Audit Committee

Notice of Meeting & Agenda

**Committee Terms of Reference**

1. The Audit Committee is to provide guidance and assistance to Council based on the following Terms of Reference:

   1.1 To carry out Council’s functions in relation to audits carried out under Part 7 (Audit) of the Local Government Act 1995.
   1.2 To develop a process to be used to select and appoint a person to be an auditor.

2. The Audit Committee may also provide guidance and assistance to Council as to:

   2.1 Matters to be audited
   2.2 The scope of audits
   2.3 Council’s functions under Part 6 (Financial Management) of the Local Government Act 1995.
   2.4 The carrying out of Council’s functions relating to other audits and other matters relating to financial management.
Dear Committee Members

The next Ordinary Meeting of the Audit Committee will be held in the Harbour Room, City of Bunbury Administration Building, 2-4 Stephen Street, Bunbury on 28 January 2014 at 3.30pm.

Signed:

Greg Golinski
Manager Corporate Performance

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**Agenda**

28 January 2014

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.

**Committee Members:**

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Representing</th>
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<tbody>
<tr>
<td>Mayor Gary Brennan</td>
<td>City of Bunbury</td>
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<tr>
<td>Cr Jaysen De San Miguel</td>
<td>City of Bunbury</td>
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<td>Cr Michelle Steck</td>
<td>City of Bunbury</td>
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**Ex-officio Members:**

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<thead>
<tr>
<th>Member Name</th>
<th>Representing</th>
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<tr>
<td>Wayne Wright, Director Corporate Services</td>
<td>City of Bunbury</td>
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<tr>
<td>David Ransom, Manager Finance</td>
<td>City of Bunbury</td>
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<tr>
<td>Greg Golinski, Manager Corporate Performance</td>
<td>City of Bunbury</td>
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<tr>
<td>Massimo Andreone, Manager Contracts and Property</td>
<td>City of Bunbury</td>
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**Visitors:**

<table>
<thead>
<tr>
<th>Member Name</th>
<th>Representing</th>
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<tbody>
<tr>
<td>Mr Michael Hillgrove</td>
<td>Grant Thornton</td>
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1. **Declaration of Opening**

The Director Corporate Services declared the meeting open at ____________.

As this is the first meeting of the Audit Committee since the 2013 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 Director Corporate Services will call for nominations for the position of Presiding Member, and if necessary, conduct a ballot.

2. **Disclaimer**

Not applicable to this committee.

3. **Announcements from the Presiding Member**

4. **Attendances**

4.1 Apologies

4.2 Approved Leave of Absence

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. |

6. **Public Question Time**

Not applicable

7. **Confirmation of Minutes**

Committee Decision: Moved ___________ Seconded ___________

The minutes of the Audit Committee Meeting held on 11 June 2013, are confirmed as a true and accurate record.

8. **Presentations**

8.1 Presentations

Nil, although note that Mr Michael Hillgrove from Grant Thornton will be in attendance to provide the committee with an overview of the 2012/13 financial audit of the City of Bunbury (item 9.1).
9. Reports

9.1 2012/13 Financial Management Review, Key Issues Memorandum, and Meeting with Auditor

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Summary

The purpose of this report is for the Audit Committee to receive the 2012/13 Key Issues Memorandum and Financial Management Systems Review Report, both of which stem from the 2012/13 financial audit of the City of Bunbury.

Executive Recommendation

That the Committee receive the 2012/13 Key Issues Memorandum and Financial Management Systems Review Report as presented by the City’s Auditor, Mr Michael Hillgrove.

Background

Section 7.12A(2) of the Local Government Act 1995 requires a local government to meet with its Auditor at least once in every year.

Mr Michael Hillgrove from Grant Thornton is the City’s Auditor and will be in attendance to discuss with the Committee and queries arising from the 2012/13 Audit of the City, and in particular Appendices 1 and 2 being the Financial Management Systems Review Report and Key Issues Memorandum.

Council Policy Compliance

N/A

Legislative Compliance

Section 7.12A(2) of the Local Government Act 1995 requires a local government to meet with its Auditor at least once in every year.

Officer Comments

Appendix 1 details the outcomes from a review of the City’s financial management processes, and was focussed on the areas of:

- Purchases/Payments/Payables;
- Receipts/Receivables/Cash Management;
- Payroll;
- Rates;
- Other Revenue; and
- Fixed Assets

Appendix 2 outlines any management issues identified by the Auditor as part of the 2012/13 financial audit of the City of Bunbury that were not material enough to qualify the overall audit, but relevant enough to be brought to the attention of the Audit Committee.

**Analysis of Financial and Budget Implications**

Nil

**Community Consultation**

N/A

**Councillor/Officer Consultation**

N/A
9.2  Internal Audit Programme Update

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<td>Attachments:</td>
<td>Appendix 3: Internal Audit Project Summary</td>
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Summary

The purpose of this report is for the Committee to receive an update in relation to the internal audit programme that will be implemented at the City of Bunbury during 2013/14.

Executive Recommendation

That the Committee recommend that Council revise the scope of the 2013/14 Internal Audit programme (PR-3389) to only include the Human Resources and Project Management modules.

Background

At the Audit Committee Meeting held on 12 March 2013, the Committee endorsed a recommendation for Officers to prepare a project budget bid for the provision of internal audit services, with a view to identifying improvements to processes and procedures within the City’s operations.

Council has since approved project PR-3389 which provides funds to undertake the audit work referred to above, and specifically in the areas of Human Resources, Information Technology, and Project Management. Based on preliminary estimates, this project was approved with a budget of $14,000.

Council Policy Compliance

N/A

Legislative Compliance

N/A

Officer Comments

The primary objective of the internal audit review is to assess the adequacy, appropriateness and effectiveness of internal controls in place in respect to areas under review and to ensure the City has complied with stated procedures, operates in accordance with best practice and to ensure adequate procedures for effective risk management.

Since the approval of PR-3389 in the 2013/14 budget, Officers met with Mr Tim Partridge and Ms Maria Cavallo from AMD Chartered Accountants (AMD) to discuss the final scope and logistics of delivering the internal audit programme for 2013/14.

The following areas were to be audited during 2013/14 as part of the original estimate:
1. **Human Resources**

Completion of a Human Resources Review, encompassing:

- Identification of HR requirements;
- Recruitment procedures and processes including identification of new positions, advertising; interviewing and related procedures, communication to existing staff and setting up of new employees;
- Basis of remuneration;
- Staff induction procedures and processes;
- Procedures and assessment of staff feedback; performance management and pay reviews;
- Payroll recording and payment procedures, including timesheet authorisation, timesheet data entry; payroll processing and payment authorisation procedures;
- Leave accruals, including use of leave forms, authorisation of leave forms, processing and reconciliation of employee provisions on a regular basis;
- Payroll deductions, including employee authorisation and documentation;
- Superannuation and group tax deduction payments; and
- Termination payments, including use of termination checklist and review and authorisation prior to termination payment.

2. **Information Technology**

Completion of Internal Audit Information Technology Review encompassing:

- Planning the IT environment;
- Development and delivery services;
- Operation of the IT environment;
- Organising and monitoring IT processes;
- Ensure appropriateness of internal control policies and procedures and ensure these are adhered to in respect to IT systems, including access controls, backup procedures and recovery procedures;
- Review system security ensuring access restricted based on level of personnel;
- Assess identification and risk in respect to IT planning;
- Document procedures in respect to identifying IT needs and related procurement procedures;
- Review system support and ensure appropriate back-up personnel trained and available;
- Review of virus detection procedures; and
- Review procedures and plans for determining the needs for changes / improvements to existing IT systems and processes in place to implement such changes.

3. **Project Management**

- Review the mechanism in place at Management Level and at Council level to facilitate the decision making/review process relating to major projects;
- Ascertain and review council’s decision making process relative to the amount of risk associated with a project, and assess how risks are communicated and managed by Management throughout the duration of the project;
- Ensure that documentation provided to Council for decision making purposes is adequate and timely;
Ensure that communications between Council and Management are effective;
Ensure feedback is communicated to relevant parties in respect to project progression;
Ensure any variations to projects are identified and authorized appropriately; and
Select a sample of recent projects from inception to contractor selection to ensure adequately managed in accordance with stated policies and procedures, including:

- Council approval;
- Allocation of management responsibility;
- Compliance with legislation;
- Tendering process and compliance with Council internal policy;
- Contractor selection;
- Contract documentation;
- Budget and Financial approval;
- Completion and hand over procedures;
- Post contract review; and
- Risk Management Procedures.

As the scope has been further refined since the original estimate was provided, AMD have advised that the cost breakdown for the three modules would now be as follows:

Human Resources: $7,100 ex GST
Project management: $7,600 ex GST
Information Technology: $4,600 ex GST

As the updated pricing exceeds the budgeted amount for PR-3389, it is suggested that the information Technology module be removed from the scope of the Internal Audit Programme for 2013/14.

Work will commence in February 2014 and a subsequent report will be provided to the Audit Committee detailing the outcomes of this audit.

**Analysis of Financial and Budget Implications**

PR-3389 has an approved budget of $14,000 for the provision of internal audit services for 2013/14.

**Community Consultation**

N/A

**Councillor/Officer Consultation**

N/A
9.3 WALGA Procurement Audit – Recommendations Update

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<td>Wayne Wright, Director Corporate Services</td>
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<td>Appendix 4: Audit Recommendations</td>
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<td>Appendix 5: Audit Status Summary</td>
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Summary

The purpose of this report is to provide an update to the Audit Committee regarding the Procurement Probity Review that WALGA Procurement Consultancy Service provided in May 2013.

The report and attachments provide the committee details on which recommendations have been implemented and which recommendations still require completion. In addition this report also identifies any concerns associated with the recommendations that WALGA provided.

Executive Recommendation

That the Audit Committee review the report and provide necessary comment thereto, pending the preparation of a further report for submission to Council for final endorsement.

Background

In April/May 2013 a Procurement Probity Review was undertaken by WALGA which provided 46 recommendations for consideration by the City of Bunbury to implement.

The objective of the review was to determine the City’s current level of compliance against relevant purchasing legislation and regulations and to offer a series of recommendations that, once implemented, would ensure full compliance and also facilitate the City moving towards achieving best practice in procurement.

The below extract from the Council Minutes from 27 September 2013 refers:-

Council Decision 266/13

1. That Council note the outcomes of the Procurement Probity Audit.
2. Council endorse the 46 recommendations contained in the report; and
3. The CEO to provide a further report to Council outlining how each of the recommendations have been implemented.

CARRIED
10 votes “for” / 2 votes “against”

In relation to Council Decision 266/13, the following summary is provided;

Part 1: Completed
Part 2: Completed
Part 3: The content of this report update in conjunction with the attached Appendix 4 and 5 satisfy the Council decision in outlining how each recommendation has been implemented.

Council Policy Compliance

N/A

Legislative Compliance

The recommendations accord with the provisions of the *Local Government (Functions and General) Regulations* 1996

Officer Comments

Of the 46 recommendations, 24 have been completed and 22 remain in progress. Completion of the remaining recommendations is anticipated by 30 June 2014.

Analysis of Financial and Budget Implications

Implementation of the recommendations where appropriate will aid in reducing operational and capital expenditure by adopting best practice in providing a strategic approach to procurement. Centralising the procurement function will ensure that the best prices and quality of service are provided.

Community Consultation

N/A

Councillor/Officer Consultation

The WALGA procurement audit, recommendations and audit updates have been discussed and endorsed by the Executive Leadership Team. Implementing many of the recommendations is dependent upon review and updating of the Purchasing Policy which would have an impact on the overall procurement process. The Purchasing Policy has been reviewed by the Executive Leadership Team and will be presented to the Policy Committee for endorsement.
9.4 Membership of the Audit Committee

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<td>Executive:</td>
<td>Appendix 6: Membership EOI’s – Springate and Foster</td>
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**Summary**

The purpose of this report is for the Committee to consider expanding the membership of the Audit Committee.

**Executive Recommendation**

That the Committee recommend that Council:

1. Increase the membership of the Audit Committee from three to five, comprising three Councillors and two community members.
2. Appoint Mr Paul Springate and Mr Stephen Foster as community members of the Audit Committee.

*note that an Absolute Majority will be required for the Executive Recommendation to be passed by Council.*

**Background**

At the Ordinary Council Meeting held 26 November 2013, Council resolved as follows when making appointments to the Audit Committee:

Council Decision 340/13

**That Council:**

1. Nominate the Mayor and Councillors Miguel and Steck as members of the Audit Committee.
2. Call for expressions of interest from suitably qualified community members to be part of the Audit Committee, with a further report to be provided to Council once applications have been sought.

In relation to point two of the resolution above, Officer’s undertook some advertising during December and January to seek expressions of interest from community members who may be interested in joining the Audit Committee.

Expressions of interest closed on 22 January, at which point two nominations had been received, being from Paul Springate and Stephen Foster. Copies of both nominations are appended at Appendix 6.

**Council Policy Compliance**

N/A
Legislative Compliance

The Local Government Act 1995 permits committees of Council to comprise community members as well as Councillors.

Officer Comments

In line with best practice and the principles of openness and transparency, it is recommended that Council consider the appointment of external members to the Audit Committee.

Analysis of Financial and Budget Implications

Nil

Community Consultation

N/A

Councillor/Officer Consultation

N/A
9.5 Review of Delegations

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<td>Andrew Brien, Chief Executive Officer</td>
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<td>Appendix 7: Delegation Register</td>
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Summary

The purpose of this report is for the Audit Committee to review the Council’s register of delegations.

Executive Recommendation

That the Committee recommend that Council receive the review of the City’s Register of Delegations, noting in particular the amendments to Delegations 1.2 and 8.1.

Background

Under the provisions of the Local Government Act 1995 (the Act), Council’s Delegations of Authority are to be reviewed at least once every financial year.

The City of Bunbury currently has 93 specific items of delegation within the “Delegations Register”.

Council Policy Compliance

N/A

Legislative Compliance

Under the provisions of the Local Government Act 1995, Council’s Delegations of Authority are to be reviewed at least once every financial year.

Officer Comments

A local government the size of the City of Bunbury cannot operate without utilising Council’s power under the Act to delegate functions to the Chief Executive Officer. Delegations free up Council time to enable Elected Members to focus on strategic aspects of the business, thereby enabling the Chief Executive Officer to efficiently implement Council resolutions and Policy.

A local government may delegate to its Chief Executive Officer the exercise of any of its powers or the discharge of any of its duties under the Act, other than those specified. Likewise, the Chief Executive Officer is able to be delegated all allowable delegations from legislation other than the Local Government Act, including regulations and local laws made under these Acts.

The Chief Executive Officer may delegate to any employee of the City the exercise of any of the CEO’s powers or the discharge of any of his duties under the provisions of the Act, other than the power of delegation. On-delegated powers and duties are identified at the rear of each section of the Delegations Register.
Council has been operating successfully over the past years with these delegations and they have proved suitable for the efficient management of the organisation.

Officers have reviewed the City’s current Delegations Register, which is now presented to the Audit Committee for endorsement. A copy of the current register with proposed amendments (changes tracked) is presented at Appendix 7.

Two changes to the Register are proposed as follows:

1. **Amendment to Delegation 1.2 Power to Accept Tenders.**

   Following a resolution of Council on 20 November 2012, the City engaged the WALGA Procurement Consultancy Service to conduct a Procurement Probity Review for the City of Bunbury. Council adopted all 46 recommendations from the Audit at its meeting on 27 August 2013, one of which (recommendation #9) recommended that the CEO be delegated authority for the awarding of all contracts to the value of $250,000.

   The proposed change to the Register simply updates the existing delegation based on the information above, increasing the limit from $100,000 to $250,000.

2. **Amendment to Delegation 8.1 Advertising Devices Policy Committee**

   Prior to 26 November 2013, the Advertisement Appeals Committee was the only Council Committee with any delegated authority and was a legal requirement under the provisions of the City's Advertising Devices Local Law.

   In 2010 the Joint Standing Committee on Delegated Legislation advised Local Governments around the state that the approach of dealing with signage on private properties through a Local Law had no head of Power. The advice provided recommended that Councils adopt an approach utilising section 150 of the Planning and Development Act which does provide the head of power for regulating signs and advertising devices under Local Planning Schemes.

   Following advice from the Joint Standing Committee on Delegated Legislation the City initiated an amendment to TPS 7 adopting provisions dealing with signage which in effect meant that all advertisements not exempted under schedule 9 of the scheme required Planning Approval. This approach means that any application would be subject to the right of appeal under the Planning and Development Act. The City also initiated a review of the Advertising Devices Policy. As part of the review the provisions within the Advertising Devices Policy relating to the establishment of an Advertisement Appeals Committee have been recommended to be removed for the reason that appeal rights are now contained within the Planning and Development Act.

   This committee was therefore disbanded by Council on 26 November 2013 as it no longer had any relevance, as any appeal/review of a determination by Council is controlled through the Town Planning Scheme and the Planning and Development Act and subject to review by the State Administrative Tribunal.

   The proposed change to the Register simply removes the reference of any delegation to this committee as it no longer exists.

**Analysis of Financial and Budget Implications**
Nil

Community Consultation
N/A

Councillor/Officer Consultation
N/A
10. Questions from Members
   10.1 Response to Previous Questions from Members taken on Notice
       Nil
   10.2 Questions from Members

11. Urgent Business

12. Date of Next Meeting
   Tuesday 25 February at 3.30pm in the Lighthouse Room, City of Bunbury Administration Office.

13. Close of Meeting
   The Presiding Member declared the meeting closed at __________.
Appendix 1 – Financial Management Systems Review Report

Under separate cover

Appendix 2 – Key Issues Memorandum

Under separate cover

Appendix 3 – Internal Audit Project Summary

Under separate cover

Appendix 4 – Audit Recommendations

Under separate cover

Appendix 5 – Audit Status Summary

Under separate cover

Appendix 6 – Membership EOI, Springate and Foster

Under separate cover

Appendix 7 – Delegation Register

Under separate cover