



Audit Committee

Minutes

30 May 2024

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 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 community and their cultures; and to Elders past, present and emerging.

Audit Committee Minutes 30 May 2024

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 10.30am.

2. Disclaimer

Not applicable to this committee.

3. Announcements from the Presiding Member

The Presiding Member indicated that as the Chair of this Committee, his intent is to provide support to Officers for matters within the Committee's scope. The Presiding Member also indicated that additional training would assist Councillors in better understanding their responsibilities as elected members.

4. Attendances

Committee Members:

Member Name	Representing
Mayor Jaysen Miguel	City of Bunbury
Cr Gabi Ghasseb (Presiding Member)	City of Bunbury
Cr Marina Quain	City of Bunbury
Cr Michelle Steck	City of Bunbury
Mr Stuart Eaton	Independent Member

Support Staff/Visitors:

Name	Title
Mr Greg Golinski	Manager Governance

Mr Alan Ferris	Chief Executive Officer
Mrs Karin Strachan	Director Corporate and Community Services
Mr David Ransom	Manager Finance
Mrs Delise Fynn	Internal Auditor
Mrs Maureen Keegan	Senior Governance Officer

4.1 Apologies

Mr John Barratt

4.2 Approved Leave of Absence

Nil

5. Declaration of Interest

IMPORTANT: Committee members to complete a “Disclosure of Interest” form for each item on the agenda in which they wish to disclose a financial/proximity/impartiality interest. They should give the form to the Presiding Member before 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.

Nil

6. Public Question Time

Not applicable to this committee.

7. Confirmation of Minutes

Committee Decision: Moved: Cr Quain Seconded: Cr Steck

The minutes of the Audit Committee Meeting held on 27 February 2024 are confirmed as a true and accurate record.

CARRIED

8. Presentations

Nil

9. Method of Dealing with Agenda Business

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

10. Reports

Nil.

This meeting was requested by the Chair in accordance with Standing Order 3.4. The items of business are those listed at parts 12 and 13 of this agenda.

11. Applications for Leave of Absence

Nil

12. Motions of which previous notice has been given

Cr Ghasseb has given notice of the following three motions:

12.1 Cr Ghasseb Motion #1

Cr Ghasseb's Motion

That the Audit Committee recommends to Council that it requests the CEO to:

- a) *Include in the internal audit program an annual report on projects which exceed their initial budget by \$100,000.00 or by 10%, whichever is the lesser; The report is to include:
 - i) *Original project budget;*
 - ii) *Original budgeted own source funds;*
 - iii) *Final actual expenditure including the excess over budget;*
 - iv) *Final actual own source funds and the nature of those funds;**
- b) *Report to be presented to the Audit Committee by 31st December annually for the preceding financial year;*
- c) *Each project to be assessed against the Office of Audit General recommended procurement focus areas (Office of Auditor General, Report 5: October 2018-19 Local Government Procurement, Appendix 1). This work may already be undertaken by the internal audit process and in that case, would just need a specific report.*
- d) *This resolution to have a 3 year sunset clause if adopted, unless extended by Council.*

Officer Comment

Project status reports are already being reported to Council monthly through the monthly financial report, which include updates on project expenditure against budget. As the City implements its project management software over the next 12 months (Pulse), project reporting will continue to be improved.

The last internal audit of the City's procurement function was undertaken in the 2019/20 financial year, with the next review of the City's procurement function due in 2024/25 as per the current adopted Internal Audit Strategic Plan. The review will holistically cover off on the focus areas identified previously by the OAG as suggested by Cr Ghasseb, however it must be noted that procurement is but one facet of the project life cycle, and that over expenditure is a typically more a result of poor project planning/estimating than deficiencies in procurement processes. To this extent an internal audit of the City's project management processes will also be prioritised in 2024/25 as part of the annual internal audit plan. Updated internal audit plans (strategic and annual) will be presented to the June 25 meeting of the Audit Committee for consideration.

Outcome of Meeting – 30 May 2024

The motion was moved by Cr Ghasseb and seconded by Cr Quain with some minor amendments as shown below:

That the Audit Committee recommends to Council that it requests the CEO to:

- a) *Include in the internal audit program an annual report on **completed** projects which exceed their initial budget by \$100,000.00 **or more** ~~or by 10%, whichever is the lesser~~; The report is to include:
 - i) *Original project budget;*
 - ii) *Original budgeted own source funds;*
 - iii) *Final actual expenditure including the excess over budget;*
 - iv) *Final actual own source funds and the nature of those funds;**
- b) *Report to be presented to the Audit Committee by 31st December annually for the preceding financial year;*

- c) *Each project to be assessed against the Office of Audit General recommended procurement focus areas (Office of Auditor General, Report 5: October 2018-19 Local Government Procurement, Appendix 1). This work may already be undertaken by the internal audit process and in that case, would just need a specific report.*
- d) ~~*This resolution to have a 3 year sunset clause if adopted, unless extended by Council.*~~

Following extensive discussion and questions on this matter in the context of the Officer Comment, the CEO indicated that he would ask Officers to include an annual audit/report of projects that meet the parameters of the motion within the Annual and Strategic Internal Audit Plans that will be presented to the Committee on 25 June. This will ensure that the work is undertaken as part of the delivery of those plans, with oversight by the Audit Committee.

With the above undertaking, the mover and seconder withdrew the motion on the basis that an audit/report of completed projects that exceed their initial budget by \$100,000 or more will be included in future internal audit plans, noting that the next iteration of these plans will be presented to the Audit Committee on 25 June.

12.2 Cr Ghasseb Motion #2

Cr Ghasseb’s Motion

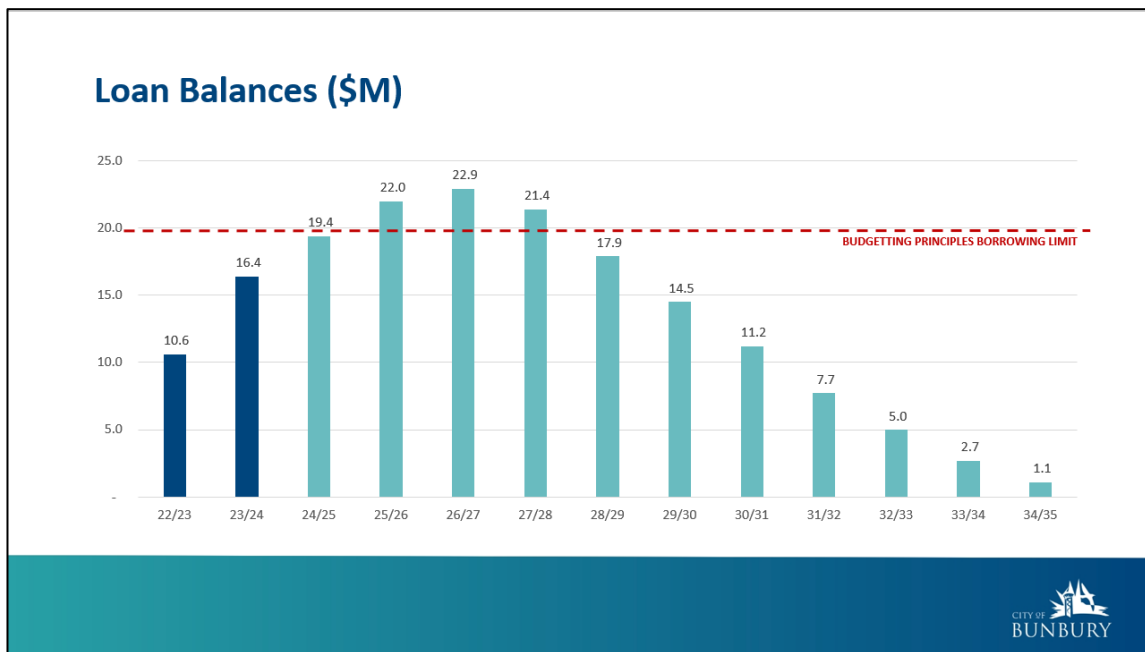
That the Audit Committee recommends to Council that it requests the CEO to:

- a) Provide to Council an analysis of the “maximum borrowing levels” during the budget deliberations and during the Long Term Financial Plans (LTFP) deliberations.
- b) As a part of (a) above, provide a simple year-on-year bottom line variation of the “Outstanding Principal Balance” sourced from the Long-Term Borrowing Plan, from one Long Term Financial Plan (LTFP) to the next LTFP;
- c) This resolution to have a 3 year sunset clause if adopted, unless extended by Council.

Officer Comment

This information has previously been provided to Council as part of the Budget Workshops. The following graph shows the total loan borrowings included in the current LTFP with the assumption of a \$20M maximum borrowing limit.

Actual loan borrowing have never reached the maximum limit of \$20M, but it is forecast to exceed this limit in 2025/26 as shown in the graph. Note: The forecast loan borrowing are taken from the LTFP adopted on 25 July 2023.



As the LTFP is updated each year, the funding requirements in the plan is also changed, including the amount of loan borrowing, as new projects are added, and the cost of future projects are revised or removed.

Outcome of Meeting – 30 May 2024

The motion was moved by Cr Ghasseb and seconded by Mr Eaton with some minor amendments as shown below:

That the Audit Committee recommends to Council that it requests the CEO to:

- a) *Provide to Council an analysis of the “maximum borrowing levels” during the budget deliberations and during the Long Term Financial Plans (LTFP) deliberations.*
- b) *As a part of (a) above, provide a simple year-on-year bottom line variation of the “Outstanding Principal Balance” sourced from the Long-Term Borrowing Plan, from one Long Term Financial Plan (LTFP) to the next LTFP;*
- c) ~~*This resolution to have a 3-year sunset clause if adopted, unless extended by Council.*~~

The Manager Finance provided the Committee with an overview of the City’s LTFP processes, and how the LTFP is reviewed each year by Council. There was also general discussion and questioning of the CEO around the timing and certainty of future projects.

The Presiding Member put the motion to the vote and it was CARRIED 4 votes to 1 as below (the Mayor voted against the motion):

That the Audit Committee recommends to Council that it requests the CEO to:

- a) ***Provide to Council an analysis of the “maximum borrowing levels” during the budget deliberations and during the Long Term Financial Plans (LTFP) deliberations.***
- b) ***As a part of (a) above, provide a simple year-on-year bottom line variation of the “Outstanding Principal Balance” sourced from the Long-Term Borrowing Plan, from one Long Term Financial Plan (LTFP) to the next LTFP.***

12.3 Cr Ghasseb Motion #3

Cr Ghasseb's Motion

That the Audit Committee recommends to Council that it requires BHRC to submit annual funding requests from the City no later than the 30 May each financial year for consideration in the CoB Annual Budget process.

Officer Comment

The City does attempt to pro-actively identify BHRC funding requirements in collaboration with BHRC as much as is possible. These considerations feed into the budgeting process.

Outcome of Meeting – 30 May 2024

The motion as written was moved by Cr Ghasseb and seconded by Cr Steck.

During debate Mr Eaton moved an amendment to add two additional points to the motion as follows:

That the Audit Committee recommends to Council that it requires the Bunbury Harvey Regional Council to:

- a) Submit annual funding requests required from the City no later than 30 April each financial year for consideration in the City of Bunbury Annual Budget.*
- b) Submit a Long Term Financial Plan no later than 30 April each financial year.*
- c) Submit a rolling five 5-year plan of future funding required from the City of Bunbury by 30 April each financial year.*

The amendment was seconded by Cr Steck.

The Presiding Member put the amendment to the vote and it was CARRIED unanimously. The amendment was then added to the substantive motion.

The Presiding Member put the substantive motion to the vote which was also CARRIED unanimously as follows:

That the Audit Committee recommends to Council that it requires the Bunbury Harvey Regional Council to:

- a) Submit annual funding requests required from the City no later than 30 April each financial year for consideration in the City of Bunbury Annual Budget.***
- b) Submit a Long Term Financial Plan no later than 30 April each financial year.***
- c) Submit a rolling five 5-year plan of future funding required from the City of Bunbury by 30 April each financial year.***

13. Questions from Members

13.1 Response to Previous Questions from Members taken on Notice

Nil

13.2 Questions from Members

Cr Ghasseb gave notice of the following 12 requests for information, which are listed below together with their responses from the CEO.

The CEO indicated that an updated response to Question 12 had been circulated to Members to help better clarify the response to that question. These minutes reflect the amended response.

Cr Ghasseb clarified that Question 10 was meant in relation to the woodchips, and specifically how this came to be, namely; who brought the product onsite, why was it allowed onsite, who allowed it onsite, and whether fees were charged for it to be disposed onsite.

The Manager Finance clarified that fees would have been charged for disposal however the other questions were questions for the BHRC to answer. Councillors Quain and Steck who are both members of the BHRC indicated they would seek responses to these questions at the next meeting of the BHRC later in the day and provide Committee members with a response.

Question 1

List of all projects (including software projects and other projects) from the 2021/22 financial year onwards which exceeded their initial budget by \$100,000.00 or by 10%, whichever is the lesser. The report is to include:

- a) *Original project budget;*
- b) *Original budgeted own source funds;*
- c) *Final actual expenditure including the over budget excess;*
- d) *Final actual own source funds and the nature of those funds.*

Response

Please refer to the report at Appendix 1.

Question 2

From the 2021/22 financial year onwards:

- a) *What reserve funds have been used to meet unbudgeted / over budget expenditure?*
- b) *What is the status of the reserve funds?*
- c) *What interest payments from cash deposits were used for?*

Response

- a) No reserve funds have been used to meet unbudgeted expenditure. Reserve funds can only be used for new expenditure or a funding source for additional expenditure when approved by Council.
- b) The table below provides a summary of the forecast closing balance of reserve funds at 30 June 2024.

Reserve Fund	Forecast Balance 30 June 2024
Airport	\$144,550
Asset Management and Renewal	\$1,974,346
Bunbury Museum and Heritage Centre	\$14,107
Canal Management	\$727,541
City Arts Collection	\$30,046
City Growth and Major Development	\$1,295,367
City of Bunbury General Parking	\$4,512,256
College Grove Subdivision Amended Joint Venture	\$633,517
Disaster Relief Fund	\$100,000
Employee Entitlement and Insurance	\$1,118,658
Environmental	\$9,359
Hay Park Regional Athletics Track	\$317,824
Heritage Building Maintenance	\$27,500
Infrastructure Development	\$330,210
Local Planning Policy Framework	\$117,874
Meat Inspection	\$371,175
Planning and Development Act	\$303,805
Public Art	\$237,433
Refuse and Collection Waste Minimisation	\$1,594,501
Road Upgrade Contributions	\$190,578
Town Planning Scheme Land Acquisition and Compensation	\$125,030
Withers	\$182,702
TOTAL	\$14,358,379

- c) Interest received from term deposits from the following reserve funds is reinvested back into the respective reserve:
- Canal Management
 - City of Bunbury General Parking
 - College Grove Subdivision Amended Joint Venture
 - Meat Inspection

Interest received from all other term deposits is used as general revenue.

Question 3

Copy of the OAG Audit Strategy for 30 June 2024.

Response

The Audit Strategy Memorandum for the audit year ending 30 June 2024 has been provided to audit committee members previously as part of the 2023/24 Audit Entrance Meeting between the City and the OAG and Moore Australia on 6 March 2024. A copy has also been included with this distribution of this agenda at Appendix 2.

Question 4

When was the last Regulation 17 audit undertaken and when is the next due?

Response

The last regulation 17 review report was provided to the audit committee in June 2023 and subsequently endorsed by Council on 27 June 2023. Audit regulation 17(2) requires the matters raised within regulation to be reviewed by the CEO and reported to the audit committee at least every 3 financial years.

Question 5

Details of individual existing annual borrowing repayments, proposed future borrowings annual repayments, and outstanding liabilities.

Response

Details for all existing and proposed future borrowings, including details of the repayments and outstanding liabilities is included in the Long Term Financial Plan 2023/24 – 2034/35, Pages 42 – 50. The LTFP was adopted by Council on 25 July 2023. A copy has been included with this distribution of this agenda at Appendix 3.

Question 6

Does BHRC have a Long Term Financial Plan (LTFP) that identifies what their long operational and capital deficits are that require funding from the CoB and Shire of Harvey?

Response

As the future direction of BHRC is still to be determined, there is currently no LTFP. However any operational or capital contributions required from the City of Shire of Harvey are included in the BHRC Annual Budget.

Question 7

Do officers review the BHRC LTFP each year to determine what the long term CoB liability will be and what the CoB's LTFP allowance for BHRC should be?

Response

As there is no LTFP (refer to the response in Question 6), no review is completed. No provision for BHRC contributions are included in the City's LTFP.

Question 8

What are the terms and conditions for the funding loans provided by the CoB to BHRC?

Response

There are no terms and conditions for loan funds as the repayment of the unlined cell capping contributions was subsequently revised at the Council Meeting, 20 December 2022 (Decision 300/22) with the following resolution:

Repayment of Unlined Cell Capping Contributions

6. *Supports the reimbursement of the City of Bunbury’s unlined cell capping contributions (\$3m principal only) by the Bunbury Harvey Regional Council, in accordance with the BHRC Dividend Agreement which determines that the payment of dividends to both Member Councils are to be instituted once surplus funds are generated from the operation of the new lined cell.*

*CARRIED UNANIMOUSLY
9 votes “for” / nil votes “against”*

Question 9

Has the BHRC complied with section 6(a) of the Regional Council Constitutional Agreement signed 13th December 1989? (attached. i.e., orderly and efficient treatment, storage and disposal of waste...) And what source is relied on for that interpretation?

Response

No review has been formally conducted. The City has no reason to believe that BHRC has not complied with the Regional Council Constitutional Agreement. The City is represented on the BHRC by three Elected Members and no concerns have been raised by any Councillor in the past.

Question 10

How did the BHRC request for \$3million funding for dealing with contaminated materials come about?

Response

On 19 August 2021 the CEO received a letter from the BHRC CEO requesting capital contributions from BHRC member councils as resolved at the BHRC Council Meeting 18 August 2021.

At the City’s Council Meeting 23 November 2021 (Council Decision 267/21) the following was adopted:

That Council:

1. *Commits in principle to provide the Bunbury Harvey Regional Council (BHRC) with financial support, in the form of a loan arrangement, of up to \$7,000,000. The source of such funding, recovery and timing of repayments from BHRC is still to be determined. The split being:
 - a. *Up to \$3,000,000 to cap the existing waste disposal cell.*
 - b. *Up to \$4,000,000 for a new lined cell, subject to receiving a report on the future economic viability of the new lined cell that supports the investment of these funds.**
2. *Provides the above financial support on the condition that the Shire of Harvey contribute an equal amount of the funding shortfall for the capping and new lined cell.*
3. *Requests the Chief Executive Officer, in conjunction with the Shire of Harvey and the Bunbury Harvey Regional Council to seek other funding opportunities for waste management as well as \$10,000,000 grant funds from the State Government being \$6,000,000 to match the Federal Government funding for an organic waste processing facility at Stanley Road, and a further \$4,000,000 matching funds from the BHRC Member Councils for the new lined cell infrastructure.*

CARRIED UNANIMOUSLY

12 votes “for” / nil votes “against”

Question 11

Were all the funding calls from BHRC on CoB in the FYE 2024 included in the CoB budget of the same year?

Response

Requests for financial contributions from BHRC were not received until after the adoption of the 2023/24 Annual Budget. Following a request from BHRC on 22 August 2023, the City subsequently resolved the following at the Council Meeting 5 September 2024 (Decision 177/23):

That Council:

- 1. Approves an operating deficit contribution for 2023/24 of up to \$950,000, being 50% of the amount required, to be funded from the Refuse Collection and Waste Minimisation Reserve and funded in quarterly amounts in advance.*
- 2. Approves the contribution for mattress disposal of up to \$400,000, being 50% of the amount required, to be funded from the Refuse Collection and Waste Minimisation Reserve,*
- 3. Note the allocation by BHRC for the provision of \$1,500,000, being 50% of the estimated cost of timber disposal, as a funding requirement from the City as a Member Council of BHRC, from a source to be determined when the BHRC formally advises the City that those works are committed to.*
- 4. Note the allocation by BHRC for the provision of \$250,000, being 50% of the estimated cost of the lined cells design works, as a funding requirement from the City as a Member Council of BHRC, from a source to be determined when the BHRC formally advises the City that those works are committed to.*

CARRIED UNANIMOUSLY

12 votes “for” / Nil votes “against”

Items (1) and (2) above were then included in the 2023/24 Budget.

Question 12

Are CoB elected members that are BHRC members receiving BHRC sitting fees? If so, is there a requirement for them to declare a financial interest when deliberating on BHRC financial requests?

Response

Yes, sitting fees are paid as required under legislation.

The DLGSCI define a financial interest as follows: “A person has a financial interest in a matter if it is reasonable to expect that the matter will, if dealt with by the local government, or an employee or committee of the local government or member of the council of the local government, in a particular way, result in a financial gain, loss, benefit or detriment for the person.” The onus is always on the Elected Member to decide whether they do or don’t have an interest in a matter.

Specifically, the LGA does however provide exemptions for some interests that need not be disclosed, with S5.63(1)(g) specifically stating: *“Sections 5.65, 5.70 and 5.71 do not apply to a relevant person who has any of the following interests in a matter an interest arising only because the relevant person is, or intends to become, a member, office bearer, officer or employee of a department of the Public Service of the State or Commonwealth or a body established under this Act or any other written law”* (emphasis added underlined).

14. New business of an urgent nature

Nil

15. Matters for which the meeting may be closed

Nil

16. Date of next meeting

25 June 2025

17. Close of Meeting

The Presiding Member closed the meeting at 11.30am.