

Please note: These minutes are yet to be confirmed as a true record of proceedings

CITY OF BUSSELTON

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 10 AUGUST 2022

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MINUTES

MINUTES OF THE AUDIT AND RISK COMMITTEE HELD IN THE COMMITTEE ROOM, ADMINISTRATION BUILDING, SOUTHERN DRIVE, BUSSELTON, ON 10 AUGUST 2022 AT 9.00AM.

1. DECLARATION OF OPENING, ACKNOWLEDGEMENT OF COUNTRY AND ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 9:03am.

The Presiding Member noted this meeting is held on the lands of the Wadandi people and acknowledged them as Traditional Owners, paying respect to their Elders, past and present, and Aboriginal Elders of other communities who may be present.

2. ATTENDANCE

Presiding Member:

Cr Phill Cronin

Members:

Cr Grant Henley

Cr Anne Ryan

Cr Jodie Richards (Deputy) arrived at 9:08am

Officers:

Mr Tony Nottle, Director, Finance and Corporate Services

Mr Paul Sheridan, Manager, Financial Services

Ms Sarah Pierson, Manager, Governance and Corporate Services

Ms Jo Barrett-Lennard, Governance Officer

Apologies:

Cr Paul Carter

Cr Jodie Richards (*from 9:03am to 9:08am*)

Public:

1

3. PUBLIC QUESTION TIME

Responses to Previous Questions Taken on Notice

The following question was taken on notice by the Audit and Risk Committee at the 2 March Audit and Risk Committee meeting.

3.1 Mr Andrew Macnish

Question

What date were the minutes of the Audit and Risk Committee published, and what evidence do you have about the accuracy of that?

Response

(Tony Nottle, Director of Finance and Corporate Services)

The public minutes of the Audit and Risk Committee Meeting held 25 January 2022 were published to the City's website at 1:32pm 2nd February 2022.

Mr Andrew Macnish presented the Committee with a series of questions, with the Presiding Member approving Mr Macnish to read out all the questions before responding.

Question Time for Public**3.2 Mr Andrew Macnish****Question**

At the 25 January 2022 Audit and Risk Committee meeting, Cr Ryan declared her impartiality interest at Item 4.1, and as such a full disclosure of nature and extent of her interest should have been published in full in the publicly available set of minutes. Why was it not?

Question

With respect to the previous question, who determined the full nature of the subject interest was confidential?

Question

In a letter to me the City admits to a delegation not being recorded in the City's delegation register. Will this committee, responsible amongst other things, for governance oversight, report this apparent non-compliance to the external Auditor?

Question

In a letter to me the City admits to a failure to present responses to previous questions taken on notice to the Council. Will this committee, responsible amongst other things, for governance oversight, report this breach to the external Auditor?

9:08am At this time, Cr Richards entered the meeting.

Question

In a letter to me the City admits to a failure to present responses to previous questions taken on notice to the Council. Will this committee, responsible amongst other things, for governance oversight, report this apparent breach of the Law (of Standing Orders) to the Council and recommend it seek an explanation as to why it occurred and how it has been or will be rectified?

Question

In the public interest of transparency, will the Audit and Risk Committee recommend to Council that all future disclosures of interest at Committee meetings are reported in full?

Question

In response to a question put to the Audit and Risk Committee at its last meeting, it was noted that a copy of a letter of response was provided to the Presiding Member of the Audit and Risk Committee. Why was a copy not circulated to other Committee members?

Response

(Cr Phill Cronin, Presiding Member)

These seven questions will be taken on notice.

4. DISCLOSURE OF INTERESTS

Nil

5. CONFIRMATION OF MINUTES**5.1 Minutes of the Audit and Risk Committee Meeting held 2 March 2022****COMMITTEE DECISION**





AU2208/057 Moved Councillor G Henley, seconded Councillor P Cronin

That the Minutes of the Audit and Risk Committee Meeting held 2 March 2022 be confirmed as a true and correct record.

CARRIED 3/1
FOR: CR CRONIN, CR HENLEY, CR RICHARDS
AGAINST: CR RYAN

6. REPORTS

6.1 2021/22 INTERIM AUDIT REPORT

STRATEGIC THEME	LEADERSHIP - A Council that connects with the community and is accountable in its decision making.
STRATEGIC PRIORITY	4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.
SUBJECT INDEX	Financial Operations
BUSINESS UNIT	Financial Services
REPORTING OFFICER	Manager Financial Services - Paul Sheridan
AUTHORISING OFFICER	Director Finance and Corporate Services - Tony Nottle
NATURE OF DECISION	Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations
VOTING REQUIREMENT	Simple Majority
ATTACHMENTS	Attachment A Interim Management Letter to Mayor - City of Busselton - 30 June 2022   Attachment B Interim Management Letter Attachment - City of Busselton - 30 June 2022  

COMMITTEE RECOMMENDATION

AU2208/058 Moved Councillor G Henley, seconded Councillor P Cronin

That the Council accepts the 2021/22 Auditors' Interim Audit Report for the year ended 30 June 2022 as provided in Attachment B.

CARRIED 4/0

EXECUTIVE SUMMARY

The signed Independent Auditor's Interim Management Letter with attachment, in relation to the 2021/22 Financial Year Interim Audit, was received from the Office of the Auditor General (OAG) on 13th June 2022, and is provided to Committee Members as attachments to this report.

Two (2) minor findings from the Interim Audit were noted in the letter and recommendations provided. The City has provided management responses against each finding.

The action items have now been completed and therefore these findings are now closed out.

BACKGROUND

Pursuant to Section 7.9 of the Act, an Auditor is required to examine the accounts and annual financial report submitted by a local government for audit. The Auditor is also required, by 31 December following the financial year to which the accounts and report relate, to prepare a report thereon and forward a copy of that report to:

- (a) The Mayor or President;
- (b) The Chief Executive Officer; and
- (c) The Minister.

Furthermore, in accordance with Regulation 10 (4) of the *Local Government (Audit) Regulations 1996*, (the Regulations) where it is considered appropriate to do so, the Auditor may prepare a Management Letter to accompany the Independent Auditor's Report, which is also to be forwarded to the persons specified in Section 7.9 of the Act.

The Interim Management Letter provides an overview of the audit process and outcomes, and also identifies any matters that, while generally not material in relation to the overall audit of the financial report, are nonetheless considered relevant to the day to day operations of the City.

As part of the annual audit process, the auditor conducts an Interim Audit prior to the end of the financial year. The focus of the interim audit is to assess the overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report. Specifically, the Interim Audit includes:

- updating OAG understanding of City's current business practices ;
- updating OAG understanding of the control environment and evaluating the design and implementation of key controls ;
- sample testing of transactions to confirm the accuracy and completeness of processing accounting transactions; and
- clarifying significant accounting issues before the annual financial report is prepared for audit.

The Chairperson of the Audit and Risk Committee (ARC) and City officers met with the OAG at an entrance meeting held on the 9th May 2022. At this meeting, the OAG outlined the process for the annual audit (including interim and final).

The interim audit took place from the 23rd May to the 3rd June 2022. An exit meeting was held with City officers on the 7th June 2022. The OAG has since provided their signed Interim Management Letter, attached to this report.

OFFICER COMMENT

As part of the 2021/22 Interim Management Letter, the Auditor made two findings, deemed as minor, that were previously noted in the findings for the final audit for the 2020/21 financial year. These were:

1. Asset Management Policy/Procedure
2. Asset Stocktake Policy/Procedure

Full details and City of Busselton Management comments can be seen in the 2021-22 Management Letter attachment.

City staff have since prepared the Operational Practice – Assets which covers both minor findings and has been approved by the CEO on the 19th July 2022. These matters are now complete.

Statutory Environment

Matters pertaining to the financial audit of a local government authority are detailed within:

- *Local Government Act 1995* - Section 7.9 and Section 7.12A.
- *Local Government (Financial Management) Regulations 1996*.
- *Local Government (Audit) Regulations 1996* – Regulation 16

Relevant Plans and Policies

There are no relevant plans or policies to consider in relation to this matter.

Financial Implications

There are no financial implications associated with the officer recommendation.

Stakeholder Consultation

No external stakeholder consultation was required or undertaken in relation to this matter.

Risk Assessment

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place. No risks of a medium or greater level have been identified.

Options

The Audit and Risk Committee may determine to make specific recommendations in relation to the audit findings and the actions identified by management in addressing these. Given the operational nature of the one issue that arose and that this has now been addressed, officers do not think specific resolutions are necessary.

CONCLUSION

The City received two minor findings as a result of the Interim Audit 2021/22, which have now been addressed and closed out.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not applicable.



Our Ref: 8253

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City of Busselton
Locked Bag 1
BUSSELTON WA 6280

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PO Box 8489
PERTH WA 6849
Tel: 08 6557 7500
Email: info@audit.wa.gov.au

Dear Mayor

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2022**

We have completed the interim audit for the year ending 30 June 2022. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate the overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management Control Issues

We would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the CEO. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7640 if you would like to discuss these matters further.

Yours faithfully

Carly Meagher
Director
Financial Audit
13 June 2022

Attach

ATTACHMENT

CITY OF BUSSELTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Findings Identified in the Prior Year:			
1. Asset Management Policy/Procedure			✓
2. Asset Stocktake			✓

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

ATTACHMENT

CITY OF BUSSELTON
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Asset Management Policy/Procedure

Finding 2022

This issue has not been fully resolved. Management is in the process of developing operational procedures to address this finding.

Finding 2021

The City does not have comprehensive asset management procedures to manage its non-current assets.

We acknowledge that management is in the process of developing an asset management policy and procedure to provide comprehensive guidance to staff to manage the City's non-current assets.

Rating: Minor

Implication

Good policies and procedures provide essential guidance for staff to manage the City's assets in accordance with management's expectations. Lack of formal and comprehensive policies and procedures that are readily available to staff increases the risk of mismanagement and recording of assets.

Recommendation

We recommend that management develop a comprehensive procedure for managing the City's assets, including acquisition, assignment of useful life, recording, identification, tracking (e.g., stocktake), disposal and response to theft, damage, or loss. The policies and procedures can also cover the management of portable and attractive assets.

Management Comment

A draft operational procedure is now being considered by the senior management group.

Responsible Person: Paul Sheridan
Completion Date: 30 September 2022

ATTACHMENT

CITY OF BUSSELTON
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Asset Stocktake

Finding 2022

This issue has not yet been resolved. Management is in the process of developing operational procedures to address this finding. A stocktake for 2021/22 has not been performed.

Finding 2021

The City does not have an asset stocktake policy or procedure in place for its plant and equipment type assets, which includes furniture and fittings.

In prior years, the City had relied on the periodic asset revaluation process to verify the existence and condition of its non-current assets, as well as the completeness of its asset register. But in 2019-20 following changes to the Local Government (Financial Management) Regulations, plant and equipment type assets are now measured at cost, resulting in these assets no longer included as part of the revaluation process.

We acknowledge that the City has started to explore options for a stocktake of assets.

**Rating: Minor
Implication**

The absence of a periodic asset stocktake means that discrepancies between the accounting and physical records will not be detected and corrected on a timely basis. This could result in failure to detect theft or loss and/or a misstatement of asset balances in the annual financial report.

Recommendation

We recommend that management develop an asset stocktake policy or procedure that outlines the frequency of the stocktakes, the stocktake process and the responsibilities of the officers involved. Management should ensure that periodic physical checks are carried out by independent officers, to confirm the existence of assets and that records are updated in a timely manner.

Management Comment

A draft operational procedure is now being considered by the senior management group.

Responsible Person: Paul Sheridan
Completion Date: 30 September 2022

7. GENERAL DISCUSSION ITEMS**7.1 DELEGATION**

Cr Ryan raised a question in relation to a delegation related to a confidential matter. The Presiding Member initially consented to the discussion item, however with discussion touching on matters of confidentiality the Presiding Member closed the discussion.

8. NEXT MEETING DATE

To be confirmed.

9. CLOSURE

The meeting closed at 9:55am.

THESE MINUTES CONSISTING OF PAGES 1 TO 13 WERE CONFIRMED AS A TRUE AND
CORRECT RECORD ON . 23 NOVEMBER 2022 .

DATE: 23/11/2022 PRESIDING MEMBER: 