



## **Audit Committee**

### **Notice of Meeting & Agenda 4 March 2025**

**City of Bunbury**  
4 Stephen Street  
Bunbury WA 6230  
Western Australia  
*Correspondence to:*  
Post Office Box 21  
Bunbury WA 6231



## **Audit Committee Terms of Reference**

*The duties and responsibilities of the committee will be:*

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

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## Acknowledgement of Country

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

## Audit Committee - Notice of Meeting

Dear Committee Members

The next meeting of the Audit Committee will be held in the Ocean Room, City of Bunbury Administration Building, 2-4 Stephen Street, Bunbury on **Tuesday, 4 March 2025** at 2.00pm.

Signed:

**Alan Ferris**

**Chief Executive Officer**

### Agenda 4 March 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
Greg Golinski	Manager Governance
Alan Ferris	Chief Executive Officer
David Ransom	Manager Finance
Karin Strachan	Director Corporate and Community Services
Delise Fynn	Internal Auditor
Jay Teichert	OAG
James Arthur	Moore Australia

**1. Declaration of Opening**

The Presiding Member to declare the meeting open.

**2. Disclaimer**

Not applicable to this committee.

**3. Announcements from the Presiding Member**

**4. Attendances**

**4.1 Apologies**

**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.
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**6. Public Question Time**

Not applicable to this committee.

**7. Confirmation of Minutes**

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Committee Decision:                      Moved \_\_\_\_\_                      Seconded \_\_\_\_\_

The minutes of the Audit Committee Meeting held on 19 November 2024 are confirmed as a true and accurate record.

CARRIED/LOST

**8.        Presentations**

**8.1      *Audit Entrance Meeting***

Representatives from the OAG and Moore Australia will be in attendance to conduct an entrance meeting for the City’s FY2025 financial audit, refer **Appendix 8.1 Audit Strategy Memorandum.**

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

## 10. Reports

### 10.1 Compliance Audit Return

<b>File Ref:</b>	COB/6329
<b>Applicant/Proponent:</b>	Internal
<b>Responsible Officer:</b>	Liam Murphy, Governance Officer
<b>Responsible Manager:</b>	Greg Golinski, Manager Governance & Integrated Planning
<b>Executive:</b>	Karin Strachan, Director Strategy and Organisational Performance
<b>Authority/Discretion</b>	<input type="checkbox"/> Advocacy <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Executive/Strategic <input type="checkbox"/> Information Purposes <input checked="" type="checkbox"/> Legislative
<b>Attachments:</b>	Appendix 10.1: 2024 Compliance Audit Return

#### Summary

The purpose of this report is for Council to consider the Statutory Compliance Audit Return (the Return) for the calendar year 1 January to 31 December 2024.

#### Executive Recommendation

That the Audit Committee recommend that Council endorse the Statutory Compliance Audit Return for the City of Bunbury for the period 1 January to 31 December 2024.

*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

Not applicable

#### Background

Each year the Department of Local Government, Sport and Cultural Industries requires local governments to conduct an annual assessment of their compliance with key components of the *Local Government Act 1995* (the Act) and associated Regulations. The 2024 Return is to be provided to the Department by 31 March 2025.

#### Council Policy Compliance

There is no current Council Policy relevant to this item.

### **Legislative Compliance**

Completion of the statutory Compliance Audit Return is a requirement under the provisions of section 7.13(1)(i) of the *Local Government Act 1995* and regulations 13 and 14 of the *Local Government (Audit) Regulations 1996*.

### **Officer Comments**

Mangers and Officers were provided with copies of the relevant sections of the Return for assessment and completion. The City's Internal Auditor then conducted an audit to validate the provided responses and request additional information as necessary. The final Return has been compiled on-line using the information provided.

There following instances of non-compliance were identified for the 2024 period:

1. There was 1 instance of non-compliance in relation to the submission of a primary return.
2. There was 1 instance of non-compliance in relation to the submission of an annual return.
3. The register of primary and annual returns included persons who should have been removed; however, this has since been rectified.
4. There were 2 submitted primary/annual returns which were not acknowledged by the CEO

A copy of the return is attached at appendix 10.1 Any comments where appropriate are included in the Return to assist in either validating compliance or explaining non-compliance.

In the case of points 1 and 2, both of these have been reported to the DLGSCI as required. Although they are considered lower risk, points 3 and 4 have also now been rectified.

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

Nil

### **Community Consultation**

Not applicable

### **Councillor/Officer Consultation**

Relevant Officers, the Internal Auditor, and the Executive Leadership Team have been consulted in relation to the completion of the 2024 Return, which is now presented to the Audit Committee for consideration.

### **Applicant Consultation**

Not applicable

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

Following Council Endorsement, the Return will be submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2025.





### **Council Policy Compliance**

There are no Council policies relating to this report.

### **Legislative Compliance**

N/A

### **Officer Comments**

The attached report (Confidential Appendix 8.2) details the City's leave liabilities as at 31 December 2024, as well as trend data for earlier periods.

The figures represent liabilities in excess of annual entitlements (4, or 5 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 17.5% and 14% on costs being workers compensation and superannuation.

The report is presented for information and discussion as appropriate.

### **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



## Background

The Office of the Auditor General (OAG) report on Local Government 2022-23 Financial Audit Results was presented to the Parliament of Western Australia on 6 June 2024. The report stated that of the 137 local government entities audited, only the City of Nedlands received a disclaimer of opinion.

In accordance with the Audit Committee's request, the City of Bunbury has undertaken a review of the City of Nedlands audit findings to assess their relevance and applicability to our own practices and processes. This review aimed to identify any areas where improvements can be made, ensuring alignment with best practices and compliance with relevant standards. The report into the City of Nedlands has been provided to committee members previously.

## Council Policy Compliance

There are no Council policies relating to this report.

## Legislative Compliance

N/A

## Officer Comments

Below are factors leading to the disclaimer of opinion, as well as a comparison with current practices at the City of Bunbury.

### Factors leading to the Disclaimer of Opinion

The following outlines the factors that led to the disclaimer of opinion for the City of Nedlands audit, along with a comparison (in blue) of the practices followed by the City of Bunbury.

#### 1. Inadequate infrastructure revaluation

Infrastructure is the City's largest balance sheet item and in accordance with the City's accounting policy was subject to external revaluation on 30 June 2023. The net infrastructure valuation increase recorded in the financial report was \$152.7million.

The City's delay in engaging a suitably qualified valuer coupled with incomplete asset listings meant the final valuation results were not available to meet the agreed audit timetable. Furthermore, the City did not appropriately review the valuation report and the key underlying valuation assumptions prior to submission to the auditor. Consequently, queries arose during the audit and the auditor noted numerous material adjustments.

#### *City of Bunbury Practice:*

*Under the Local Government (Financial Management) Regulations 1996, the City is obligated to revalue its asset infrastructure within five years of the last valuation or revaluation. This responsibility is outlined in the Asset Project Officer's position description and is considered a core duty of the role, ensuring revaluations are completed within the timeframes specified by the financial regulations.*

*The City of Bunbury's assets are managed through Asset Finda System and asset revaluations are carried out by the Projects and Asset Management team.*

*Planning for revaluations begins before the next financial year to ensure that all infrastructure assets due for revaluation are addressed. The methods used to ensure the accuracy of revaluations include:*

- ***In-house assessments:*** *These cover open spaces, pathways, roads & parking, structures, and shelter assets.*
- ***External valuations:*** *For assets such as bridges, marine, stormwater and public art.*

*Revaluation reports are completed once revaluations are finalized. These reports detail the assets revalued, along with financial notes and assumptions used in the revaluation process.*

*According to the Financial Audit Concluding Report for the financial year ending June 2024, the external auditors conducted key audit procedures were satisfied that the infrastructure assets are fairly and accurately stated as of 30 June 2024.*

## **2. Unsupported general journals and inaccurate transactions.**

The OAG found journal samples selected for testing did not have supporting documentation to explain transactions. These journals had a pervasive impact across the financial report. Additionally, there was a failure to accrue and account for transactions within the correct accounting period and multiple instances were found where accrual and prepayment transactions were recognised as invoiced in the year ended 30 June 2023 when they related to the prior or future accounting periods.

### ***City of Bunbury Practice:***

*When the need for a journal is determined, the person preparing the journal collates the relevant supporting documentation to substantiate the journal entry. The person authorising the journal entry is the Financial Manager or Supervisor with financial oversight responsibilities.*

*The reviewer will check the journal entry for accuracy. Ensuring that the correct accounts, amounts, and dates are used. Any discrepancies in the supporting documentation are resolved before final approval. The journal is signed by the preparer and the reviewer.*

*Supporting documentation is filed for future reference and audit/compliance purposes.*

*Based on the recent financial audit conclusion report for year ended 30 June 2024, journal entries and other adjustments were examined, and the auditors stated that they were confident that the risk of fraud from management override has been mitigated to an acceptable level.*

**3. Incomplete transition to OneCouncil**

During FY23, the City partially changed its accounting software from Civica Authority to OneCouncil with the effective date of 1 July 2022. However, data migration was incomplete and accounting opening balances not properly reconciled. The system-related challenges delayed preparation of the finance report and also meant finance staff were unable to provide complete, accurate and reconciled financial information during the audit.

***City of Bunbury Response:***

*This finding is specific to the City of Nedlands as the City of Bunbury is not currently in the process of transitioning to a new Enterprise Resource Planning product.*

**4. Lack of balance sheet reconciliations**

During the audit process, finance staff were unable to provide explanations for balance sheet reconciliation variances to the 30 June 2023 trial balance. The City lacked effective end of month balance sheet processes with discrepancies and errors carried forward each month, dating back several years. The audit findings also indicated multiple suspense accounts, and the finance staff were unable to provide explanations for posted transactions.

***City of Bunbury Practice:***

*A structured process for monthly balance sheet reconciliations is established, where discrepancies are identified and resolved, with relevant supporting documentation attached. Reconciliations are signed by the preparer and their supervisor after review.*

**5. General computer controls**

General computer controls are integral to effectively support the preparation of the financial report, delivery of key services, confidentiality, integrity and availability of information systems. The auditors identified four 'Significant' findings relating to privileged account access, authentication and user access. The information system control weaknesses impacted the timing and extent of the audit approach.

***City of Bunbury Practice:***

*Below is a summary of the City's approach to managing risks associated with general computer controls. It is important to note that while many of these controls follow best practices, some are newly introduced and are still being tested for their effectiveness.*

***i. Access & Administration Management***

- *Implementation of the principle of least privilege to ensure users only have access necessary for their roles.*
  - *Regular review of admin and elevated access permissions.*
  - *Role-based access controls (RBAC) and logging of privileged user activities.*
  - *Multi-factor authentication (MFA) enforced for all administrative accounts. of the principle of least privilege to ensure users only have access necessary for their roles.*
  - *Regular review of admin and elevated access permissions.*
  - *Role-based access controls (RBAC) and logging of privileged user activities.*
  - *Multi-factor authentication (MFA) enforced for all administrative accounts.*
- ii. Password & Network Security Policy**
- *A group policy enforces password complexity, non-reuse of previous passwords, and expiration requirements.*
  - *Cyber awareness training reinforces the importance of strong passwords.*
- iii. Firewall & WiFi Security**
- *An Intrusion Prevention System (IPS) is active.*
  - *Firewall firmware is kept up to date, and log-level configurations are periodically reviewed.*
  - *WiFi networks are regularly audited for misconfigurations, shared passwords, and outdated firmware.*
- iv. VPN & Remote Access Security**
- *Multi-Factor Authentication (MFA) is required for remote access via VPN.*
  - *Failed login attempts result in account lockouts to prevent unauthorized access*
- v. Cryptographic Storage & Compliance**
- *Passwords are stored in compliance with SOC2 & SOC3 standards.*
  - *Multi-tiered access control is implemented for sensitive data.*
- vi. Traffic Control & Network Management**
- *On-premise applications and cloud-based solutions have performance monitoring and security controls in place.*
  - *Additional network configurations are implemented for cloud applications to enhance security and reliability.*
- vii. Data Classification & Privacy Training**
- *Training is being developed to ensure appropriate handling and classification of sensitive data to prevent data breaches.*
- viii. Cyber Awareness Training (Induction & Ongoing Training)**

- *The City of Bunbury provides cyber awareness training to staff, volunteers, and contractors as part of their onboarding process.*
- *Ongoing training is scheduled to ensure continuous awareness of emerging threats.*
- *The effectiveness of training is still to be formally tested but is a newly introduced initiative.*

**ix. Patch Management**

- *A patch management process is in place to ensure vulnerabilities are addressed promptly.*
- *Emergency fixes and firmware updates are deployed as required.*

**x. Backup and Restore Capabilities**

- *Regular backups are performed, and periodic restore tests are conducted to validate data integrity and availability.*
- *This process mitigates the risk of data loss due to hardware, application, or network failures.*

**xi. Endpoint & Malware Protection**

- *TrendMicro is installed on all servers and endpoints with default settings to remove potential threats.*
- *Microsoft 365 email scanning enhances phishing and malware protection.*
- *USB device use is monitored and restricted as necessary.*

**xii. Business Continuity Planning**

- *Procedures are established to ensure resilience against disruptions.*
- *Testing of contingency plans and recovery processes is scheduled for validation.*
- *Testing of contingency plans and recovery processes is scheduled for validation.*

**6. Internal audit management**

The City of Nedlands has a strategic internal audit plan conducted externally by Moore Australia.

It is noted that several external audit findings had previously been identified by the internal auditor. For example, on 20 February 2023 Moore's report on Asset Management was presented to the Audit Committee. The report noted no fixed asset module was being maintained in either the Civica Authority or OneCouncil, incomplete reconciliations of the asset registers to the general ledger, capital work in progress not capitalised, regular depreciation postings missing, and the underlying records did not support financial reports.

Despite consequential internal audit findings, the Audit Committee only received limited commentary from executive management, and the meeting minutes only record brief generic wording under the section titled Strategic Implications. The annual internal auditor plan, findings and recommended actions, and implementation of remediation actions were under the responsibility of Director Cole.

***City of Bunbury Practice:***



*An active internal audit plan is in place and executed internally by the City's Internal Auditor. This complements the annual financial audit and Financial Management Systems Review that is undertaken by the City's external auditors.*

*An audit findings database and follow-up process to monitor and ensure that management's actions to audit findings (both internal and external) have been effectively implemented or that senior management has accepted the risk of not acting. Updates on the audit findings database are provided to the Audit Committee on a quarterly basis.*

## **7. External audit readiness**

On 6 September 2023 the OAG had advised the City of Nedlands if key information and people were not reasonably available within the agreed audit schedule it would no longer wait as was done in prior years. However, there was no structured process for CEO Parker or the Audit Committee to systematically track and report to Council the preparation and progress of the audit, to recognise if additional skills and resources were required to meet the agreed audit schedule.

### ***City of Bunbury Practice:***

*For the City of Bunbury, the process of managing external audits begins with a communication from the Office of the Auditor General (OAG) to the Finance team, notifying them of the appointment of external auditors. Once this notification is received, the following steps are typically taken to ensure the audit deadlines are met:*

- ***Initiating contact:*** *Once notified on the appointment on external auditors, the Finance team reaches out to them to confirm key details, such as the specific audit dates, scope of the audit, and any initial requirements or documentation that need to be provided.*
- ***Finalising the audit schedule:*** *Once the dates are confirmed, a formal audit schedule is created, outlining specific timeframes for various phases of the audit process, such as preliminary meetings, fieldwork, and final reporting.*
- ***Identifying key deadlines:*** *The audit plan outlines the key deadlines leading up to and during the audit. This includes internal deadlines for document preparation and submission, ensuring everything is in place before the auditors begin their fieldwork.*
- ***Ensuring compliance:*** *The finance team ensures that all relevant documentation and supporting evidence are ready for the audit process.*
- ***Coordinating with other departments:*** *If the audit involves other departments outside of finance, the Finance team will coordinate with those departments to gather any additional information that may be requested.*
- ***Providing support during the audit:*** *Once the audit begins, the Finance team is available to assist the external auditors by answering questions, providing access to relevant documents, and facilitating interviews or meetings.*

**8. Financial staff resourcing and turnover**

Effective end of month processes and provision of the annual financial report are fundamental responsibilities of the Manager Financial Services. There was turnover in this position during FY22, FY23 and FY24 with significant impact on the 30 June 2023 financial reporting and audit result.

The position of Manager Financial Services became vacant on 4 May 2022. On 19 April 2022 Mr Billingham was appointed as an external hire on an interim basis for six months. The interim hiring decision was initiated by Director Cole and approved by CEO Parker. On 8 August 2022 the appointment was extended by three years following a formal recruitment process. This extension was approved by CEO Parker based on a suitability statement provided by Director Cole who also conducted the recruitment interview with two staff from the Human Resources team. The City’s records do not mention receipt of further references.

There was a turnover in the Coordinator Financial Accounting position on 14 April 2023. This position had cross over duties within the OneCouncil team and the loss of the incumbent had a particularly significant impact on the finance team’s OneCouncil capabilities, accounting expertise, and financial reporting skills. There was also a turnover of other financial staff roles during the external audit preparation and fieldwork phases which hindered audit progress

**City of Bunbury Response:**

*The senior finance staff at the City of Bunbury have extensive experience within the organization, contributing to a deep understanding of its operations and financial processes. Below is a breakdown of their tenure:*

<i>Finance Manager</i>	<i>31 Years</i>
<i>Financial Accounting Team Leader</i>	<i>19 Years</i>
<i>Senior Finance Officer (1)</i>	<i>15 Years</i>
<i>Senior Finance Officer (2)</i>	<i>5 Years</i>

*Additionally, the **previous Financial Accounting Team Leader**, who recently resigned, had been with the City for 16 years. Their long tenure reflects a strong commitment to the organization and its financial management practices.*

**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

**11. Response to Previous Questions from Members taken on notice**

Nil

**12. Urgent Business**

Nil

**13. Date of Next Meeting**

TBC pending completion of interim audit, likely June 2025.

**14. Close of Meeting**

The Presiding Member closed the meeting at \_\_\_\_ am.