



Audit Committee

Notice of Meeting & Agenda 24 September 2024

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.*

Table of Contents

1.	Declaration of Opening	5
2.	Disclaimer	5
3.	Announcements from the Presiding Member	5
4.	Attendances	5
4.1	Apologies.....	5
4.2	Approved Leave of Absence.....	5
5.	Declaration of Interest.....	5
6.	Public Question Time	5
7.	Confirmation of Minutes.....	6
8.	Presentations	6
9.	Method of Dealing with Agenda Business	6
10.	Reports	7
10.1	Employee Annual Leave Balances.....	7
10.2	Internal Audit Database	9
10.3	Internal Audit Report – Leases.....	13
10.4	Risk Management Report	16
11.	Applications for Leave of Absence	20
12.	Motions of which previous notice has been given.....	20
13.	Questions from Members	20
13.1	Response to Previous Questions from Members taken on Notice.....	20
13.2	Questions from Members	20
14.	New business of an urgent nature	20
15.	Matters for which the meeting may be closed	20
16.	Date of next meeting.....	20
17.	Close of Meeting.....	20

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 - Notice of Meeting

Dear Committee Members

The next meeting of the Audit Committee will be held in the Jetty Room, City of Bunbury Administration Building, 2-4 Stephen Street, Bunbury on **Tuesday, 24 September 2024** at 3.00pm.

Signed:

Alan Ferris

Chief Executive Officer

Agenda

24 September 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.

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 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
Mrs Delise Fynn	Internal Auditor

1. Declaration of Opening

2. Disclaimer

Not applicable to this committee.

3. Announcements from the Presiding Member

4. Attendances

4.1 *Apologies*

Mr John Barratt

4.2 *Approved Leave of Absence*

5. Declaration of Interest

IMPORTANT: Committee members to complete a “Disclosure of Interest” form for each item on the agenda in which they wish to disclose a financial/proximity/impartiality interest. They should give the form to the Presiding Member <u>before</u> the meeting commences. After the meeting, the form is to be forwarded to the Administration Services Section for inclusion in the Corporate Financial Disclosures Register.
--

6. Public Question Time

Not applicable to this committee.

7. Confirmation of Minutes

Committee Decision: Moved _____ Seconded _____

The minutes of the Audit Committee Meeting held on 25 June 2024 are confirmed as a true and accurate record.

CARRIED/LOST

8. Presentations

Nil

9. Method of Dealing with Agenda Business

10. Reports

10.1 Employee Annual Leave Balances

File Ref:	COB/6817
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 type="checkbox"/> Executive/Strategic <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Legislative <input checked="" type="checkbox"/> Information Purposes
Attachments:	Confidential Appendix 1: Annual Leave Report as at June 2024

Summary

The purpose of this report is to provide the Audit Committee (the Committee) with information relating to Annual Leave accruals for City staff.

Executive Recommendation

That the Audit Committee note the information provided within 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 CEO has previously been requested by the Committee to provide a recurring report concerning accrued staff leave. This was requested based on the risk presented to the City in carrying excessive leave liabilities.

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

Council Policy Compliance

There are no Council policies relating to this report.

Legislative Compliance

N/A

Officer Comments

The attached report (Confidential Appendix 1) details the City’s leave liabilities as at 30 June 2024, as well as trend data for earlier periods.

The figures represent liabilities in excess of annual entitlements (4, 5 or 6 weeks depending on the Officer) and also liabilities in excess of 8 weeks, which is defined by Fair Work Australia as being “excessive”.

Note that the total leave liability includes the annual leave loading of 17% and 14% on-costs being workers compensation and superannuation.

Analysis of Financial and Budget Implications

Nil

Community Consultation

N/A

Councillor/Officer Consultation

N/A

Applicant Consultation

N/A

Timeline: Council Decision Implementation

N/A

10.2 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 2: 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 2) is presented to the Audit Committee for information and discussion as necessary.

Executive Recommendation

That the Committee note the information provided in this report.

Voting Requirement: Simple Majority

Strategic Relevance

- | | |
|--------------|---|
| Pillar | Performance |
| Aspiration | Leading with purpose and robust governance. |
| Outcome | A leading local government |
| Objective 1. | Provide strong, accountable leadership and governance. |
| Objective 2. | Adopt innovations to improve business efficiencies and the customer experience. |
| Objective 3. | Effectively manage the City’s resources |

Regional Impact Statement

N/A

Background

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

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

Council Policy Compliance

N/A

Legislative Compliance

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

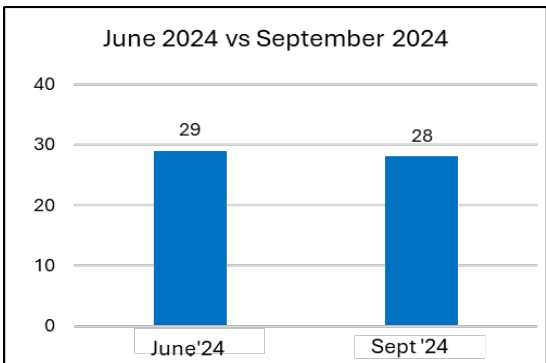
Officer Comments

Since the last audit committee meeting, findings from the Safety Management Audit and Payroll were added to the audit findings database. Subsequently, a total of 11 previous year findings were resolved:

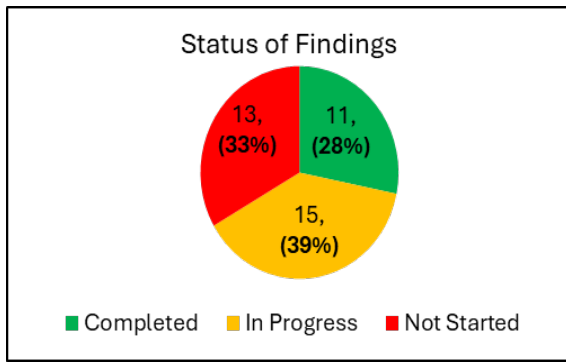
Area	Number of Findings Resolved
People and Safety	9
Community Connection	1
Digital Services	1
Total	11

There are currently 28 unresolved findings in the audit findings database. As shown in graph 2, 15 (39%) are “in progress” and 13 (33%) are “not started”. The reasons for the findings not yet addressed include:

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

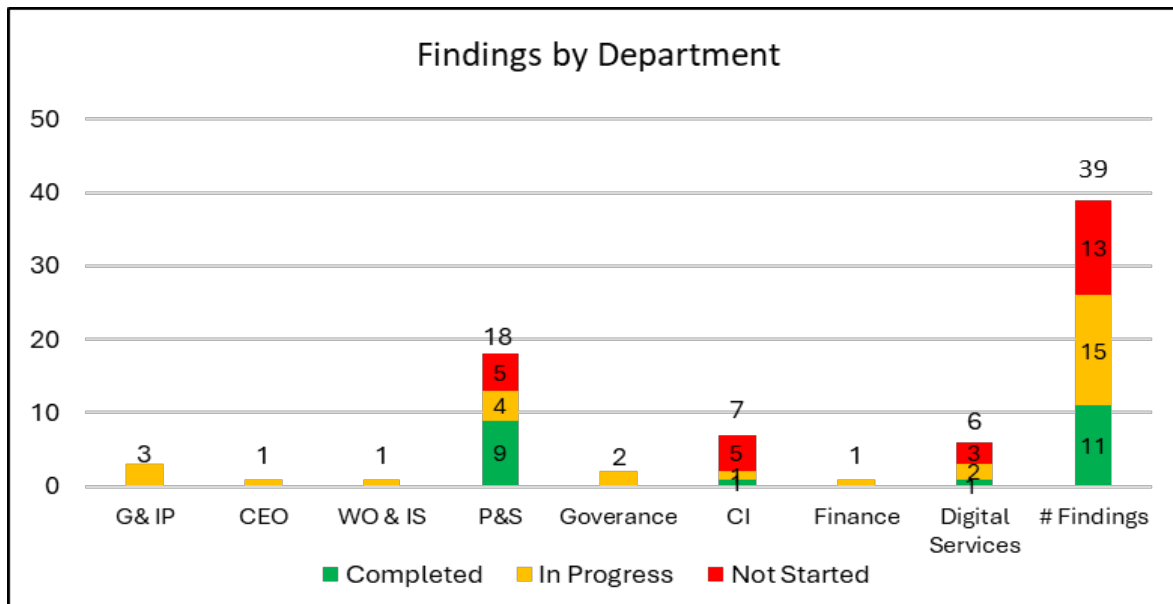


Graph 1



Graph 2

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



Graph 3

Abbreviations:

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

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

10.3 Internal Audit Report – Leases

File Ref:	COB/5213		
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:	Confidential Appendix 3: Final Lease Internal Audit Report		

Summary

Internal audit has completed a review of the City of Bunbury’s lease management 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 3.

Executive Recommendation

That the Committee:

1. Note the information within the Internal Audit Report at Appendix 3; and
2. Endorse the recommendations made within the report, 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 government.
Outcome 1.	A leading local government
Objective 2.	Provide strong, accountable leadership and governance. Effectively manage the City’s resources

Regional Impact Statement

N/A

Background

The Lease Management audit was conducted in terms of the approved Internal Audit Plan for F24/25. An evaluation of the organisation's lease operations, with the aim of identifying opportunities for improvement was conducted.

During the preparation of the detailed scope, it was identified that the City of Bunbury is not the lessee to any non-government assets or services, therefore this audit covered the City's activities only as lessor and not as a lessee.

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

- Management Policy: Legislative Compliance

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 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 lease management audit assessed key controls pertaining to the process, particularly ensuring that the obligations of the City as the lessor and the contracted lessees are being met.

The City of Bunbury acts as the lessor for 163 leases with agreements ranging from month-by month negotiations to 50 years. The property team currently manages 4 categories of leases, these are:

1. Sporting leases
2. Community leases
3. Commercial leases
4. Airport leases

In FY2023/2024, The City generated lease income of approximately \$885,744 (GST exclusive) from 87 properties. As per the Sporting and Community Leases and Licenses Policy, Sporting or community groups that enter a lease or license arrangement with the City will not be charged a rental fee.

Below is a summary of findings identified during the lease management audit, with management actions documented for each within Appendix 3:

1. Property inspections are not conducted.
2. Lease agreement supporting documentation.
3. List of assets the City is responsible for is not included in lease agreements.

Analysis of Financial and Budget Implications

Each finding/recommendation may have its own discrete financial implications.

Community Consultation

N/A

Councillor/Officer Consultation

N/A

Applicant Consultation

N/A

Timeline: Council Decision Implementation

N/A

10.4 Risk Management Update

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 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 for the Audit Committee to receive an update as to the current status of the City’s Enterprise Risk Management Service.

Executive Recommendation

That the Audit Committee note the update in relation to the status of the City’s Enterprise Risk Management Service.

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.

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 2: Establishment of the organisational risk approach	Development of process maps, trigger maps, Escalation Framework, and organisational tools & templates.	Jul '23 - Sept '23	Completed
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	Completed
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	Key Deliverables	Timeframe	Status
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.

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.

Phase 4 Update:

Initial reviews of the City’s strategic and operational risks have now been undertaken within Pulse. It was hoped that an initial system-generated Risk Management report would be made available for this meeting, however the City’s Risk Board (administrative) requested some further refinement with Director level oversight specifically as to the ratings of our operational risks. This will take place over the next few weeks with an initial report to be presented to the Audit Committee later in 2024. Subsequent to this, the identification of causes and controls against existing risks will help mature this process further.

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 information.

Applicant Consultation

N/A

Timeline: Council Decision Implementation

Not applicable

11. Applications for Leave of Absence

Nil

12. Motions of which previous notice has been given

13. Questions from Members

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

Nil

13.2 *Questions from Members*

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 November pending completion of annual financial audit.

17. Close of Meeting

The Presiding Member closed the meeting at ____am.