inefficient systems, processes, policies and procedures in place, the City could be susceptible to data breaches.		
	Consequence	Likelihood	Rating
	Significant	Likely	High
	Action/Strategy		
	Employ qualified suitably skilled staff. Educate City staff on cyber issues. Test cyber defenses on a regular basis. Maintain controls and compliance with policy. Ensure an effective internal audit program.		

18.	Risk: Matters raised through the Audit process are not addressed in a timely fashion.		
	Consequence	Likelihood	Rating
	Unlikely	Moderate	Low
	Action/Strategy		
	Regular briefing to the City's Executive Management Team and to the Audit and Risk Committee regarding progress in addressing audit findings.		

CONCLUSION

19. As part of the Information Systems Audit, a Capability Maturity Assessment was undertaken in to assess how well developed and capable established IT controls are and how well developed or capable they should be. The Capability Maturity Assessment recorded improvements in four assessment areas.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION TO COUNCIL

That Council ACCEPT the Information Systems Audit findings Report for the financial year ending 30 June 2024 (Confidential Attachment 1).

Moved: **Cr John Giardina**

Seconded: **Mayor Margaret Thomas**

Vote: For: **Mayor Margaret Thomas, Cr Dylan O'Connor, Cr John Giardina, Cr Mary Cannon, Cr Brooke O'Donnell, Cr Lisa Cooper, Cr Kathy Ritchie and Cr David Modolo**

Against: **Nil**

CARRIED UNANIMOUSLY (8/0)

9.5. Office of the CEO Reports

No reports presented.

9.6. Chief Executive Officer Reports

9.6.1. Annual Financial Report 2023/2024 - Annual Audit Findings

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

Previous Items	Nil.
Directorate	Corporate Services
Business Unit	Office of the Chief Executive
File Reference	
Applicant	N/A
Owner	N/A

Attachments	1. Annual Financial Audit [9.6.1.1 - 68 pages]
-------------	--

Confidential Attachments	1. OAG Management letter – findings identified in Final Audit 2. Annual Financial Audit Exit Brief
--------------------------	---

Reason for Confidentiality: Local Government Act 1995 (WA) Section 5.23 (2) (f) - "a matter that if disclosed, could be reasonably expected to - (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; (ii) endanger the security of the local government's property; or (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety"

TYPE OF REPORT

Advocacy	When Council is advocating on behalf of the community to another level of government/body/agency
✓ Executive	When Council is undertaking its substantive role of direction setting and oversight (e.g. accepting tenders, adopting plans and budgets)
Information	For Council to note
Legislative	Includes adopting Local Laws, Town Planning Schemes, and Policies. When the Council determines a matter that directly impacts a person’s rights and interests where the principles of natural justice apply. Examples include town planning applications, building licenses, other permits or licenses

issued under other Legislation or matters that could be subject to appeal to the State Administrative Tribunal

STRATEGIC PLANNING ALIGNMENT

Kalamunda Advancing Strategic Community Plan to 2031

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

EXECUTIVE SUMMARY

1. The purpose of this report is to provide Council with the:
 - I. Audited Annual Financial Report for the 2023/24 Financial Year (Attachment 1).
 - II. OAG Management Letter – findings identified during the final Financial Audit for the 2023/24 Financial Year (Confidential Attachment 2).
 - III. Annual Financial Audit Exit Brief Exit Brief (Confidential Attachment 3).
2. The Audit of the Annual Financial Report was undertaken by the Office of the Auditor General (OAG) who completed an audit of the report for the financial year ending 30 June 2024. The audit identified two new findings in the final audit, one moderate and one minor.
3. The Annual Financial Audit Exit Brief (Exit Brief) was presented by the Office of the Auditor General staff to the City and the Mayor on 7th November 2024. The report recommended the issuing of an unqualified audit opinion for the year, noting that the City had completed its financial reports by the required submission dates, resulting in completion of the audit a month earlier than prior years. The Exit Brief also talks to those findings raised in the interim audit work which consisted of 8 findings related to the Information Systems Audit, and a further 8 issues related to the Financial Audit, one of which was completely closed out during the final audit. The findings related to the Information Systems Audit are part of a separate report to the Audit and Risk Committee.
4. It is recommended that Council:
 1. ACCEPT the 2023/2024 Annual Financial Report (Attachment 1) prepared in accordance with *Section 6.4 of the Local Government Act 1995*.
 2. NOTE the content of the OAG Management Letter (Confidential Attachment 2).

3. NOTE the content of the Annual Financial Audit Exit Brief (Confidential Attachment 3).

BACKGROUND

5. *Section 6.4 (1)* of the *Local Government Act 1995* (The Act) requires a local government to prepare an Annual Financial Report for each financial year and details what the Annual Financial Report is to contain.
6. *Section 6.4 (2)* of the Act requires a local government to submit by 30 September following each financial year, or as such time as the Minister allows, to its auditor –
 - a) The accounts of the local government balanced up to the last day of the preceding financial year; and
 - b) The annual financial report of the local government for the preceding financial year.
7. *Section 7.12A (3)* of the Act requires the local government to examine the report of the auditor, under section 7.9 (1) and any other report prepared under section 7.9 (3) forwarded to it, and is to –
 - (a) Determine if any matters raised by the report or reports require action to be taken by the local government; and
 - (b) Ensure that appropriate action is taken in respect of those matters.
8. *Section 7.12A (4)* of the Act requires the City to –
 - a) Prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
 - b) Forward a copy of that report to the Minister, within three months after the audit report is received by the local government.

DETAILS AND ANALYSIS

Annual Financial Report

9. The Auditors, (OAG), conducted the audit fieldwork in May and October/November 2024 and issued their report on 7th November 2024. The Audit Coverage of key controls tested the effectiveness of controls in detail within the expenditure business cycle. Additionally, the controls for other business cycles were re-confirmed and key areas of information systems controls were also audited.

10. The Auditors did not identify any significant financial control issues during the financial audit 2023/2024, however, there was one moderate issue raised relating to the failure to complete two Related Party Declaration Forms and one minor issue relating to a lack of timely clearance of bonds. Management actions are noted in Attachment 2

OAG Management Letter

11. The OAG Management Letter reported two findings identified during the Final Audit. These issues were:
- I. Missing Related Party Declarations. Management conducted alternative procedures and didn't identify any transactions which required financial disclosure within the financial statements. Offboarding procedures will be reviewed and be in place by 30 June 2025.
 - II. Non- Compliance with Bonds policy. Management will review and update the Bonds Policy by 30 June 2025.

Annual Financial Audit Exit Brief

12. The Annual Financial Audit Exit Brief (Attachment 3) reported that the City issued its draft financial statements to Audit by 30 September 2024 with statements assessed as audit ready on 1 November 2024, enabling the issue of the final audit opinion one month earlier than previous years.
13. The Audit reports a summary of issues identified during the audit, with detailed audit findings and recommendations for improvement discussed with the City's Management. In summary the Audit Reported:
- I. Eight items related to the Information Systems Audit, which are discussed in a separate report to Council.
 - II. Six items identified through the Interim Audit, which Management has put in place measures to address that will be monitored through the Audit Tracker and brought back to the next Audit and Risk Committee Meeting in the new year.
 - III. Two new items – Non-Compliance with Bonds Policy and Missing Related Party Declarations, the details of which are discussed above in paragraph 11 above.

APPLICABLE LAW

14. Sections 6.4, 7.9, 7.12A of the *Local Government Act 1995*.
15. Regulation 51 of the Local Government (*Financial Management*) *Regulations 1996*.

APPLICABLE POLICY

16. There are no policy implications.

STAKEHOLDER ENGAGEMENT

17. The City worked closely with the Auditors and the Executive were briefed on the findings associated with the Annual Financial Report for 2023/2024.
18. The City has held entrance and exit meetings whereby the Audit Chair and Mayor were invited to attend along with key senior City staff.
19. Although no community engagement consultation is required in the preparation of the Annual Financial Report, Section 5.55 of the Act requires that the Chief Executive Officer give local public notice of the availability of the Annual Report as soon as the practicable following acceptance of the Annual Report by the local government. The Annual Financial Report forms one component of the Annual Report.

FINANCIAL CONSIDERATIONS

20. The 2023/2024 Budget includes provision for the cost of having the accounts and the Annual Financial Report audited by an externally appointed registered auditor.
21. The 2023/24 Audited Annual Financial Report recorded a surplus of \$8.7M at year end primarily made up of the following:
- Early receipt of 2024/25 Financial Assistance Grants Scheme funds valued at \$2.7M
 - Lower Capital Works Spend than estimated by \$3.5M, these funds and associated projects are carried forward into 2024/25
 - The balance is a mix of higher income from fees and charges and interest income and lower transfers from Reserves

SUSTAINABILITY

Social Implications

22. Nil.

Economic Implications

23. Nil.

Environmental Implications

24. Nil.

RISK MANAGEMENT

25.	Risk: Matters raised through the Audit process are not addressed in a timely fashion.						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Consequence</th> <th style="width: 33%;">Likelihood</th> <th style="width: 33%;">Rating</th> </tr> </thead> <tbody> <tr> <td>Unlikely</td> <td>Moderate</td> <td>Low</td> </tr> </tbody> </table>	Consequence	Likelihood	Rating	Unlikely	Moderate	Low
Consequence	Likelihood	Rating					
Unlikely	Moderate	Low					
	Action/Strategy						
	<p>Regular briefing to the City’s Executive Management Team and to the Audit and Risk Committee regarding progress in addressing audit findings.</p> <p>Review of policies, procedures relating to the management and reporting of assets.</p>						

26.	Risk: Failure to lodge the Annual Financial Report with the Local Government Department within the required timeframe.						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Consequence</th> <th style="width: 33%;">Likelihood</th> <th style="width: 33%;">Rating</th> </tr> </thead> <tbody> <tr> <td>Rare</td> <td>Moderate</td> <td>Low</td> </tr> </tbody> </table>	Consequence	Likelihood	Rating	Rare	Moderate	Low
Consequence	Likelihood	Rating					
Rare	Moderate	Low					
	Action/Strategy						
	<p>Lodge the report with the Department of Local Government within 30 days of the signing of the auditor’s report.</p>						

CONCLUSION

27. The 2023/2024 Annual Financial Report (Attachment 1) includes:
- a) Statement by the Chief Executive Officer
 - b) Statement of Comprehensive Income by Nature and Type
 - c) Statement on Financial Position
 - d) Statement of Changes in Equity
 - e) Statement of Cash Flows.
 - f) Rate Setting Statement
 - g) Notes to and forming part of the Financial Report
 - h) Independent Auditor’s Report

28. The City acknowledges the findings contained in the Audit Report and is committed to addressing these matters. Progress on implementing audit recommendations is managed through the Audit Tracker and will be brought back to Council in the first quarter of 2025.
29. Regulation 51 of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer to provide a copy of the Annual Financial Report to the Department of Local Government, Sport, and Cultural Industries within 30 days of the receipt of the auditor's report on that financial report.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION TO COUNCIL

That Council:

1. ACCEPT the 2023/2024 Annual Financial Report (Attachment 1) prepared in accordance with Section 6.4 of the *Local Government Act 1995*.
2. NOTE the content of the Management Letter issued by the Office of the Auditor General (Confidential Attachment 1).
3. NOTE the content of the Annual Financial Audit Exit Brief (Confidential Attachment 2).
4. NOTE that a copy of this Report will be submitted to the Minister for Local Government and published on the City's Website.

Moved: **Mayor Margaret Thomas**

Seconded: **Cr David Modolo**

Vote: For: **Mayor Margaret Thomas, Cr Dylan O'Connor, Cr John Giardina, Cr Mary Cannon, Cr Brooke O'Donnell, Cr Lisa Cooper and Cr Kathy Ritchie**

Against: **Nil**

CARRIED UNANIMOUSLY (8/0)

10. Motions of Which Previous Notice has been Given

10.1 Nil.

11. Questions by Members Without Notice

11.1 Nil.

12. Questions by Members of Which Due Notice has been Given

12.1 Nil.

13. Urgent Business Approved by the Presiding Member or by Decision

13.1 Nil.

14. Meeting Closed to the Public

14.1 Nil.

15. Closure

There being no further business, the Presiding Member declared the Meeting closed at 6:41pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Council.

Signed: _____
Presiding Member

Dated this _____ day of _____ 2024.