

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

CITY OF BUSSELTON

MINUTES FOR THE AUDIT COMMITTEE MEETING HELD ON 21 NOVEMBER 2018

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MINUTES

MINUTES OF AUDIT COMMITTEE HELD IN THE COMMITTEE ROOM, ADMINISTRATION BUILDING, SOUTHERN DRIVE, BUSSELTON, ON 21 NOVEMBER 2018 AT 11.30AM.

1. DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 11.35am.

2. ATTENDANCE

Presiding Member:

Cr Paul Carter

Members:

Cr Grant Henley

Cr Kelly Hick

Officers:

Mr Tony Nottle, Director, Finance and Corporate Services

Mr Kim Dolzadelli, Manager, Finance Services

Mr Tim Partridge, Appointed Auditor AMD Chartered Accountants (remote attendance)
(Until 12.09pm)

Mrs Katie Banks, Executive Assistant to Council, Governance Services

Apologies:

Mr Mike Archer, Chief Executive Officer

3. PUBLIC QUESTION TIME

Nil

4. DISCLOSURE OF INTERESTS

Nil

5. CONFIRMATION OF MINUTES

5.1 Minutes of the Audit Committee Meeting held 14 March 2018

COMITTEE DECISION

AU1811/026

Moved Councillor G Henley, seconded Councillor K Hick

That the Minutes of the Audit Committee Meeting held 14 March 2018 be confirmed as a true and correct record.

CARRIED 3/0

6. REPORTS

6.1 CONDUCT OF MEETING WITH AUDITOR

SUBJECT INDEX:	Compliance
STRATEGIC OBJECTIVE:	Governance systems that deliver responsible, ethical and accountable decision-making.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Financial Services
REPORTING OFFICER:	Manager Financial Services - Kim Dolzadelli
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Nil

PRÉCIS

This report recommends that the Audit Committee meet with the Council's Auditor in accordance with section 7.12A(2) of the Local Government Act 1995.

BACKGROUND

The 2017/18 Annual Financial Statement, Auditors Report and Management Letter has been received from Council's appointed Auditor, Mr Tim Partridge from AMD Chartered Accountants.

STATUTORY ENVIRONMENT

Of relevance, the Local Government Act 1995 Section 7.12A(2) states:

(2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.

RELEVANT PLANS AND POLICIES

There are no plans or policies relevant to this matter

FINANCIAL IMPLICATIONS

There are no financial implications associated with the Officer recommendation

LONG-TERM FINANCIAL PLAN IMPLICATIONS

There are no long term financial implications associated with the Officer recommendation

STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 6 –Leadership of the City's Strategic Community Plan 2017 and more specifically Community Objective 6.1: Governance systems, process and practices are responsible, ethical and transparent.

RISK ASSESSMENT

There are no identified risks of a medium or greater level.

CONSULTATION

The Annual Financial Report has been the subject of close examination by the appointed auditors, Mr Tim Partridge from AMD Chartered Accountants.

OFFICER COMMENT

An important function of the Audit Committee is to meet with the Auditor to discuss the conduct of the audit, the audit findings, and the state of the City's financial affairs generally. Such a meeting is also required by the Local Government Act 1995 Section 7.12A(2), with the local government to meet with its auditor at least once in every year.

The Department of Local Government and Regional Developments Local Government Operational Guidelines – Number 09, Part 16 states:

“It is acknowledged that the requirement to meet at least once per year may incur a significant financial burden for the more remote local governments. In such circumstances the meeting can be conducted by telephone or video conference. The Council or Audit Committee should resolve how the meeting with the Auditor will be conducted and for the record of the meeting to show that the Auditor was involved and the matters discussed.”

Council's Auditor has advised he will be available between 11:30am and 12:30pm to liaise with members of the Audit Committee via teleconference. Due to the timing of schedules, Mr. Partridge was unable to meet in person.

CONCLUSION

The Audit Committee is required to meet with Council's Auditor and report any findings to Council.

OPTIONS

N/A

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Immediate.

COMMITTEE DECISION AND OFFICER RECOMMENDATION

AU1811/027 Moved Councillor G Henley, seconded Councillor K Hick

That the Audit Committee meets with Council's appointed Auditor, Mr Tim Partridge from AMD Chartered Accountants via teleconference to discuss the 2017/2018 Audit Report and Management letter.

CARRIED 3/0

6.2 CITY OF BUSSELTON 2017/2018 ANNUAL FINANCIAL REPORT, AUDITORS REPORT AND MANAGEMENT LETTER

SUBJECT INDEX:	Financial Operations
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Financial Services
REPORTING OFFICER:	Manager Financial Services - Kim Dolzadelli
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Attachment A 2017/2018 Annual Financial Report Including Auditors Report Attachment B 2017/2018 Management Letter

PRÉCIS

The 2017/18 Annual Financial Statement, Auditors Report and Management Letter was received from Council's appointed Auditor, Mr Tim Partridge from AMD Chartered Accountants on 26 October 2018, and is provided to Committee Members as attachments to this report.

Pursuant to its Instrument of Appointment, it is relevant that the Audit Committee considers the 2017/18 Annual Financial Statement, Auditors Report and Management Letter and where appropriate, makes recommendation/s in respect of these reports.

BACKGROUND

Pursuant to Section 7.9 of the Local Government Act (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, where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's Report, which is also to be forwarded to the persons specified in Section 7.9 of the Act.

The Management Report provides an overview of the audit process and outcomes, whilst also identifying any matters that, whilst 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.

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 plans or policies relevant to this matter

FINANCIAL IMPLICATIONS

There are no financial implications associated with the officer recommendation.

Long-term Financial Plan Implications

There are no long term financial plan implications associated with the officer recommendation

STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 6 –Leadership of the City’s Strategic Community Plan 2017 and more specifically Community Objective 6.1: Governance systems, process and practices are responsible, ethical and transparent.

RISK ASSESSMENT

There are no identified risks of a medium or greater level.

CONSULTATION

No external consultation was considered necessary in relation to this matter.

OFFICER COMMENT

The Audit Committee should note the following Auditors comments:

“Opinion

We have audited the annual financial report of the City of Busselton which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In our opinion the annual financial report of the City of Busselton:

- (i) is based on proper accounts and records; and*
- (ii) fairly represents, in all material respects, the results of the operations of the City of Busselton for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.*

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 we report that:

- (i) In our opinion, there are no significant adverse trends in the financial statements of the City of Busselton;*
- (ii) The following instance of non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:*

- *The monthly financial statements for July 2017 and August 2017 were not presented at an ordinary council meeting within two months after the end of the month to which the financial statements relate; as required by Regulation 34(4) of the Local Government (Financial Management) Regulations 1996.*

(iii) All required information and explanations were obtained by us.

(iv) All audit procedures were satisfactorily completed.

(v) In our opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

The Auditor's Management Report provides an overview of the approach undertaken in respect of the annual audit process, and the associated outcomes of the audit. The Management Report also identifies any findings that, whilst not material in relation to the overall audit of the financial report, are considered relevant to the day to day operations of the City.

As part of the 2017/18 Financial Audit, the Auditor made 5 findings as follows, full details and City of Busselton Management comments can be seen in Attachment B 2017/2018 Management Letter:

- a) Compliance Audit Return,
- b) Condition Assessment of Infrastructure Assets,
- c) Liability for Time Off in Lieu,
- d) A finding relating to excessive leave balances, and
- e) Terminated Employee Checklist

Comments on Findings

- a) The Compliance Audit Return (CAR) was considered by the Audit Committee at its meeting on 14 March 2018 and adopted by Council at its meeting held 28 March 2018. The CAR was subsequently signed and lodged with the Department 9 April 2017; this late lodgment was as a result of illness of a staff member and further complicated by the Easter Public holidays of Friday 30 March and Monday 2 April 2018.
- b) Regulation 17A (4)(b) of the Local Government (Financial Management) Regulations 1996 has since been amended to allow for Fair Value of Assets to be undertaken within a period of at least 3 years but no more than 5 years after the day on which the asset was last valued or revalued. Officers believe that this amendment supports the actions of the City with respect to re-assessment of asset conditions.
- c) New processes will be put into place to ensure entitlement balances are regularly reconciled and updated for any change to pay rates.
- d) The finding in relation to excessive leave balances for some employees is acknowledged and a process has been put in place following similar findings over the last few years.

The City continues to adopt an approach of endeavoring to achieve an overall reduction in long outstanding leave balances while still meeting the needs of the organisation. It should be noted this is an issue in relation to a few employees only; and the City does not generally have a problem with excessive leave balances.

This issue will obviously be the subject of continual review prior to and at next year's financial audit.

- e) The City endeavors to ensure that termination checklists are completed following the departure of employees, this instance is believed to be of minor consequence and removal of building and IT access rights, amendment of payroll records indeed did occur, albeit a checklist could not be located.

CONCLUSION

The City achieved a clear audit for the financial year ending 30 June 2018 with only 5 findings reported in the Management Report.

OPTIONS

The Audit Committee may determine to make specific recommendations in relation to the audit findings and the actions identified by management in addressing these. Given the relatively minor nature of the issues that have arisen and the actions which are proposed or are underway, officers do not think specific resolutions are necessary.

12:09 pm At this time Mr Tim Partridge left the meeting.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not applicable.

COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION

AU1811/028 Moved Councillor G Henley, Seconded Councillor K Hick

That the Council accept the 2017/18 Annual Financial Report including Auditors Report and Audit Management Report.

CARRIED 3/0

7. GENERAL DISCUSSION ITEMS

Nil

8. NEXT MEETING DATE

To be advised

9. CLOSURE

The meeting closed at 12.19pm.

THESE MINUTES CONSISTING OF PAGES 1 TO 9 WERE CONFIRMED AS A TRUE AND CORRECT RECORD ON _____.

DATE: _____

PRESIDING MEMBER: _____