



## **Audit Committee**

### **Minutes**

**6 December 2021**

**City of Bunbury**  
4 Stephen Street  
Bunbury WA 6230  
Western Australia

*Correspondence to:*  
Post Office Box 21  
Bunbury WA 6231



## Audit Committee Terms of Reference

*The duties and responsibilities of the committee will be:*

- a) *Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits and matters related to financial management;*
- b) *Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;*
- c) *Liaise with the CEO to ensure that the local government does everything in its power to:*
  - *assist the auditor to conduct the audit and carry out his or her other duties under the Local Government Act 1995; and*
  - *ensure that audits are conducted successfully and expeditiously;*
- d) *Examine the reports of the auditor after receiving a report from the CEO on the matters to:*
  - *determine if any matters raised require action to be taken by the local government; and*
  - *oversee the implementation of any action so determined in respect of those matters;*
- e) *Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;*
- f) *Review the scope of the internal audit plan and program and its effectiveness;*
- g) *Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or the CEO;*
- h) *Review the level of resources allocated to internal audit and the scope of its authority;*
- i) *Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;*
- j) *Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;*
- k) *Review the local government's draft annual financial report, focusing on:*
  - *accounting policies and practices;*
  - *changes to accounting policies and practices;*
  - *the process used in making significant accounting estimates;*
  - *significant adjustments to the financial report (if any) arising from the audit process;*
  - *compliance with accounting standards and other reporting requirements; and*
  - *significant variances from prior years;*
- l) *Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;*
- m) *Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;*
- n) *Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council;*
- o) *Review the annual Compliance Audit Return and report to the council the results of that review,*
- p) *Having regard to the culture and capability of the organisation, consider the CEO's reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews;*
- q) *Monitor and advise the CEO when the CEO is carrying out functions in relation to a review of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance;*
- r) *Oversee the implementation of any action required following receipt of the review of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance;*
- s) *Monitor and advise the CEO when the CEO is carrying out functions in relation to a review of the appropriateness and effectiveness of the financial management systems and procedures;*
- t) *Oversee the implementation of any action required following receipt of a review of the appropriateness and effectiveness of the financial management systems and procedures.*

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## Acknowledgement of Country

We acknowledge the Traditional Custodians of this land, the Wardandi Noongar people, and pay our respects to Elders past, present and future.

### Audit Committee Minutes 6 December 2021

Members of the public to note that recommendations made by this committee are not final and will be subject to adoption (or otherwise) at a future meeting of the Bunbury City Council.

#### 1. Declaration of Opening

The meeting was opened at 11.30am by the Chief Executive Officer.

As this was the first meeting of the Audit Committee since the 2021 local government elections, the committee is required to elect a Presiding Member from amongst themselves in accordance with Section 5.12 of the *Local Government Act 1995*.

The CEO called for nominations for the position of Presiding Member.

Cr Kozisek nominated Cr Andrew to be Presiding Member of the Audit Committee. Cr Andrew accepted. There being no further nominations, Cr Andrew was duly elected Chair of the Audit Committee until October 2023.

Cr Andrew assumed the Chair.

#### 2. Disclaimer

Not applicable to this committee.

#### 3. Announcements from the Presiding Member

Nil

#### 4. Attendances

*Committee Members:*

<b>Member Name</b>	<b>Representing</b>
Mayor Jaysen Miguel	City of Bunbury
Cr Ben Andrew	City of Bunbury
Cr Kris Plumb	City of Bunbury
Cr Cheryl Kozisek	City of Bunbury
Mr John Barratt	Independent Member

*Support Staff/Visitors:*

<b>Name</b>	<b>Title</b>
Mr Greg Golinski	Manager Governance
Mr Mal Osborne	Chief Executive Officer
Mr David Ransom	Manager Finance
Ms Vicki Gregg	Team Leader Financial Accounting
Mr Shaun Hill	Manager Strategy, Performance and Digital
Mrs Karin Strachan	Director Strategy and Organisational Performance
Carly Meagher	Director Financial Audit, OAG (via video conference)
Tim Partridge	Director, AMD

##### **4.1 Apologies**

Nil

##### **4.2 Approved Leave of Absence**

Nil

#### 5. Declaration of Interest

IMPORTANT: Committee members to complete a "Disclosure of Interest" form for each item on the agenda in which they wish to disclose a financial/proximity/impartiality interest. They should give the form to the Presiding Member before the meeting commences. After the meeting, the form is to be forwarded to the Administration Services Section for inclusion in the Corporate Financial Disclosures Register.

Nil

**6. Public Question Time**

Not applicable to this committee.

**7. Confirmation of Minutes**

Committee Decision:                      Moved: Cr Kozisek                      Seconded: Mayor Miguel

***The minutes of the Audit Committee Meeting held on 28 July 2021 are confirmed as a true and accurate record.***

CARRIED

**8. Presentations**

As part of an exit meeting, Carly Meagher from the OAG and Tim Partridge from AMD provided the committee with a general overview of the outcomes of the City's 2020/21 audit and answered general questions from the Committee.

Mr Partridge gave an overview of the audit approach taken by AMD, and confirmed that any issues raised in the interim audit had been addressed. He noted that there were no variations to the original audit plan, as well as no subsequent events impacting the audit, meaning the audit was undertaken as originally planned.

Mr Partridge noted the only prior year audit issue still ongoing was the matter of purchase orders being raised after invoice, but also stated that AMD acknowledged that processes have been improved to address this matter moving forward.

Notwithstanding the unqualified opinion, Mr Partridge did however alert the committee to two financial ratios that did not meet the benchmarks set by the department of Local Government, Sport and Cultural Industries (the Department), being the Asset Sustainability Ratio and the Operating Surplus ratio. Mr Partridge did clarify that it is not unusual for local governments' to not meet these particular ratio benchmarks, and Ms Meagher added that the OAG has undertaken some advocacy to the Department in this regard, questioning the efficacy of the current benchmarks.

Mr Partridge also noted an Emphasis of Matter that had been identified in relation to Bunbury's share of investment in the Bunbury Harvey Regional Council. It was clarified by Mr Partridge that the OAG had not previously expressed concern at the manner in which the City accounted for the BHRC in its financial statements, however have now identified that this is a matter that will need to be rectified for the 21/22 audit. The CEO confirmed that the City is currently in discussions with the Shire of Harvey to ascertain the best model into the future for the operation of the Stanley Road facility.

**9. Method of Dealing with Agenda Business**

All items were dealt with in the order they appeared in the agenda.

## 10. Reports

### 10.1 Draft Auditors Report and Annual Financial Statements for the year ending 30 June 2021

<b>File Ref:</b>	COB/1645
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	David Ransom, Manager Finance
<b>Responsible Manager:</b>	David Ransom, Manager Finance
<b>Executive:</b>	Karin Strachan, Director Strategy and Organisational Performance
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input checked="" type="checkbox"/> Legislative <input type="checkbox"/> Information Purposes
<b>Attachments:</b>	Appendix 1: Draft Auditor’s Report and Annual Financial Report

#### Summary

The draft Auditor’s Report and draft Annual Financial Report of the City of Bunbury for the financial year ending 30 June 2021 are attached at Appendix 1 for the information of the Audit Committee.

These reports are in ‘draft’ as Ms Carly Meagher, Director Financial Audit, from the Office of the Auditor General WA is required to meet with the Audit Committee prior to the signing of the Auditors Report. Ms Meagher will be attending this meeting to brief the Committee on the audit and to answer any questions. Following this meeting the Auditors Report will be signed and then presented to Council Meeting on 14 December 2021.

There are no qualifications to the audit opinion; however the Auditor’s Report notes that the Asset Sustainability Ratio and Operating Surplus Ratio are below the Department of Local Government, Sport and Cultural Industries standard for the last 3 years. The auditor has also reported an Emphasis of Matter for not recording the BHRC Joint Venture in the financial statements, however this has not modified the audit opinion that the financial report presents fairly the results of the City of for the year ended 30 June 2021.

#### Executive Recommendation

That the Audit Committee recommends that Council accept the Auditor’s Report and the Audited Annual Financial Report of the City of Bunbury for the financial year ending 30 June 2021.

#### Background

The Auditor General has audited the 2020/21 Annual Financial Report and have provided a draft Independent Auditor’s Report (refer Pages 80 - 82 in the attached Annual Financial Report) as required under the relevant provisions of the *Local Government Act 1995* (the Act). The draft Auditor’s Report and Annual Financial Report are now presented to the Audit Committee for information.

Furthermore, section 7.12A(2) of the Act requires a local government to meet with its Auditor at least once in every year.

Ms Carly Meagher, Director Financial Audit, from the Office of the Auditor General WA, who is representing the Auditor General will be in attendance to discuss with the Committee the audit and any queries arising from the 2020/21 Audit.

### **Council Policy Compliance**

N/A

### **Legislative Compliance**

Section 7.9(1) of the Act requires the Auditor to submit a report to the local government by 31 December each year.

Section 7.12A(2) of the Act requires a local government to meet with its Auditor at least once each year.

### **Officer Comments**

The City's management and internal control systems are sound. In addition to being monitored internally on a daily and monthly basis, they are also strengthened by an independent assessment each year on the City's financial management systems and external audit reporting. The independent assessment reviews the City's financial position, financial management practices and compliance with the requirements of the Act, the Local Government (Financial Management) Regulations, and Accounting Standards.

There are five (5) primary financial statements:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Rate Setting Statement

*Statement of Comprehensive Income*: The Statement of Comprehensive Income (Pages 5 to 7 of the Financial Report) shows the extent to which operating expenditure has exceeded operating income during the financial year (i.e. operating deficit).

Key financial figures within the audited Annual Financial Report for the year ended 30 June 2021 include:

	<u>2021</u>	<u>2020</u>
Operating Revenue	\$ 60,364,759	\$ 57,499,726
Operating Expenses	\$(64,643,613)	\$(62,774,172)
Operating Surplus / (Deficit)	\$ (4,278,854)	\$ (5,274,446)
Net Result	\$ (799,800)	\$ (2,038,160)

For the year ending 30 June 2021, the operating deficit was \$4.28M compared to an operating deficit of \$5.27M in 2019/20, a decrease of \$995K. Revenue increased by \$2.86M and expenditure increased by \$1.87M.



Operating Revenue – The City received \$2.86M more in 2020/21 than in 2019/20. This was mainly due to receiving more Operating Grants and Subsidies (\$2.14M), Fees and Charges (\$1.00M) and Other Income (\$250K); which was offset by less Interest Earnings (\$503K).

The increase in Operating Grants and Subsidies was due to recognising \$2.18M in 2020/21 from the Department of Primary Industries and Regional Development for upgrades to the Halifax Business Park sewer infrastructure. Fees and Charges were \$1.00M up on the previous year as 2019/20 had COVID-19 impacts to the operations of the SWSC and Wildlife Park, as well as lease waivers for commercial premises. Other income was up \$250K mainly due to the Container Deposit Scheme (\$175K) commencing in 2020/21 and an increase in property settlement advises (\$60K). The reduction in bank investment income (\$503K) was mainly due to the ongoing reduction in term deposit rates due to economic factors.

Operating Expenditure – The increase in operating expenditure of \$1.87M from the previous year was mainly due to increases in expenditure of Materials and Contracts (\$2.26M) mainly for the Halifax Business Park, and Consultants (\$447K), mainly for concept and preliminary designs for SWSC, Hands Oval and website; which were offset by a reduction in Other Expenditure (\$721K) mainly due to the \$700K contribution to the Splash park as part of an agreement the City holds with Discovery Holiday Parks.

Net Result - The Net Result was a loss of \$800K which included Capital Grants of \$5.70M and Net Loss on Asset Disposal of (\$2.34M). This compares to a loss of \$2.04M in 2019/20.

This Statement also accounts for the Changes in Asset Revaluation of Non-Current assets which was a decrease of \$46.18M, mainly from the revaluation decrement of Roads \$49.04M, due to changes to the valuation assumptions. This resulted in Total Comprehensive Income for 2020/21 of \$(46.98)M.

*Statement of Financial Position:* The Statement of Financial Position (Page 8 of the Financial Report) shows the assets and liabilities which make up the Community Equity as at the 30 June 2021.

Key financial figures within the Annual Financial Report for the year ended 30 June 2021 include:

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 44,223,616	\$ 41,981,745
Current Liabilities	\$ 16,284,421	\$ 16,141,433
Current Assets over Current Liabilities	\$ 27,939,195	\$ 25,840,312
Non-Current Assets	\$ 490,124,967	\$ 541,049,113
Non-Current Liabilities	\$ 9,569,259	\$ 11,800,031
Total Equity	\$ 508,494,903	\$ 555,089,394

The City's Current Assets exceed Current Liabilities by \$27.94M compared to \$25.84M in 2019/20, an increase of \$2.10M. This is mainly due to the increase in Cash from \$38.29M to \$40.53M in 2020/21.

Non-Current Assets decreased by \$50.92M mainly due to the reduction of the value of Roads (\$49.04M) from the 2020/21 infrastructure revaluations.

Non-Current Liabilities reduced by \$2.23M mainly due to the decrease in borrowings by \$2.14M.

These changes contributed to the decrease in total Community Equity at 30 June 2021 by \$46.60M to \$508.49M.

**Statement of Changes in Equity:** The Statement of Changes in Equity (Page 9 of the Financial Report) shows the extent to which the Community Equity has been decreased by the net result of the year’s activities. For the year ending 30 June 2021, the Community Equity decreased from \$555.09M to \$508.49M, a decrease of \$46.60M as explained in the Statement of Financial Position Statement and Statement of Comprehensive Income sections above.

**Statement of Cash Flows:** The Statement of Cash Flows (Page 10 of the Financial Report) shows the nature and amount of the City’s cash inflows and outflows from all activities. At the end of the reporting period the City’s cash holdings were \$40.53M compared to \$38.29M in 2019/20, an increase of \$2.24M.

**Rate Setting Statement:** The Rate Setting Statement (Pages 11 and 12 of the Financial Report) shows the amount of rates raised to fund the City’s operations during 2020/21. In 2020/21 \$39.73M in rates were raised, an increase of only \$46K or 0.1% on 2019/20. This was due to the decision by Council not to increase the rates in 2020/21 from the previous year as a response to the COVID-19 pandemic. The increase of \$46K was due to individual property Gross Rental Value changes i.e. property improvements, new buildings etc.

At the end of 2020/21 financial year there was closing surplus funds of \$4.42M. This amount included the following items to result in an unallocated closing surplus of \$53K.

Closing Surplus Funds	\$4,419,617
<u>Less:</u>	
Projects not finalised in 2020/21 carried forward to 2021/22	\$2,848,317
2021/22 Financial Assistance Grants received in advance	\$833,398
Funds Required to balance the 2021/22 Budget	<u>\$685,000</u>
Unallocated Closing Surplus Funds	\$52,902

<b>Financial Information by Ratio:</b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>Current Ratio</b>	1.222	1.283	1.527
<i>Current Assets as a ratio of Current Liabilities.</i>			

*(Measure of short term liquidity, i.e. the ability of the City to meet its liabilities when they fall due. A ratio of greater than 1.0 indicates the City has more current assets than current liabilities. The Department of Local Government indicates that the standard is met if the ratio is greater than 1.00. Note: The City meets this standard).*

<b>Asset Consumption Ratio</b>	0.530	0.555	0.560
<i>Depreciated replacement costs of assets as a ratio of current replacement costs of depreciable assets.</i>			

*(Measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost. The Department of Local Government indicates that the standard is met if the ratio is greater than 0.50, and is improving if the ratio is between 0.60 and 0.75. Note: The City meets the standard).*

**Asset Renewal Funding Ratio** 0.944 0.978 0.956  
NPV of planning renewal over 10 years as a ratio of NPV of required capital expenditure over 10 years.

*(Measures the ability of a local government to fund its projected asset renewal / replacements in the future. The Department of Local Government indicates that the standard is met if the ratio is between 0.75 and 0.95. Note: The City meets this standard).*

**Asset Sustainability Ratio** 0.574 0.688 0.670  
Capital renewal and replacement expenditure as a ratio of depreciation expense.

*(Measures the extent to which assets are being renewed/replaced compared to the amount consumed i.e. depreciation. The Department of Local Government indicates that the standard is met if the ratio is greater than 0.90, and is improving if the ratio is between 0.90 and 1.10. Note: The City does not meet this standard. To improve this ratio the City will need to allocate more capital expenditure on the renewal or upgrade of existing assets).*

**Debt Service Cover Ratio** 3.056 2.550 2.069  
Operating Surplus before Interest and Depreciation as a ratio of principal and interest expense for borrowings.

*(Measures the City's ability to service debt out of its uncommitted or general purpose funds available for its operations. The Department of Local Government indicates that a Basic standard is achieved if  $\geq 2.0$ . An Advanced standard is  $\geq 5.0$ . Note: The City meets this standard).*

**Operating Surplus Ratio** (0.117) (0.143) (0.151)  
Operating Revenue minus Operating Expenditure as a ratio of own source operating revenue.

*(A result of lower than zero indicates that the City has an operating deficit. The Department of Local Government indicates that a Basic standard is achieved if the ratio is greater than zero. Note: The City does not meet this standard. To improve this ratio the City needs to either reduce operating expenditure and/or increase operating revenue. Note: A significant operating expense is depreciation which was \$14.5M in 2020/21).*

**Own Source Revenue Coverage Ratio** 0.828 0.837 0.832  
Own source operating revenue as a ratio of operating expense.

*(Measures the City's ability to cover operating expenses from own source revenue. The higher the ratio, the more self-reliant the local government is. The Department of Local Government indicates that a Basic standard is achieved if the ratio is greater than 0.4, and an Advanced standard achieved if over 0.9. Note: The City meets the Intermediate standard).*

### **Analysis of Financial and Budget Implications**

There are no financial or budget implications for the Council to accept the Annual Financial Statements and Auditor's Report.

### **Community Consultation**

The Annual Financial Report will be included in the City's 2020/21 Annual Report and will be available on the City's website.

**Elected Member/Officer Consultation**

This matter is presented to the Committee for consideration.

**Timeline: Council Decision Implementation**

Effective immediately once adopted by Council.

**Outcome of Meeting – 6 December 2021**

The executive recommendation as printed was moved by Mayor Miguel and seconded by Mr Barratt and was **CARRIED** unanimously as follows:

***That the Audit Committee recommends that Council accept the Auditor's Report and the Audited Annual Financial Report of the City of Bunbury for the financial year ending 30 June 2021.***

**10.2 2020/21 Annual Financial Report Audit Findings**

<b>File Ref:</b>	COB/1645
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	David Ransom, Manager Finance
<b>Responsible Manager:</b>	David Ransom, Manager Finance
<b>Executive:</b>	Karin Strachan, Director Strategy and Organisational Performance
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input checked="" type="checkbox"/> Legislative <input type="checkbox"/> Information Purposes
<b>Attachments:</b>	Appendix 1: Draft Auditor’s Report and Annual Financial Report Appendix 2: 2020/21 Annual Financial Report Audit Findings

**Summary**

The Auditor General in the draft Auditor’s Report for the 2020/21 financial year (attached at Appendix 1, Page 80 - 82) has identified that the Asset Sustainability and Operating Surplus Ratios are below the Department of Local Government, Sport and Cultural Industries (DLGSCI) ratio standard. A report addressing these findings is attached at Appendix 2.

This report is to bring this matter to the attention of the Audit Committee as required under Section 7.12A(4) of the Local Government Act.

**Executive Recommendation**

That the Audit Committee recommends that Council:

1. Notes the findings by the Auditor General in the Auditor’s Report for the 2020/21 financial year; and
2. Receives the report addressing the 2020/21 Auditor’s Report findings.

**Strategic Relevance**

Theme 4: Our City  
Goal: Civic leadership, partnerships and sound governance in delivering with and for the community  
Objective 4.3 Trusted leadership and robust decision-making

**Background**

The Auditor’s Report for the year ended 30 June 2021 indicates that the Asset Sustainability Ratio and Operating Surplus Ratio are below the Department’s standard for the last 3 years.

The Local Government Act, Section 7.12A(4) requires local governments to examine the audit report it receives and implement appropriate action in respect to the significant matters raised.

A report addressing the significant matters identified in the audit report must be prepared and then considered by the Audit Committee before being adopted by Council.

### **Council Policy Compliance**

There are no Council policies relating to this report.

### **Legislative Compliance**

Local Government Act, Section 7.12A(4) – Duties of local governments; with respect to matters identified as significant by the auditor.

### **Officer Comments**

A report has been prepared for the Audit Committee's information on the adverse ratio trends identified in the 2021 Auditor's Report, their implications to the financial position of the City and how these ratios can be improved (refer Appendix 2).

This report will be provided to the Minister within three months of receiving the audit report and within 14 days after giving the report to the Minister, the City will publish a copy of this report on the City's website as required by the Local Government Act.

### **Analysis of Financial and Budget Implications**

Nil

### **Community Consultation**

A copy of the report on the 2020/21 Audit Findings will be published on the City's website.

### **Elected Member/Officer Consultation**

This matter is presented to the Committee for consideration.

### **Timeline: Council Decision Implementation**

Effective immediately once adopted by Council.

### **Outcome of Meeting – 6 December 2021**

The executive recommendation as printed was moved by Mayor Miguel and seconded by Cr Kozisek and was **CARRIED** unanimously as follows:

***That the Audit Committee recommends that Council:***

- 1. Notes the findings by the Auditor General in the Auditor's Report for the 2020/21 financial year; and***
- 2. Receives the report addressing the 2020/21 Auditor's Report findings.***

### 10.3 2020/21 Annual Financial Report Audit Management Letter

<b>File Ref:</b>	COB/1645
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	David Ransom, Manager Finance
<b>Responsible Manager:</b>	David Ransom, Manager Finance
<b>Executive:</b>	Karin Strachan, Director Strategy and Organisational Performance
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input checked="" type="checkbox"/> Legislative <input type="checkbox"/> Information Purposes
<b>Attachments:</b>	Appendix 3: Draft Management Letter

#### Summary

The Office of the Auditor General (OAG) has completed the annual financial audit for the year ended 30 June 2021 and have provided the Audit Committee with the findings of the audit in the draft Management Letter attached at Appendix 3.

#### Executive Recommendation

The Committee note the information provided in the draft Management Letter from the Office of the Auditor General for the year ended 30 June 2021.

#### Strategic Relevance

Theme 4: Our City  
Goal: Civic leadership, partnerships and sound governance in delivering with and for the community  
Objective 4.4 A skilled organisation, which exercises responsible asset stewardship, sound financial management, and exemplary customer service

#### Regional Impact Statement

N/A

#### Background

The focus of the annual audit is to provide an opinion on the accuracy of the 30 June 2021 Annual Financial Statements and raise any findings during the audit.

A draft Management Letter for the year ended 30 June 2021 documents the findings identified during the audit.

#### Council Policy Compliance

There are no Council policies relating to this report.

### **Legislative Compliance**

Local Government Act, Section 7.12A(4) – Duties of local governments; with respect to matters identified as significant by the auditor.

### **Officer Comments**

During the audit for the financial year ended 30 June 2021 there was one finding identified.

The finding relates to the City not recognising the investment in the Bunbury Harvey Regional Council (BHRC) in the City's financial statements according to AASB 28 Investment in Associates and Joint Ventures. The City has not previously recognised our equity in the BHRC as it was considered that the City has no control or influence over the regional council. However, the OAG has reviewed the City's position this financial year, and in accordance with the accounting standard have determined that City does have significant influence over the BHRC.

As the Regional Council Constitution is silent on an equity split between the City of Bunbury and Shire of Harvey, the City is unable to accurately reflect our equity in the financial statements. The OAG's recommendation states:

*We recommend that the City review the current agreement for the Bunbury Harvey Regional Council to determine the investment percentage. In addition, the City should ensure that the agreement is compliant with the Local Government Act and clearly defines roles and responsibilities for each of the invested parties.*

The City of Bunbury and Shire of Harvey will determine the equity split during the 2021/22 financial year.

This finding has been rated as 'Significant' by the auditor and have noted the following:

*By not recording the Investment in Associate via the equity accounting method, the City is not complying with the requirements of AASB 28 and their financial statements are currently misstated.*

This issue has also been raised as a 'Matter of Emphasis' in the draft Auditor's Report included in the Annual Financial Report.

### **Analysis of Financial and Budget Implications**

Nil

### **Community Consultation**

Not required.

### **Elected Member/Officer Consultation**

This matter is presented to the Committee for consideration.



**Outcome of Meeting – 6 December 2021**

The executive recommendation as printed was moved by Mr Barratt and seconded by Cr Kozisek and was **CARRIED** unanimously as follows:

***The Committee note the information provided in the draft Management Letter from the Office of the Auditor General for the year ended 30 June 2021.***

#### 10.4 Office of the Auditor General Cyber Security Audit

<b>File Ref:</b>	COB/4259
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Shaun Hill, Manager Strategy, Performance and Digital
<b>Responsible Manager:</b>	Shaun Hill, Manager Strategy, Performance and Digital Greg Golinski, Manager Governance
<b>Executive:</b>	Karin Strachan, Director Strategy and Organisational Performance
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input checked="" type="checkbox"/> Information Purposes
<b>Attachments:</b>	Appendix 4: OAG Cyber Security Management Letter

#### Summary

The purpose of this report is for the Audit Committee to note and receive the management letter provided by the Office of the Auditor General (OAG) in relation to a recently undertaken General Computer Controls and Cyber Security Audit of the City of Bunbury.

#### Executive Recommendation

That the Committee:

1. Note the recommendations and management response for the Cyber Security Audit undertaken by the OAG (Appendix 4); and
2. Note the recommendations will be included in the City's Audit Findings Database that is periodically presented to the Audit Committee for information.

*Voting Requirement: Simple Majority*

#### Strategic Relevance

Theme 4	Our City
Goal	Civic leadership, partnerships and sound governance in delivering with and for the community
Objective 4.4	A skilled organisation, which exercises responsible asset stewardship, sound financial management, and exemplary customer service

#### Regional Impact Statement

N/A

#### Background

At the last Audit Committee meeting held on 28 July 2021, the Committee received a report in relation to the OAG Audit into Local Government General Computer Controls, which provided the findings from computer control/cyber security audits undertaken by OAG across 50 individual local governments in late 2020/early 2021, of which the City of Bunbury was one.

Local government entities rely on information systems to prepare their financial statements and to deliver important services to the public. The general computer controls audits assess whether local government entities' system controls effectively support the confidentiality, integrity and availability of their information systems and financial reporting.

For 11 of the 50 local government's OAG performed capability maturity assessments. A general computer controls audit with a capability maturity assessment is the most comprehensive information systems audit that OAG undertake, and they use the findings to inform audit risk assessment and work programs for the sector.

The management letter contained at Appendix 4 provides the City's individual results in this regard.

### **Council Policy Compliance**

City of Bunbury Risk Management Framework

- Council Policy Risk Management
- City of Bunbury Risk Management Strategy
- City of Bunbury Risk Management Plan

City of Bunbury Compliance Framework

- Corporate Guideline: Legislative Compliance

City of Bunbury Internal Control Framework

- Corporate Guideline: Internal Control

### **Legislative Compliance**

Regulation 17 of the *Local Government (Audit) Regulations 1996*

#### ***r.17. CEO to review certain systems and procedures***

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –  
  
(a) risk management; and  
(b) internal control; and  
(c) legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

### **Officer Comments**

Management response is provided for each finding/recommendation within Appendix XX.

**Analysis of Financial and Budget Implications**

N/A

**Community Consultation**

N/A

**Councillor/Officer Consultation**

This matter is presented to the Audit Committee for information.

**Applicant Consultation**

N/A

**Timeline: Council Decision Implementation**

N/A

**Outcome of Meeting – 6 December 2021**

Mr Barratt queried whether the Essential Eight Maturity Model would be applied in future in relation to Cyber Security at the City, to which the Manager Strategy, Performance and Digital responded yes, with maturity level 1 to be the original target for the City.

The executive recommendation as printed was moved by Cr Kozisek and seconded by Cr Plumb and was **CARRIED** unanimously as follows:

***That the Committee:***

- 1. Note the recommendations and management response for the Cyber Security Audit undertaken by the OAG (Appendix 4); and***
- 2. Note the recommendations will be included in the City's Audit Findings Database that is periodically presented to the Audit Committee for information.***

**11. Questions from Members**

**11.1 Response to Previous Questions from Members taken on Notice**

Nil

**11.2 Committee Discussion and Questions from Members**

Nil

**12. Urgent Business**

Nil

**13. Date of Next Meeting**

TBC pending compliance audit being completed, likely early March 2021

**14. Close of Meeting**

The Presiding Member closed the meeting at 12.00 noon.

Confirmed on 25 February 2022 as a true and accurate record of the Audit Committee Meeting 6 December 2021.

Signed: 

Chair

*Cr Ben Andrews*