



## **Audit Committee**

### **Minutes**

**29 November 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 owners of the land, the Noongar Wardandi people and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures; and to Elders past, present and emerging.

### Audit Committee

### Minutes

29 November 2023

#### 1. Declaration of Opening

The Manager Governance declared the meeting open at 9.00am. As this is the first meeting of the Audit Committee since the 2021 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 Manager Governance called for nominations for the position of Presiding Member.

Cr Steck nominated Cr Ghasseb as Presiding Member, which Cr Ghasseb accepted. With there being no further nominations, Cr Ghasseb was elected unopposed as Presiding Member of the Audit Committee for a term ending October 2025.

Cr Ghasseb assumed the Chair.

#### 2. Disclaimer

Not applicable to this committee.

#### 3. Announcements from the Presiding Member

Cr Ghasseb welcomed new members of the committee as well as guests from the OAG and Moore Australia.

#### 4. Attendances

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:*

<b>Member Name</b>	<b>Representing</b>
Mayor Jaysen Miguel	City of Bunbury
Cr Gabi Ghasseb	City of Bunbury
Cr Marina Quain	City of Bunbury
Cr Michelle Steck	City of Bunbury
Mr John Barratt	Independent Member
Mr Stuart Eaton	Independent Member

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

<b>Name</b>	<b>Title</b>
Mr Greg Golinski	Manager Governance
Mr Alan Ferris	Chief Executive Officer
Mr David Ransom	Manager Finance
Mrs Karin Strachan (via video conference)	Director Strategy and Organisational Performance
Ms Vicki Gregg	Team Leader Financial Accounting
Mr Sam Chernabaeff	Internal Auditor
Carly Meagher (via video conference)	Director Financial Audit, OAG
Mr James Arthur (via video conference)	Associate Director, Moore Australia
Mr Wen-Shien Chai (via video conference)	Partner, Moore Australia

#### **4.1 Apologies**

Nil

#### **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 Miguel                      Seconded: Mr Barratt

*The minutes of the Audit Committee Meeting held on 26 September 2023 are confirmed as a true and accurate record.*

**CARRIED**

**8. Presentations**

Representatives from the OAG and Moore Australia were in attendance to discuss the City's annual financial audit for the 2022/23 financial year.

Ms Carley Meagher representing the OAG and Mr Wen-Shien Chai representing Moore Australia provided the committee with an overview of the annual financial audit, noting the two matters raised in the Management Letter: payroll reconciliations; and the Bunbury Harvey Regional Council Joint Venture (BHRC).

Mr Eaton asked in part questions for which he had provided notice of via email to committee members, where Ms Meagher reaffirmed the answers provided to members of the committee in that regard via return email (see detail at item 11.2).

The CEO added that he will be continuing to work with the Shire of Harvey to reach a resolution as to the future of the BHRC, and will continue to report back to Council in this regard.

The CEO thanked staff from the OAG and Moore Australia as well as the City's finance staff for their work in bringing the annual financial audit to completion.

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

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

## 10. Reports

### 10.1 Draft Auditors Report and Annual Financial Report for the year ending 30 June 2023

<b>File Ref:</b>	COB/5574
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	David Ransom, Manager Finance
<b>Responsible Manager:</b>	David Ransom, Manager Finance
<b>Executive:</b>	Karin Strachan, Director Strategy and Organisational Performance
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Information Purposes <input checked="" type="checkbox"/> Legislative
<b>Attachments:</b>	Appendix 10.1A: Draft Annual Financial Report and Auditor’s Report

#### Summary

The Auditor’s Report and Annual Financial Report of the City of Bunbury for the financial year ending 30 June 2023 are attached at Appendix 10.1A for the information of the Audit Committee.

The Auditor’s Report (refer Pages 63 - 65 in the attached Annual Financial Report) is in ‘draft’ as Ms Carly Meagher, Director Financial Audit, from the Office of the Auditor General WA is required to meet with the Audit Committee prior to the signing of the Auditor’s Report. Ms Meagher will be attending this meeting to brief the Committee on the audit and to answer any questions. Following this meeting the Auditor’s Report will be signed and then presented to Council at its meeting on 12 December 2023.

The Auditor General Independent Auditor’s Report has confirmed that the financial report is based on proper accounts and records, and fairly represents, in all material respects, the results of the operations and the financial position of the City for the year ended 30 June 2023.

#### Executive Recommendation

That the Audit Committee recommends that Council accept the Auditor General Independent Auditor’s Report and the Audited Annual Financial Report of the City of Bunbury for the financial year ending 30 June 2023.

*Voting Requirements: Simple Majority*

#### Background

The Auditor General has audited the 2022/23 Annual Financial Report and have provided an Independent Auditor’s Report as required under the relevant provisions of the *Local Government Act 1995* (the Act). The Auditor’s Report and Annual Financial Report are now presented to the Audit Committee.

Furthermore, section 7.12A(2) of the Act requires a local government to meet with its Auditor at least once in every year.

Ms Carly Meagher, Director Financial Audit, from the Office of the Auditor General WA, who is representing the Auditor General will be in attendance to discuss with the Committee the audit and any queries arising from the 2022/23 Audit.

### Council Policy Compliance

N/A

### Legislative Compliance

Section 7.9(1) of the Act requires the Auditor to submit a report to the local government by 31 December each year.

Section 7.12A(2) of the Act requires a local government to meet with its Auditor at least once each year.

### Officer Comments

There are five (5) primary financial statements:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Rate Setting Statement

*Statement of Comprehensive Income:* The Statement of Comprehensive Income (Pages 5 of the Financial Report) shows the extent to which operating expenditure has exceeded operating income during the financial year (i.e. operating deficit).

Key financial figures within the audited Annual Financial Report for the year ended 30 June 2023 include:

	<u>2023</u>	<u>2022</u>
Operating Revenue	\$64,419,665	\$61,607,027
Operating Expenses	<u>\$(75,286,324)</u>	<u>\$(67,893,660)</u>
Operating Surplus / (Deficit)	\$(10,866,659)	\$(6,286,633)
Net Result	\$(6,536,423)	\$(6,695,843)

For the year ending 30 June 2023, the operating deficit was \$10.9M compared to an operating deficit of \$6.3M in 2021/22, an increase of 4.6M. Revenue increased by \$2.8M and expenditure increased by \$7.4M.

Operating Revenue – The City received \$2.8M more in 2022/23 than in 2021/22. This was mainly due to receiving \$2.3M more in Rates, higher Interest Revenue of \$1.4M, and an increase in Fees and Charges of \$944K. However this was offset by less Contributions and Reimbursements of \$821K, less Other Revenue of \$568K, and less Operating Grants and Subsidies of \$490K. In 2022/23 \$42.9M of rates were raised, an increase of \$2.3M or 5.7% on 2021/22. Note: the property rate increase was 5.0%.

Operating Expenditure – The increase in operating expenditure of \$7.4M from the previous year was mainly due to increases in expenditure in Other Expenditure of \$3.1M, of which \$3.8M was to financially



support (as a member council) the Bunbury Harvey Regional Council; Employees Costs (\$2.9M) mainly due to the EBA increase of 4.0% and increase in FTE's; and an increase in Depreciation of \$746K.

Net Result - The Net Result was a loss of \$6.5M which includes the Operating Revenue and Expenditure results above, plus Capital Grants of \$2.8M, Share of Net Profit in Associates (i.e. Bunbury Harvey Regional Council) \$2.7M and Net Loss on Asset Disposal of \$1.4M. This compares to a loss of \$6.7M in 2021/22.

This Statement also accounts for the Changes on Revaluation of Non-Current assets which was an increase of \$4.9M, mainly from the revaluation increment of Marine assets of \$3.2M, and Other Infrastructure of \$1.3M. This resulted in Total Comprehensive Income for 2022/23 of \$(1.6)M. In 2021/22 this was \$(22.7M).

Statement of Financial Position: The Statement of Financial Position (Page 6 of the Financial Report) shows the assets and liabilities which make up the Community Equity as at the 30 June 2023.

Key financial figures within the Annual Financial Report for the year ended 30 June 2023 include:

	<u>2023</u>	<u>2022</u>
Current Assets	\$41,207,536	\$45,328,282
Current Liabilities	<u>\$(17,159,859)</u>	<u>\$(17,090,312)</u>
Current Assets over Current Liabilities	\$24,047,677	\$28,237,970
Non-Current Assets	\$473,498,801	\$472,874,393
Non-Current Liabilities	<u>\$(9,567,402)</u>	<u>\$(11,505,009)</u>
Total Equity	\$487,979,076	\$489,607,354

The City's Current Assets exceed Current Liabilities in 2022/23 by \$24.0M, compared to \$28.2M in 2021/22, a decrease of \$4.2M, mainly due to a decrease in Cash of \$3.8M.

Non-Current Assets increased by \$624K mainly due to an increase in Investment in Associates (BHRC) of \$3.2M, offset by a reduction in both Infrastructure assets of \$1.9M, and Property, Plant and Equipment assets of \$1.2M.

Non-Current Liabilities decreased by \$1.9M mainly due to a decrease in borrowings.

These changes contributed to the decrease in total Community Equity at 30 June 2023 by \$1.6M to \$488.0M.

Statement of Changes in Equity: The Statement of Changes in Equity (Page 7 of the Financial Report) shows the extent to which the Community Equity has been decreased by the net result of the year's activities. For the year ending 30 June 2023, the Community Equity decreased from \$489.6M to \$488.0M, a decrease of \$1.6M as explained in the Statement of Financial Position and the Statement of Comprehensive Income above.

Statement of Cash Flows: The Statement of Cash Flows (Page 8 of the Financial Report) shows the nature and amount of the City's cash inflows and outflows from all activities. At the end of the reporting period the City's cash holdings were \$36.0M compared to \$39.8M in 2021/22, a decrease of \$3.8M.

Statement of Financial Activity: The Statement of Financial Activity (Pages 9 and 10 of the Financial Report) shows the surplus position after income and expenditure activity during the year. At the end of 2022/23 the Surplus After Imposition of General Rates was \$4.9M. This was \$507K less than last year.

The Surplus of \$4.9M includes the following items to result in an unallocated closing surplus of \$576K.

Closing Surplus Funds	\$4,900,126
<u>Less:</u>	
Projects not finalised in 2022/23 carried forward to 2023/24	\$2,431,121
2023/24 Financial Assistance Grants received in advance	<u>\$1,892,706</u>
Unallocated Closing Surplus Funds	\$576,299

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

There are no financial or budget implications for the Committee to accept the Annual Financial Statements and Auditor’s Report.

### **Community Consultation**

The Annual Financial Report will be included in the City’s 2022/23 Annual Report and will be available on the City’s website.

### **Elected Member/Officer Consultation**

This matter is presented to the Audit Committee for consideration.

### **Timeline: Council Decision Implementation**

Effective immediately once adopted by Council.

### **Outcome of Meeting – 29 November 2023**

Following the presentations by the OAG and Moore Australia and subsequent discussion, the executive recommendation was moved by Cr Steck and seconded by Mr Eaton and was carried unanimously as follows:

***That the Audit Committee recommends that Council accept the Auditor General Independent Auditor’s Report and the Audited Annual Financial Report of the City of Bunbury for the financial year ending 30 June 2023.***



### **Officer Comments**

Officer comments on the two items identified by Auditor General have been included in the Management Letter attachment.

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

There are no financial or budget implications for Council to note the Management Letter.

### **Community Consultation**

Not required.

### **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 – 29 November 2023**

Following the presentations by the OAG and Moore Australia and subsequent discussion, the executive recommendation was moved by Mayor Miguel and seconded by Cr Steck and was carried unanimously as follows:

***That the Audit Committee recommends that Council notes the Management Letter for the City of Bunbury annual financial audit for the year ending 30 June 2023.***



## Background

A review has been undertaken to assess the adequacy of the City of Bunbury's Safety Management processes and controls in place during the 2024 financial year. The audit covered a review of the following:

- Occupational Health and Safety (OH&S)
  - Policies, procedures, and guidelines related to OH&S
  - Incident reporting, investigation, and corrective actions
- Emergency Management
  - Emergency response plans and procedures
  - Training and awareness programs for emergency situations
  - Emergency equipment available and maintenance
- Training and Competency
  - Training needs analysis and training plans
  - Compliance with training requirements for specific roles and tasks
  - Recordkeeping of training and competency assessments
- Hazard Identification, Risk Assessment, and Control Measures
  - Procedures for hazard identification and reporting
  - Risk assessment -processes and documentation
  - Implementation and effectiveness of control measures
  - Procedures surrounding workplace inspections

## 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

### ***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**

Please refer to the attached internal audit report (appendix 10.3A) which summarises the scope and approach of the review, the findings identified during the review, and how the City of Bunbury plans to address them.

**Analysis of Financial and Budget Implications**

N/A

**Community Consultation**

N/A

**Councillor/Officer Consultation**

This matter is presented to the Audit Committee for information.

**Applicant Consultation**

N/A

**Timeline: Council Decision Implementation**

N/A

**Outcome of Meeting – 29 November 2023**

Following general discussion, the executive recommendation was moved by Cr Quain and seconded by Mr Barratt and was carried unanimously as follows:

***That the Committee:***

- 1. Note the information within the Safety Management report presented at Appendix 10.3A.***
- 2. Endorse the recommendations made within the Safety Management report presented at Appendix 10.3A, noting these will be included in the City's Audit Findings Database.***





**Council Policy Compliance**

N/A

**Legislative Compliance**

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

Management Policy: Internal Control

**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 listings have been presented with all findings being separated into relevant management areas and the most recently updated findings being ordered from the top.

In addition, items that 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 as this matter is for noting only.

**Outcome of Meeting – 29 November 2023**

Following general discussion, the executive recommendation was moved by Cr Quain and seconded by Cr Steck and was carried unanimously as follows:

***That the Committee note the information provided in this report.***

**10.5 Audit Committee Terms of Reference Review**

<b>File Ref:</b>	COB/603
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Greg Golinski, Manager Governance
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance
<b>Executive:</b>	Karin Strachan, Director Strategy and Organisational Performance
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <span style="margin-left: 200px;"><input type="checkbox"/> Quasi-Judicial</span> <input checked="" type="checkbox"/> Executive/Strategic <span style="margin-left: 100px;"><input checked="" type="checkbox"/> Information Purposes</span> <input type="checkbox"/> Legislative
<b>Attachments:</b>	Nil

**Summary**

The purpose of this report is for the Audit Committee to review its terms of reference in accordance with Council Decision 237/23, where all Council Committees were requested to review their respective terms of reference and report back to Council by April 2024.

**Executive Recommendation**

That the Audit Committee recommend that Council retain its existing Terms of Reference as below, noting this is consistent with the model terms of reference for Audit Committees provided by the Department of Local Government, Sport and Cultural Industries:

*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.*

*Voting Requirement: Simple Majority*

### **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.

### **Background**

In establishing its committees post the 2023 City of Bunbury election and making appointments therein, Council requested that all committees review their respective terms of reference and report back to Council by April 2024 (refer Decision 237/23). This report facilitates this obligation.

**Council Policy Compliance**

Not applicable.

**Legislative Compliance**

Not applicable.

**Officer Comments**

The current terms of reference (as represented within the Executive Recommendation) is considered appropriate and effective in terms of the work the Committee undertakes on behalf of the Council. The wording is also consistent with the model terms of reference for Audit Committees provided by the Department of Local Government, Sport and Cultural Industries.

**Analysis of Financial and Budget Implications**

Nil

**Community Consultation**

Nil

**Elected Member/Officer Consultation**

This matter is presented to the Audit Committee for consideration.

**Applicant Consultation**

N/A

**Timeline: Council Decision Implementation**

Immediate once Council have endorsed the recommendation.

**Outcome of Meeting – 29 November 2023**

The executive recommendation was moved by Mayor Miguel and seconded by Cr Steck.

General discussion took place in relation to the Committee’s role in dealing with general risk management related matters that are not related specifically to financial risk. The Manager Governance noted that such matters are absolutely within the scope of the existing/proposed terms of reference (see points p, q and r).

The CEO committed to bringing a report to the next meeting of the committee in relation to the current status of the City’s risk management framework, policy, strategic/operational risks, and the Council’s risk appetite statement. Recurring reporting to the Committee in this regard will continue.

The Presiding Member put the motion to the vote and it was carried unanimously as follows:

***That the Audit Committee recommend that Council retain its existing Terms of Reference as below, noting this is consistent with the model terms of reference for Audit Committees provided by the Department of Local Government, Sport and Cultural Industries:***

***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.**

## 11. Questions from Members

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

Nil

### 11.2 *Questions from Members*

Mr Eaton gave notice of the following questions to Committee members during the week, which have been tabled below as questions from members (together with the responses). These were also raised and confirmed during discussion with the City's Auditor at item 8 of this agenda.

1. Without being privy to the timing that the member councils became aware of the likelihood that it will be required to underwrite the BHRC 2023/24 budget deficit and license compliance mitigation works, has there been any consideration regarding recognising a liability provision (or contingent liability disclosure) for the 2022/23 financial year regarding the 2023/24 funding to the BRHC:
  - a) \$190,000 - To meet 2023/24 financial year operating deficit.
  - b) \$3,900,000 – disposal of stored timber and mattresses in breach the sites licence conditions.
  - c) \$500,000 – Design costs for new waste cell.
2. Considering the statement of the BHRC management that the operations are at present unable to generate the necessary income to support the full cost of current services. Is there a need for the City to make liability provisions (or at a minimum a contingent liability disclosure) to recognise its underwriter obligations to the BHRC. It appears that there is an increased risk that the City is likely to be called upon to meet future BHRC operating deficits on a recurring basis.
3. Depending on timing awareness, do the financial commitments made by the City to the BHRC for 2023/24 constitute an adjusting event for 2022/23. Or a non-adjusting event that has occurred after the reporting period and may be subject to disclosure in note 23.
4. It appears that several material non-compliance licensing matters have occurred at the BHRC in recent years that have only come to light following DWER compliance auditing. The subsequent works funded by the member councils for material amounts. I recognise that the BHRC is an independent Council, however with these recent matters resulting in material financial consequences to member councils. From a mitigating financial risk perspective to the City, has there been any introduction, or deemed a need for an independent regular license compliance audit at the BHRC (or extension of the City's internal audit practices by way of conducting such audits with inhouse staff, or jointly funding outsourced experts with Shire of Harvey).
5. Referring to the sum of monies that the City has been required to underwrite across 2022/23 and 2023/24 against its risk management policy. Amounts greater than \$5m are deemed under the policy of catastrophic consequence. From my understanding the



financing being provided to the BHRC in 2023/24 are in addition to those made in 2022/23 (I am happy to be corrected). My questions do not specifically relate to the merits or otherwise of the BHRC as a joint service, but specifically the future financial risk to the City and whether:

- a) appropriate liability provisions are being considered and recognised.
- b) Future underwriting obligations are being subsequently planned for in the City's long term financial planning framework.
- c) Necessary risk mitigation measures (specifically financial risk) are being instigated by the member councils.

The Director Strategy and Organisational Performance, in consultation with the OAG Director of Financial Audit, Ms Carly Meagher provided Committee members with a written response as follows:

The Director Financial Audit at the OAG is of the view that the City has complied with all the accounting standards, and we should not be recognising a liability provision or contingent liability.

As the future direction of the BHRC has not yet been decided (ie. will a new lined cell be constructed, or will a new technology solution be the answer, or will Stanley Road be closed), we are not able to plan for any City contribution that may be required in the LTFP until such time as that decision has been made.

In terms of compliance, the BHRC have employed their own compliance officer in the last 2-3 years and are currently seeking to fill this role again. The Department of Water and Environmental Regulation (DWER) undertake annual compliance audit inspections and regular interim inspections of the site to ensure compliance with licence conditions. It has only been recently that their audit has picked up a number of non-compliant matters such as the mattress stockpiles and shredded timber stockpiling. This stockpiling has occurred on the site since 2014 and had not been raised as an issue by DWER prior to the issuance of the Environmental Protection Notice.

**12. Urgent Business**

Nil

**13. Date of Next Meeting**

TBC pending compliance audit being completed, likely late February/early March 2024

**14. Close of Meeting**

The Presiding Member thanked the Finance Team for their work on the annual financial audit, as well as welcoming the new CEO and external members to the Audit Committee. The meeting was closed at 9.49am.

**Confirmed on \_\_\_\_\_ 2023 as a true and accurate record of proceedings of the Audit Committee meeting held on 29 November 2023.**

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**Cr Gabi Ghasseb, Chair**