



Audit Committee

Minutes

15 February 2016

City of Bunbury
4 Stephen Street
Bunbury WA 6230
Western Australia

Correspondence to:
Post Office Box 21
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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;
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor;
- c) Develop and recommend to Council:
 - a list of those matters to be audited; and
 - the scope of the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as auditor;
- e) Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include:
 - the objectives of the audit;
 - the scope of the audit;
 - a plan of the audit;
 - details of the remuneration and expenses to be paid to the auditor; and
 - the method to be used by the local government to communicate with, and supply information to, the auditor;
- f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) 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;
- h) 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
 - ensure that appropriate action is taken in respect of those matters;
- i) 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;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO;
- l) Review the level of resources allocated to internal audit and the scope of its authority;
- m) 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;
- n) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- o) 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;
- p) 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;
- q) 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;
- r) 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;
- s) Review the annual Compliance Audit Return and report to the council the results of that review, and
- t) Consider the CEO's biennial 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.

Audit Committee Notice of Meeting

Minutes 15 February 2016

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:

Member Name	Representing
Cr Jaysen Miguel (Presiding Member)	City of Bunbury
Cr Betty McCleary	City of Bunbury
Cr Michelle Steck	City of Bunbury
Mr Stephen Foster	Community Member
Mr John Barratt	Community Member

Support Staff:

Name	Title
Mrs Leanne French (Minute Taker)	Senior Governance & Risk Officer
Mr Andrew Brien	Chief Executive Officer

1. Declaration of Opening

The Presiding Member declared the meeting open at 10.31am.

2. Disclaimer

Not applicable to this committee.

3. Announcements from the Presiding Member

4. Attendances

4.1 Apologies

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 <u>before</u> 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.
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6. Public Question Time

Not applicable to this committee.

7. Confirmation of Minutes

Committee Decision: Moved Mr Barratt Seconded Cr McCleary

The minutes of the Audit Committee Meeting held on 2 November 2015, subject to a typing correction to recommendation 12.2.1, point 2 from 2015/15 to 2014/15, are confirmed as a true and accurate record.

CARRIED

8. Presentations

8.1 Petitions

Nil

8.2 Presentations

Nil

8.3 Deputations

Nil

9. Method of Dealing with Agenda Business

Items were dealt with in the order that appeared on the Agenda.

10. Reports

10.1 Annual Leave Accruals

Applicant/Proponent:	Internal
Author:	Greg Golinski, Manager Governance
Executive:	Andrew Brien, Chief Executive Officer
Attachments:	Nil

Summary

The purpose of this report is to provide the Audit Committee with information relating to Annual Leave Accruals for City staff.

Executive Recommendation

That the Audit Committee receive the update on the City's leave liabilities.

Background

At the meeting of the Audit Committee held on 30 October 2014, the CEO was requested to provide the Committee with a list of accrued leave in excess of 4 weeks at each subsequent meeting. This report fulfils this requirement.

Council Policy Compliance

N/A

Legislative Compliance

Over the last twelve months the City has directed staff to use any accrued leave in excess of four weeks in line with the requirements of Council. The Local Government Industry Award 2010 (the award) has been through legislative change which has effected the direction in regards to excess accrued leave. Clause 25.5(b) states;

25.5 Requirement to take annual leave – excessive accrual and annual shutdown

An employer may require an employee to take annual leave by giving at least four weeks' notice in the following circumstances:

- (a) As part of a close-down of its operations; or*
- (b) Where more than eight week's leave is accrued, provided that the employee retains a balance of at least eight weeks.*

Officer Comments

Whilst the definition of excessive leave has been changed from 4 to 8 weeks, it is still considered good practice for the Audit Committee and management to monitor these liabilities. Monitoring excess leave above 4 weeks provides a lead indicator as to future performance in this area.

The tables and graphs below and overleaf detail the City's leave liabilities to 31 January 2016. Two tables are provided: the first showing liabilities in excess of annual entitlements (4 or 5 weeks as may be the case); and the second liabilities in excess of 8 weeks.

Processes have since been put into place for affected staff to either utilise leave, or submit leave plans detailing how they intend on clearing leave balances in excess of 8 weeks. The data illustrates a downward trend in terms of leave liability since June 2014, and a reduction in excess leave of \$149,935 since 30 June 2015.

Analysis of Financial and Budget Implications

Financial details relating to outstanding leave accruals are outlined within the body of this report.

Community Consultation

N/A

Councillor/Officer Consultation

The Manager Finance and Manager Organisational Development and HR have been consulted in relation to the development of this report.

Outcome of Audit Committee Meeting – 15 February 2016

General discussion occurred with the CEO advising the annual leave liability was trending downward and the City is comfortable with the current leave liabilities.

The Executive Recommendation was moved by Cr Steck and seconded by Mr. Foster and was carried unanimously as follows:

That the Audit Committee receive the update on the City's leave liabilities.

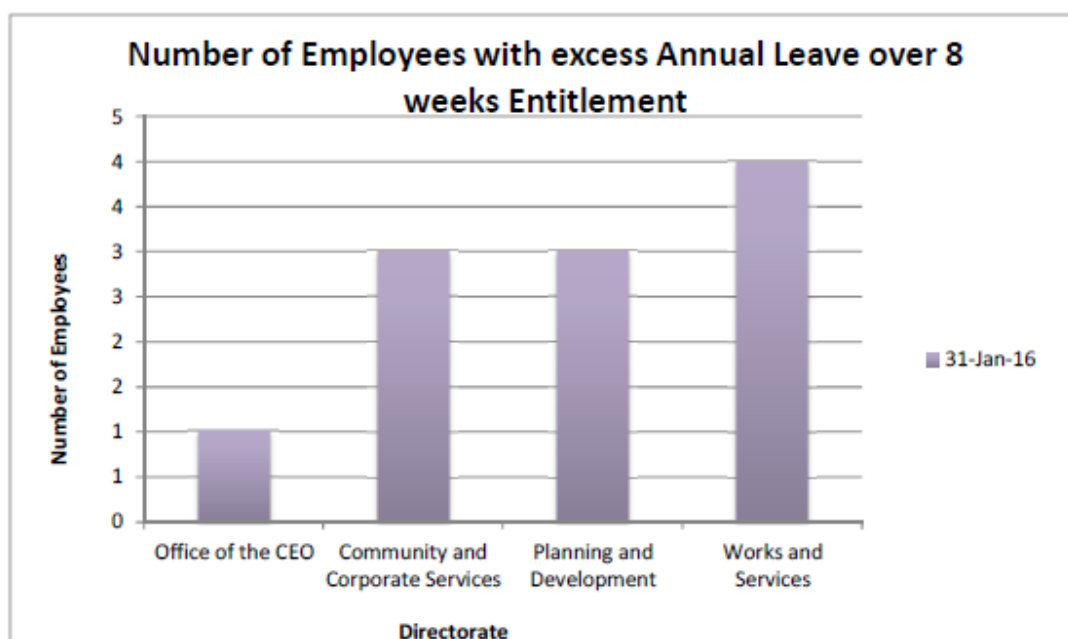
Annual Leave Liability in excess of Annual Entitlements

Directorate	Number of Employees		Liability		Number of Employees		Liability	
	31-Jan-16	31-Jan-16	30-Jun-15	30-Jun-15	30-Jun-14	30-Jun-14	30-Jun-13	30-Jun-13
Office of the CEO	4	18,262	10	22,065	10	27,457	8	18,438
Community and Corporate Services	22	50,752	20	28,194	15	57,409	14	53,447
Planning and Development	8	69,065	10	84,781	11	120,985	10	103,017
Works and Services	17	59,103	18	88,386	26	146,665	21	106,477
	51	197,182	58	223,425	62	352,516	53	281,379
Total Annual Leave Liability		1,586,988		1,736,923		1,844,667		1,714,066
% of Annual Leave excess of Annual Leave entitlements		12%		13%		19%		16%



Annual Leave Liability in excess of 8 weeks

Directorate	Number of Employees		Liability
	31-Jan-16		31-Jan-16
Office of the CEO	1		1,403
Community and Corporate Services	3		6,665
Planning and Development	3		38,998
Works and Services	4		9,987
	11		57,053
Total Annual Leave Liability			1,586,988



10.2 Audit Regulation 17 – Progress Update

Applicant/Proponent:	Internal
Author:	Leanne French, Senior Governance and Risk Officer
Executive:	Andrew, Brien Chief Executive Officer
Attachments:	Appendix 1: Audit Regulation 17 Report

Summary

The purpose of this report is to provide the Audit Committee with a progress update regarding the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal controls and legislative compliance (Audit Regulation 17).

Executive Recommendation

That the Audit Committee receive the information as presented.

Background

On 8 February 2013, amendments to the *Local Government (Audit) Regulations 1996* extended the functions of local government Audit Committees. These functions (Regulation 17) require the CEO to review the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control and legislative compliance every two calendar years, and report the results to the Audit Committee.

The initial report was required to be presented to the Audit Committee by 31 December 2014. The City's compliance with Regulation 17 was achieved via a report presented to the Audit Committee on 30 October 2014.

The Local Government Operational Guidelines provide a comprehensive list of issues to be included in any review of risk management, internal control and legislative compliance, and these were used as a guide to systematically conduct the initial internal review.

The information provided in the initial review delivered an assessment of the City's current practices, outlining the appropriateness and effectiveness of those practices, and presented recommendations for improvement.

Council Policy Compliance

There is no Council policy consideration impacting on this report.

Legislative Compliance

This report relates to Regulation 17 of the *Local Government (Audit) Regulations 1996*, which reads as follows:

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 subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

Officer Comments

Although Regulation 17 only requires biennial reporting, Officers will provide the Audit Committee with regular updates relating to progress achieved against any issues identified. The initial report presented to the Audit Committee on 30 October 2014 identified a number of areas of weakness, against each of risk management, internal control, and legislative compliance. As well as implement remedies for any issues previously identified, the intent is to also build on the work undertaken to date, through a regular process of internal assessment.

Officers recently re-assessed the initial data collated and have provided a refreshed collation of data incorporating any new issues and recommendations identified, as well as updated progress on pre-existing recommendations. Appendix 1 provides an updated version of the Audit Regulation 17 Findings.

In summary, 28 areas have been assessed to date, with 67 identified existing controls. The majority of areas audited have substantially effective systems and procedures in place. More specifically, 48 controls have been assessed as being substantially effective, with 16 controls identified as being partially effective and 3 controls being largely ineffective. Appendix 1 outlines recommendations for improvements to increase all identified partially effective and largely ineffective controls to the level of substantially effective.

The Audit Committee has previously requested that Officers highlight to Council those issues identified as being “largely ineffective”. These 3 areas (and 6 recommendations) are summarised in the table below, and will be included in a recurring progress report to the Committee. A full overview of all issues is contained within the Appendix.

#	##	Existing Controls	Control Effectiveness	Officer	Improvements	Timeframes for implementation/Review	Comments
1.0 The City's risk management systems are effective, and consider material operating risks appropriately							
	1.1	Risk Management Policy adopted 24 June 2014.	Largely ineffective	Senior Governance & Risk Officer	Complete risk management framework Implement risk management framework and risk assessment within business units	30/03/2016 December 2016	30/09/15 – A briefing paper was endorsed by ELT. 23/10/15 – A working group for Risk Management was formed 11/11/15 - The Working group met and discussed overview and draft implantation plan. Risk tools are currently being developed.
4.0 Regular risk reports are provided to outline: * Key risks; * Status and effectiveness of the risk management systems; * Identified risks are monitored; * New risks are identified, mitigated and reported							
	4.1	Currently no regular risk reports are provided.	Largely ineffective	Manager Governance/Senior Governance & Risk Officer	Risk Management Framework action plan will recommend: A Risk Committee established to oversee risk management process; monitor risk register; provide mechanism for new risks to be reported. Regular risk reports from Risk committee provided to the Audit Committee	30/12/2016	50% complete 23/10/15 – Working group formed We anticipate the implementation process will be a minimum of 12 months. An outcome of the plan is to present risk reports to the Audit Committee on a regular basis.
10.0 The management of fraud and misconduct is effective, with risks identified, analysed, evaluated, treated and reported							
	10.4	City Fraud Control Plan	Largely ineffective	Manager Finance and Senior Governance and Risk Officer	Develop a City Fraud Control Plan in accordance with the Risk Management Framework	30/06/2016	Revised timeframe in line with the proposed implementation plan for risk management programme.

Analysis of Financial and Budget Implications

There are no financial implications arising from the recommendations contained within this report.

Community Consultation

N/A

Councillor/Officer Consultation

Various officers within the City's directorates have contributed and been consulted with in relation to this review.

Outcome of Audit Committee Meeting – 15 February 2016

General discussion occurred with the Senior Risk and Governance Officer providing a brief overview outlining the 3 reporting areas, risk management, internal control and legislative compliance. In response to a question from Mr Foster regarding item 3.1 (Risk Management) of appendix 1, the CEO advised the tolerance and appetite for strategic risk will be workshopped with Council.

The Executive Recommendation was moved by Mr Foster and seconded by Mr. Barratt and was carried unanimously as follows:

That the Audit Committee receive the information as presented.

10.3 2015 Compliance Audit Return

Applicant/Proponent:	Department of Local Government
Author:	Greg Golinski, Manager Governance
Executive:	Andrew, Brien Chief Executive Officer
Attachments:	Appendix 2: 2015 Compliance Audit Return

Summary

The purpose of this report is for the Audit Committee to consider the Statutory Compliance Audit Return (the Return) for the calendar year 1 January to 31 December 2015.

Executive Recommendation

The Audit Committee recommend that Council adopt the Statutory Compliance Audit Return for the City of Bunbury for the period 1 January to 31 December 2015.

Background

Each year the Department of Local Government requires Councils' to conduct an annual assessment of their compliance with key components of the *Local Government Act 1995* (the Act) and associated Regulations. The 2015 Return is to be provided to the Department by 31 March 2016.

Seventy eight (78) questions are contained within the 2014 return. A copy of the reviewed Return is enclosed at Appendix 2.

Council Policy compliance

There is no current Council Policy relevant to this item.

Legislative Compliance

Completion of the statutory Compliance Audit Return is a requirement under the provisions of section 7.13(1)(i) of the *Local Government Act 1995* and regulations 13 and 14 of the *Local Government (Audit) Regulations 1996*.

Officer Comments

The Chief Executive Officer, Directors and relevant Managers are provided with copies of relevant sections of the Return for completion. The final Return is then compiled on-line at the end of the review period using information provided.

Completion of the relevant sections of the Return effectively requires a number of adhoc internal audits, which assist the City to ensure that operations meet the statutory requirements of the Act and associated Regulations.

These audits have revealed the City to be 100% compliant on all aspects of the Return, demonstrating a substantial improvement of previous years, where areas of non compliance had been identified in the areas of tendering/procurement, and delegations.

Analysis of Financial and Budget Implications

Nil

Community Consultation

There is no requirement for community consultation on this matter.

Councillor/Officer Consultation

Officers have been consulted in relation to the relevant sections of the 2015 Return. This report serves to bring any issues identified in the 2015 Return to the attention of the Audit Committee.

Outcome of Audit Committee Meeting – 15 February 2016

The Executive Recommendation was moved by Cr McCleary and seconded by Mr Barratt and was carried unanimously as follows:

The Audit Committee recommend that Council adopt the Statutory Compliance Audit Return for the City of Bunbury for the period 1 January to 31 December 2015.

11. Motions of Which Previous Notice has been given

Nil

12. Questions from Members

12.1 Response to Previous Questions from Members taken on Notice

Nil

12.2 Questions from Members

13. Urgent Business

Nil

14. Date of Next Meeting

TBC depending on the timing of the City's annual audit.

15. Close of Meeting

The Presiding Member closed the meeting at 10.45am.