



Audit, Risk and Improvement Committee

AGENDA

Tuesday 2 December

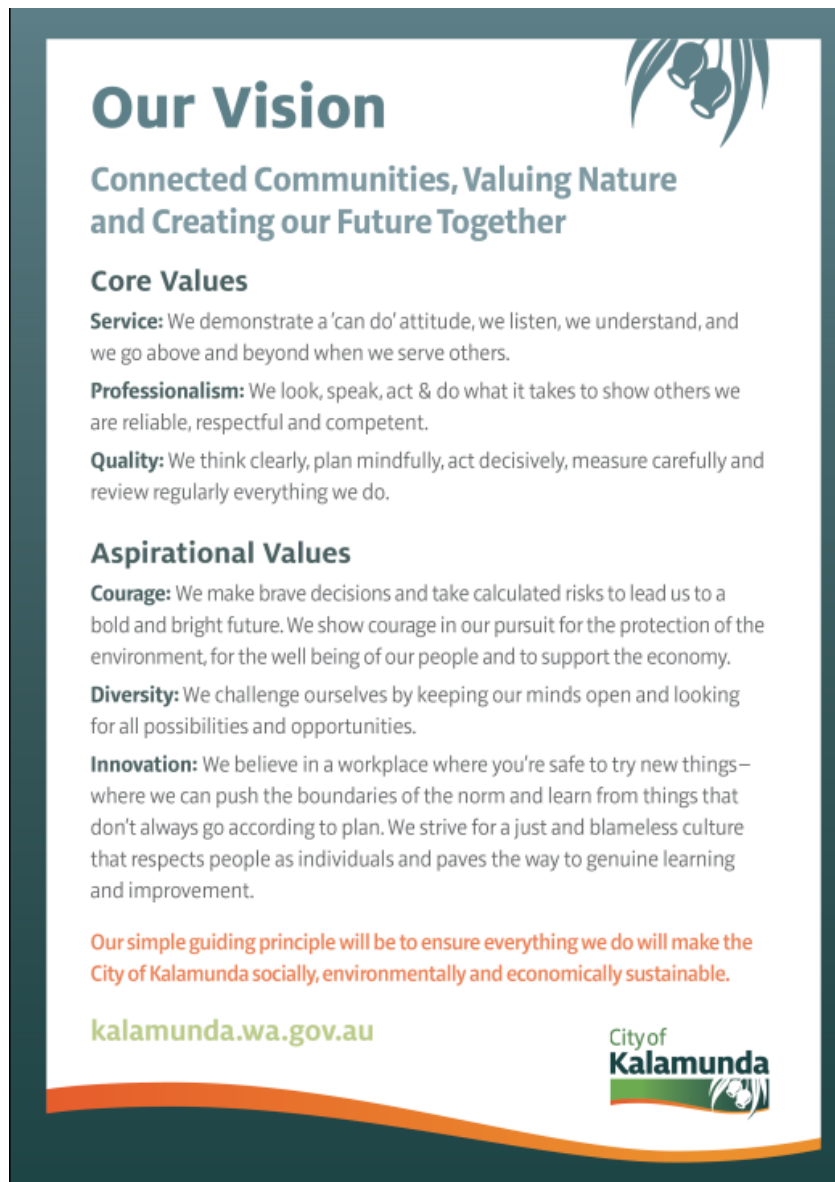
NOTICE OF MEETING AUDIT & RISK COMMITTEE

Dear Committee Members,

Notice is hereby given that the next meeting of the Audit, Risk and Improvement Committee will be held in the Council Chambers, Administration Centre, 2 Railway Road, Kalamunda on **Tuesday 2 December 2025 at 5:00pm.**



Anthony Vuleta
Chief Executive Officer
27 November 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

City of Kalamunda

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 & Improvement Committee Meeting Procedure

1. Audit, Risk & Improvement Committee has a membership consisting of two independent external members, the Mayor and one Elected Member from each ward.
2. The Committee makes recommendations only to Full Council.
3. All other arrangements are in general accordance with Council's Audit, Risk and Improvement 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 Ordinary Council Meeting held on 1 July 2025, 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 1 July 2025"

6. Announcements by the Member Presiding Without Discussion

7. Matters for Which the Meeting may be Closed

- 7.1 Final Internal Audit Report – COK Records Management
Final Internal Audit Report – COK Waste – FOGO Implementation
Independent Review of Fraudulent Matter – Final Report

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 Annual Financial Report 2024/2025 – Annual Audit Findings

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

9.1. Corporate Services Reports

9.1.1. Internal Audit Report

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

Previous Items

Directorate	Corporate Services
Business Unit	Corporate Services
File Reference	3.010758
Applicant	N/A
Owner	N/A

Attachments Nil

Confidential Attachments	1. Final Internal Audit Report – COK Records Management
	2. Final Internal Audit Report – COK Waste – FOGO Implementation
	3. Independent Review of Fraud Matter – Final Matter

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 Reviews conducted during 2025.
2. The internal audits were completed in accordance with the provisions of the *Local Government Act 1995*, associated regulations, and *Australian Accounting Standards*. The internal audits have identified several 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 Reviews conducted during 2025.

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's appointed Internal Auditor is William Buck who have undertaken a number of audit reviews, which included
 - a. Reviewing the recommendations from the previous internal audits
 - b. Conducting audit reviews
 - c. Providing input into the setting of the strategic internal audit plan;
 - 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 Reviews undertaken during 2025 have been focused on:

- a) Records Management Review
- b) Waste FOGO Implementation
- c) Independent Review of Fraudulent Matter

9. **Records Management Review**

The objective of this internal audit review was to determine whether there are adequate controls in place in respect of Records Management, and the City's compliance with the *State Records Act 2000* (SRA) and associated Records Management Requirements.

The scope of the audit was as follows:

- 1. Record Keeping Plan is aligned with the SRA and has been regularly reviewed and approved by the State Records Office;
- 2. Record Keeping Systems are compliant with the SRA and Record Management practices at the City;
- 3. Staff are aware and adhering to record keeping responsibilities under the SRA and Record Management practices, including the security, confidentiality of these records at the City;
- 4. Access to records is appropriately controlled either through a system or hard copy records;
- 5. Disposal/destruction of both electronic and paper based records are aligned to General Disposal Authority for Local Government Records (GDA), by either staff or records;
- 6. Appropriate back-up processes exist for hard and softcopy records; and
- 7. Effectiveness of controls exist for a centralised process for all incoming and outgoing records

10. The results of the Internal Audit Review of the Records Management Review are detailed in Confidential Attachment 1.

11. **Internal Audit Review of Waste FOGO Implementation**

The objective of this internal audit review was to assess the effectiveness, efficiency and compliance of the City's Food Organics Garden Organics (FOGO) project in relation to its original objectives, contractual arrangements and regulatory requirements.

12. The scope of the audit was as follows;

- 1. Provide advice in terms of performance – what was in the project plan/business case and what improvements can be made.

2. Review of risk governance and compliance mechanisms – project incident tracking, resolution logs, compliance with environmental regulations and policies.
 3. Review of the contract with the new provider, including performance indicators, assessment of financial benefit, contract variation controls, effectiveness of controls in place for contract closure and lessons learnt.
 4. Identify what Framework is in place to administer the scheme.
 5. Provide advice in regard to how carbon credits are collected and accounted for.
13. The results of the Internal Audit Review of the Waste FOGO Implementation are detailed in Confidential Attachment 2.
14. **Independent Review of Attempted Fraudulent Matter**
The objective of this internal audit was to undertake an independent review to identify the root cause of the Fraudulent Matter to assess the City's internal controls, communication protocols, documentation and identify weaknesses in controls and improvement opportunities.
15. The scope of the audit was as follows;
 1. To focus on a single payment transaction for the period 1 May 2025 to 2 July 2025.
 2. Consider policies and procedures for payment to City creditors.
 3. Review processes and protocols for updating the City's data base.
 4. Assess any control weaknesses and or departure from procedures.
 5. Conducted meetings with City staff and the Vendor.
16. The results of the Internal Audit Review of the Attempted Fraudulent Matter are detailed in Attachment 3.

APPLICABLE LAW

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

APPLICABLE POLICY

18. Nil.

STAKEHOLDER ENGAGEMENT

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

FINANCIAL CONSIDERATIONS

20. 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

21. Nil.

Economic Implications

22. Nil.

Environmental Implications

23. Nil.

RISK MANAGEMENT

- 24.
- | | | |
|--|-------------------|---------------|
| 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. | | |
- 25.
- | | | |
|--|-------------------|---------------|
| 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 review of the implementation of audit recommendations and reporting to the Council. | | |

CONCLUSION

26. 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 in progress.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION

That Council RECEIVE the details of the Internal Audit Reviews conducted during 2025 presented in Confidential Attachments 1, 2 & 3.

9.1.2. Annual Financial Report 2024/2025 - 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 Report [9.1.2.1 - 67 pages] 2. Independent Auditors Report [9.1.2.2 - 3 pages]
Confidential Attachments	1. OAG – Annual Financial Audit Exit Report

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

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- ⚙ Executive When Council is undertaking its substantive role of direction setting and oversight (e.g. accepting tenders, adopting plans and budgets)
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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. Annual Financial Report (Attachment 1).
 - II. OAG Independent Auditors Report (Attachment 2)
 - III. OAG Annual Financial Audit Exit Report (Confidential Attachment 1)
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 2025.
3. The OAG Annual Financial Audit Exit Report was presented by the Office of the Auditor General staff to the City and the Mayor on 11 November 2025. 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.
4. It is recommended that Council:
 1. ACCEPT the 2024/2025 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 Independent Auditors Report (Attachment 2).
 3. NOTE the content of the OAG Annual Financial Audit Exit Report (Confidential Attachment 1).

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.

DETAILS AND ANALYSIS

Annual Financial Report

- 8. The Auditors (OAG) conducted the audit fieldwork for the interim audit in March and June 2025 and October and November 2025 for the final audit. The report was issued on the 12 November 2025. 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.
- 9. The Annual Financial Report was comprised of:
 - I. The Statement of financial position as at 30 June 2025, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of financial activity for the year
 - II. Notes comprising a summary of material accounting policies and other explanatory information

The Auditors Report consolidated the findings of the interim audit, the information systems audit and the final audit. Overall, the total audit findings identified a reduction in audit findings by two when compared to last year. The Audit Report recommended the issuing of an un-qualified audit report.

OAG Annual Financial Audit Exit Report

- 10. The OAG Annual Financial Audit Exit Report (Confidential Attachment 1) reported that the City issued its draft financial statements to Audit by 30 September 2025 with statements assessed as audit ready on 7 October 2025.
- 11. The Audit planning identified a series of key focus areas:
 - I. Existence and valuation of infrastructure, property, plant and equipment
 - II. Revenue recognition and recovery of receivables
 - III. Expenses and liability recognition

- IV. Accounting estimates
- V. Management override of controls

12. The OAG Annual Financial Audit Exit Report (Confidential Attachment 1) summarises a series of issues identified during the interim audit process as well as from the final audit.

In summary the Audit Reported:

- I. Seven items related to the Information Systems Audit
- II. Six items related to financial accounting 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, Risk and Improvement Committee Meeting in the new year. One of these items was resolved at the time of the final audit being completed.
- III. One new financial item – Non-Compliance with Bonds Policy, the details of which are included in Attachment 2.

Independent Auditors Report

13. The Auditors opinion concluded that the financial report:
- I. Is based on proper accounts and records
 - II. Presents fairly in all material respects, the results of the operations of the City for the year ended 30 June 2025 and its financial position at the end of that period
 - III. Is in accordance with the *Local Government Act 1995* (the Act) and to the extent that they are not consistent with the Act, Australian Accounting Standards.

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 2024/2025.

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 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 2024/2025 Budget includes provision for the cost of having the accounts and the Annual Financial Report audited by the OAG.
21. The 2024/2025 Audited Annual Financial Report recorded a surplus of \$7.2M at year end primarily made up of the following:
- Early receipt of 2025/26 Financial Assistance Grants Scheme funds valued at \$1.7M
 - Lower Capital Works Spend than estimated by \$4.8M, these funds and associated projects are carried forward into 2025/26
 - The balance is a mix of higher income from fees and charges (higher than budget by \$0.4M) and interest income higher than budget by \$1.0M

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.		
Consequence	Likelihood	Rating
Possible	Moderate	Medium
Action/Strategy		
Regular briefing to the City's Executive Management Team and to the Audit and Risk Committee regarding progress in addressing audit findings. Review of policies, procedures relating to the management and reporting of assets.		
26.

Risk: Failure to lodge the Annual Financial Report with the Local Government Department within the required timeframe.		
Consequence	Likelihood	Rating
Rare	Moderate	Low
Action/Strategy		
Lodge the report with the Department of Local Government within 30 days of the signing of the auditor's report.		

CONCLUSION

27. The 2024/2025 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
28. The City acknowledges the findings contained in the OAG Audit Exit Report (Confidential Attachment 1) 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 second quarter of 2026.

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, Industry Regulation and Safety within 30 days of the receipt of the auditor's report on that financial report.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION

That Council:

1. ACCEPT the 2024/2025 Annual Financial Report (Attachment 1) prepared in accordance with Section 6.4 of the *Local Government Act 1995*.
2. NOTE the content of Independent Auditors Report (Attachment 2)
3. NOTE the content of the Office of the Auditor General Annual Financial Audit Exit Report (Confidential Attachment 1)
4. NOTE that a copy of this Report will be submitted to the Minister for Local Government and published on the City's Website.

- 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**