



Audit and Risk Committee

AGENDA

Tuesday 18 March 2025

NOTICE OF MEETING AUDIT & RISK COMMITTEE

Dear Councillors

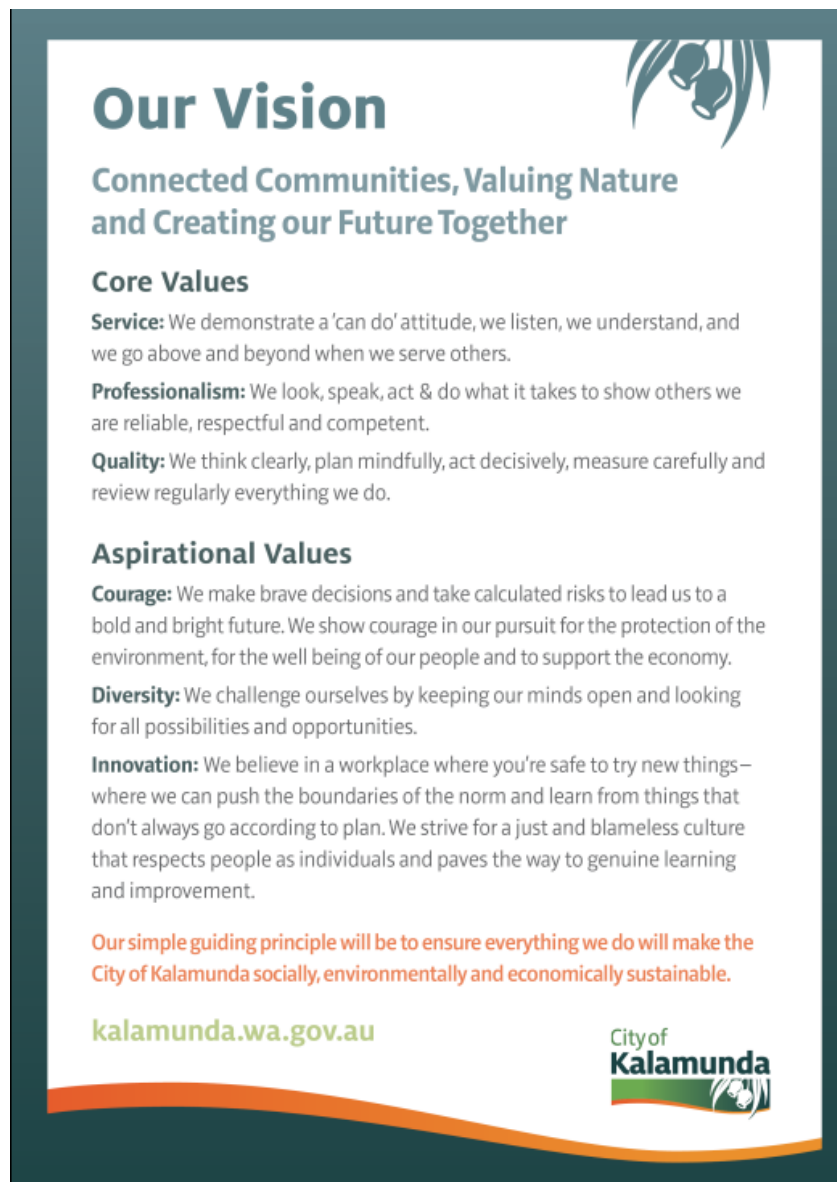
Notice is hereby given that the next meeting of the Audit & Risk Committee will be held in the Council Chambers, Administration Centre, 2 Railway Road, Kalamunda on **Tuesday 18 March 2025 at 6.30pm.**



Anthony Vuleta

Chief Executive Officer

12 March 2025



Our Vision

Connected Communities, Valuing Nature and Creating our Future Together

Core Values

Service: We demonstrate a 'can do' attitude, we listen, we understand, and we go above and beyond when we serve others.

Professionalism: We look, speak, act & do what it takes to show others we are reliable, respectful and competent.

Quality: We think clearly, plan mindfully, act decisively, measure carefully and review regularly everything we do.

Aspirational Values


Courage: We make brave decisions and take calculated risks to lead us to a bold and bright future. We show courage in our pursuit for the protection of the environment, for the well being of our people and to support the economy.

Diversity: We challenge ourselves by keeping our minds open and looking for all possibilities and opportunities.

Innovation: We believe in a workplace where you're safe to try new things—where we can push the boundaries of the norm and learn from things that don't always go according to plan. We strive for a just and blameless culture that respects people as individuals and paves the way to genuine learning and improvement.

Our simple guiding principle will be to ensure everything we do will make the City of Kalamunda socially, environmentally and economically sustainable.

kalamunda.wa.gov.au



INFORMATION FOR THE PUBLIC ATTENDING COUNCIL MEETINGS

Welcome to this evening's meeting. The following information is provided on the meeting and matters which may affect members of the public.

If you have any queries related to procedural matters, please contact a member of staff.

Audit & Risk Committee Meeting Procedure

1. Audit & Risk Committee has a membership of all Councillors.
2. The Committee makes recommendations only to Full Council (held on the fourth Tuesday of each month at 6.30pm)
3. All other arrangements are in general accordance with Council's Audit & Risk Committee Terms of Reference February 2013.

Acknowledgement of Traditional Owners

We wish to acknowledge the traditional custodians of the land we are meeting on, the Whadjuk Noongar people. We wish to acknowledge their Elders' past, present and future and respect their continuing culture and the contribution they make to the life of this City and this Region.

Emergency Procedures

Please view the position of the Exits, Fire Extinguishers and Outdoor Assembly Area as displayed on the wall of Council Chambers.

In case of an emergency follow the instructions given by City Personnel.

We ask that you do not move your vehicle as this could potentially block access for emergency services vehicles.

Please remain at the assembly point until advised it is safe to leave.

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- 1. Official Opening**
- 2. Attendance, Apologies and Leave of Absence Previously Approved**
- 3. Public Question Time**
 - 3.1. Questions Taken on Notice at Previous Meeting**
 - 3.2. Public Question Time**

A period of not less than 15 minutes is provided to allow questions from the gallery on matters relating to the functions of Council. For the purposes of Minuting, these questions and answers will be summarised.

- 4. Petitions/Deputations**
- 5. Confirmation of Minutes from Previous Meeting**

That the Minutes of the Audit and Risk Committee held on 3 December 2024, as published and circulated, are confirmed as a true and accurate record of the proceedings.

Statement by Presiding Member

"On the basis of the above Motion, I now sign the Minutes as a true and accurate record of the meeting of 3 December 2024."

- 6. Announcements by the Member Presiding Without Discussion**
- 7. Matters for Which the Meeting may be Closed**

7.1 Internal Audit Plan 2024-2027

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 Internal Audit Report February 2025 - Procure to Pay

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*.)

8.2. 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.

9. Reports to Council

9.3. Corporate Services Reports

9.3.1. Internal Audit Plan 2024-2027

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

Previous Items	OCM 108/2024
Directorate	Corporate Services
Business Unit	Corporate Services
File Reference	
Applicant	N/A
Owner	N/A

Attachments Nil

Confidential Attachments 1. Draft Strategic Internal Audit Plan 2024-2027
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 proposed Strategic Internal Audit Plan for 2024 to 2027.
2. It is recommended that Council endorse the revised Strategic Internal Audit Plan for 2024 to 2027 (Confidential Attachment 1).

BACKGROUND

3. The current Internal Audit contract was awarded to William Buck in November 2024. Delivery of the Audit Program is informed by the Strategic Internal Audit Plan.
4. The role of the City of Kalamunda's Internal Audit Service (Internal Audit) is to assist the Audit and Risk Committee to manage risk by providing an innovative, responsive, proactive and value-added Internal Audit function.
5. The Strategic Internal Audit Plan consists of compliance, financial, and performance/operational audits. The results from each audit are reviewed by Management and reported to the Audit and Risk Management Committee.

DETAILS AND ANALYSIS

6. Internal Audit is a core element of the City's risk management and governance framework. The relationship between the Internal Audit and the City can be summarised using the "Three Lines of Defence" model illustrated below:



7. The City of Kalamunda has established an Internal Audit Function in compliance with the International Professional Practices Framework. The mission of internal audit is to enhance and protect the City of Kalamunda's value by providing risk-based and objective assurance, advice and insight. It helps the City of Kalamunda accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

8. The objectives of Internal Audit are:
 - a) Provide independent consideration of risks, controls, and processes across the City of Kalamunda.
 - b) Promote mechanisms encouraging a culture, which is conscious of risk, control, and processes; and
 - c) Assist and support the City of Kalamunda in its drive for process improvement.

9. The Internal Audit objectives are achieved by:
 - a) Assisting Management in evaluating their processes for identifying, assessing and managing the key operational, financial and compliance risks for the City;
 - b) Assisting Management in evaluating the effectiveness of internal control systems, including compliance with internal policies and their alignment with legislation and regulation;
 - c) Recommending improvements in efficiency and effectiveness to the internal control systems established by Management
 - d) Keeping abreast of new developments affecting the City of Kalamunda's activities and in matters affecting Internal Audit and
 - e) Being responsive to the City's changing needs and striving for continuous improvement.

10. The City has established an Internal Audit Charter which establishes the purpose, authority, and responsibilities in respect of the Internal Audit Function within the City.
11. The Internal Audit Charter is underpinned by a series of core principles, which taken as a whole, articulate internal audit effectiveness. Internal Auditors will possess and demonstrate the Core Principles for the Professional Practice of Internal Auditing. These principles are:
 - I. Demonstrates integrity
 - II. Demonstrates competence and due professional care
 - III. Is objective and free from undue influence (independent)
 - IV. Aligns with the strategies, objectives and risks of the organisation
 - V. Is appropriately positioned and adequately resourced
 - VI. Demonstrates quality and continuous improvement
 - VII. Communicates effectively
 - VIII. Provides risk-based assurance
 - IX. Is insightful, proactive, and future-focused and
 - X. Promotes organisational improvement
12. The revised Strategic Internal Audit Plan (SIAP) 2024-2027 (Confidential Attachment 1) sets out the scope of the planned work to be undertaken by the Internal Auditor for the City for the following three financial years. The SIAP was developed based on consideration of the following:
 - a) The previous 3-year Internal Audit topics conducted by the City of Kalamunda previous Internal Auditors.
 - b) The latest updated Risks noted in the City's Risk Registers provided.
 - c) The City's efforts made in lowering and/or mitigating key operational risks identified in their Risk Registers.
 - d) Consideration of emerging risks (Cyber Security, etc);
 - e) Action Items and known shortcomings identified in the City of Kalamunda audit log.
 - f) Recently completed internal audits and other reviews by external auditors (Office of the Auditor-General) and other service providers.
 - g) Other areas suggested by the Office of the Auditor-General in the Western Australian Public Sector Audit Committees – Better Practice Guide.
13. Broadly, Internal Audit reviews are focused on:
 - a) Compliance Audits: which concentrate primarily on the entity's (or their suppliers') compliance with legislation, regulations, directions, policies, plans, and procedures.

- b) Financial Audits: These are concerned with practices and activities relating to the accounting and reporting of financial transactions including budget commitments, approvals, and the receipt and disbursement of funds, as well as the reliability and integrity of financial information and the safeguarding of the assets.
 - c) Performance (Operational) Audits: these audits focus on all or a part of an entity's activities to assess the economy, efficiency, and effectiveness and typical include reviews on:
 - i. the adequacy of an internal control structure or specific internal controls to ensure due regard for economy and effectiveness.
 - ii. the extent to which resources have been managed economically and efficiently; and
 - iii. the extent to which activities have been effective in achieving organisational objectives.
14. The revised SIAP 2024-2027 is presented to Council. The audit types have not changed within the plan and all identified audits will be undertaken as previously identified. The allocation of hours between the audit years has been reviewed and amended following consultation with William Buck and the City's Executive Team.

APPLICABLE LAW

15. *Local Government Act 1995.*
Local Government (Financial Management) Regulations 1996.
Local Government (Audit) Regulations 1996.

APPLICABLE POLICY

16. Nil.

STAKEHOLDER ENGAGEMENT

Internal Referrals

17. The Executive Management Team has undertaken a review of the SIAP.

External Referrals

18. William Buck.

FINANCIAL CONSIDERATIONS

19. A total of 580 audit hours are allowed for within the first year of the 2024-2027 programme.

SUSTAINABILITY

Social Implications

20. Nil.

Economic Implications

21. Nil.

Environmental Implications

22. Nil.

RISK MANAGEMENT

23.

Risk: The City’s internal auditing process does not comply with Regulation 5(2)(c) of the <i>Local Government (Financial Management) Regulations 1996</i> .		
Consequence	Likelihood	Rating
Unlikely	Moderate	Low
Action/Strategy		
Implementation of the three-year Strategic Internal Audit Plan 2024-2027 meets the requirements to comply with the regulation.		

24.

Risk: The audit fails to identify material deficiencies that exist in processes and systems		
Consequence	Likelihood	Rating
Unlikely	Moderate	Low
Action/Strategy		
Ensure audit planning is informed in consultation with key stakeholders. Ensure audit planning is informed by the City’s Strategic Risk Profile.		

CONCLUSION

25. The role of the City of Kalamunda's Internal Audit Service (Internal Audit) is to assist the Audit and Risk Committee and Management to manage risk by providing an innovative, responsive, proactive and value-added Internal Audit function.
26. The current Internal Contract was awarded to William Buck in November 2024. The SIAP provides a framework outlining the planned audits over the next three years.
27. The revised SIAP includes a review of risk management, internal control, and legislative compliance. It will meet the four-year review requirement under regulation 5(2)(c) of the *Local Government (Financial Management) Regulation 1996* and the two-year review under Regulation 17 of the *Local Government (Audit) Regulations 1996*.
28. The City is firmly committed to the implementation of the Audit Plan to ensure legislative compliance, maintenance of the integrity of financial reporting, and reviewing the City's efficiency and effectiveness across business units.

Voting Requirements: Simple Majority

RECOMMENDATION

That Council ENDORSE the Revised Strategic Internal Audit Plan for 2024 to 2027 (Confidential Attachment 1).

9.3.2. Internal Audit Report February 2025 - Procure to Pay

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

Previous Items	OCM134/2023
Directorate	Corporate Services
Business Unit	Corporate Services
File Reference	3.010758
Applicant	N/A
Owner	N/A

Attachments	Nil
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Confidential Attachments	1. Internal Audit Report – Procure to Pay
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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 details of the Internal Audit Review Procure to Pay (P2P) conducted during December 2024 to February 2025.
2. The internal audit was completed in accordance with the provisions of the *Local Government Act 1995*, associated regulations, and *Australian Accounting Standards*. The internal audit has identified some improvement opportunities that the City of Kalamunda (the City) is committed to implementing.
3. It is recommended that Council receive the details of the Internal Audit Review Procure to Pay conducted during 2024/25.

BACKGROUND

4. The internal audit program is delivered in line with the City's three-year Strategic Internal Audit Plan (Plan) which contains a mix of compliance, financial, and performance / operational audits.
5. The City has appointed William Buck as the internal auditor. Work undertaken by William Buck will include:
 - a. Reviewing the recommendations from the previous internal and external audits.
 - b. Providing input into the setting of the strategic internal audit plan;
 - c. Undertaking financial, compliance and operational audits.
 - c. Attendance and presentation of internal audit reports to the Audit & Risk Committee; and
 - d. Client liaison and engagement.
6. Internal Audit is a core element of the City's risk management and governance framework. The relationship between Internal Audit and the City can be summarised using the "Three Lines of Defence model illustrated below



7. Broadly, Internal Audit reviews are focused on:
- a. Compliance Audits: Focused primarily on the entity's (or their suppliers') compliance with legislation, regulations, directions, policies, plans, and procedures.
 - b. Financial Audits: Focused primarily on practices and activities relating to the accounting and reporting of financial transactions including budget commitments, approvals, and the receipt and disbursement of funds, as well as the reliability and integrity of financial information and the safeguarding of the City assets.
 - c. Performance (Operational) Audits: Focused primarily on an audit of all or a part of an entity's activities to assess the economy, efficiency and effectiveness and focuses on:
 - i. the adequacy of an internal control structure or specific internal controls to ensure due regard for economy and effectiveness;
 - ii. the extent to which resources have been managed economically and efficiently; and
 - iii. the extent to which activities have been effective in achieving organisational objectives.

DETAILS AND ANALYSIS

8. The Internal Audit Review undertaken during 2024/2025 was:
- a) Procurement to Pay.

9. **Procurement to Pay**
The objective of the Procure to Pay review was to audit the effectiveness and efficiency of the processes within the P2P cycle, ensuring compliance with existing internal policies, legislative obligations and better practices.
10. The scope of the internal audit covered the end -to-end Procurement to Pay (P2P) cycle, and included the following areas:
1. Procurement Planning
 2. Procurement Processes
 3. Vendor Selection and Management
 4. Purchase Order Management
 5. Receiving and Inspection
 6. Invoice Processing
 7. Payment Processing
 8. Compliance and Controls
 9. Record Keeping
 10. Reporting and Monitoring
11. The results of the Internal Audit Review of the Procurement to Pay Cycle Audit are detailed in Confidential Attachment 1.

APPLICABLE LAW

12. *Local Government Act 1995*
Local Government (Financial Management) Regulations 1996

APPLICABLE POLICY

13. Nil.

STAKEHOLDER ENGAGEMENT

14. Internal Audit findings were discussed with relevant business unit managers and have been reviewed by the City's Executive Management Team.

FINANCIAL CONSIDERATIONS

15. The cost of the Internal Audit program is provisioned within the City's annual budget. Further, monitoring and review of internal controls within the Internal Audit program will reduce the risk and likely exposure of potential loss to the City.

SUSTAINABILITY

Social Implications

16. Nil.

Economic Implications

17. Nil.

Environmental Implications

18. Nil.

RISK MANAGEMENT

19.

Risk: Internal Audit fails to identify material non-compliance or control deficiencies.		
Consequence	Likelihood	Rating
Moderate	Unlikely	Low
Action/Strategy		
Internal Audit Plan developed and reviewed annually. Internal Audit working papers reviewed by External Auditors. Key controls are evaluated for the identified processes.		

20.

Risk: Audit recommendations are not implemented in a timely fashion.		
Consequence	Likelihood	Rating
Moderate	Unlikely	Low
Action/Strategy		
Internal Audit Plan developed and reviewed annually. Monitoring and reviewing the implementation of audit recommendations and reporting to the Council.		

CONCLUSION

21. The City monitors the status of Internal Audit recommendations arising from each Internal Audit Review. Recommendations are monitored and the majority of recommendations are completed within the agreed timelines and the remaining are progressed in accordance with resourcing.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION

That Council RECEIVE the details of the Internal Audit Reviews for the Procurement to Pay Cycle as presented in Confidential Attachments 1.

9.6. Chief Executive Officer Reports

9.6.1. 2024 Compliance Audit Return

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

Previous Items	OCM 27/2024
Directorate	Office of the CEO
Business Unit	Governance
File Reference	N/A
Applicant	City of Kalamunda
Owner	City of Kalamunda
Attachments	1. Compliance Audit Return 2024 Final for Council Adoption [9.6.1.1 - 11 pages]

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 consider and adopt the 2024 Compliance Audit Return (CAR) (Attachment 1).

2. The CAR focuses on areas considered by the Department of Local Government Sport and Cultural Industries (DLGSCI) as key compliance requirements of the *Local Government Act 1995* (the Act).
3. It is recommended Council adopt the 2024 CAR.

BACKGROUND

4. The CAR in its current format has been an annual requirement for every local government in Western Australia to complete in accordance with section 7.13 (1) (i) of the Act. It is required to be submitted by 31 March each year.
5. The CAR is designed to be a tool for local government, allowing it to identify those areas where legislative requirements have not been met and then implement processes to ensure that such instances of noncompliance do not continue.

DETAILS AND ANALYSIS

6. The Terms of Reference of the Audit and Risk Committee require the Committee to review and make recommendations to Council on the completed CAR.
7. The 2024 CAR covered 10 standard categories and 85 questions with an additional Optional Questions category which had 9 questions.
8. Although the matters examined in the 2024 CAR are the same as previous years, City of Kalamunda (City) staff continue to ensure high standards are maintained with no issues of non-compliance detected in completing the 2024 CAR.

APPLICABLE LAW

9. *Local Government Act 1995*
Local Government (Audit) Regulations 1996

APPLICABLE POLICY

10. N/A

STAKEHOLDER ENGAGEMENT

11. All relevant Business Units provided input to enable completion of the 2024 CAR.

12. Community consultation is not required.

FINANCIAL CONSIDERATIONS

13. None from this report.

SUSTAINABILITY

Social Implications

14. N/A

Economic Implications

15. N/A

Environmental Implications

16. N/A

RISK MANAGEMENT

17.	Risk: Failures within Administration result in detection of Non-compliance		
	Consequence	Likelihood	Rating
	Moderate	Possible	Medium
	Action/Strategy		
	Ensure improvements are introduced to eliminate non-compliance.		

CONCLUSION

18. With no instances of non-compliance identified, the City continues to maintain its high standards of compliance with respect to those areas examined by the CAR.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION

That Council ADOPTS the Compliance Audit Return for the year ending 31 December 2024 (Attachment 1).

- 10. Motions of Which Previous Notice has been Given**
- 11. Questions by Members Without Notice**
- 12. Questions by Members of Which Due Notice has been Given**
- 13. Urgent Business Approved by the Presiding Member or by Decision**
- 14. Meeting Closed to the Public**
- 15. Closure**