



## **Audit Committee**

### **Minutes**

**8 March 2017**

**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;
  - 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.
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## Minutes

### 8 March 2017

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 Presiding Member declared the meeting open at 10<sub>am</sub>.

#### 2. Disclaimer

Not applicable to this committee.

#### 3. Announcements from the Presiding Member

Nil

#### 4. Attendances

##### *Committee Members:*

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

##### *Support Staff/Visitors:*

Name	Title
Mr Greg Golinski	Manager Governance
Mr Andrew Brien	Chief Executive Officer
Mr David Ransom	A/Director Corporate and Community Services

#### 4.1 Apologies

Cr Michelle Steck  
Mr Stephen Foster

#### 4.2 Approved Leave of Absence

Nil

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**5. Declaration of Interest**

Nil

**6. Public Question Time**

Not applicable to this committee.

**7. Confirmation of Minutes**

Mr Barratt noted some minor typographical amendments to the minutes of 11 November 2016.

**Committee Decision:                      Moved: Mr Barratt                      Seconded: Cr McCleary**

**The minutes of the Audit Committee Meeting held on 11 November 2016 are confirmed as a true and accurate record (with amendment).**

CARRIED

**8. Presentations**

Nil

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

Items were dealt with in the order they appeared on the agenda.

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## 10. Reports

### 10.1 Committee Review of Terms of Reference and Membership Composition

<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Greg Golinski, Manager Governance
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance
<b>Executive:</b>	Andrew Brien, Chief Executive Officer
<b>Attachments:</b>	Nil

#### Summary

This report is presented to the Audit Committee to facilitate discussion regarding the Committee's terms of reference and membership composition.

#### Executive Recommendation

That the Audit Committee recommend that Council retain the status quo in relation to the Audit Committee terms of reference and membership composition.

#### Background

In the lead up to the October 2017 local government elections, each committee of council has been requested to review their respective terms of reference and membership composition.

A collated report will then be provided to Council as part of a broader review of committees prior to the October elections. This will enable those committees with community representation to advertise for membership prior to October, and allow Council to formalise membership of all committees immediately following the elections.

#### Council Policy and Legislative Compliance

N/A

#### Officer Comments

The current terms of reference for the Audit Committee are as follows:

*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;
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- 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.*

Membership of the Audit Committee currently comprises three elected members plus 2 community representatives.

It is considered that as the current terms of reference reflects verbatim the Department of Local Government's model terms for Audit Committees, they are appropriate in their current form.

Similarly, the membership composition for the committee is also considered appropriate at this time, with the continuation of two external members.

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

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Nil

**Community Consultation**

Nil

**Councillor/Officer Consultation**

This matter is presented to the Audit Committee for consideration. A collated report for all committees will be presented to Council for consideration following a review by each respective committee.

**Outcome of Meeting 8 March 2017**

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

**That the Audit Committee recommend that Council retain the status quo in relation to the Audit Committee terms of reference and membership composition.**

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## 10.2 2016 Compliance Audit Return

<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Leanne French, Senior Governance and Risk Officer
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance
<b>Executive:</b>	Andrew Brien, Chief Executive Officer
<b>Attachments:</b>	Appendix 1: 2016 Compliance Audit Return

### Summary

The purpose of this report is for Council to consider the Statutory Compliance Audit Return (the Return) for the calendar year 1 January to 31 December 2016.

### Executive Recommendation

That 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 2016.

### Strategic Relevance

Key Priority Area 5      Corporate  
Objective 5.2          Maintain a high standard of corporate governance and improve access to information.

### 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 2016 Return is to be provided to the Department by 31 March 2017.

Eighty seven (87) questions are contained within the 2016 return. A copy of the reviewed Return is **attached** at Appendix 1.

### 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

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Completion of the relevant sections of the Return by Officers requires a number of ad hoc 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 compliant on all aspects of the Return except one, being Question 12 from the Delegation of Power/Duty section.

Question 12 asks if all delegations made under Division 4 of Part 5 of the *Local Government Act* were reviewed by the delegator at least once during the 2015/2016 financial year. Council did not formally adopt a full review of all delegations until 13 December 2016, being the 2016/17 calendar year. It is noted that Council previously reviewed all delegations on 23 June 2015, ensuring a review each calendar year. Officers will ensure the next review is conducted in the 2017/18 financial year, thus complying with legislative requirements.

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

Nil

#### **Community Consultation**

There is no requirement for community consultation on this matter.

#### **Councillor/Officer Consultation**

Relevant Officers have been consulted in relation to the relevant sections of the 2016 Return.

#### **Outcome of Meeting 8 March 2017**

The Manager Governance provided the committee with a verbal overview of the City's 2016 Compliance Audit Return.

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

**That 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 2016.**

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### 10.3 Audit Regulation 17 Update

<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Leanne French, Senior Governance and Risk Officer
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance
<b>Executive:</b>	Andrew Brien, Chief Executive Officer
<b>Attachments:</b>	Nil

#### Summary

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

#### Executive Recommendation

That the Audit Committee receives the information as presented.

#### Strategic Relevance

Key Priority Area 5: Corporate  
Objective 5.2: Maintain a high standard of corporate governance and improve access to information

#### 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 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. Since that time, Officers have presented the Audit Committee with an ongoing assessment of the City's current practices, with a comprehensive biennial review presented on 11 November 2016.

#### Council Policy Compliance

The City's Risk Management process is guided by the Council Policy Risk Management and supported by two corporate guidelines in relation to internal control and legislative compliance.

#### Legislative Compliance

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

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### **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**

Since 2014 officers have presented the Audit Committee with a collation of data incorporating regular updates relating to progress achieved against any issues identified since the initial review as well as any new issues and recommendations, including the biennial review in November 2016.

It is intended that the manner in which Officers report against Regulation 17 to the Audit Committee in future be improved, and reflect a more risk-based approach in determining, in particular, our internal controls.

In February 2017, Rod Farrar the director of Paladin Risk Management Services conducted training with the Executive Leadership Team (ELT), Managers, Team Leaders and senior staff, in risk management fundamentals. Subsequent to the training, Officers have begun the process of developing comprehensive strategic and operational risk registers, with input from all areas of management within the City.

As well as identifying the City’s strategic and operational risks, the register will also capture controls for each risk identified, including what controls are currently in place, their criticality, and how effective these controls are at reducing the likelihood of these risks occurring. It is a fundamental principle that we cannot manage risk without understanding the effectiveness of our critical controls. Consequently, the critical controls identified in the risk register will form the basis of an internal audit program for the City.

As an example, it has already been identified that a critical control is the City’s legislative compliance register. For that reason our register will be developed to enable officers to measure, assess and report on its effectiveness to the Audit Committee.

Officers believe the process being undertaken will enable the City to meet its legislative requirements under Audit Regulation 17, provide identified risks that can actually be managed, facilitate more robust and accurate reporting, enable greater capacity for allocation of responsibility and accountability and result in decision-making based on sound risk information.

Although the register will be a “living” document, the first iteration will be provided to the Audit Committee at its next meeting.

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

Nil implications

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### **Community Consultation**

No community consultation required.

### **Councillor/Officer Consultation**

The Executive Leadership Team and Managers have been consulted in the risk management program.

### **Outcome of Meeting 8 March 2017**

The Manager Governance provided the committee with an overview of how the change in methodology of reporting will benefit the City, and provide more meaningful risk-based reporting to the Committee in future.

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

**That the Audit Committee receive the information as presented.**

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**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**

Nil

**13. General/Urgent Business**

The CEO provided the committee with an overview of a recently commissioned report by PwC regarding the Australasian LG Performance Excellence Program, for which the City was a participant. The report has only recently become available and will be distributed to Audit Committee members for information. A formal report in this regard will be presented to the next meeting of the Audit Committee.

**14. Date of Next Meeting**

July 2017 – exact date TBC.

**15. Close of Meeting**

The Presiding Member closed the meeting at 10.20am.

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