

TOWN OF BASSENDEAN
MINUTES
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER, 48 OLD PERTH ROAD, BASSENDEAN
ON WEDNESDAY 7 SEPTEMBER 2022, AT 5.30PM

**1 Declaration Of Opening; Acknowledgment of Country;
Acknowledgment of Visitors; Disclaimer**

The Presiding Member declared the meeting open, welcomed all those in attendance and acknowledged the past and present traditional owners and custodians of the land on which the meeting was held.

2 Announcements by the Presiding Member Without Discussion

Nil

3 Attendances, Apologies and Applications for Leave of Absence

Present

Members

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

Staff/Consultants

Paul White, Director Corporate Services
Elizabeth Kania, Manager Governance & Strategy
Raj Malde, Manager Finance
Markus Stone, Acting Manager Information & Technology
Ron Back, Advisor to the Committee
Amy Holmes, Minute Secretary

Apologies

Jay Teichert, Office of the Auditor General
Amit Kabra, RSM

4 Declarations of Interest

Nil

5 Presentations or Deputations

Nil

6 Confirmation of Minutes

6.1 Confirmation of Minutes

Committee/Officer Recommendation – Item 6.1(a)

MOVED Cr MacWilliam, Seconded Cr McLennan, that the minutes of the Audit and Governance Committee meeting held on 8 June 2022, be received.

CARRIED UNANIMOUSLY 6/0

Committee/Officer Recommendation – Item 6.1(b)

MOVED Cr McLennan, Seconded Patrick Eijkenboom, that the minutes of the Audit and Governance Committee meeting held on 8 June 2022, be confirmed as a true record.

CARRIED UNANIMOUSLY 6/0

7 Reports

7.1 OAG Financial Audit Results - Local Government 2020/21	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	FINM/AUD1
Author	Paul White
Department	Corporate Services
Previous Reports	N/A
Authority/Discretion	Information For the Council/Committee to note.
Attachments	1. OAG - Financial Audit Results - Local Government 2020/21 [7.1.1 - 68 pages]

Purpose

The purpose of this report is for the Committee to receive the Auditor General's report on Local Government financial audits for 2020/21 and note an error in that report pertaining to the Town of Bassendean.

Background

The Auditor General was responsible for the financial audits of all local governments in Western Australia for the first time in 2020/21, following a four-year transition program.

The Auditor General tabled its report "Financial Audit Results Report – Local Government 2020/21" in Parliament on 17 August 2022. Appendix 1 to that report stated that the Town had not met the statutory deadline of 30 September 2021 for provision of the accounts for 2020/21.

The Town's records show that it submitted the accounts for 2020/21 to the Town's appointed auditors RSM Australia on 30 September 2021.

Proposal

That the Committee receives the Auditor General's report on Local Government financial audits for 2020/21 and notes an error in that report pertaining to the Town of Bassendean.

Communication and Engagement

The Town wrote to the Auditor General on 23 August 2022 to ascertain the reasons for the apparent erroneous reference in the above-mentioned report and was informed that the records of the Auditor General show the Town provided its accounts on 12 October 2021. The Town then provided a screen shot of the RSM portal showing lodgment on 30 September 2021 to the Auditor General and is awaiting a response.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions
6.4 Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community

Comment

The Town will seek an amendment to the above-mentioned report to reflect that the accounts for 2020/21 were provided by the due date.

Statutory Requirements

6.4. Financial report

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to —
 - (a) be prepared and presented in the manner and form prescribed; and
 - (b) contain the prescribed information.
- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —
 - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
 - (b) the annual financial report of the local government for the preceding financial year.

Financial Considerations

Nil

Risk Management Implications

Financial Risk
Low

Declaration of Conflicts of Interest

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

Committee/Officer Recommendation – Item 7.1(a) **AGC-1/9/22**

MOVED Cr McLennan, Seconded Patrick Eijkenboom, that the Audit and Governance Committee recommends that Council:

1. Receives the Auditor General's report on Local Government Financial Audits for 2020/21; and

2. Notes that the Town will seek **a correction** to that report to show that the Town's accounts were provided to the appointed auditor by the due date specified in section 6.4 of the *Local Government Act 1995*.

CARRIED UNANIMOUSLY 6/0

Committee Recommendation – Item 7.1(b)

AGC-2/9/22

MOVED Cr McLennan, Seconded Patrick Eijkenboom, that the Audit & Governance Committee recommends that Council requests the CEO write to the Auditor General to seek a review to its processes to include an opportunity for the Local Government to make representations in relation to any adverse mention, prior to finalisation of the report.

CARRIED 5/1

Cr McLennan, Patrick Eijkenboom, Cr Hamilton, Cr MacWilliam & Kim Stewart voted in favour of the motion. Cr Poliwka voted against the motion.

7.2 Review of Related Party Transactions and Disclosure Policy	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	FINM/AUD1
Author	Director Corporate Services
Department	Corporate Services, Corporate Services
Previous Reports	N/A
Authority/Discretion	Legislative Includes adopting local laws, town planning schemes & policies.
Attachments	1. Related Party Transactions - Disclosure Form [7.2.1 - 6 pages] 2. Disclosure of Related Party Transactions Procedure [7.2.2 - 5 pages]

Purpose

The purpose of this report is for the Committee to consider recommending that Council revoke the Related Party Transactions and Disclosure Policy.

Background

Australian Accounting Standards Board (AASB) Standard 124 Related Party Disclosures requires disclosure of certain transactions in the Town's annual financial statements.

To assist the Town to comply with the requirements of AASB 124, Council adopted the Related Party Transactions and Disclosure Policy in August 2017. The policy is supported by a Privacy Collection Notice and a form for making a disclosure.

The requirements for compliance with AASB 124 are administrative in nature and non-discretionary, best served by an administrative procedure rather than a Council Policy.

Proposal

That the Committee recommend Council revoke the Related Party Transactions and Disclosure Policy and notes that the CEO has developed the proposed Disclosure of Related Party Transactions Procedure and supporting disclosure form, attached to this report.

Communication and Engagement

Nil.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions
6.4 Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community

Comment

The purpose of AASB 124 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of **related parties** and by transactions and outstanding balances, including commitments, with such parties.

A 'related party' is a person or entity that is related to the reporting entity (Town of Bassendean). A person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity.

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. In the Local Government context, KMPs include Councillors and Executive staff.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

AASB 124 provides further guidance on interpretation and application of the Standard.

The practice at the Town has been for the administration to provide KMPs with information to enable them to determine whether any related party transactions require disclosure and a disclosure form for completion. Information provided to KMPs to enable this determination includes the Town's Contracts Register, Leases and License Register and a list of entities that have transacted with the Town in the relevant financial year. This information is normally provided in early October following completion of the trial balance for the previous financial year, to allow sufficient time to make any required disclosures in the financial statements. This practice is proposed to continue under the administrative procedure.

Statutory Requirements

The Local Government (Financial Management) Regulations 1996 requires the Town to prepare an annual financial report prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Financial Considerations

Nil.

Risk Management Implications

Financial Risk
Low

The risk of non-compliance with AASB 124 is that the Town's financial statements may lack disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties.

Declaration of Conflicts of Interest

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

Committee/Officer Recommendation – Item 7.2 **AGC-3/9/22**

MOVED Cr Hamilton, Seconded Cr Poliwka, that the Audit & Governance Committee recommends to Council that it:

1. Revoke the Related Party Transactions and Disclosure Policy; and

2. Notes that the CEO has developed the proposed Disclosure of Related Party Transactions Procedure and supporting disclosure form, attached to this report.
CARRIED BY AN ABSOLUTE MAJORITY 6/0

7.3 Audit Risk Register	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	GOVN/CCLMEET/1
Author	Paul White
Department	Director Corporate Services
Previous Reports	N/A
Authority/Discretion	Executive The substantial direction setting and oversight role of the Council.
Attachments	1. CONFIDENTIAL REDACTED - Audit Risk Register [7.3.1 - 7 pages]

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 8 June 2022.

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

6.1 Make brave decisions in line with a risk appetite

- 6.3 Ensure operational activities reflect the strategic focus of Council
- 6.4 Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community
- 6.6 Respond effectively and efficiently to crises

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 Town's internal auditor William Buck Consulting (WA) Pty Ltd (William Buck) completed two important audits, the reports for which were tabled at the last meeting of the Committee:

- Internal audit of Regulation 17 of the *Local Government (Audit) Regulations 1996*; and
- General Finance Control Review.

The recommendations from these two audits and action taken or proposed to be taken in response have been incorporated into the Audit Risk Register.

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.

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

Financial Risk
Medium

Risk implications are detailed in the Audit Risk Register.

Declaration of Conflicts of Interest

All officers involved in the preparation of this report have considered and determined that they do not have a conflict of interest in the matter.

Risk Management Framework – need to embed the processes within the organisation

Committee/Officer Recommendation – Item 7.3 **AGC-4/9/22**

MOVED Kim Stewart, Seconded Cr Hamilton, 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

8 Motions of which Previous Notice has been given

Nil

9 Announcements of Notices of Motion for the Next Meeting

Nil

10 Confidential Business

Nil

11 Closure

The next Audit and Governance Committee meeting will be held on Wednesday 30 November commencing at 5.30pm.

There being no further business, the Presiding Member closed the meeting at 6.39pm.