



Audit and Risk Committee

AGENDA

Tuesday 19 March 2024

NOTICE OF MEETING AUDIT & RISK COMMITTEE

Dear Councillors

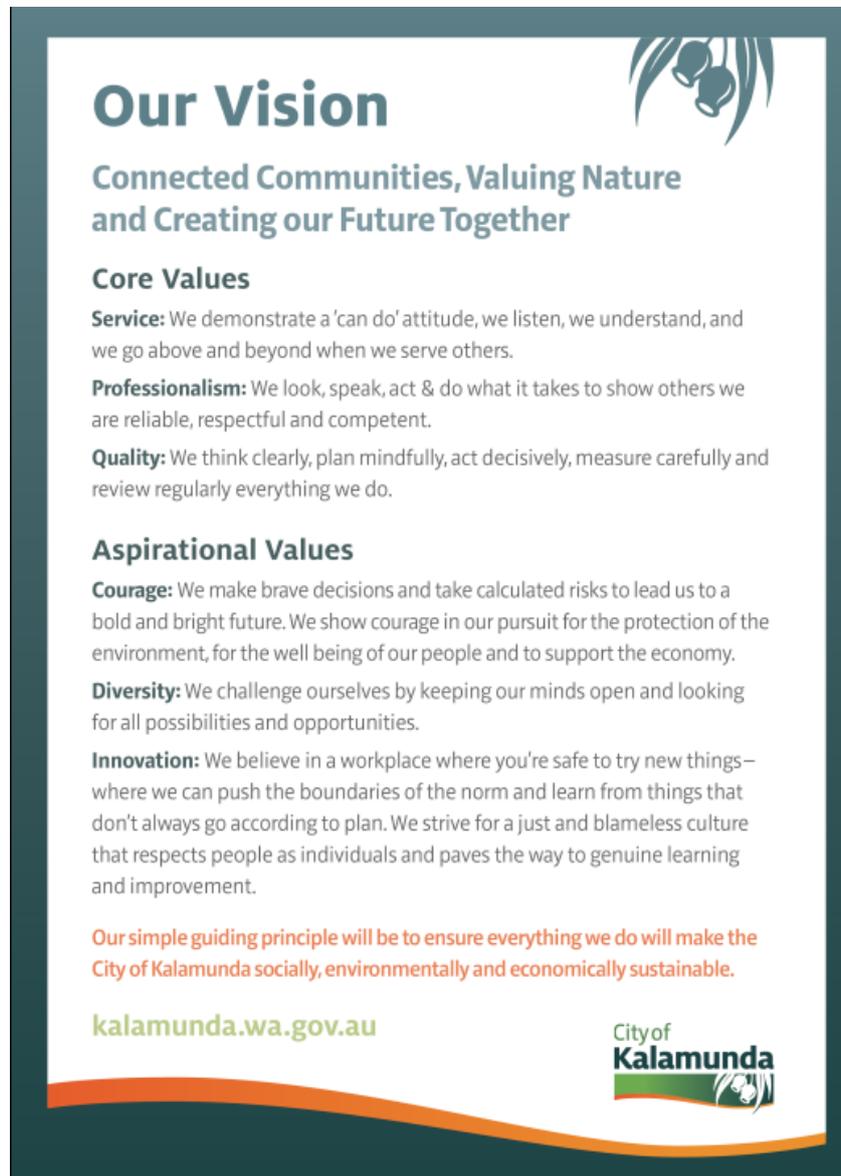
Notice is hereby given that the next meeting of the Audit & Risk Committee will be held in the Council Chambers, Administration Centre, 2 Railway Road, Kalamunda on **Tuesday 19 March 2024 at 6.30pm.**



Nathan Ritchie

A/Chief Executive Officer

14 March 2024



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 & Risk Committee held on 29 August 2023, 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 29 August 2023."

6. **Announcements by the Member Presiding Without Discussion**

7. **Matters for Which the Meeting may be Closed**

- 7.1 Project Management - Internal 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

9.1. Development Services Reports

No reports presented.

9.2. Asset Services Reports

9.2.1. Project Management - Internal Audit Report

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

Previous
Items

Directorate Asset Services
Business Unit Asset Planning & Delivery

File Reference

Applicant N/A

Owner N/A

Attachments Nil

Confidential 1. Draft Internal Audit Report – Project Management
Attachments Final

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 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 1: Kalamunda Cares and Interacts

Objective 1.2 - To provide a safe and healthy environment for community to enjoy.

Strategy - 1.2.3 Provide high quality and accessible recreational and social spaces and facilities.

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

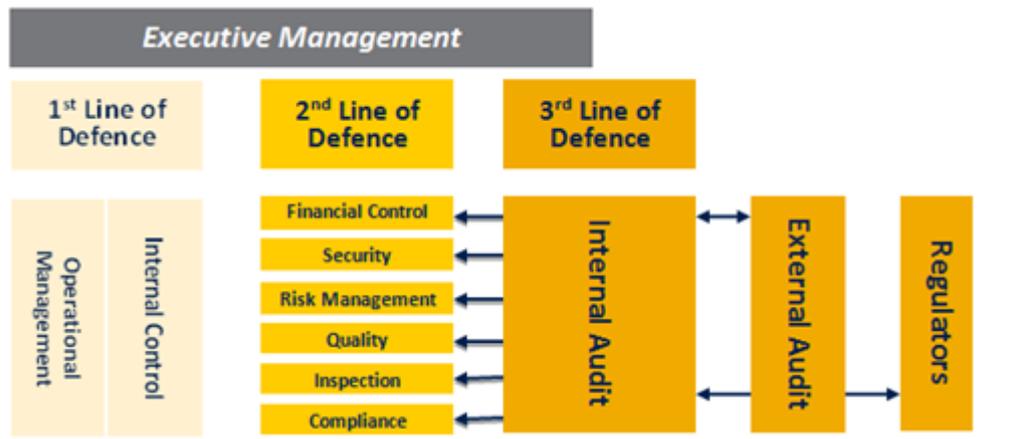
Strategy 4.1.2 - Build an effective and efficient service based organisation.

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 (City) is committed to implementing.
3. It is recommended that Council receive the details of the Internal Audit Review conducted during the last quarter.

BACKGROUND

4. The City's internal audit program is undertaken by William Buck who are responsible for the delivery of the City's three-year Strategic Internal Audit Plan (the Plan) which contains a mix of compliance, financial, and performance/operational audits.
5. Since the commencement of this plan, a number of audits have been completed with details of all completed audits presented to the Audit and Risk Committee.
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 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 the last half of 2023/2024 have been focused on:

9. **Internal Audit Review of Project Management**

The objective of this internal audit review was to evaluate and improve the effectiveness of controls in place to support the City of Kalamunda at all stages of the project lifecycle to promote successful project delivery. Findings from the review will inform lessons learnt, to support better project management processes throughout their lifecycle.

10. The scope of the audit was as follows:

1. **Project Governance, Frameworks and Risk Management**

- a) Project Management Framework methodology
- b) Decision Making – Delegation and Decision Approval Process
- c) Risk Management – Process for Assessing and Managing Risk

2. **Budget Bid Development, Planning and Procurement**

- a) Budget Bid (Business Case) – process for developing and planning a project.
- b) Procurement - Processes for selecting external services engaged to project related activities on behalf of Council and validating they have established effective internal control processes.
- c) Quality Management (Design approval) – Processes for Council to review and approve designs prior to construction.

3. **Project Management Activities**

- a) Contractual Compliance; Processes for the oversight of external service providers and their compliance with the requirements of project deeds.
- b) Cost management – Processes for estimating and monitoring the cost of major projects including forecasting/budgeting, management of project contingencies, use of Quantity Surveyors and approval of invoice payments (including variations).

4. **Project Management Activities**

- a) Time management – Processes for estimating and monitoring timely delivery of major projects.
- b) Scope management – Processes for assessing and approving significant variations to Project Bids, including compliance with Council's delegated authorities.

11. The results of the Internal Audit Review of the Project Management 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.		

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

20. 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 tracked to determine their progress.

Voting Requirements: Simple Majority

RECOMMENDATION

That Council RECEIVE the details of the Internal Audit Review conducted during 2023/24 as presented in Confidential Attachment 1.

9.3. Corporate Services Reports

No reports presented.

9.4. Office of the CEO Reports

No reports presented.

9.5. Chief Executive Officer Reports

9.5.1. 2023 Compliance Audit Return

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

Previous Items	43/2023
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 2023 [9.5.1.1 - 12 pages]

TYPE OF REPORT

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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 consider and adopt the 2023 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 2023 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 2023 CAR covered 11 categories and 85 questions with an additional Optional Questions category which had 9 questions.
8. Pleasingly, no issues of non-compliance were detected in completing the 2023 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 2023 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 Noncompliance.		
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

RECOMMENDATION

That Council ADOPT the Compliance Audit Return for the year ending 31 December 2023 (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**