



Audit & Risk Committee

Minutes

Tuesday 15 March 2022

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1. Official Opening

The Presiding Member opened the meeting at 6:30pm and welcomed Councillors, Staff and Members of the Public Gallery. The Presiding Member also welcomed representatives from the City's internal auditors. Respect and acknowledgement was paid and given to the Traditional Owners of the land on which we meet the Whadjuk Noongar people.

2. Attendance, Apologies and Leave of Absence Previously Approved

Councillors

South East Ward

John Giardina
Janelle Sewell (Presiding Member)

South West Ward

Brooke O'Donnell

North West Ward

Lisa Cooper
Dylan O'Connor

North Ward

Andrew Osenton
Kathy Ritchie

Members of Staff

Chief Executive Officer

Rhonda Hardy

Executive Team

Gary Ticehurst - Director Corporate Services
Brett Jackson - Director Asset Services
Peter Varelis - Director Development Services

Management Team

Alida Ferreira - Manager Financial Services
Jamie Patterson - Manager Information Technology

Administration Support

Darrell Forrest - Governance Advisor
Donna McPherson - Executive Assistant to the CEO

Guests

Khurram Shahzad – Senior IT Auditor
Conley Manifis – Director

Members of the Public Press Nil.

Apologies

Cr Margaret Thomas JP (Mayor)
Cr Geoff Stallard

Cr Mary Cannon
Cr Kellie Miskiewicz
Cr Sue Bilich

Leave of Absence Previously Approved

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 and Risk Committee Meeting held on 30 November 2021, as published and circulated, are confirmed as a true and accurate record of the proceedings.

Moved: **Cr Kathy Ritchie**

Seconded: **Cr Brooke O'Donnell**

Vote: **CARRIED UNANIMOUSLY (7/0)**

6. Announcements by the Member Presiding Without Discussion

6.1 Nil.

7. Matters for Which the Meeting may be Closed

7.1 Item 9.3.1 Information Systems Audit Results for the year ended 30 June 2021 – Confidential Attachment - Final Management Letter - City of Kalamunda - 30 June 2021

Reason for Confidentiality: Local Government Act 1995 (WA) Section 5.23 (2) (e) - "matter that if disclosed, would reveal - (i) a trade secret; (ii) information that has a commercial value to a person; or (iii) information about the business, professional, commercial or financial affairs of a person; - where the trade secret or information is held by, or is about a person other than the local government"

7.2 Item 9.3.2 Internal Audit Report March 2022 – Confidential Attachments - Internal Audit Review of Records Management Audit Report and Internal Audit Review of the CEO Credit Card Audit 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”.

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. Information Systems Audit Results for the year ended 30 June 2021

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
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Confidential Attachments	1. Information Systems Audit Results Report
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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 the findings of the Information Systems Audit Results Report (Confidential Attachment 1).
2. The Information Systems Audit Results Report for the financial year ending 30 June 2021 was undertaken by the Office of the Auditor General.
3. It is recommended Council accept the 2020/2021 Information Systems Audit Results Report (Confidential Attachment 1).

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 will be 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 2021.
7. In April 2021, 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 field work was carried out from June 2021 to November 2021, with (Confidential Attachment 1) 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 all recommendations from OAG.

APPLICABLE LAW

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

APPLICABLE POLICY

10. There are no policy implications.

STAKEHOLDER ENGAGEMENT

11. The Administration worked closely with the Auditors.

External Referrals

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

FINANCIAL CONSIDERATIONS

13. 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

14. Nil.

RISK MANAGEMENT

15.

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.

CONCLUSION

16. The Information Systems Audit field work was carried out in accordance with the planning summary from 17 June 2021 to 19 November 2021, with (Confidential Attachment 1) being the outcome of the IT system audit.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION TO COUNCIL

That Council ACCEPT the Information Systems Audit findings Report for the financial year ending 30 June 2021 (Confidential Attachment 1).

Moved: **Cr Brooke O'Donnell**

Seconded: **Cr Lisa Cooper**

Vote: **CARRIED UNANIMOUSLY (7/0)**

9.3.2. Internal Audit Report March 2022

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


Previous Items	OCM271/2020
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	<ol style="list-style-type: none"> 1. Internal Audit Review of Records Management Audit Report 2. Internal Audit Review of the CEO Credit Card Audit Report
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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

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Information	For Council to note
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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 details of the Internal Audit Review conducted during the past quarter
2. The Internal Audit was completed in accordance with the provisions of the *Local Government Act 1995*, associated regulations, *Australian Accounting Standards*. The Internal Audit has identified a number of improvement opportunities which the City of Kalamunda (the City) is committed to implementing.
3. It is recommended that Council RECEIVE The details of Internal Audit Review conducted during the last quarter.

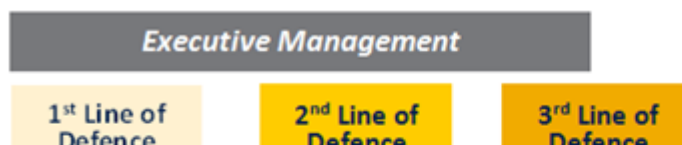
BACKGROUND

4. The Internal Audit program is delivered in line with the City's three-year Strategic Internal Audit Plan (the Plan) which contains a mix of compliance, financial, and performance / operational audits.

Since the commencement of this plan 28 engagements from the internal audit plan were completed through the City's appointed internal auditor Crowe Pty Ltd (formerly Crowe Howarth) Other work undertaken by Crowe Pty Ltd ('Crowe') included:

- a. the setting of the strategic internal audit plan;
- b. attendance and presentation of internal audit reports to the Audit & Risk Committee; and
- c. client liaison and engagement.

5. 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



6. 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 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

7. The Internal Audit Reviews undertaken during the past quarter have been focused on:
- a) Internal Audit Review of Records Management
 - b) Internal Audit Review of the CEO Credit Card

8. **Internal Audit Review of the Records Management**

The review focussed on the controls in place on a high level, relating to the following business objectives:

1. Record Keeping Plan (RKP) is aligned with the State Records Act 2000 (SRA) and has been regularly reviewed and approved by the State Records Office.
2. Record keeping processes and documents are in place to ensure compliance at a high level with the SRA including Record Keeping Plan, Metadata Management Policy, Thesaurus and Retention and Disposal Plan and key requirements are complied with.
3. Record Keeping Systems are compliant with the SRA and Record Management practices at the City.
4. 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.
5. Consistent and systematic approach to record keeping requirements across the organisation.
6. Access to records is appropriately controlled either through a system or hard copy records.
7. Disposal/destruction of both electronic and paper-based records are aligned to the General Disposal Authority for Local Government Records (GDA), by either staff or records.
8. Appropriate back-up processes exist for hard and softcopy records; and
9. Effectiveness of controls exist for a centralised process for all incoming and outgoing records (e.g. mail).

The approach adopted for this internal audit was as follows:

- a) Consideration of relevant policies, procedures and legislation and discussion with the City's management and staff responsible for the relevant scope areas.
- b) Identification of control weaknesses through analysis by internal audit.
- c) Analysis of a sample of records/plans and actions covered within the scope of the audit.
- d) Identification of any discrepancies or deviations from policy, procedure, or legislation.
- e) Discussion on control weaknesses, deviations from policy with relevant City staff members
- f) Development of a report identifying any weaknesses or issues and making relevant recommendations on the areas under the scope of our engagement.

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

10. **Internal Audit Review of the CEO Credit Card Review**

The review focussed on the controls in place on a high level, relating to the following business objectives:

1. Processes for the usage of the CEO's corporate credit card are in compliance with the City of Kalamunda's Corporate Credit Card policy;
2. Credit card transactions have been initiated in-line with the Purchasing Policy;
3. Credit card transactions are appropriate and in accordance with internal guidelines regarding appropriate business expenses; and
4. Credit card transactions are appropriately scrutinised, authorised and appropriate documentation exists.

The approach adopted for this internal audit was as follows:

- a) Consideration of relevant policies, procedures and legislation and discussion with the City's management and staff responsible for the relevant scope areas;
- b) Identification of control weaknesses through analysis by internal audit;
- c) Analysis of a sample of transactions covered within the scope of the audit;
- d) Identification of any discrepancies or deviations from policy or procedure;
- e) Discussion on control weaknesses, deviations from policy with relevant City staff members; and
- f) Development of a report identifying any weaknesses or issues and making relevant recommendations on the areas under the scope of our engagement.

11. The results of the Internal Audit Review of the CEO Credit Card Audit are detailed in Confidential Attachment 2.

12. The City monitors the status of audit recommendations arising from each Internal Audit Review. Recommendations are monitored to ensure that they are managed and implemented in a timely fashion.

APPLICABLE LAW

13. *Local Government Act 1995*
Local Government (Financial Management) Regulations 1996
Local Government (Functions and General) Regulations 1996
Food Act 2008, Food Regulations 2009 and ANZ Standards;

APPLICABLE POLICY

14. Nil.

STAKEHOLDER ENGAGEMENT

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

FINANCIAL CONSIDERATIONS

- 16. 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

- 17. Nil.

Economic Implications

- 18. Nil.

Environmental Implications

- 19. Nil.

RISK MANAGEMENT

20.	Risk: Internal Audit fails to identify material non-compliance or control deficiencies.						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding: 2px;">Consequence</th> <th style="text-align: left; padding: 2px;">Likelihood</th> <th style="text-align: left; padding: 2px;">Rating</th> </tr> </thead> <tbody> <tr> <td style="padding: 2px;">Moderate</td> <td style="padding: 2px;">Unlikely</td> <td style="padding: 2px;">Low</td> </tr> </tbody> </table>	Consequence	Likelihood	Rating	Moderate	Unlikely	Low
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.						

21.

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.		

CONCLUSION

22. The City monitors the status of Internal Audit recommendations arising from each Internal Audit Review (Confidential Attachment 3). Recommendations are monitored and the majority of recommendations are either complete or in progress.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION TO COUNCIL

That Council RECEIVE the details of the Internal Audit Review conducted during the past quarter (Confidential Attachment 1).

Moved: **Cr Dylan O'Connor**

Seconded: **Cr John Giardina**

Vote: **CARRIED UNANIMOUSLY (7/0)**

9.4. Office of the CEO Reports

9.4.1. 2021 Compliance Audit Return

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

Previous Items	OCM 33/2021
Directorate	CEO'S Office
Business Unit	Governance
File Reference	N/A
Applicant	City of Kalamunda
Owner	City of Kalamunda

Attachments 1. 2021 CAR for Council [9.4.1.1 - 12 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 2021 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 2021 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 non-compliance 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 2021 CAR covered 10 categories and 89 questions with an additional Optional Questions category which had 9 questions.
8. Pleasingly, no issues of non-compliance were detected in completing the 2021 CAR.

APPLICABLE LAW

9. *Local Government Act 1995*

APPLICABLE POLICY

10. N/A.

STAKEHOLDER ENGAGEMENT

11. All relevant Business Units provided input to enable completion of the 2021 CAR.
12. Community consultation is not required.

FINANCIAL CONSIDERATIONS

13. None from this report.

SUSTAINABILITY

14. N/A

RISK MANAGEMENT

15.

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.		

Risk: That the Compliance Audit Return is not adopted as required by the legislation.		
Consequence	Likelihood	Rating
Moderate	Possible	Medium
Action/Strategy		
Sufficient information is provided that satisfies Council the Compliance Audit Return has been completed as required and should be adopted.		

CONCLUSION

16. Whilst the document presented to Council indicates all responses have been provided by one particular officer, this relates to the online input process for the CAR. Answers to various sections of the CAR have been provided by relevant Business Units.

17. 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 TO COUNCIL

That Council ADOPT the Compliance Audit Return for the year ending 31 December 2021 (Attachment 1).

Moved: **Cr Dylan O'Connor**

Seconded: **Cr John Giardina**

Vote: **CARRIED UNANIMOUSLY (7/0)**

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 That the meeting close to the public to receive the confidential Audit reports.

Moved: **Cr O'Donnell**

Seconded: **Cr Cooper**

Vote: **CARRIED UNANIMOUSLY (7/0)**

The meeting closed at 6:36pm. All councillors and staff remained in the meeting. The live stream was paused.

14.2 That the meeting open to the public.

Moved: **Cr Giardina**

Seconded: **Cr O'Donnell**

Vote: **CARRIED UNANIMOUSLY (7/0)**

The meeting reopened at 7:13pm. The live stream recommenced, and the presiding member read the recommendations to council to the meeting.

15. Closure

There being no further business, the Presiding Member declared the Meeting closed at 7:14pm.

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

Signed: _____
Presiding Member

Dated this _____ day of _____ 2022.