

Audit Committee

Minutes

25 June 2024

City of Bunbury
4 Stephen Street
Bunbury WA 6230
Western Australia
Correspondence to:
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Audit Committee Terms of Reference

The duties and responsibilities of the committee will be:

- a) *Provide guidance and assistance to Council as to the carrying out of the functions of the local government in relation to audits and matters related to financial management;*
- b) *Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;*
- c) *Liaise with the CEO to ensure that the local government does everything in its power to:*
 - *assist the auditor to conduct the audit and carry out his or her other duties under the Local Government Act 1995; and*
 - *ensure that audits are conducted successfully and expeditiously;*
- d) *Examine the reports of the auditor after receiving a report from the CEO on the matters to:*
 - *determine if any matters raised require action to be taken by the local government; and*
 - *oversee the implementation of any action so determined in respect of those matters;*
- e) *Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;*
- f) *Review the scope of the internal audit plan and program and its effectiveness;*
- g) *Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or the CEO;*
- h) *Review the level of resources allocated to internal audit and the scope of its authority;*
- i) *Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;*
- j) *Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;*
- k) *Review the local government's draft annual financial report, focusing on:*
 - *accounting policies and practices;*
 - *changes to accounting policies and practices;*
 - *the process used in making significant accounting estimates;*
 - *significant adjustments to the financial report (if any) arising from the audit process;*
 - *compliance with accounting standards and other reporting requirements; and*
 - *significant variances from prior years;*
- l) *Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;*
- m) *Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;*
- n) *Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council;*
- o) *Review the annual Compliance Audit Return and report to the council the results of that review,*
- p) *Having regard to the culture and capability of the organisation, consider the CEO's reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews;*
- q) *Monitor and advise the CEO when the CEO is carrying out functions in relation to a review of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance;*
- r) *Oversee the implementation of any action required following receipt of the review of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance;*
- s) *Monitor and advise the CEO when the CEO is carrying out functions in relation to a review of the appropriateness and effectiveness of the financial management systems and procedures;*
- t) *Oversee the implementation of any action required following receipt of a review of the appropriateness and effectiveness of the financial management systems and procedures.*

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Acknowledgement of Country

We acknowledge the traditional 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

25 June 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 11.33am.

2. Disclaimer

Not applicable to this committee.

3. Announcements from the Presiding Member

The Presiding Member took the opportunity to advise Audit Committee members that the Council will be dealing with a number of important matters in the next few months, some of which may be referred to this Committee for some oversight.

4. Attendances

Committee Members:

Member Name	Representing
Mayor Jaysen Miguel	City of Bunbury
Cr Gabi Ghasseb (Presiding Member)	City of Bunbury
Cr Ben Andrew (Deputy Member)	City of Bunbury
Cr Karen Turner (Deputy Member from 11.33-12.04)	City of Bunbury
Cr Tresslyn Smith (Deputy Member from 12.04-12.42)	City of Bunbury
Mr John Barratt	Independent Member
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
Mr Jordan Hunt	Team Leader Integrated Planning and Risk
Mrs Delise Fynn	Internal Auditor

4.1 Apologies

Cr Steck

4.2 Approved Leave of Absence

Cr Quain is on 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 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: Mayor Miguel Seconded: Mr Eaton

The minutes of the Audit Committee Meeting held on 30 May 2024 are confirmed as a true and accurate record.

CARRIED

8. Presentations

Nil

9. Method of Dealing with Agenda Business

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

10. Reports

10.1 *Managing Employee Leave Balances*

File Ref:	COB/6329
Applicant/Proponent:	Internal
Responsible Officer:	Odetta Robertson, Manager People and Safety
Responsible Manager:	Odetta Robertson, Manager People and Safety
Executive:	Karin Strachan, Director Corporate and Community
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:	Nil

Summary

The purpose of this report is to furnish the Audit Committee (the Committee) with an update concerning the management of excess annual leave for City staff.

Executive Recommendation

That the Audit Committee note the information provided within the 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

Regional Impact Statement

N/A

Background

At its meeting held in February 2024, the Committee requested that the CEO provide a report detailing the City's approach around how excess annual leave is managed.

Council Policy Compliance

There are no Council policies relating to this report.

Legislative Compliance

N/A

Officer Comments

Historically, leave balances for City staff were managed through manual processes. Prior to the implementation of HRIS, the payroll officer would generate monthly reports highlighting staff with excessive leave balances. These reports would be emailed to Directors and Managers for action. Based on this information, leave plans were formulated and maintained as leaders were tasked with reducing leave balances.

With the introduction of HRIS, the manual distribution of leave balance reports became unnecessary as line managers gained real-time access to their staff's leave balances.

To ensure effective management of leave balances the following controls are proposed:

- *Training Session to achieve better awareness and skills development* – The Senior Business Partner will develop a short session for Business Partners to deliver to their leaders. This session will focus on leave balances within the payroll system and emphasise the importance of managing leave effectively.
- *Incorporation into Meeting Templates* – Business Partners will include “Leave Balance Checks” in their leader meeting templates with a reminder to review leave balances regularly.
- *Monthly Report Development* – The Payroll Officer will create a report from the payroll system and distribute this to Managers/ Directors on a monthly basis. This report will highlight any excessive leave balances, enabling proactive management by leadership.

The Manager and the Senior Business Partner will conduct a review of this process in six months' time to refine and amend as necessary, ensuring the effective management of leave balances going forward.

Analysis of Financial and Budget Implications

Nil

Community Consultation

N/A

Councillor/Officer Consultation

This matter is presented to the Committee for information.

Applicant Consultation

N/A

Timeline: Council Decision Implementation

This matter is presented to the Committee for information only.

Outcome of Meeting

Following some general discussion in relation to this item, the Executive Recommendation was moved by Mr Eaton and seconded by Cr Turner and was carried unanimously as follows:

That the Audit Committee note the information provided within the report.

10.2 Strategic and Annual Internal Audit Plans

File Ref:	COB/4914; COB/4748
Applicant/Proponent:	Internal
Responsible Officer:	Delise Fynn, Internal Auditor
Responsible Manager:	Greg Golinski, Manager Governance and Integrated Planning
Executive:	Karin Strachan, Director Corporate and Community
Authority/Discretion	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input checked="" type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input type="checkbox"/> Information Purposes
Attachments:	Appendix 1: FY25-F28 Strategic Internal Audit Plan Appendix 2: FY25 Annual Internal Audit Plan Appendix 3: Draft Scope Annual Project Report Audit

Summary

The Internal Audit Charter requires the Internal Auditor to submit to senior management and the Audit Committee a Strategic Internal Audit Plan on a four yearly basis and an Annual Internal Audit Plan each fiscal year for review and approval.

It also requires that the Internal Auditor communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

The intention of this report is to inform the Committee of:

- adjustments made to the Strategic Internal Audit Plan due to the vacancy of the Internal Auditor position during FY24; and
- the Internal Audit Plan for FY25.

The Committee will note the inclusion of annual Project Report Audit for each financial year commencing 2024 as agreed to by the CEO at the last meeting of the Committee. To this extent a draft scope for this review is also provided to enable the internal audit function to progress this in a timely manner (see Appendix 3).

Note that scopes of work are not normally provided to the Committee for endorsement prior to implementation, however given that the request for this piece of work resulted from a motion on notice that was ultimately withdrawn on the basis that it would be included administratively in the audit plan, it is considered appropriate in this instance to have the Committee receive the scope.

Executive Recommendation

That the Audit Committee:

1. Receives the FY25-F28 Strategic Internal Audit Plan as at Appendix 1.
2. Receives the FY25 Annual Internal Audit Plan as at Appendix 2.
3. Receives the scope of work for the Annual Project Report Audit as at Appendix 3.

Voting Requirement: Simple Majority

Strategic Relevance

Pillar: Performance
 Aspiration: Leading with performance and robust governance.
 Outcome: A leading local government.
 Objective: Enhance and protect the City of Bunbury’s value by providing risk-based and objective assurance, advise and insight.

Regional Impact Statement

N/A

Background

The Strategic Internal Audit Plan outlines the areas of focus of the internal audit function for a four-year period FY25 to FY28. The plan is reviewed annually to ensure it remains relevant and effective. Due to resource and organisational changes the following adjustments have been made to the Strategic Internal Audit Plan.

Internal Audit Area	Management Area	Scheduled Audit Date	Rescheduled Audit Date
IT General Information System Controls	Information Communication and Technology	FY25	FY26
Contract Management	Finance	FY24	FY25
Financial Management (Financial Close & Reporting)	Finance	FY24	FY25
Financial Management (Receivables & Revenue)	Finance	FY24	FY25
Lease Management	Economic Growth	FY23	FY25
Risk Management	Governance & Integrated Planning	FY25	FY26
Project Management	Governance & Integrated Planning	FY24	FY25
Strategy	Governance & Integrated Planning	FY25	FY26
Development Assessment	City Growth	FY25	FY26
Environmental Health	Community Wellbeing	FY24	FY26
Asset Management & Maintenance	Projects & Asset Management/Infrastructure Maintenance Services	FY23	FY25

The Annual Internal Audit Plan is derived from the Strategic Internal Audit Plan and sets out the internal audit function’s proposed internal audit specifications for FY25.

Council Policy Compliance

- City of Bunbury Risk Management Framework
- City of Bunbury Compliance Framework
- City of Bunbury Internal Control Framework

Legislative Compliance

Regulation 17 of the *Local Government (Audit) Regulations 1996*

r.17. CEO to review certain systems and procedures.

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –
(a) risk management; and
(b) internal control; and
(c) legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review **not less than once in every 3 financial years.***
- (3) *The CEO is to report to the audit committee the results of that review.*

Officer Comments

The documents at appendices 1-3 are presented to the Audit Committee for noting and input as necessary.

Analysis of Financial and Budget Implications

N/A

Community Consultation

N/A

Councillor/Officer Consultation

The report is presented to the Audit Committee for information.

Applicant Consultation

N/A

Timeline: Council Decision Implementation

N/A

Outcome of Meeting

Following some general discussion in relation to this item, the Executive Recommendation was moved by Mayor Miguel and seconded by Mr Eaton and was carried unanimously as follows:

That the Audit Committee:

- 1. Receives the FY25-F28 Strategic Internal Audit Plan as at Appendix 1.***
- 2. Receives the FY25 Annual Internal Audit Plan as at Appendix 2.***
- 3. Receives the scope of work for the Annual Project Report Audit as at Appendix 3.***

10.3 Risk Management Overview and Appetite Statement

File Ref:	COB/6329
Applicant/Proponent:	Internal
Responsible Officer:	Jordan Hunt, Team Leader Integrated Planning
Responsible Manager:	Greg Golinski, Manager Governance and Integrated Planning
Executive:	Karin Strachan, Director Corporate and Communities
Authority/Discretion	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input checked="" type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input type="checkbox"/> Information Purposes
Attachments:	Appendix 4: Draft Risk Appetite Statement Appendix 5: Sample Risk Management Report

Summary

The purpose of this Report is for the Audit Committee to:

1. Consider and recommend to Council the Risk Appetite Statement.
2. Receive an update as to the current status of the City's Enterprise Risk Management Service.

Executive Recommendation

That the Audit Committee:

1. Note the update in relation to the status of the City's Enterprise Risk Management Service; and
2. Recommends that Council endorse the Draft Risk Appetite Statement as presented at Appendix 4, noting that the Risk Tolerance Measures, once determined, will be returned to Council for consideration via the Audit Committee.

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

Nil

Background

This Enterprise Risk Management (ERM) report provides an overview of the City of Bunbury's progress in implementing Risk Management as a service against plan. The report also provides further details of the key activities completed and in progress such as the revised risk appetite statement, development of the Pulse Risk Management software system, and assessment of the organisation's strategic and operational risks.

A review of the City's Risk Appetite Statement (RAS) has been completed and is included as an attachment to this report (see Appendix 4). The RAS has been developed based on the City's Opportunity and Risk Matrix as developed by the Executive in collaboration with Councillors.

The RAS details the types and levels of risk the organisation is willing to accept in pursuit of its objectives. The core of the statement includes specific risk categories and the corresponding appetite levels for each, expressed in qualitative terms, being high, moderate, or low as well as quantitative metrics. The quantitative metrics allow the City to monitor how effectively the organisation is in applying the guidance provided by the statement.

The tolerances set within the statement have been initially determined by the Risk Board and will be subject to review at least annually. The risk tolerance measures are all yet to be determined as they are dependent on the risk tolerances being endorsed first. The measures will be initially identified by the Risk Board following Council endorsement of the risk tolerances, after which they will be provided to the Audit Committee for consideration.

Council Policy Compliance

Risk Management Council Policy
Risk Management Framework

Legislative Compliance

The Enterprise Risk Management service is developed in the context of Regulation 17 of the *Local Government (Audit) Regulations 1996*.

Officer Comments

Progress against plan is detailed below:

Phase	Key Deliverables	Timeframe	Status
Phase 1: Establishment of the Enterprise Risk Management service	Development of Framework and Operational Risk Register, identification of Risk Owners, development of Risk Reporting Template (ELT), identification of Risk Team requirements (training, space).	March '23 - Jun '23	Completed

Phase	Key Deliverables	Timeframe	Status
Phase 2: Establishment of the organisational risk approach	Development of process maps, trigger maps, Escalation Framework, and organisational tools & templates.	Jul '23 - Sept '23	In progress (Ongoing development, review and refinement of tools and templates occurring to suit Pulse solution)
Phase 3: Prepare for the implementation of Pulse Software	Identification of user needs, requirements and training, input of system information and update processes in line with software.	Oct '23 - Dec '23	In progress (Pulse solution has been built and is being utilised by the Risk Team as administrators. Role of system to users in progress)
Phase 4: Embedding of Enterprise Risk service and Pulse Software	Internal communications plan and engagement to effectively initiate the embedding of the Enterprise Risk Management service within the organisation.	Jan '24 - Jun '24	In progress (The City has commenced embedding ERM throughout the organisation. The Risk Team is working with Risk Owners to assess risks, capture control information, and learn the Pulse system.
Phase 5: Establishment of Control Assurance Program (BAU)	Schedule, engagement plan and approach for continual improvement of risk controls	Jul '24 - Dec '24	Not started

Phase 2 Update:

Having now established the Risk Board and completed the review of the Risk Appetite statement, the focus of the Risk Team has shifted to the processes for identifying and assessing risks across the business as well as for monitoring and reporting risks in a standardised manner.

Progress is underway in developing the identification and assessment processes and tools of the risk management framework. The team is currently developing a comprehensive risk assessment template designed for staff use. The template is automated through SharePoint and facilitates the identification and evaluation of potential risks across various operations. Once completed by staff, the risk team will review these assessments to ensure accuracy and completeness. This process ensures that all relevant information is appropriately incorporated into the risk register, fostering a more thorough and organised approach to risk management.

The City of Bunbury has made significant progress in developing its monitoring and reporting processes for risk management, ensuring comprehensive oversight and accountability. One of the key advancements includes the development of standardised risk management reports tailored to meet the specific requirements of both the risk board and the audit committee. These reports provide consistent, clear, and detailed insights into risk exposure and mitigation strategies, facilitating more informed decision-making. Additionally, the standardised format ensures that all relevant stakeholders receive uniform information, thereby enhancing transparency and coherence in the organisation's risk management practices. An example/sample of the Audit Committee risk management report that will be provided to the Committee in future is included as an attachment to this agenda report (see Appendix 5).

Phase 3 Update:

The Pulse Risk Management solution is a platform designed to enhance the City's risk identification, assessment, and mitigation capabilities. The system facilitates real-time monitoring, reporting, and analysis of risks, ensuring a proactive and data-driven approach to risk management. The design and build phase of the software has been completed, with the training and onboarding of staff now the focus of the team.

The organisation has made commendable progress towards embedding Risk Management as a service within its operations. The integration of the Pulse Risk Management software system, alignment of the risk appetite statement, review of risk registers, and establishment of the Risk Board contribute to a sustainable and proactive approach to enterprise risk management.

Analysis of Financial and Budget Implications

Nil

Community Consultation

Nil

Elected Member/Officer Consultation

This matter is presented to Council by the Audit Committee for consideration.

Applicant Consultation

N/A

Timeline: Council Decision Implementation

Not applicable

Outcome of Meeting

Following some general discussion in relation to this item, the Executive Recommendation was moved by Mr Eaton and seconded by Mayor Miguel and was carried unanimously as follows:

That the Audit Committee:

- 1. Note the update in relation to the status of the City's Enterprise Risk Management Service; and***
- 2. Recommends that Council endorse the Draft Risk Appetite Statement as presented at Appendix 4, noting that the Risk Tolerance Measures, once determined, will be returned to Council for consideration via the Audit Committee.***

10.4 Artificial Intelligence (AI) Plan

File Ref:	COB/6329		
Applicant/Proponent:	Elijah Glass – Manager Information Services		
Responsible Officer:	Elijah Glass – Manager Information Services		
Responsible Manager:	Elijah Glass – Manager Information Services		
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:	Appendix 6: City of Bunbury AI Plan		

Summary

The City of Bunbury continues to make significant progress in Digital Innovation. With the recent acceleration in Artificial Intelligence (AI) the City has developed an AI plan to allow for adoption of the new technology.

Executive Recommendation

That the Audit Committee note the City of Bunbury AI Plan.

Voting Requirement: Simple Majority

Strategic Relevance

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

Regional Impact Statement

Prioritising the adoption of new technologies including AI allow for increased efficiency in the use of City resources and daily operations, which ultimately leads to improved services for the community.

Background

In February 2024 the Audit Committee noted the increased impact of AI globally. It was queried what was being done in the space and the need for a clear plan and guidelines.

Council Policy Compliance

Not applicable

Legislative Compliance

Not applicable

Officer Comments

The City has developed an AI Plan (see Appendix 6) which will allow for the continued implementation of AI tools to staff across the organisation. In conjunction with the recently adopted AI Management Policy, it outlines how this is to be done in a safe and ethical manner. Furthermore, the plan is focused on providing staff with training and understanding, which will facilitate the skills required for staff to remain up to date within a changing global environment.

The outstanding skills and confidence of the data and digital team continue to accelerate the City towards being a leading local government through timely innovation.

Analysis of Financial and Budget Implications

None

Community Consultation

Not applicable

Councillor/Officer Consultation

This matter is presented to the Audit Committee for information.

Applicant Consultation

Not applicable

Timeline: Council Decision Implementation

Not applicable

Outcome of Meeting

During discussion on this matter, Cr Turner left the meeting at 12.04pm and did not return. Cr Smith assumed the role of Deputy Member from 12.04pm onwards.

It was noted that the AI Taskforce referenced within the Plan would keep Council and this committee informed of relevant matters as the City progresses its use of AI.

Following some general discussion in relation to this item, the Executive Recommendation was moved by Cr Andrew and seconded by Mr Barratt and was carried unanimously as follows:

That the Audit Committee note the City of Bunbury AI Plan.

10.5 Internal Control Framework

File Ref:	COB/6639
Applicant/Proponent:	Internal
Responsible Officer:	Delise Fynn, Internal Auditor
Responsible Manager:	Greg Golinski, Manager Governance & Integrated Planning
Executive:	Karin Strachan, Director Corporate and Community
Authority/Discretion	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input checked="" type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input type="checkbox"/> Information Purposes
Attachments:	Appendix 7: Draft Internal Control Framework

Summary

An internal control framework has been established for the development of procedures to collectively ensure that financial and non-financial activities of Council are conducted in a proper manner. Through this framework, the City’s Council and management can obtain reasonable assurance regarding the achievement of objectives in relation to:

- Effectiveness and efficiency of financial and operational performance goals;
- Internal and external financial and non-financial reporting; and
- Compliance with relevant laws and regulations.

This will be done by identifying risks that will prevent these goals and objectives from being achieved, and then identify what effective controls are required to mitigate identified risks.

Executive Recommendation

That the Audit Committee request that Council endorse the draft Internal Control Framework as presented at Appendix 7.

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

The *Local Government (Audit) Regulations 1996* (Regulation 17) requires the following:

1. *The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to:*
 - a. *risk management;*
 - b. *internal control; and*
 - c. *legislative compliance.*
2. *The review may relate to any or all 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 no less than once every 3 financial years (with effect 28 June 2018).*
3. *The CEO is to report to the audit committee the results of that review.*

During reporting for the above in FY20 and FY23, the development of an internal control framework for the City of Bunbury was identified as an area of improvement. Both reports were endorsed by the audit committee on 5 March 2020 and 13 June 2023, respectively.

In response to a finding raised in the Regulation 17 review reports, an internal control framework has been developed. The details of the existing Internal Control Management policy have been included in the framework and will therefore be revoked.

The aim of the internal control framework is to guide management in developing procedures that will collectively achieve the City’s goals and objectives. This is done by identifying risks that will prevent these goals and objectives being achieved, and then identify what effective controls are required to mitigate identified risks.

Council Policy Compliance

The existing Management Policy on Internal Control will be revoked pending the endorsement of the Internal Control Framework.

Legislative Compliance

Regulation 17 of the *Local Government (Audit) Regulations 1996* applies.

Officer Comments

It is requested that the Audit Committee endorse the Internal Control Framework as provided at Appendix 7.

This Internal Control Framework is based on a pro-active risk management approach that includes regular review and identification of the risks that exist within the City. As part of the framework, an effective Risk Management Framework, which is an integral part of the framework, is maintained.

An effective internal control environment focuses on the following key areas to provide reasonable assurance over Council’s activities:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

Analysis of Financial and Budget Implications

N/A

Community Consultation

N/A

Councillor/Officer Consultation

The Framework is presented to the Audit Committee for consideration.

Applicant Consultation

This matter is presented to the Audit Committee for consideration.

Timeline: Council Decision Implementation

Immediately following decision by Council.

Outcome of Meeting

Following some general discussion in relation to this item, the Executive Recommendation was moved by Mr Barratt and seconded by Mr Eaton and was carried unanimously as follows:

That the Audit Committee request that Council endorse the draft Internal Control Framework as presented at Appendix 7.

10.6 Payroll Audit Report

File Ref:	COB/6353
Applicant/Proponent:	Internal Audit
Responsible Officer:	Delise Fynn, Internal Auditor
Responsible Manager:	Greg Golinski, Manager Governance & Integrated Planning
Executive:	Karin Strachan, Director Corporate and Community
Authority/Discretion	<input type="checkbox"/> Advocacy <input type="checkbox"/> Review <input checked="" type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input type="checkbox"/> Information Purposes
Attachments:	CONFIDENTIAL Appendix 8: Payroll Internal Audit Report

Summary

Internal audit has completed a review of the City of Bunbury’s payroll controls. The internal audit report summarises the findings identified during the review. This purpose of this report is to communicate how the City of Bunbury has addressed the findings.

A copy of the confidential Internal Audit Report is at Appendix 8.

Executive Recommendation

That the Committee:

1. Note the information within the Internal Audit Report at Confidential Appendix 8; and
2. Endorse the recommendations made within the report at Appendix 8, noting these will be included in the City’s Audit Findings Database.

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

The Payroll audit was conducted under terms of the approved Internal Audit Plan for FY23/24.

Employee costs for the 2022/23 financial year were \$32 million and the most significant category of expenditure. Given the magnitude of expenditure and importance of the City's employees in driving organisational success, it is important that the Payroll process is operating effectively.

In November 2022, the City of Bunbury's payroll system was moved from Authority to Aurion. As a result, this payroll review has been planned with the key intention of ensuring employees are not only being paid correctly, but also that no issues arose with the transfer of information and entitlements between the old and new systems.

Council Policy Compliance

Nil

Legislative Compliance

Regulation 17 of the *Local Government (Audit) Regulations 1996*

r.17. CEO to review certain systems and procedures.

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.*
- (2) *The review may relate to any or all the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

Officer Comments

The payroll audit assessed the key controls pertaining to the payroll process particularly ensuring that employees are paid correctly and that no issues arose from the transfer of information and entitlements between the Authority and Aurion system.

An analysis of the leave balance reports between Authority and Aurion was performed. Management have advised that over the past year, some of these discrepancies were recognised and corrected. A leave balance rectification audit was conducted on 22 September 2023 and 11 October 2023 and all leave has been rectified from these audits. In addition, in the last 6 months, the Payroll and Data and Digital team have been working together to rectify rule sets within the Aurion System.

A copy of the confidential Internal Audit Report is at Appendix 8.

Analysis of Financial and Budget Implications

Nil arising from the recommendations in this report.

Community Consultation

N/A

Councillor/Officer Consultation

This matter is presented to the Audit Committee for consideration.

Applicant Consultation

N/A

Timeline: Council Decision Implementation

Immediately following endorsement.

Outcome of Meeting

Following some general discussion in relation to this item, the Executive Recommendation was moved by Mr Eaton and seconded by Mr Barratt and was carried unanimously as follows:

That the Committee:

- 1. Note the information within the Internal Audit Report at Confidential Appendix 8; and***
- 2. Endorse the recommendations made within the report at Appendix 8, noting these will be included in the City's Audit Findings Database.***

10.7 Internal Audit Database

File Ref:	COB/6329		
Applicant/Proponent:	Internal Audit		
Responsible Officer:	Delise Fynn, Internal Auditor		
Responsible Manager:	Greg Golinski, Manager Governance, and Integrated Planning		
Executive:	Karin Strachan, Director Corporate Community		
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 9: Database of Audit Findings		

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 9) is presented to the Audit Committee for information and discussion as necessary.

Executive Recommendation

That the Audit 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.

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

Council Policy Compliance

N/A

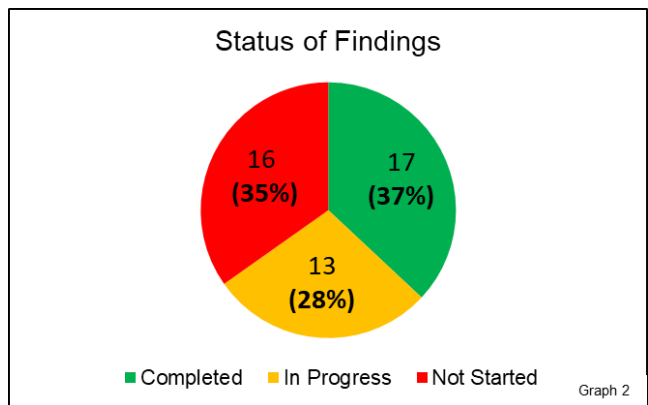
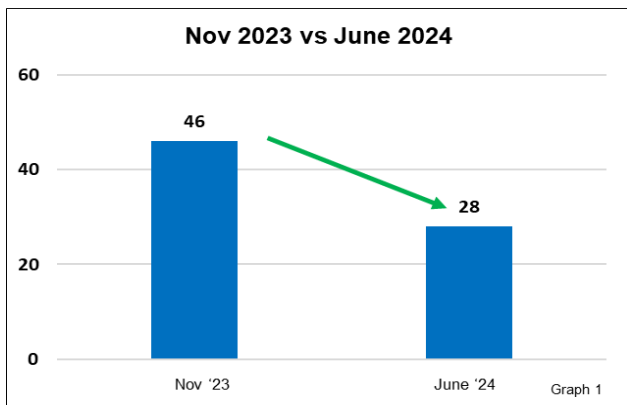
Legislative Compliance

The *International Standards for the Professional Practice of Internal Auditing 2500.A1*
Management Policy: Internal Control

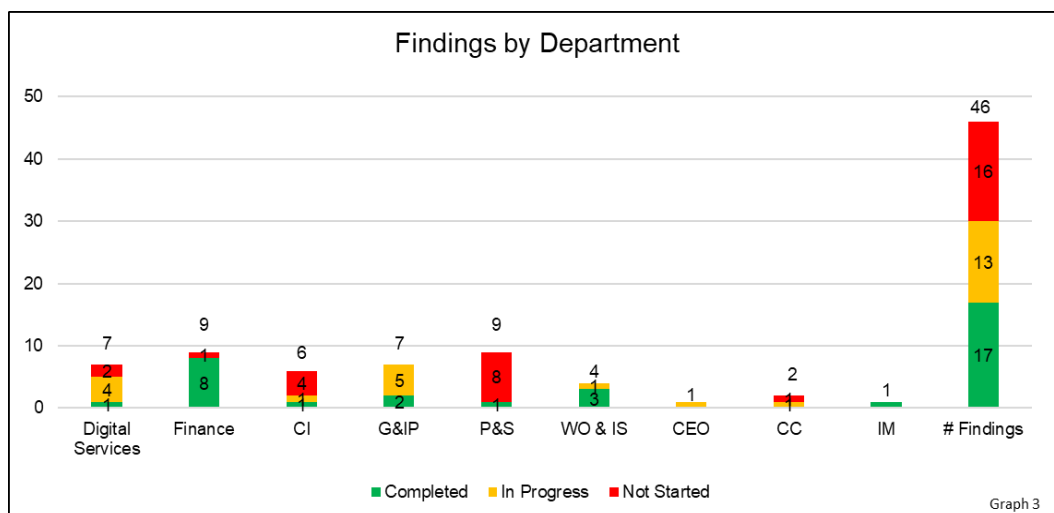
Officer Comments

Of the 46 unresolved findings reported at the November 2023 Audit Committee, 17 have been completed (graph 1), 13 are in progress and 16 have not been addressed (graph 2). Reasons for the findings not yet addressed include:

- Financial considerations.
- Insufficient resources at present.
- Task cannot proceed until other tasks are completed.



Graph 3 shows the number and status of findings per department. The database of findings is also attached for more detail.



Abbreviations:

- CI – Corporate Information
- P&S – People and Safety
- WO & IS – Waste Operations & Infrastructure Services
- CC – Community Connection
- G&IP – Governance & Integrated Planning
- IMS – Infrastructure Maintenance Services

Analysis of Financial and Budget Implications

Any financial implications arising from the implementation of the recommendations will be considered independently in implementing the relevant aspects of each recommendation.

Community Consultation

N/A

Councillor/Officer Consultation

N/A

Applicant Consultation

N/A

Timeline: Council Decision Implementation

N/A

Outcome of Meeting

Following some general discussion in relation to this item, the Executive Recommendation was moved by Cr Andrew and seconded by Mr Eaton and was carried unanimously as follows:

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

10.8 Interim Audit Results for the Year Ending 30 June 2024

File Ref:	COB/5457	
Applicant/Proponent:	Internal	
Responsible Officer:	David Ransom, Manager Finance	
Responsible Manager:	David Ransom, Manager Finance	
Executive:	Karin Strachan, Director Corporate and Community	
Authority/Discretion	<input type="checkbox"/> Advocacy <input type="checkbox"/> Executive/Strategic <input checked="" type="checkbox"/> Legislative	<input type="checkbox"/> Review <input type="checkbox"/> Quasi-Judicial <input checked="" type="checkbox"/> Information Purposes
Attachments:	CONFIDENTIAL Appendix 10: Interim Audit Results for the year ending 30 June 2024	

Summary

The Officer of the Auditor General (OAG) completed the City’s Interim Audit in March 2024 for the year ending 30 June 2024. The Interim Audit found that in two instances the manual journal entries were not appropriately reviewed. The final audit will be undertaken in October 2024.

Executive Recommendation

That the Audit Committee note the Office of the Audit General finding as part of the interim audit for the year ending 30 June 2024.

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

In March 2024, Moore Australia, on behalf of the Office of the Auditor General conducted the Interim Audit for the year ending 30 June 2024. A management letter has been issued following the interim audit with one finding identified, as attached at Confidential Appendix 10.

Council Policy Compliance

Nil

Legislative Compliance

The Interim Audit is completed as part of the Annual Audit required under Section 7.2 of the Local Government Act 1995 that requires the accounts and annual financial report to be audited.

Regulation 5(1) of the Local Government (Financial Management) Regulations 1996 outlines the Chief Executive Officer's duties as to financial management.

Officer Comments

The interim audit found that in two instances (out of 14 tested) manual journal entries were reviewed by a more junior staff member than the preparer. The OAG recommends that a more senior officer than the preparer authorises all journal entries.

Finance staff have been reminded of this requirement and this is now being complied with.

Analysis of Financial and Budget Implications

Nil

Community Consultation

Nil

Councillor/Officer Consultation

This matter is presented to the Committee for consideration.

Applicant Consultation

N/A

Timeline: Council Decision Implementation

N/A as the matter is for noting.

Outcome of Meeting

Following some general discussion in relation to this item, the Executive Recommendation was moved by Mr Eaton and seconded by Mr Barratt and was carried unanimously as follows:

That the Audit Committee note the Office of the Audit General finding as part of the interim audit for the year ending 30 June 2024.

10.9 Update on the Ocean Pool Project

File Ref:	COB/6329	
Applicant/Proponent:	Internal	
Responsible Officer:	Alan Ferris, Chief Executive Officer	
Responsible Manager:	Alan Ferris, Chief Executive Officer	
Executive:	Alan Ferris, 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:	Nil	

Summary

Individual members of the Audit Committee have requested an item be placed on this agenda to facilitate discussion around the Ocean Pool project. This follows a confidential memo that was provided to Elected Members and Audit Committee members previously.

Executive Recommendation

That the Audit Committee note the information.

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

Individual members of the Audit Committee have requested an item be placed on this agenda to facilitate discussion around the Ocean Pool project. This follows a confidential memo that was provided to Elected Members and Audit Committee members previously.

Council Policy Compliance

Nil

Legislative Compliance

Nil

Officer Comments

An update on the Engagement process on the Ocean pool project has been sent via email to all Council members and all members of the Audit and Risk Committee. The next step is to consult with GKB to determine any concerns regarding the proposed positioning of the pool. Based on the feedback from GKB a review of the costs will be performed to further inform the Business case. At this point a report will be put to Council, seeking direction from Council with regards to next steps.

Analysis of Financial and Budget Implications

Nil

Community Consultation

Nil

Councillor/Officer Consultation

This matter is presented to the Committee for information.

Applicant Consultation

N/A

Timeline: Council Decision Implementation

N/A as the matter is for noting.

Outcome of Meeting

Following some general discussion in relation to this item, the Executive Recommendation was moved by Mayor Miguel and seconded by Cr Smith and was carried unanimously as follows:

That the Audit Committee note the information.

It was also noted that elements of the business case for the Ocean Pool would be updated as the project is refined.

11. Applications for Leave of Absence

Nil

12. Motions of which previous notice has been given

Nil

13. Questions from Members

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

Nil

13.2 *Questions from Members*

Nil

14. New business of an urgent nature

Nil

15. Matters for which the meeting may be closed

Nil

16. Date of next meeting

TBC – late September/early October

17. Close of Meeting

The Presiding Member closed the meeting at 12.42pm.