



Audit and Risk Committee

# Minutes

Wednesday 8 November 2023

## MINUTES

Minutes of a meeting of the Audit and Risk Committee held in the Council Chambers, Administration Building, Southern Drive, Busselton, on Wednesday 8 November 2023 at 9:15am, and Wednesday 29 November at 10:00am.

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## 1 OFFICIAL OPENING

The Chief Executive Officer resumed the Audit and Risk Committee meeting at 10:13am on Wednesday 29 November, following the adjournment of the Audit and Risk Committee meeting on 8 November 2023.

The meeting was adjourned on 8 November 2023 due to a quorum not being established within 30 minutes of the commencement of the meeting, as per Regulation 8(e) of the *Local Government (Administration) Regulations 1996*.

The Chief Executive Officer acknowledged the Wadandi and Bibbulmun people as the traditional custodians of this region and paid respects to Elders past and present.

This meeting was audio recorded for minute taking purposes.

## 2 ATTENDANCE

| PRESIDING MEMBER                          | MEMBERS            |
|---|--------------------|
| Cr Andrew Macnish ( <i>from 10:28am</i> ) | Cr Sue Riccelli    |
|   | Mayor Phill Cronin |
|   | Cr Anne Ryan       |
|   | Cr Jodie Richards  |
|   | Cr Val Kaigg       |
|   | Cr Mikayla Love    |
|   | Cr Kate Cox        |
|   | Cr Jarrod Kennedy  |

| OFFICERS              |   |
|-----------------------|---|
| Mr Tony Nottle        | Chief Executive Officer                     |
| Ms Sarah Pierson      | Director Corporate Strategy and Performance |
| Ms Maxine Palmer      | Director Economic and Business Development  |
| Mr Paul Sheridan      | Manager Financial Services                  |
| Mr Ben Whitehill      | Manager Legal and Governance                |
| Ms Jo Barrett-Lennard | Governance Officer                          |

| APOLOGIES |  |
|-----------|--|
| Nil       |  |

|                                      |  |
|--------------------------------------|--|
| <b>OFFICE OF THE AUDITOR GENERAL</b> |  |
| Ms Carly Meagher                     |  |

|               |  |
|---------------|--|
| <b>PUBLIC</b> |  |
| Nil           |  |

### **3 ELECTION OF PRESIDING MEMBER AND DEPUTY PRESIDING MEMBER**

The Chief Executive Officer called for nominations for the position of Presiding Member. Two nominations for the position of Presiding Member were received.

In order of receipt, the nominations were:

- Cr Andrew Macnish
- Cr Sue Riccelli

The Chief Executive Officer confirmed that the nominations were still standing, and asked if there were any further nominations. There were no further nominations.

Each candidate was given five minutes to make a presentation to the committee.

A secret ballot was conducted for the position of Presiding Member, with the outcomes as follows:

- Cr Andrew Macnish – 5 votes
- Cr Sue Riccelli – 4 votes.

10:28am      At this time, Cr Macnish assumed the chair.

The Presiding Member called for nominations for the position of Deputy Presiding Member.

Three nominations for the position of Deputy Presiding Member were received.

In order of receipt, the nominations were:

- Cr Sue Riccelli
- Cr Anne Ryan
- Mayor Phill Cronin

10:29am      At this time, the Presiding Member adjourned the meeting until 10:35am.

10:35am      At this time, the meeting resumed.

10:36am      At this time, Mr Whitehill left the meeting.

The Presiding Member announced that Cr Sue Riccelli had been appointed to Deputy Presiding Member after the withdrawal of nominations from Mayor Phill Cronin and Cr Anne Ryan.

#### 4 DISCLOSURES OF INTEREST

##### DISCLOSURES OF FINANCIAL INTEREST

Nil

##### DISCLOSURES OF IMPARTIALITY INTEREST

Nil

#### 5 CONFIRMATION AND RECEIPT OF MINUTES

##### 5.1 Audit and Risk Committee meeting 13 September 2023

##### COMMITTEE DECISION

**AU2311/78** Moved Mayor Phill Cronin, seconded Cr Anne Ryan

That the Minutes of the Audit and Risk Committee meeting 13 September 2023 be confirmed as a true and correct record.

**CARRIED 8 / 1**

**FOR: Mayor Phill Cronin, Cr Anne Ryan, Cr Jodie Richards, Cr Val Kaigg, Cr Andrew Macnish,  
Cr Mikayla Love, Cr Kate Cox and Cr Sue Riccelli**

**AGAINST: Cr Jarrod Kennedy**

#### 6 PUBLIC QUESTION TIME

Nil

## 7 REPORTS

### 7.1 2022/23 Annual Financial Statements, Audit Report and Management Letter

|                                 |   |
|---------------------------------|---|
| <b>Strategic Theme:</b>         | Key Theme 4: Leadership<br>4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.                            |
| <b>Directorate:</b>             | Corporate Strategy and Performance  |
| <b>Reporting Officer:</b>       | Manager Financial Services - Paul Sheridan  |
| <b>Authorised By:</b>           | Director of Corporate Strategy and Performance - Sarah Pierson  |
| <b>Nature of Decision:</b>      | Noting: The item is simply for information purposes and noting.   |
| <b>Voting Requirements:</b>     | Simple Majority   |
| <b>Disclosures of Interest:</b> | No officers preparing this item have an interest to declare.  |
| <b>Attachments:</b>             | 1. 2022/23 Annual Financial Statements inc Audit Opinion [7.1.1 - 76 pages]<br>2. 2022/23 Audit Management Letter plus attachment [7.1.2 - 4 pages] |

Prior to the meeting Cr Andrew Macnish foreshadowed a motion that was different to the officer recommendation. It was taken to be an alternative recommendation and considered first.

The alternative recommendation was moved and seconded in its entirety. The Presiding Member subsequently required that, as a complex substantive motion, it be put in its component parts (pursuant to clause 10.5 of the City of Busselton *Standing Orders Local Law 2018*).

#### **COMMITTEE RECOMMENDATION**

**AU2311/79** Moved Cr Andrew Macnish, seconded Cr Anne Ryan

The ARC resolves to recommend to the Council that:

1. The minutes reflect the process and name the person who was 'the representative of the ARC' that (was invited by whom and according to what) met with the Auditor.

**LOST 2 / 7**

**FOR: Cr Andrew Macnish and Cr Anne Ryan**

**AGAINST: Mayor Phill Cronin, Cr Val Kaigg, Cr Jarrod Kennedy, Cr Jodie Richards, Cr Kate Cox, Cr Mikayla Love, and Cr Sue Riccelli**

**COMMITTEE RECOMMENDATION**

**AU2311/80** Moved Cr Andrew Macnish, seconded Cr Anne Ryan

The ARC resolves to recommend to the Council that:

2. Highlights the difficulty in discerning the actual real, up to date measure of the gap between the current replacement value of the City's total assets and their written down value and the City's reserves to replace them and the ability of the City to annually cashback its depreciation. Accordingly, the ARC requests the Auditor to make a special report of this as soon as possible.

**CARRIED 5 / 4**

**FOR: Cr Andrew Macnish, Cr Anne Ryan, Cr Jarrod Kennedy,  
Cr Jodie Richards and Cr Mikayla Love**

**AGAINST: Mayor Phill Cronin, Cr Val Kaigg, Cr Kate Cox, Cr Sue Riccelli**

Reasons: The alternative to the officer recommendation was put forward as a consideration for the Long Term Financial Plan.

**COMMITTEE RECOMMENDATION**

**AU2311/81** Moved Cr Andrew Macnish, seconded Cr Anne Ryan

The ARC resolves to recommend to the Council that:

3. Acknowledges receipt of the 2022/23 Annual Financial Statements including Auditors Opinion and Audit Management Letter as per the attached documentation, per section 7.12A(3)(aa) of the *Local Government Act 1995*.

**CARRIED 9 / 0**

**FOR: Mayor Phill Cronin, Cr Andrew Macnish, Cr Anne Ryan, Cr Val Kaigg,  
Cr Jarrod Kennedy, Cr Jodie Richards, Cr Kate Cox, Cr Mikayla Love, Cr Sue Riccelli**

**AGAINST: Nil**

**COMMITTEE RECOMMENDATION**

**AU2311/82** Moved Cr Andrew Macnish, seconded Cr Anne Ryan

The ARC resolves to recommend to the Council that:

4. Notes that it has met with the requirements of section 7.12A(2) of the Local Government Act 1995 with the Audit and Risk Committee, on behalf of the Council, having met with a representative of the Office of the Auditor General on 29 November 2023 .

**CARRIED 9 / 0**

**FOR: Mayor Phill Cronin, Cr Anne Ryan, Cr Jodie Richards, Cr Val Kaigg,  
Cr Andrew Macnish, Cr Mikayla Love, Cr Kate Cox, Cr Jarrod Kennedy and Cr Sue Riccelli**

**AGAINST: Nil**

**COMMITTEE RECOMMENDATION**

**AU2311/83** Moved Cr Andrew Macnish, seconded Cr Anne Ryan

The ARC resolves to recommend to the Council that:

5. Notes the Audit was not for the purpose of expressing an opinion on the effectiveness of internal control and such will need to form an integral part of the ARC's ToR as soon as these can be reviewed.

**LOST 2 / 7**

**FOR: Cr Anne Ryan and Cr Andrew Macnish**

**AGAINST: Mayor Phill Cronin, Cr Jodie Richards, Cr Val Kaigg, Cr Mikayla Love,  
Cr Kate Cox, Cr Jarrod Kennedy and Cr Sue Riccelli**



### **COMMITTEE RECOMMENDATION**

**AU2311/84** Moved Cr Andrew Macnish, seconded Cr Anne Ryan

The ARC resolves to recommend to the Council that:

6. The CEO cause the specific responding actions purporting to evaluate the risk of the \$147,135 to be reported back to the ARC at its next meeting.

**LOST 1 / 8**

**FOR: Cr Andrew Macnish**

**AGAINST: Mayor Phill Cronin, Cr Anne Ryan, Cr Jodie Richards, Cr Val Kaigg,  
Cr Mikayla Love, Cr Kate Cox, Cr Jarrod Kennedy and Cr Sue Riccelli**

### **OFFICER RECOMMENDATION**

That the Council:

1. Acknowledges receipt of the 2022/23 Annual Financial Statements including Auditors Opinion and Audit Management Letter as per the attached documentation, per section 7.12A(3)(aa) of the *Local Government Act 1995*; and
2. Notes that it has met the requirements of section 7.12A(2) of the *Local Government Act 1995* with the Audit & Risk Committee, on behalf of Council, having met with a representative of the Office of the Auditor General on 8 November 2023.
3. Notes and accepts the actions proposed by staff to address the finding as outlined in the Audit Management Letter plus attachment.

### **EXECUTIVE SUMMARY**

The signed Independent Auditors Report and Management Letter (with attachment), in relation to the 2022/23 Annual Financial Statements, were received from the Office of the Auditor General (OAG) on 1 November 2023, and are provided as attachments to this report, along with the final audit stamped version of the 2022/23 Annual Financial Statements, in accordance with section 7.12A(3) of the *Local Government Act 1995* (the Act).

Pursuant to its Terms of Reference, it is relevant that the Audit and Risk Committee considers the 2022/23 Annual Financial Statements, Auditors Opinion and Management Letter and, where appropriate, makes recommendation/s in respect of these documents.

In addition, the local government is required to meet with its auditor at least once every year in accordance with section 7.12A(2) of the *Local Government Act 1995* (the Act).

## STRATEGIC CONTEXT

Financial auditing of the City by the OAG contributes to the good governance of the City and financial management of ratepayer funds.

## 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

Further, 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 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.

A representative of the Audit and Risk Committee and City officers met with the OAG at an entrance meeting, held on 1 May 2023. At this meeting, the OAG outlined the process for the annual audit (including interim and final). The final audit took place between 2 October 2023 and 13 October 2023. An exit meeting was held with a representative of the Audit and Risk Committee, CEO and relevant officers on 1 November 2023. The OAG has since provided their signed audit report, including the opinion and management letter, attached to this report.

## OFFICER COMMENT

The City has again been provided by the OAG with an unqualified audit opinion (clear audit).

As part of the 2022/23 Financial Audit, the Auditor made one finding, deemed as moderate, outlined below

### ***“Payroll Reconciliation***

#### ***Finding***

*We noted that the year-end summary payroll reconciliation report revealed a variance of \$147,135 that was not able to be identified and adjusted. The June reconciliation was prepared and reviewed in September 2023.”*

Full details and the City's management comments can be seen in the 2022/23 Audit Management Letter plus attachment.

The Audit and Risk Committee Terms of Reference determines that the Audit and Risk Committee is responsible and has the duty to formally meet with the auditor in accordance with the Act on behalf

of the local government. Ms. Carly Meagher, Director Financial Audit, from the OAG, representing the Auditor General is attending the Audit and Risk Committee meeting. Ms. Meagher will present the audit report and respond to any queries arising.

The presence of Ms. Meagher meets the requirements of 7.12A (2) of the Act.

### **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**

Not applicable.

### **Financial Implications**

Not applicable.

### **Stakeholder Consultation**

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

There is a requirement to include the audited financial statements within the City of Busselton Annual Report, which will be advertised to the public following its consideration by Council in December 2023.

### **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, given the operational nature of the one issue that arose, and noting the management comments in the response, officers are not of the view that specific resolutions are necessary.

### **CONCLUSION**

The City achieved a clear audit for the financial year ending 30 June 2023 with only one moderate finding reported in the Audit Management Letter.

### **TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

Not applicable.

11:32am At this time, Cr Macnish left the meeting and Cr Riccelli assumed the chair.

11:33am At this time, Cr Love left the meeting.

## **8 CONFIDENTIAL MATTERS**

The Presiding Member called on a member to move a motion to consider an item of urgent business on as it cannot practically wait inclusion in the Agenda of the next Audit and Risk Committee Meeting.

The motion was moved and carried.

### **COMMITTEE DECISION**

**AU2311/85** Moved Mayor Phill Cronin, seconded Cr Anne Ryan

**That the Audit and Risk Committee consider the confidential item as urgent business on the basis it cannot wait inclusion in the agenda of the next Council Meeting. This item will be considered at item 8.1.**

**CARRIED 7 / 0**

**FOR: Mayor Phill Cronin, Cr Anne Ryan, Cr Val Kaigg,  
Cr Jarrod Kennedy, Cr Jodie Richards, Cr Kate Cox, Cr Sue Riccelli**

**AGAINST: Nil**

The Presiding Member called on a Committee Member to move a motion to close the meeting to the public.

The motion was moved and carried.

**COMMITTEE DECISION**

**AU2311/86** Moved Cr Jodie Richards, seconded Mayor Phill Cronin

**That the meeting is closed to members of the public to discuss an item which is confidential under section 5.23(2)(c) of the *Local Government Act 1995*.**

**CARRIED 7 / 0**

**FOR: Mayor Phill Cronin, Cr Anne Ryan, Cr Val Kaigg,  
Cr Jarrod Kennedy, Cr Jodie Richards, Cr Kate Cox, Cr Sue Riccelli**

**AGAINST: Nil**

11:29am At this time, the meeting was closed to the public. Mr Sheridan left the meeting.

## 8.1 Saltwater Project

|                                 |   |
|---------------------------------|---|
| <b>Strategic Theme:</b>         | Key Theme 2: Lifestyle<br>2.4 Establish a performing arts facility for the District.<br>Key Theme 4: Leadership<br>4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.                            |
| <b>Directorate:</b>             | Economic and Business Development   |
| <b>Reporting Officer:</b>       | Director of Economic and Business Development - Maxine Palmer   |
| <b>Authorised By:</b>           | Director of Economic and Business Development - Maxine Palmer   |
| <b>Nature of Decision:</b>      | Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations.                         |
| <b>Voting Requirements:</b>     | Simple Majority   |
| <b>Disclosures of Interest:</b> | No officers preparing this item have an interest to declare.  |
| <b>Attachments:</b>             | 1. CONFIDENTIAL [8.1.1] Section 5.23(2)(c)<br>This attachment contains information relating to a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting. |

This report contains information of a confidential nature in accordance with Section 5.23(2)(c) of the *Local Government Act 1995*, as it contains information relating to a contract entered into, or which may be entered into, by the local government

### COMMITTEE RECOMMENDATION

**AU2311/87** Moved Cr Anne Ryan, seconded Mayor Phill Cronin

**That the Council endorse the officer recommendation.**

**CARRIED 7 / 0**

**FOR: Mayor Phill Cronin, Cr Anne Ryan, Cr Val Kaigg, Cr Jarrod Kennedy,  
Cr Jodie Richards, Cr Kate Cox, Cr Sue Riccelli**

**AGAINST: Nil**

The Presiding Member called on a Committee Member to move a motion to re-open the meeting to the public.

The motion was moved and carried.

**COMMITTEE DECISION**

**AU2311/88** Moved Mayor Phill Cronin, seconded Cr Jodie Richards

**That the meeting be reopened to the public.**

**CARRIED 7 / 0**

**FOR: Mayor Phill Cronin, Cr Anne Ryan, Cr Jodie Richards, Cr Val Kaigg,  
Cr Kate Cox, Cr Jarrod Kennedy and Cr Sue Riccelli**

**AGAINST: Nil**

11:39am At this time, the meeting was reopened to the public. The Presiding Member read out the committee recommendation to the Gallery.

## 9 CLOSURE

The meeting was closed at 11:40am.

**The minutes of the Audit and Risk Committee Meeting held 8 November 2023, and resumed on 29 November 2023 were confirmed as a true and correct record on:**

**Date:**

**Presiding Member:**