



Audit Committee

Minutes

28 July 2021

City of Bunbury
4 Stephen Street
Bunbury WA 6230
Western Australia

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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 of 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 28 July 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 Presiding Member declared the meeting open at 11.00am.

2. Disclaimer

Not applicable to this committee.

3. Announcements from the Presiding Member

As this was likely to be the last meeting of this committee prior to the October election, the Chair thanked members for their input and participation over the past 2 years, and in particular the contribution of Messer's Foster and Barratt who have both been external members of the Committee since 2013.

4. Attendances

Committee Members:

Member Name	Representing
Mayor Gary Brennan	City of Bunbury
Cr Jaysen Miguel (Presiding Member)	City of Bunbury
Cr Cheryl Kozisek	City of Bunbury

Support Staff/Visitors:

Name	Title
Mr Greg Golinski	Manager Governance
Mr Mal Osborne	Chief Executive Officer
Mrs Odetta Robertson	A/ Director Strategy and Organisational Performance
Mr Dave Chandler	Director Strategy and Organisational Performance

4.1 Apologies

Mr John Barratt
Mr Stephen Foster
Cr Michelle Steck

4.2 Approved Leave of Absence

Nil

5. Declaration of Interest

Nil

6. Public Question Time

Not applicable to this committee.

7. Confirmation of Minutes

Committee Decision: Moved: Mayor Brennan Seconded: Cr Kozisek

The minutes of the Audit Committee Meeting held on 4 March 2021 are confirmed as a true and accurate record.

CARRIED

8. Presentations

Nil

9. Method of Dealing with Agenda Business

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

10. Reports

10.1 2020/21 Interim Audit Findings

File Ref:	COB/3210		
Applicant/Proponent:	Internal		
Responsible Officer:	David Ransom, Manager Finance		
Responsible Manager:	David Ransom, Manager Finance Greg Golinski, Manager Governance		
Executive:	Dave Chandler, Director Strategy and Organisational Performance		
Authority/Discretion	<input type="checkbox"/> Advocacy	<input type="checkbox"/> Review	<input type="checkbox"/> Quasi-Judicial
	<input checked="" type="checkbox"/> Executive/Strategic	<input type="checkbox"/> Information Purposes	
	<input type="checkbox"/> Legislative		
Attachments:	CONFIDENTIAL Appendix 1: Interim Management Letter		

Summary

AMD Chartered Accountants have completed the interim audit for the year ending 30 June 2021 on behalf of the Office of the Auditor General. The purpose of this report is to provide the Audit Committee with the interim audit results as expressed in the attached management letter.

Executive Recommendation

The Committee note the information provided in the Interim Management Letter at Appendix 1.

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

The focus of the interim audit was to evaluate the City of Bunbury’s overall control environment, but not for expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to the OAG’s audit of the annual financial report.

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

The attached management letter (Appendix 1) contains a listing of deficiencies in internal control and other matters that were identified during the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that the OAG have concluded are of enough importance to merit being reported to management.

Analysis of Financial and Budget Implications

N/A

Community Consultation

N/A

Councillor/Officer Consultation

N/A

Applicant Consultation

N/A

Timeline: Council Decision Implementation

N/A

Outcome of Meeting 28 July 2021

General discussion took place in relation to this item, where it was noted that only 1 matter was raised by the Auditors during their interim audit.

The recommendation was moved by Cr Kozisek and seconded by Mayor Brennan and was carried unanimously as follows:

The Committee note the information provided in the Interim Management Letter at Appendix 1.

10.2 Employee Leave Balances

File Ref:	COB/3797
Applicant/Proponent:	Internal
Responsible Officer:	David Ransom, Manager Finance
Responsible Manager:	David Ransom, Manager Finance
Executive:	Dave Chandler, Director Strategy and Organisational Performance
Authority/Discretion	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input checked="" type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input checked="" type="checkbox"/> Information Purposes
Attachments:	CONFIDENTIAL Appendix 2: Employee Leave Balances as at 30 June 2021

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.

Voting Requirements: 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

The CEO has previously been requested by the Committee to provide a recurring report concerning accrued staff leave. This was requested on the basis of the risk presented to the City in carrying excessive leave liabilities.

At the last meeting of the Committee held on 4 March 2021, the Committee *“received the leave balance update and noted the adverse excessive leave trend in the Sustainable Communities and Infrastructure directorates for the current reporting period, to be reviewed again as at 30 June 2021.”*

This report fulfils this requirement and is provided bi-annually as at 30 June and 31 December each year.

Council Policy Compliance

There are no Council policies relating to this report.

Legislative Compliance

N/A

Officer Comments

The attached report (Appendix 2) detail the City's leave liabilities as at 30 June 2021. Note that the figures represent liabilities in excess of annual entitlements (4 or 5 weeks depending on the Officer) and also liabilities in excess of 8 weeks, which is defined by Fair Work Australia as being "excessive".

Analysis of Financial and Budget Implications

Nil

Community Consultation

N/A

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 28 July 2021

The recommendation was moved by Mayor Brennan and seconded by Cr Kozisek and was carried unanimously as follows:

That the Audit Committee receive the update.

Appendix 4 provides an overview of findings for computer control/cyber security audits undertaken by OAG across 11 individual local governments in late 2020/early 2021, of which the City of Bunbury was one.

Appendix 5 details the results of the effectiveness regulation and support of the industry by the Department of Local Government, Sport and Cultural Industries, as assessed by the OAG in early 2021.

Council Policy Compliance

N/A

Legislative Compliance

N/A

Officer Comments

Appendix 3: The key recommendation from this report is a matter that has consistently been mentioned by the OAG in its meetings with the audit committee, being that the Department of Local Government, Sport and Cultural Industries (DLGSCI) should assess whether the current financial ratios in the FM Regulations remain valid criteria for fairly measuring and reporting the performance of each local government entity.

The OAG have advocated for this previously and in particular whether the benchmarks set by the DLGSCI for the Asset Sustainability Ratio and the Operating Surplus ratio are appropriate, given widespread industry non-compliance.

Appendix 4: The report summarises the results of OAG's 2020 annual cycle of information systems audits across a selection of 50 local government entities, 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.

The report presents a summary of the findings reported to 50 local government entities in 2019-20. 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.

At the time of writing the City's individual management letter was yet to be received in this regard. Once received the report will be presented to the next meeting of the Committee.

Appendix 5: The OAG was somewhat complimentary of the DLGSCI in terms of it providing efficient and effective regulation and support to the sector. The report is self-explanatory and is provided for the information of the Committee.

Analysis of Financial and Budget Implications

N/A

Community Consultation

N/A

Councillor/Officer Consultation

This matter is presented to the Committee for information.

Applicant Consultation

N/A

Timeline: Council Decision Implementation

N/A

Outcome of Meeting 28 July 2021

General discussion took place in relation to this item.

The Manager Governance indicated that the City is yet to receive its management letter from OAG regarding the Computer Controls Audit, but that this will be made available to the committee at the earliest possible opportunity.

The Mayor also noted Appendix 5, being the audit into the Regulation and Support of the LG Sector and how the issues raised should be of concern to the industry.

Accordingly, the Mayor moved and Cr Kozisek seconded an amended motion to that of the executive recommendation through adding an additional point 2, which was carried unanimously as follows:

That the Committee request that Council:

- 1. Note the information provided in this report; and***
- 2. Refer the outcomes of the OAG report into the regulation and support of the local government sector to the South West Zone of WALGA for advocacy to the State Government.***

11. Questions from Members

11.1 Response to Previous Questions from Members taken on Notice

Nil

11.2 Committee Discussion and Questions from Members

The Mayor queried whether the City's assets were adequately insured given the current boom in the construction industry in particular?

The Manager Finance responded that the City's assets are revalued every 5 years, with the last revaluation undertaken in 2021. Infrastructure assets are revalued each year. The City's insurance policies insure our assets on reinstatement, which make provision for up to a 5% escalation of the value declared for each asset.

12. Urgent Business

Nil

13. Date of Next Meeting

TBC pending timing of the Annual Financial Audit.

14. Close of Meeting

The Presiding Member closed the meeting at 11.23am.

Confirmed as a true and accurate record at the Audit Committee meeting held on 6 December 2021.

Signed:



Audit Committee Chair
C. Ben Andrew