



Audit Committee

Minutes

24 September 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 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 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.

1. Declaration of Opening

The Presiding Member declared the meeting open at 3.03pm.

2. Disclaimer

Not applicable to this committee.

3. Announcements from the Presiding Member

The Chair re-iterated the Better Practice Guide for Public Sector Audit Committees produced by the OAG as a useful resource and suggested that committee members and staff read it as appropriate.

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 Maureen Keegan	Senior Governance Officer
Mrs Delise Fynn	Internal Auditor

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.

Cr Ghasseb declared a trivial financial interest in item 10.3 as he may be undertaking work for a person/group who have a lease with the City.

Cr Quain declared an impartiality interest in item 10.3 and she is a member of a sporting group who have a lease with the City.

6. Public Question Time

Not applicable to this committee.

7. Confirmation of Minutes

Committee Decision: Moved: Cr Quain Seconded: Mr Eaton

The minutes of the Audit Committee Meeting held on 25 June 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 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

Outcome of Meeting – 24 September 2024

The executive recommendation as printed was moved by Cr Quain and seconded by Mr Eaton and was carried unanimously as follows:

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

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

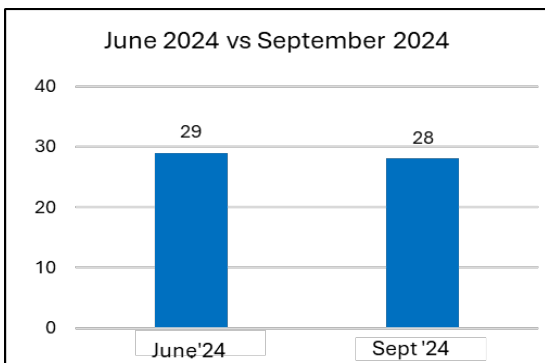
Officer Comments

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:

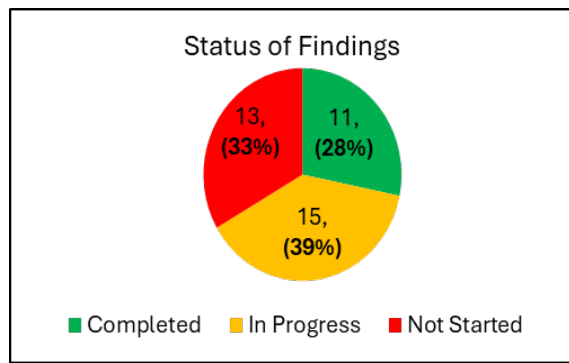
Area	Number of Findings Resolved
People and Safety	9
Community Connection	1
Digital Services	1
Total	11

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.

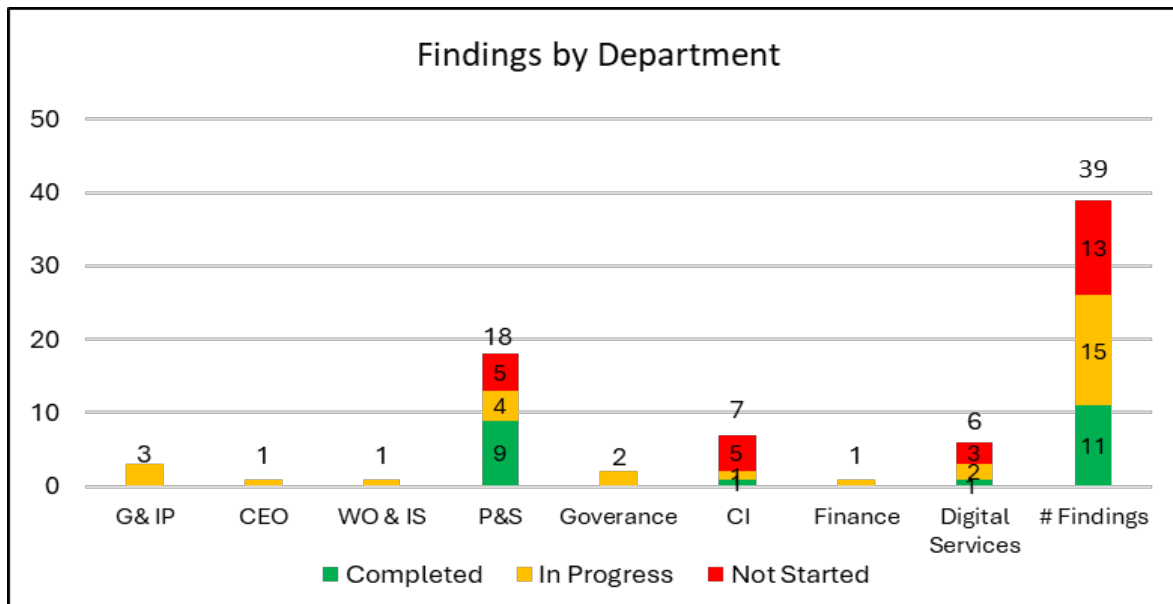


Graph 1



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

Outcome of Meeting – 24 September 2024

The executive recommendation as printed was moved by Mr Eaton and seconded by Mayor Miguel and was carried unanimously as follows:

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

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

Outcome of Meeting – 24 September 2024

A motion to suspend standing orders was moved by Mr Eaton and seconded by Cr Quain and was carried unanimously. Standing orders were suspended at 3.23pm.

Extensive discussion took place in relation to this item, as well as two questions asked by Cr Steck as below. Note that the answers to both questions was dealt with through the addition of a point 3 to the executive recommendation (see further below).

1. Is 24months an appropriate timeframe for implementing the recommendations found at item 4.1 within the internal audit report – lease management given the condition of some of the City’s properties?
2. Does the City provide copies of the Commercial Tenancy Act and associated documentation to its lessees when entering into a lease agreement?

A motion to resume standing orders was moved by Cr Quain and seconded by Mayor Miguel and was carried unanimously. Standing orders were resumed at 3.37pm.

The executive recommendation as printed was moved by Cr Quain and seconded by Mr Eaton. An amendment to add a point 3 to the motion was moved by Cr Quain and seconded by Cr Steck as follows:

3. *Request the CEO provide a detailed report to Council by latest 26 November 2024 detailing how the recommendations within the Internal Audit Report – Lease Management will be addressed, including timeframes and details of the processes around how the City manages its leases.*

The amendment was put to the vote by the Presiding Member and was carried unanimously.

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

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.***
3. ***Request the CEO provide a detailed report to Council by latest 26 November 2024 detailing how the recommendations within the Internal Audit Report – Lease Management will be addressed, including timeframes and details of the processes around how the City manages its leases.***

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

Outcome of Meeting – 24 September 2024

The executive recommendation as printed was moved by Mr Eaton and seconded by Cr Quain and was carried unanimously as follows:

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

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

Mr Eaton asked the following questions, which together with their responses are listed below:

1. With reference to financial statistics:

- a. Does the City currently produce structured financial trend analysis?**
- b. Is there any impediment for a financial statistical analysis report being developed with the Audit Committee and presented annually to the Audit Committee and Council in conjunction with the Annual Financial Report?**

CEO Response: The City's annual budget and long term financial plans each contain past and future financial trend analysis. Should the Audit Committee wish to have something specific developed in terms of financial trend analysis, this could be accommodated in consultation with the CEO.

2. Lease Audit (item 10.3)

"A high-level assessment of the City's compliance with relevant laws and regulations and their inclusion in relevant crown land lease agreements".

- a. Do the tests include whether leasing is permitted under relevant crown reserve management orders and consequently whether approval to lease has been granted by the Minister for Lands (or equivalent)?**

CEO Response: Yes. Testing includes both internal validation and with Landgate.

3. Provision of the Internal Audit Assessment / Scope of Tests

- a. Can internal audit tests assessments be provided as appendices to each internal audit reports.**

- i. This enables the Audit Committee and Council to understand the full scope of each internal audit.*
- ii. The provision of the full scope enables the Audit Committee and Council to additionally understand where positive outcomes are achieved where testing has not identified any issues.*

CEO Response: Yes. In future audit scopes will be provided to the audit committee packaged together with the final audit report.

4. With reference to the audit findings database

“13/08/2024: As per the Finance Manager, this issue is still ongoing. The City of Bunbury are firm on 50% and BHRC 46%. An email will be sent to the CEO of Harvey to reestablish the City's position”.

Seeking clarification. Is BHRC advocating 46% or is this Shire of Harvey?

CEO Response: The 46% is the Shire of Harvey's position not BHRC's. The review of the BHRC options and future operating model that an independent consultant has been engaged to do will review the split.

Cr Steck asked the following question, which together with its response is listed below:

1. Cr Steck asked when any reporting by the Optimisation Working Group would be coming back to Council?

CEO Response: The optimisation working group formed part of the former CEOs KPIs, and was effectively superseded by elements of the CEOs current KPIs which cover similar philosophies but in different ways, for example the current requirement to prepare and present well-researched, strategic options in relation to financial aspects such as revenue-growth alternatives, efficiency proposals, expenditure scenarios including affordability assessments to Council.

Cr Quain asked if the next meeting can be held after 18 November as she will be on leave. The Manager Governance indicated yes, as it's unlikely to be before that date in any case being reliant on the availability of the OAG and the completion of the annual financial audit.

Cr Ghasseb asked can the offer by the COO of the OAG, Sandra Labuschagne to attend the next meeting of the Audit Committee be followed up. The CEO responded that yes it can.

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 3.58pm.