



Audit Committee

Notice of Meeting & Agenda 3 March 2023

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 - Notice of Meeting

Dear Committee Members

The next meeting of the Audit Committee will be held in the Harbour Room, City of Bunbury Administration Building, 2-4 Stephen Street, Bunbury on **Friday, 3 March 2023** at 10.00am.

Signed:

Greg Golinski
Manager Governance

Agenda 3 March 2023

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
Mayor Jaysen Miguel	City of Bunbury
Cr Ben Andrew (Presiding Member)	City of Bunbury
Cr Kris Plumb	City of Bunbury
Cr Cheryl Kozisek	City of Bunbury
Mr John Barratt	Independent Member

Support Staff/Visitors:

Name	Title
Mr Greg Golinski	Manager Governance
Mr Mal Osborne	Chief Executive Officer
Mr David Ransom	Manager Finance
Mrs Karin Strachan	Director Strategy and Organisational Performance

1. Declaration of Opening

The Presiding Member to declare the meeting open.

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 <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 _____ Seconded _____

The minutes of the Audit Committee Meeting held on 12 December 2022 are confirmed as a true and accurate record.

CARRIED/LOST

8. Presentations

Nil

9. Method of Dealing with Agenda Business

10. Reports

10.1 2022 Compliance Audit Return

File Ref:	COB/5457
Applicant/Proponent:	Internal
Responsible Officer:	Sam Chernabaeff, Internal Auditor
Responsible Manager:	Greg Golinski, Manager Governance
Executive:	Karin Strachan, Director Strategy and Organisational Performance
Authority/Discretion	<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
Attachments:	Appendix 1: 2022 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 2022.

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 2022 as presented at Appendix 1.

Voting Requirement: Simple Majority

Strategic Relevance

Pillar	Performance
Aspiration	Leading with purpose and robust governance
Objective 13	A leading local government
Objective 13.1	Provide strong, accountable leadership and governance

Regional Impact Statement

Not applicable

Background

Each year the Department of Local Government, Sport and Cultural Industries requires local governments to conduct an annual assessment of their compliance with key components of the *Local Government Act 1995* (the Act) and associated Regulations. The 2022 Return is to be provided to the Department by 31 March 2023.

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 the relevant sections of the Return for assessment and completion. The final Return is then compiled on-line at the end of the review period using information provided. Any comments, where appropriate, are included in the Return to assist in either validating compliance or explaining non-compliance.

The Internal Auditor performs sample-based audit procedures to review and corroborate the Chief Executive Officer's, Director's and relevant Manager's responses in the Return to underlying support.

Based on this sample-based review, it is the opinion of the Internal Auditor that the information provided on the Compliance Audit Return Form is true, noting the following non-compliance being reported:

- One instance of non-compliance was acknowledged within the Return. The non-compliance identified in 2022 pertains to section 5.76(1) of the *Local Government (Administration) Regulations*, which requires the Local Government to ensure an Annual Return be lodged by all relevant persons by 31 August 2022. An employee missed this deadline, lodging the Annual Return on 1 September 2022. The CEO notified the Corruption and Crime Commission of WA of this instance of non-compliance and the correspondence is to be considered in accordance with Corruption and Crime Commission of WA procedures. At the time of writing this report, a response has not been received by the City of Bunbury.

Analysis of Financial and Budget Implications

Nil

Community Consultation

N/A

Elected Member/Officer Consultation

Relevant Officers and the Executive Leadership Team have been consulted in relation to the completion of the 2022 Return, which is now presented to the Audit Committee for consideration.

Applicant Consultation

Not applicable.

Timeline: Council Decision Implementation

Submission of the Return to the Department of Local Government, Sport and Cultural Industries by 31 March 2023.

10.2 Audit Findings Database

File Ref:	COB/5457		
Applicant/Proponent:	Internal		
Responsible Officer:	Sam Chernabaeff, Internal Auditor		
Responsible Manager:	Greg Golinski, Manager Governance		
Executive:	Karin Strachan, Director Strategy and Organisational Performance		
Authority/Discretion	<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	
Attachments:	CONFIDENTIAL Appendix 2: Audit Findings Database		

Summary

The City of Bunbury has established a database and follow-up process to monitor and ensure that management's actions to audit findings (both internal and external) have been effectively implemented.

The database (as presented at Confidential Appendix 2) is presented to the Audit Committee for information and discussion as necessary.

Executive Recommendation

That the Committee note the information provided in this report.

Voting Requirement: Simple Majority

Strategic Relevance

Pillar	Performance
Aspiration	Leading with purpose and robust governance
Outcome 13	A leading local government
Objective 13.1	Provide strong, accountable leadership and governance
Objective 13.2	Adopt innovations to improve business efficiencies and the customer experience
Objective 13.3	Effectively manage the City's resources

Regional Impact Statement

N/A

Background

The International Standards for the Professional Practice of Internal Auditing requires the Internal Audit Coordinator to establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not acting.

Confidential Appendix 2 has been developed to capture audit findings from all engagements, both internal and external.

Council Policy Compliance

N/A

Legislative Compliance

The International Standards for the Professional Practice of Internal Auditing 2500.A1

Officer Comments

The Internal Auditor will be responsible for capturing the audit findings and monitoring the implementation of management's agreed actions. An updated database will be provided to the Audit Committee at each meeting for consideration.

The listing is being presented with all findings being separated into relevant management areas. In addition, items which have been completed since the previous audit committee meeting remain included and have been tagged to be hidden for the next audit committee meeting.

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

10.3 Employee Leave Balances

File Ref:	COB/5457	
Applicant/Proponent:	Internal	
Responsible Officer:	Sam Chernabaeff, Internal Auditor	
Responsible Manager:	Greg Golinski, Manager Governance	
Executive:	Mal Osborne, Chief Executive Officer	
Authority/Discretion	<input type="checkbox"/> Advocacy <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Legislative	<input type="checkbox"/> Review <input type="checkbox"/> Quasi-Judicial <input checked="" type="checkbox"/> Information Purposes
Attachments:	Confidential Appendix 3: Employee Leave Balances as at 31 December 2022	

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

Pillar	Performance
Aspiration	Leading with purpose and robust governance
Objective 13	A leading local government
Objective 13.1	Provide strong, accountable leadership and governance

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.

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 (Confidential Appendix 3) detail the City’s leave liabilities as at 30 December 2022. 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”.

The Manager of People & Safety has added the following comments to explain the increases noted in the data shown:

- The City experienced a significant increase in turnover last year which resulted in a large number of vacancies across the organisation.
- The knock-on effect of these vacancies is that staff (especially those with key roles) did not take leave.
- Additionally, a number of staff who work part time took on additional roles to help fill gaps, which increased their leave accruals.
- The period June - December 2022 saw several key projects commenced which resulted in reduced leave taken by key staff.
- The EBA increase of 4% plus some band creep within the organisation has seen the value of the leave increase.

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.

10.4 Essential 8 Maturity Model

File Ref:	COB/5457	
Applicant/Proponent:	Internal	
Responsible Officer:	Sam Chernabaeff, Internal Auditor	
Responsible Manager:	Greg Golinski, Manager Governance	
Executive:	Karin Strachan, Director Strategy and Organisational Performance	
Authority/Discretion	<input type="checkbox"/> Advocacy <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Legislative	<input type="checkbox"/> Review <input type="checkbox"/> Quasi-Judicial <input checked="" type="checkbox"/> Information Purposes
Attachments:	Confidential Appendix 4: Essential 8 Maturity Model Summary	

Summary

The Audit Committee has previously requested that Officer’s research the possibility of utilising the Essential 8 maturity model for mitigating cyber security risks at the City. This report provides an initial overview of the model and a desktop assessment of the City’s current maturity in this area.

Executive Recommendation

That the Committee:

1. Note the information provided in this report.
2. Request the CEO report annually to the Committee its maturity against the Essential 8 model.

Voting Requirement: Simple Majority

Strategic Relevance

Pillar	Performance
Aspiration	Leading with purpose and robust governance
Outcome 13	A leading local government
Objective 13.1	Provide strong, accountable leadership and governance

Regional Impact Statement

N/A

Background

First published in June 2017 and updated regularly since, the Essential 8 Maturity Model details mitigation strategies to help organisations protect themselves against various cyber threats. The most effective of these strategies are the Essential Eight, which were designed to protect Microsoft Windows-based internet-connected networks.

Council Policy Compliance

City of Bunbury Risk Management Framework

- Council Policy Risk Management

- City of Bunbury Risk Management Procedures

City of Bunbury Internal Control Framework

- Management Policy: Internal Control

Legislative Compliance

Nil

Officer Comments

The attached research summary (Confidential Appendix 4) breaks down the Essential 8 Maturity Model developed by the Australian Cyber Security Centre (ACSC) and where the City of Bunbury currently believes itself to be situated on the model.

The report details the Essential 8 practices themselves along with information about the four different categories of levels (levels zero to three) in which each of the eight practices can be categorised for any organisation. The pros and cons for working towards the implementation of this model have also been laid out in addition to a rudimentary desktop self-assessment by the Coordinator Digital Services and Systems Administrator.

The result of this self-assessment notes no practices reaching a level above 1 where the recommended level for local government entities is level 2 for all practices. The self-assessment within this report is also compared to a not yet finalised Marsh Advisory rating.

It is believed that implementation would be most effective by the City to aim initially to achieve level 1 in all practices before developing a further plan to reach level 2.

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

Immediately following Council decision

10.5 Electors Meeting Motion – Invoice Audit RCA

File Ref:	COB/5457	
Applicant/Proponent:	Internal	
Responsible Officer:	Sam Chernabaeff, Internal Auditor	
Responsible Manager:	Greg Golinski, Manager Governance	
Executive:	Karin Strachan, Director Strategy and Organisational Performance	
Authority/Discretion	<input type="checkbox"/> Advocacy <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Legislative	<input type="checkbox"/> Review <input type="checkbox"/> Quasi-Judicial <input checked="" type="checkbox"/> Information Purposes
Attachments:	Appendix 5: Internal Audit Report RCA Invoices	

Summary

This report is in response to a motion carried at the annual general meeting of electors on 31 January 2023, regarding the auditing of two invoices paid by the City to Regional Capitals Australia Inc in 2016/17 and in 2022/23.

The fieldwork has been undertaken by the City’s internal auditor in this regard and has already been presented to Council for noting, however is now also presented to the Audit Committee for information as per the electors’ request.

Executive Recommendation

That the Committee note the information provided within this report, and in particular the Internal Auditor’s report at Appendix 5.

Voting Requirement: Simple Majority required

Strategic Relevance

Pillar: Performance
 Aspiration: Leading with purpose and robust governance
 Outcome 13: A leading local government
 Objective 13.3: Effectively manage the City’s resources

Regional Impact Statement

N/A

Background

At the annual general meeting of electors held on 31 January 2023, the following motion was moved by Mr Mike Fenton, seconded by Mr Brendan Kelly and was duly carried:

Bunbury Council instigate internal audit and testing of specific financial transactions involving its payments of public funds to Regional Capital’s Australia INC (Vic) as evidenced by:

- a) *The RCA Inc invoice created on 17 August 2022*

- b) *The RCA Inc invoice created on 10 August 2022*
- c) *The historic RCA Inc invoice upon which Council relied to pay RCA Inc \$8,000 for 2016-17 subs.*

On completion of the investigation of a), b), and c), the resultant audit report is forwarded to the City of Bunbury Audit Committee for action.

The motion related to earlier questions from Mr Fenton at that same meeting, which were answered by the Acting CEO at the time. In summary, points a) and b) relate to a single invoice from 2022/23, and point c) relates to an invoice from 2016/17.

Council Policy Compliance

Nil

Legislative Compliance

Pursuant to section 5.33 of the *Local Government Act 1995*, all decisions made at an electors meeting are to be considered at the next Ordinary Council Meeting or, if that is not practicable, at the first Ordinary Council Meeting after that meeting or at a special meeting called for that purpose, whichever happens first. This matter was dealt with by Council at its meeting held on 21 February 2023, with the report simply presented to the Audit Committee for noting.

Officer Comments

A copy of the internal auditor's report in this regard is contained at Appendix 5.

Analysis of Financial and Budget Implications

Nil

Community Consultation

Nil

Councillor/Officer Consultation

This matter is presented to Council for consideration.

Applicant Consultation

N/A

Timeline: Council Decision Implementation

Immediate following Council decision.

11. Questions from Members

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

Nil

11.2 *Committee Discussion and Questions from Members*

12. Urgent Business

Nil

13. Date of Next Meeting

TBC pending timing of interim audit.

14. Close of Meeting

The Presiding Member closed the meeting at ____ am.