

City of Busselton
Geographe Bay

Audit and Risk Committee Agenda

10 August 2022

ALL INFORMATION AVAILABLE IN VARIOUS FORMATS ON REQUEST

city@busselton.wa.gov.au

CITY OF BUSSELTON

MEETING NOTICE AND AGENDA – 10 AUGUST 2022

TO: THE MAYOR AND COUNCILLORS

NOTICE is given that a meeting of the Audit and Risk Committee will be held in the Committee Room, Administration Building, Southern Drive, Busselton on Wednesday, 10 August 2022, commencing at 9.00am.

The attendance of Committee Members is respectfully requested.

DISCLAIMER

Statements or decisions made at Council meetings or briefings should not be relied on (or acted upon) by an applicant or any other person or entity until subsequent written notification has been given by or received from the City of Busselton. Without derogating from the generality of the above, approval of planning applications and building permits and acceptance of tenders and quotations will only become effective once written notice to that effect has been given to relevant parties. The City of Busselton expressly disclaims any liability for any loss arising from any person or body relying on any statement or decision made during a Council meeting or briefing.



MIKE ARCHER

CHIEF EXECUTIVE OFFICER

3 August 2022

CITY OF BUSSELTON

AGENDA FOR THE AUDIT AND RISK COMMITTEE MEETING TO BE HELD ON 10 AUGUST 2022

TABLE OF CONTENTS

ITEM NO.	SUBJECT	PAGE NO.
1.	DECLARATION OF OPENING, ACKNOWLEDGEMENT OF COUNTRY AND ANNOUNCEMENT OF VISITORS	4
2.	ATTENDANCE	4
3.	PUBLIC QUESTION TIME.....	4
4.	DISCLOSURE OF INTERESTS	4
5.	CONFIRMATION OF MINUTES	4
5.1	Minutes of the Audit and Risk Committee Meeting held 2 March 2022	4
6.	REPORTS	5
6.1	2021/22 INTERIM AUDIT REPORT.....	5
7.	GENERAL DISCUSSION ITEMS	12
8.	NEXT MEETING DATE	12
9.	CLOSURE	12

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

2. **ATTENDANCE**

Apologies

3. **PUBLIC QUESTION TIME**

4. **DISCLOSURE OF INTERESTS**

5. **CONFIRMATION OF MINUTES**



5.1 **Minutes of the Audit and Risk Committee Meeting held 2 March 2022**

RECOMMENDATION

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

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 ↓ 

OFFICER RECOMMENDATION

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

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 *Local Government Act 1995* (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 2021/2022 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

Mayor
City of Busselton
Locked Bag 1
BUSSELTON WA 6280

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to: Perth BC
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

A handwritten signature in black ink, appearing to read 'Carly Meagher'.

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

8. NEXT MEETING DATE

9. CLOSURE