

TOWN OF BASSENDEAN

MINUTES

AUDIT AND GOVERNANCE COMMITTEE

HELD IN THE COUNCIL CHAMBER, 48 OLD PERTH ROAD, BASSENDEAN
ON WEDNESDAY 8 DECEMBER 2021, AT 5.37PM

1.0 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Director Corporate Services, Mr Paul White, opened the meeting, welcomed all those in attendance and conducted an Acknowledgement of Country.

2.0 ELECTION OF PRESIDING MEMBER

As this is the first Committee meeting since the Local Government Elections, the position for Presiding Member and Deputy Presiding Member are to be decided.

The Director Corporate Services, Mr Paul White, conducted the election of the Presiding Member under delegated authority of the Chief Executive Officer.

One nomination was received for Cr MacWilliam. The Director Corporate Services declared Cr MacWilliam elected as Presiding Member.

Cr MacWilliam conducted the election of the Deputy Presiding Member.

One nomination was received for Cr McLennan. The Presiding Member declared Cr McLennan elected as Deputy Presiding Member.

3.0 ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil

4.0 ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE

Present

Members

Cr Hilary MacWilliam
Cr Renee McLennan
Cr Kathryn Hamilton
Cr Paul Poliwka
Patrick Eijkenboom
Kim Stewart

Staff/Consultants

Paul White, Director Corporate Services
Elizabeth Kania, Manager Governance & Strategy
Alex Evans, Manager Information & Technology
Raj Malde, Manager Finance
Ron Back, Advisor to the Committee
Krushna Hirani, RSM (until 6.30pm)
Alasdair Whyte, RSM (until 6.30pm)
Jay Teichert, Office of the Auditor General (until 6.30pm)
Amy Holmes, Minute Secretary

5.0 DECLARATIONS OF INTEREST

Nil

6.0 PRESENTATIONS OR DEPUTATIONS

Nil

7.0 CONFIRMATION OF MINUTES

7.1 Audit and Governance Meeting held on 15 September 2021

COMMITTEE/OFFICER RECOMMENDATION – ITEM 6.1

MOVED Cr MacWilliam, Seconded Cr Hamilton, that the minutes of the Audit and Governance Committee meeting held on 15 September 2021, be confirmed as a true record.

CARRIED UNANIMOUSLY 6/0

8.0 BUSINESS DEFERRED FROM PREVIOUS MEETING

Nil

9.0 REPORTS

| | |
|--|---|
| Item No. 9.3 | Audited Annual Financial Statements for the Year Ended 30 June 2021 |
| Property Address (if applicable) | N/A |
| Landowner/Applicant (if applicable) | N/A |
| File Ref/ROC | |
| Previous Council Reports (if applicable) | N/A |
| Directorate | Corporate Services |
| Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/> | |
| <input type="checkbox"/> Advocacy | When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency. |
| <input type="checkbox"/> Executive | The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets. |
| <input type="checkbox"/> Legislative | Includes adopting local laws, town planning schemes and policies. |
| <input checked="" type="checkbox"/> Review | When the Council operates as a review authority on decisions made by Officers for appeal purposes. |
| <input type="checkbox"/> Quasi-Judicial | When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under <i>Health Act, Dog Act</i> or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal. |
| Confidential Attachment No. 2 | <u>CONFIDENTIAL:</u> 1. Draft 2020/21 Annual Financial Statements. 2. Draft Independent Auditor's Opinion 3. Draft Audit Closing Report 4. Findings Identified during the Audit (Management Letter) |

Purpose

The purpose of this report is to provide the Audit and Governance Committee with the Draft 2020/21 Annual Financial Statements and the associated attachments for endorsement. Once endorsed, the CEO and Auditor General will sign their respective parts to the report and a final report will be released for acceptance by the Council on the 21 December 2021.

Background

The Town's Audit and Governance Committee meets at least four times each year in carrying out its functions under the Instrument of Appointment and Delegation (the Instrument).

The Instrument specifies the authority, objectives and responsibilities of the Committee and governs its membership and meeting requirements.

This meeting of the Committee has been convened for the Committee to review the draft Audited Annual Financial Statements and the Audit Closing Report for the year ended 30 June 2021.

The draft Independent Auditor's Report has since been received from the Office of the Auditor General and is included in the above report to the Committee.

Proposal

For the Committee to:

- Endorse the Draft 2020/21 Annual Financial Statements (**Attachment 1**)
- Note the matters identified in the Draft Independent Auditor's Report (**Attachment 2**)
- Review the matters noted in the Draft Audit Closing Report (**Attachment 3**)
- Note the findings identified during the Audit (Management Letter) (**Attachment 4**).

Communication and Engagement

The Town and its auditors RSM Australia engaged in regular communication during the conduct of the audit.

An induction meeting was held with the new Committee on the 1 December 2021, whereby all representatives of the Committee attended. The results of the 2020/21 Draft Financial Statements were presented to Committee members and discussed extensively by the Manager Finance.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

| Direction | Potential Strategies | What Success Looks Like |
|---|---|--|
| Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community | <ul style="list-style-type: none"> • Build understanding and support for the vision and Strategic Community Plan • Demonstrate clear connections between the Strategic Community Plan, project and business as-usual services and operations • Create an organisational culture of performance, innovation and excellence • Develop shared values between Council, administration and the community | <p>SHORT TERM</p> <ul style="list-style-type: none"> • Openness and transparency of decision making • Enhanced staff morale • Staff have appropriate strategic direction • Agreement on the link between projects and Strategic Community Plan • General alignment regarding values |

Comment

The Auditors have advised at the time of writing this report that there were no significant findings from the final audit on the financial information. Matters related to the previous audit have also been resolved except:

- Management of annual leave (moderate).

These are detailed further in the confidential **Attachment 3**, Findings Identified During the Audit, with management comments to the auditor. Management has accepted the findings and has or will introduce measures to address those findings.

In relation to the Information System specific findings, the Auditor has issued a final management letter, see **Attachment 4** which was presented and discussed with the Audit and Governance Committee on 15 September 2021. As there are new members in the current Committee, the report is attached for review.

The Auditors also reported indicators of significant adverse trends, being the Asset Sustainability Ratio and Operation Surplus Ratio, which have been below the Department of Local Government, Sport and Cultural Industries standard for the last three years.

Management is aware of the continuing adverse movement in these two ratios, the reversal of which requires a whole of Town approach to asset management and long-term financial and operational planning. The Executive is presently conducting a comprehensive review of its asset management plans and its long-term financial plan and will endeavor to identify opportunities for capital renewal and replacement in the coming years. The Town will continue to explore further sources of own source revenue and is closely managing operating expenditure.

A report for the Minister for Local Government will be prepared, to address the two ratios, being a significant issue under section 7.12A(4) of the *Local Government Act 1995*.

Statutory Requirements

Local Government (Audit) Regulations 1996, Regulation 16, states:

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and
 - (ii) its functions relating to other audits and other matters related to financial management.
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act.
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —

- (i) report to the council the results of that review; and
- (ii) give a copy of the CEO's report to the council.
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c).
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government.
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c).
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

Local Government (Audit) Regulations 1996, Regulation 17, states:

CEO to review certain systems and procedures:

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.

Financial Considerations

The Independent Audit has been budgeted to cost \$45,000.

Risk Management Implications

As noted in the Attachments.

Alasdair Whyte from RSM spoke on the updated Audit Closing Report, tabled at the meeting. It is envisaged that the finalised audit opinion from the OAG will be received by Council for consideration at its December meeting.

Committee/Officer Recommendation – Item 9.3
AGC-1/12/21

MOVED Cr McLennan, Seconded Cr Hamilton, that the Audit and Governance Committee endorses the Draft 2020/21 Annual Financial Statements (Attachment 1) for adoption by Council, as attached to this report.

CARRIED UNANIMOUSLY 6/0

Krushna Hirani, Alasdair Whyte and Jay Teichert left the meeting at 6.30pm.

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| Item No. 9.1 | Internal Audit Schedule |
| Property Address (if applicable) | N/A |
| Landowner/Applicant (if applicable) | N/A |
| File Ref/ROC | |
| Previous Council Reports (if applicable) | N/A |
| Directorate | Corporate Services |
| Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/> | |
| <input type="checkbox"/> Advocacy | When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency. |
| <input type="checkbox"/> Executive | The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets. |
| <input type="checkbox"/> Legislative | Includes adopting local laws, town planning schemes and policies. |
| <input checked="" type="checkbox"/> Review | When the Council operates as a review authority on decisions made by Officers for appeal purposes. |
| <input type="checkbox"/> Quasi-Judicial | When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under <i>Health Act, Dog Act</i> or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal. |
| Attachment No. 1 | Internal Audit Schedule 2021 - 2023 |

Purpose

The purpose of this report is to provide the Audit and Governance Committee with the revised Internal Audit Schedule showing the key areas that will be covered by the external contractor, William Buck.

Background

The Town has a requirement for Internal Auditing Services, to ensure compliance with the *Local Government Act 1995* (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Council adopted the internal audit schedule at its ordinary council meeting on 23 June 2020.

In accordance with Town's Purchasing Policy and Procurement Manual, the Town issued RFQ 02/2021 Provision of Internal Auditing Services for The Town of Bassendean to identify and select a suitably licensed auditor. William Buck was successfully appointed with the contract period to be from 3 March 2021 to 30 June 2023.

The delay in appointing the internal auditor was due to the demands required to meet other financial priorities and external audit requirements. The consequence was that the first year of the three-year internal audit schedule had almost expired by the time the contract was awarded. Since that time, the Manager Finance and three other members of the Town's Finance team have ceased employment with the Town. The Town appointed a new Manager Finance in August 2021, who set about managing the immediate priorities of completing the end-of-year accounts and external audit process and meeting deadlines for grant acquittals.

A meeting was held with William Buck on 24 November 2021 to review the Internal Audit Schedule. **Attachment 1** provides the detail which essentially consolidates the three-year internal audit program into two years.

Proposal

For the Audit and Governance Committee to receive the revised Internal Audit Schedule showing the key areas that will be covered by the external contractor, William Buck during the remainder of 2021 to 2023.

Communication and Engagement

The Town's Director Corporate Services and new Manager Finance met with the Director - Audit and Assurance at William Buck on 24 November 2021 to review the previous schedule of areas to be covered and developed the revised program as shown in **Attachment 1**.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

| Objectives | Strategies | Measures of Success |
|--|---|--|
| Reinforce a culture of collaboration trust and demarcation between Council, administration and the Community | <ul style="list-style-type: none"> • Build understanding and support for the vision and Strategic Community Plan • Demonstrate clear connections between the Strategic Community Plan, project and business as-usual services and operations • Create an organizational culture of performance, innovation and excellence • Develop shared values between Council, administration and the Community | <p>Short Term</p> <ul style="list-style-type: none"> • Openness and transparency of decision making • Enhanced staff morale • Staff have appropriate strategic direction • Agreement on the link between projects and Strategic Community Plan • General alignment regarding values |

Comment

The attached revised schedule presents a summary of the areas that will be covered by the appointed Internal Auditor, William Buck.

The main changes to the revised schedule are:

- Modules planned for 2020/21 are now covered in 2021/22 or 2022/23, depending on revised priorities and operational capacity within designated service areas.
- Information Technology modules planned in 2021/22 have been re-allocated to 2022/23 to allow for the rollout of the ICT Strategy in 2020/21 and 2021/22.
- The key module in 2021/22, Regulation 17 covering Corporate Governance, Risk Management and Legislative Compliance remains in the current financial year.
- William Buck is reviewing its resource allocation with the understanding that work on the new internal audit program will commence in February 2022.

Statutory Requirements

Local Government (Audit) Regulations 1996, Regulation 16, states:

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (iii) its functions under Part 6 of the Act; and
 - (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and

- (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

Local Government (Audit) Regulations 1996, Regulation 17, states:

CEO to review certain systems and procedures:

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.

Financial Considerations

As the work planned in 2020/21 is now being consolidated in the remaining contract period, there is an expectation that the billable hours for 2021/22 and 2022/23 will increase and accordingly the adopted budget may need to be reviewed.

Risk Management Implications

Nil.

Committee/Officer Recommendation – Item 9.1 **AGC-2/12/21**

MOVED Cr Hamilton, Seconded Cr Poliwka, that the Audit and Governance Committee receives the revised Internal Audit Schedule for 2021 to 2023 as included as an attachment to this report.

CARRIED UNANIMOUSLY 6/0

| | |
|--|---|
| Item No. 9.2 | Audit Risk Register |
| Property Address (if applicable) | N/A |
| Landowner/Applicant (if applicable) | N/A |
| File Ref/ROC | GOVN/CCLMEET/1 |
| Previous Council Reports (if applicable) | N/A |
| Directorate | Corporate Services |
| Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/> | |
| <input type="checkbox"/> Advocacy | When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency. |
| <input type="checkbox"/> Executive | The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets. |
| <input type="checkbox"/> Legislative | Includes adopting local laws, town planning schemes and policies. |
| <input checked="" type="checkbox"/> Review | When the Council operates as a review authority on decisions made by Officers for appeal purposes. |
| <input type="checkbox"/> Quasi-Judicial | When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under <i>Health Act, Dog Act</i> or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal. |
| Confidential Attachment No. 1 | Audit Risk Register |

Purpose

The purpose of this report is to provide the Audit and Governance Committee with the Town's Audit Risk Register, with updated actions since the meeting of the Committee on 15 September 2021.

Background

Creation of an Audit Risk Register was a recommendation arising from the 2019 review of the appropriateness and effectiveness of the Town's systems and procedures in relation to risk management, internal controls and legislative compliance pursuant to Regulation 17 of the Local Government (Audit) Regulations 1996.

Proposal

For the Audit and Governance Committee to receive the Audit Risk Register and consider the action taken or proposed to address the identified risks.

Communication and Engagement

Nil.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

| | | |
|--|---|--|
| <p>Make brave decisions in line with a risk appetite</p> | <ul style="list-style-type: none"> • Early identification of potential risks / issues/opportunities • Embed opportunity cost considerations | <p>SHORT TERM</p> <ul style="list-style-type: none"> • Efficient and effective Council meetings • Defensible decision making that is based on the identification of opportunities and benefits as well as negative impacts <p>LONG TERM</p> <ul style="list-style-type: none"> • Examples of being first adopters |
|--|---|--|

Comment

The Audit Risk Register presents a summary of the audit risks and recommendations made in recent internal and external audit reports relating to the Town and provides an update on actions taken or proposed to address the identified risks.

The Audit Risk Register will continue to be updated and provided for each meeting of the Committee.

Statutory Requirements

Local Government (Audit) Regulations 1996, Regulation 16, states:

An audit committee has the following functions —

- (b) to guide and assist the local government in carrying out —
 - (v) its functions under Part 6 of the Act; and
 - (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (vi) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

Financial Considerations

Implementation of some audit recommendations may require additional funds and will be the subject of separate budget submissions as and when required. The Town's Purchasing Policy and Procurement Framework will govern any required engagements.

Risk Management Implications

Nil.

Suggested improvements to the Audit Risk Register in the future to indicate timeframes and priorities etc, to be considered.

Committee/Officer Recommendation – Item 9.2 **AGC-3/12/21**

MOVED Cr Hamilton, Seconded Cr McLennan, that the Audit and Governance Committee receives the Audit Risk Register and notes the action taken or proposed to address the identified risks.

CARRIED UNANIMOUSLY 6/0

10.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

11.0 ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING

Nil

12.0 CONFIDENTIAL BUSINESS

Nil

13.0 CLOSURE

The next Audit and Governance Committee meeting is to be held on Wednesday 9 March 2022, commencing at 5.30pm.

There being no further business, the Presiding Member closed the meeting at 6.57pm.