

**Audit and Governance Committee WEDNESDAY, 6 September
2023 Attachments**

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MINUTES

Audit and Governance Committee

Monday 12 June 2023, 5:30 pm

in the Council Chamber,
Administration Building
48 Old Perth Road, Bassendean WA 6054

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

The Presiding Member declared the meeting open at 5:30pm, 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 Leave of Absence

Present

Hilary MacWilliam, Councillor and Chair
 Paul Poliwka, Councillor
 Kim Stewart, Community Representative
 Paul White, Director Corporate Services
 Rajesh Malde, Manager Finance and Customer Service
 Matthew Monkhouse, Manager Governance & Strategy
 Ron Back, Advisor to the Committee
 Jay Teichert, Office of the Auditor General
 Amit Kabra, RSM Australia
 Krushna Hirani, RSM Australia
 Duy Vo, William Buck

Apologies

Kathryn Hamilton, Mayor
 Renee McLennan, Deputy Mayor
 Patrick Eijkenboom, Community Representative

4 Declarations of Interest

Nil.

5 Presentations or Deputations

Nil.

6 Confirmation of Minutes

6.1	Confirmation of Minutes – Audit and Governance Committee – 8 March 2023
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Attachments:	Nil
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Committee/Officer Recommendation – Item 6.1

MOVED Cr MacWilliam, Seconded Cr Poliwka that the minutes of the Audit and Governance Committee held on 8 March 2023 be received and be confirmed as a true record.

Carried 3/0

7 Business Deferred from Previous Meeting

Nil.

8 Reports

8.1 Annual Audit of the Financial Report for 2022/23 - Audit Planning Memorandum	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	FINM/AUD/7
Author	Paul White
Department	Director Corporate Services
Previous Reports	N/A
Authority/Discretion	Information For the Council/Committee to note.
Attachments	1. Audit Planning Memorandum 2023 [8.1.1 - 27 pages]

Purpose

The purpose of this report is to provide the Committee with the Audit Planning Memorandum (**APM**) for the audit of the Town's Financial Report for 2022/23 (**Attachment 1**).

Committee/Officer Recommendation – Item 8.1

MOVED Cr Poliwka, Seconded Kim Stewart that the Audit and Governance Committee receives the RSM Audit Planning Memorandum of the audit of the Town's Financial Report for 2022/23 (**Attachment 1**).

Carried 3/0

8.2 Internal Audit - General and Rates Debtors	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	RISK/REPRNG/1
Department	Corporate Services
Previous Reports	N/A
Authority/Discretion	Executive The substantial direction setting and oversight role of the Council.
Attachments	1. General and Rates Debtors IA Report - FINAL [8.2.1 - 19 pages]

Purpose

The purpose of this report is for the Audit and Governance Committee to receive the General and Rates Debtors Internal Audit Report, and to consider the recommendations therein and the management action proposed by the Town.

Committee/Officer Recommendation – Item 8.2

MOVED Cr MacWilliam, Seconded Cr Poliwka that the Committee recommends that Council receives the General and Rates Debtors Internal Audit Report and notes the findings and recommendations, and the management action to be taken to address the identified risks.

Carried 3/0

8.3 Internal Audit Schedule 2023/24 to 2025/26	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	GOVN/CCLMEET/18
Department	
Previous Reports	
Authority/Discretion	Executive The substantial direction setting and oversight role of the Council.
Attachments	1. Internal Audit Plan 2022-23 [8.3.1 - 7 pages] 2. Draft Internal Audit Programme 2023-26 [8.3.2 - 1 page]

Purpose

The purpose of this report is for the Audit and Governance Committee to consider the draft internal audit schedule for 2023/24 to 2025/26.

Committee/Officer Recommendation – Item 8.3

MOVED Cr Poliwka, Seconded Cr MacWilliam that the Committee recommends that Council adopts the Internal Audit Schedule for 2023/24 to 2025/26, attached to this report.

Carried 3/0

8.4 Review of Council Policies - Debt Recovery, Financial Hardship and Rates Exemption	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	RAT&VAL/POLICY2
Department	
Previous Reports	OCM – 15/5/20 OCM – 15/6/21
Authority/Discretion	Legislative Includes adopting local laws, local planning schemes & policies.
Attachments	<ol style="list-style-type: none"> 1. Recovery of Rates and Service Charges Policy [8.4.1 - 5 pages] 2. Recovery of Sundry Debts Policy [8.4.2 - 4 pages] 3. Financial Hardship Policy [8.4.3 - 8 pages] 4. Rates Exemption Policy [8.4.4 - 4 pages]

Purpose

The purpose of this report is for the Audit and Governance Committee to review the operation and effectiveness of Council's policies for debt recovery, financial hardship and rates exemption.

Committee/Officer Recommendation – Item 8.4

MOVED Cr MacWilliam, Seconded Cr Poliwka that the Committee recommends that Council:

1. Adopts the amended Recovery of Rates and Service Charges Policy, attached to this report.
2. Adopts the amended Financial Hardship Policy, attached to this report
3. Sets the next review date for the following four policies to 30 June 2026:
 - Recovery of Rates and Service Charges Policy
 - Recovery of Sundry Debts Policy
 - Financial Hardship Policy
 - Rates Exemption Policy.

Carried 3/0

8.5 Review of Councillor Allowances & Expenses Policy	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	TBA
Department	
Previous Reports	N/A
Authority/Discretion	Legislative Includes adopting local laws, local planning schemes & policies.
Attachments	1. Councillor Allowances and Expenses Policy [8.5.1 - 5 pages]

Purpose

The purpose of this report is for the Audit and Governance Committee to consider recommending that Council revoke the Councillor Allowances and Expenses Policy.

Committee/Officer Recommendation – Item 8.5

MOVED Cr Poliwka, Seconded Cr MacWilliam that the Committee recommends that Council:

1. Revokes the Councillor Allowances and Expenses Policy; and
2. Notes that the CEO is to develop a procedure for the reimbursement of expenses.

Carried 3/0

8.6 Review of Council Purchasing Policy	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	FINM/PROCED/1
Department	
Previous Reports	OCM – 11/12/20; OCM – 14/03/22
Authority/Discretion	Legislative Includes adopting local laws, local planning schemes & policies.
Attachments	<ol style="list-style-type: none"> 1. Draft Amended Purchasing Policy - Clean - June 2023 [8.6.1 - 8 pages] 2. Draft Amended Purchasing Policy - Marked up - June 2023 [8.6.2 - 8 pages] 3. Purchasing Policy - LG Comparison [8.6.3 - 4 pages]

Purpose

The purpose of this report is for the Audit and Governance Committee to review the Town's Purchasing Policy. A draft amended Purchasing Policy is attached to this report.

Committee/Officer Recommendation – Item 8.6

MOVED Cr Poliwka, Seconded Kim Stewart that the Committee:

1. Recommends that Council adopts the draft amended Purchasing Policy, attached to this report, with the following amendments:
 - (a) Clause 4.4.2, Purchase Value Threshold one: change to “Up to \$1,000”.
 - (b) Clause 4.4.2, Purchase Value Threshold two: change to “From \$1,000 to \$20,000”.
 - (c) Clause 4.4.2, Purchase Value Threshold two, change the Sourcing Requirement to “Obtain at least Two (2) written quotations from a suitable supplier”, insert “Where appropriate” before “For this Purchase Value Threshold”, and amend the second bullet point to “If it is not possible to obtain a written quotation, a verbal quotation appropriately documented, and confirmed with the supplier, is acceptable”.

- (d) Clause 4.4.2, Purchase Value Threshold three: Delete.
2. Requests the CEO prepare a report for the Audit and Governance Committee on each occasion a contract is awarded under clause 5.2.1 or 5.2.2 of the Purchasing Policy, so the Committee may monitor the application of the policy.

Carried 3/0

8.7 Town of Bassendean Staff Compliance Obligations	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	HR/GRIEV
Department	
Previous Reports	AGC-4/02/23
Authority/Discretion	Executive The substantial direction setting and oversight role of the Council.
Attachments	Nil

Purpose

The purpose of this report is for the Audit and Governance Committee to consider the measures in place to support officers in recognising their compliance obligations.

Committee/Officer Recommendation – Item 8.7

MOVED Cr MacWilliam, Seconded Cr Poliwka that the Audit and Governance Committee notes this report about the measures in place to support officers in recognising their compliance obligations.

Carried 3/0

8.8 Small Balance Write-offs for Rates	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	FINM/AUD1
Department	
Previous Reports	
Authority/Discretion	Review

	When the Council operates as a review authority on decisions made by Officers for appeal purposes.
Attachments	Nil

Purpose

The purpose of this report is to provide Council, via the Audit and Governance Committee, a summary of small rates balances that have been written off in the current financial year to April 2023.

Committee/Officer Recommendation – Item 8.8

MOVED Cr Poliwka, Seconded Kim Stewart that the Committee recommends that Council notes the exercise of delegated authority by the Manager Finance to write off small rates balances shown in Table 1 of this report, in accordance with section 6.12(1)(c) of the *Local Government Act 1995*.

Carried 3/0

8.9 Audit Risk Register	
Property Address	N/A
Landowner/Applicant	N/A
File Reference	GOVN/CCLMEET/1
Directorate	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 - June 2023 [8.9.1 - 9 pages]

Reason for this Item to be discussed behind closed doors:

This matter is to be considered with members of the public excluded from the Chamber under Clause 5.23(f) of the Local Government Act as the officer report discusses a matter that if disclosed, could be reasonably expected to -

- i. *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; or*
- ii. *endanger the security of the local government's property; or*
- iii. *prejudice the maintenance or enforcement of a lawful measure for protecting public safety.*

Purpose

The purpose of this report is to provide the Audit and Governance Committee with the Town's Audit Risk Register, with revised actions since the last update delivered at the Committee meeting on 8 March 2023.

Committee/Officer Recommendation – Item 8.9

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

Carried 3/0

9 Motions of Which Previous Notice Has Been Given

Nil.

10 Announcements of Notices of Motion for the Next Meeting

Nil.

11 Confidential Business

Nil.

12 Closure

The next Committee meeting will be held on 6 September, commencing at 3:30pm. The next Ordinary Council Meeting will be held on **27 June 2023**, commencing at 6pm.

There being no further business, the Presiding Member declared the meeting closed, the time being 7:34pm.

AUDIT SURVEY ANALYSIS

A summary of the sector's response to the local government audit process

AUDIT SURVEY ANALYSIS

Introduction

Responsibility for financial auditing of Western Australia's local governments transitioned from the Department of Local Government, Sport, and Cultural Industries to the Office of the Auditor General with the proclamation of the *Local Government Amendment (Auditing) Act 2017*.

Since this time there has been a range of comments and criticisms of the audit that needed to be corralled and formalised in discussions with the OAG in order to get clarity and better understand how to improve the audit performance and outcomes for local governments.

Local Government Professionals WA partnered with WALGA during April to conduct a survey of the sector to ascertain current issues and attitudes associated with the annual local government audit process.

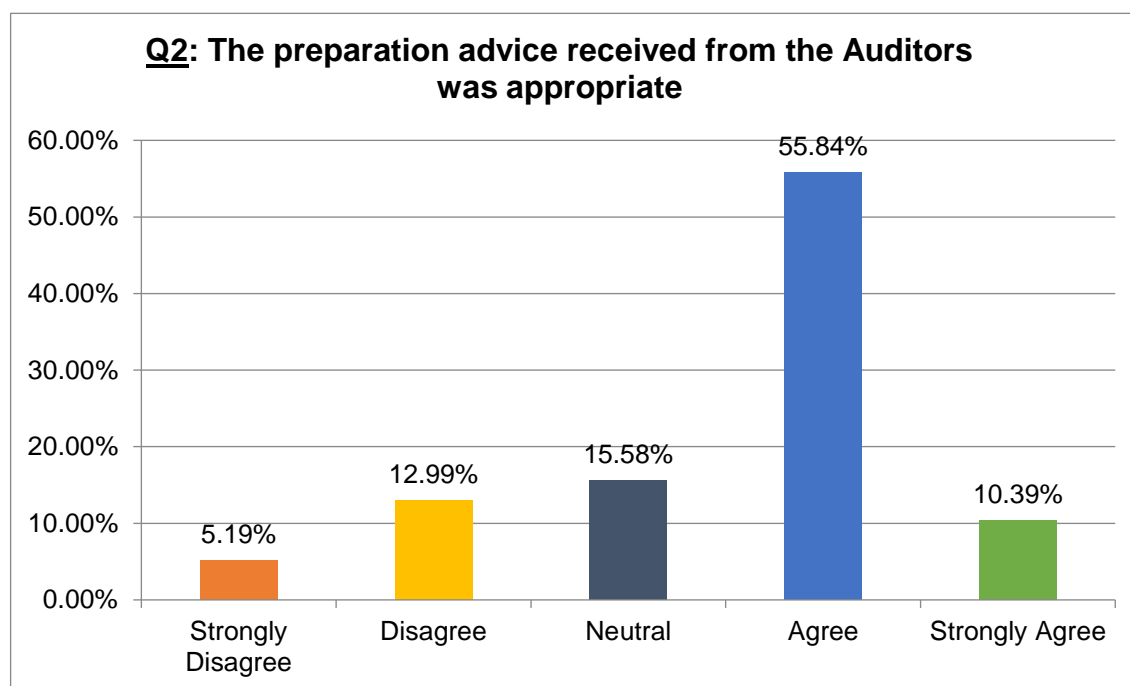
The survey was jointly designed to enable the Associations to provide consistent and constructive advice to the Office of the Auditor General. The OAG is supportive of the process and welcomes this contribution from the peak bodies to inform their continued improvement.

Data and quotations from the survey are provided so as to maintain the anonymity of the 91 local governments referenced as contributors at **Q1**. This level of response provides us with a high level of confidence that the results are strongly indicative of the sector perspectives on the questions asked.

Responses are presented in chart form, demonstrating the percentage of respondents indicating support for the available choices, followed by an indicative summary of the written comments that relate to each question.

The Key Emerging Issues are identified at the end of the report, together with an outline of the advocacy that Local Government Professionals WA proposes to take in response to the survey outcomes. It is anticipated that WALGA will develop its own advocacy to address the findings and we encourage all local governments to participate in that process.

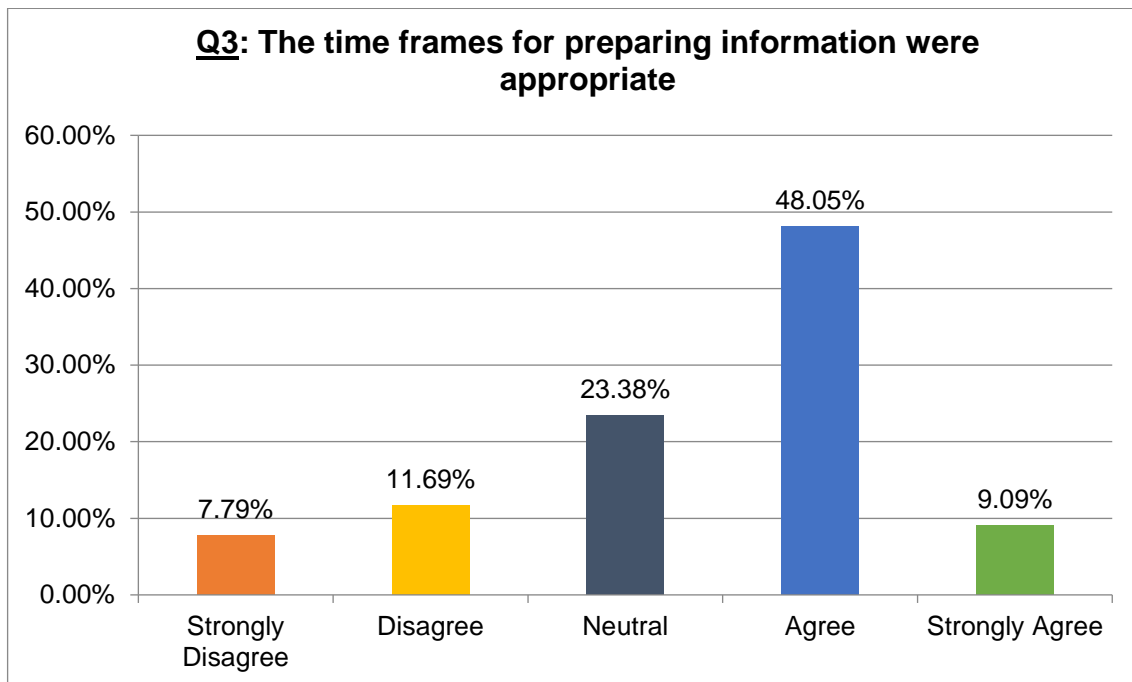
Survey Responses



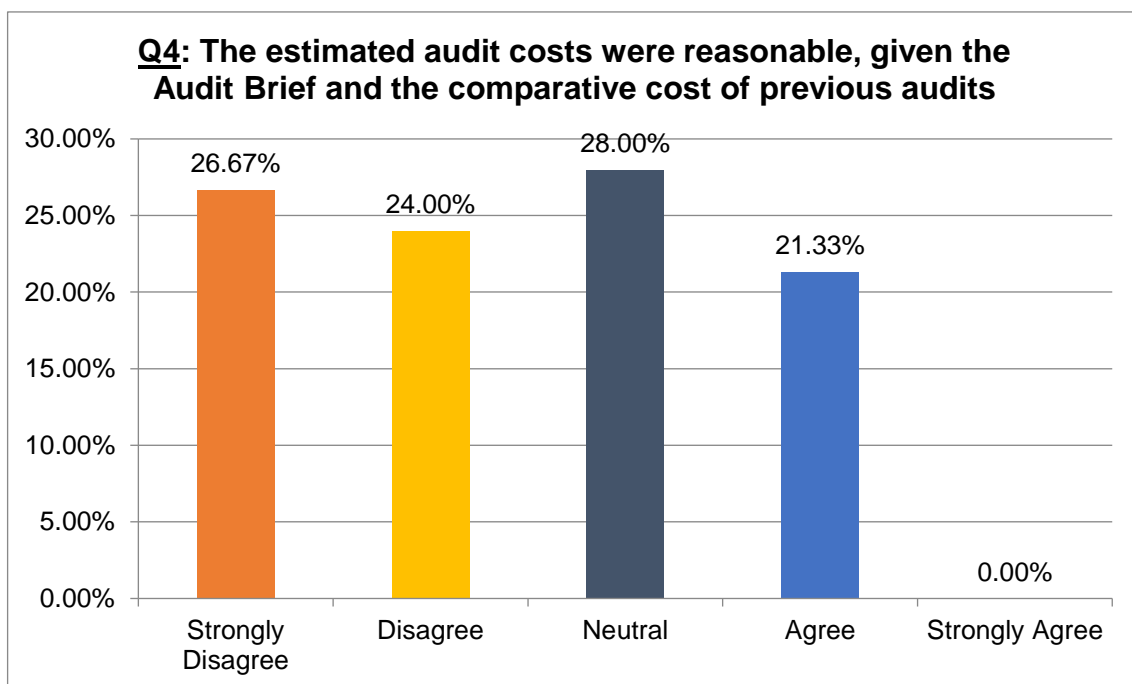
81.8% of respondents were happy with, or neutral to, the Auditors preparation advice.

Criticisms were essentially based on specific situational experiences, such as the withdrawal of the audit firm initially appointed to the process, late appointment of a contract auditor, or difficulty with the auditor's technology platform.

Some comments highlighted the vagueness of preparation requirements and the need for clarity, as well as the need for better appreciation by the auditors for the time involved in responding to their requests.

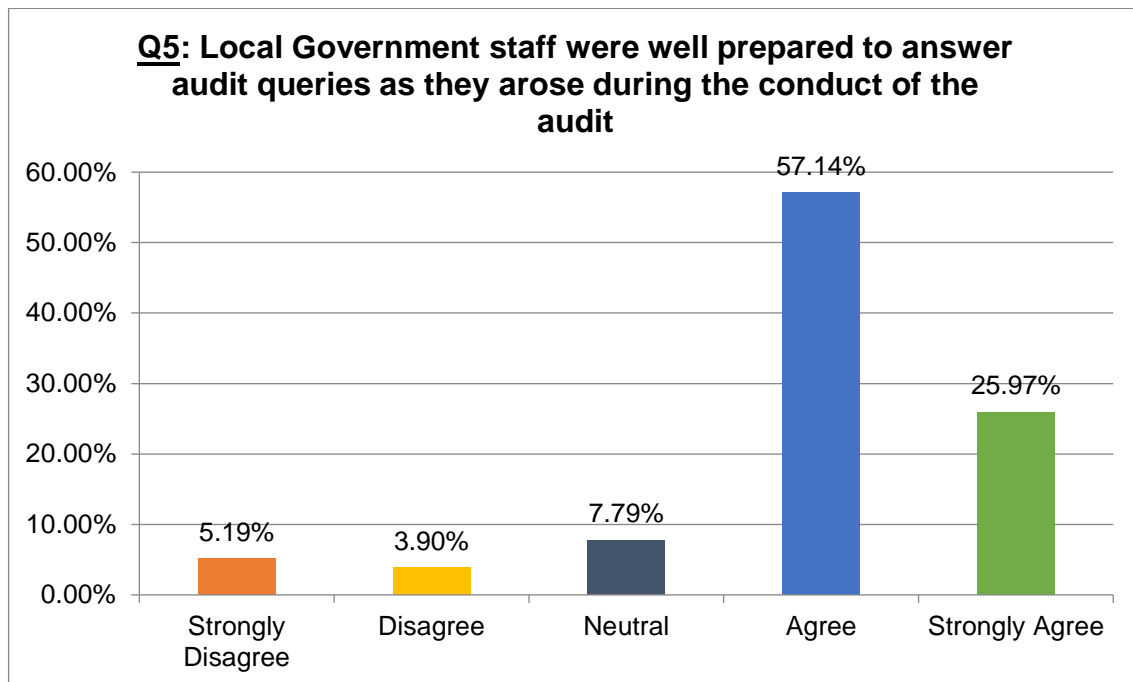


80.5% of respondents were happy with, or neutrally impacted by, the Auditor’s preparation time frames. Comments were mixed, ranging from “*we were ready*” to highlighting timing inflexibility and volume of work.



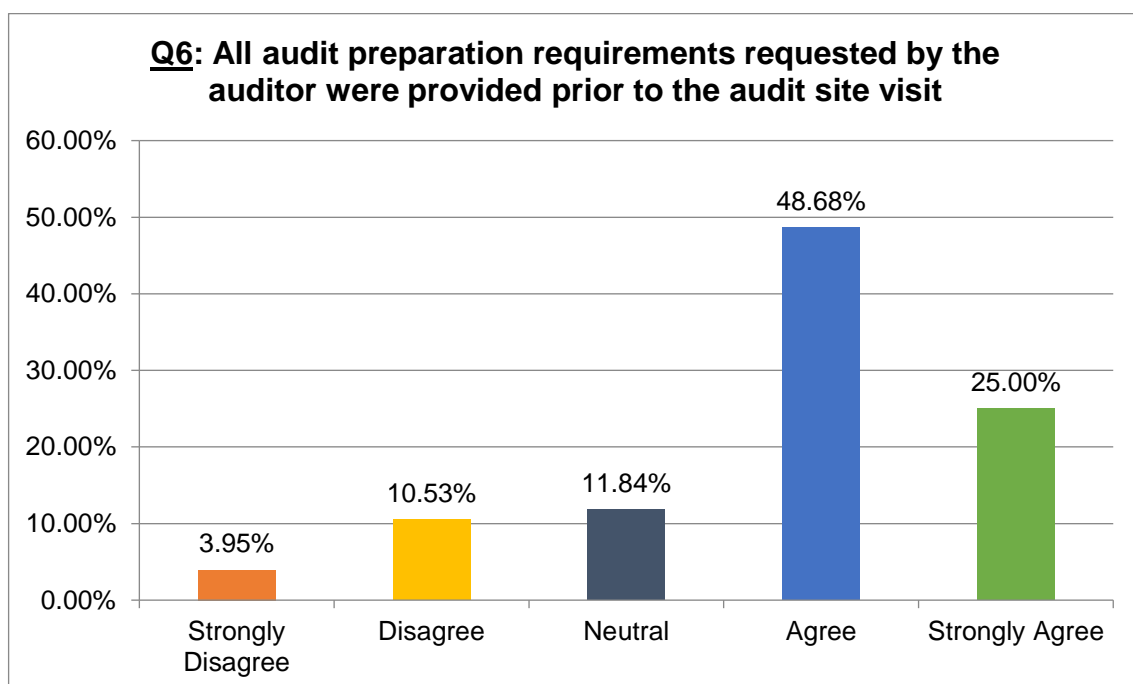
This question was a 50/50 proposition, with **49.3%** of respondents either neutral or believing the estimated audit costs were reasonable.

Comments ranged from “*2.5 times more expensive than prior to the OAG for substantively the same audit outcome*” and concerns about the value-for-money of the audit, to concerns about the lack of transparency from the OAG about how the costs are determined.



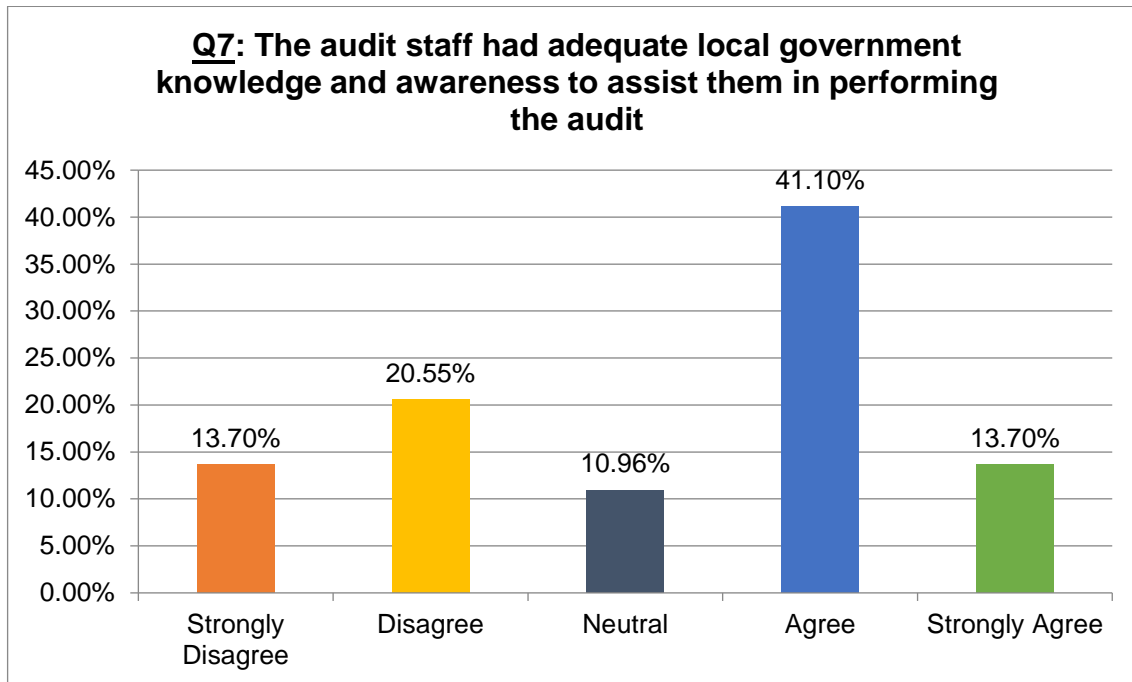
90.9% of respondents were happy or neutral with their response preparation.

Comments highlighted issues such as a lack of audit staff knowledge, to acknowledgement of some delays at the local government end - but not to the extent that would impact the timing or cost variances claimed.



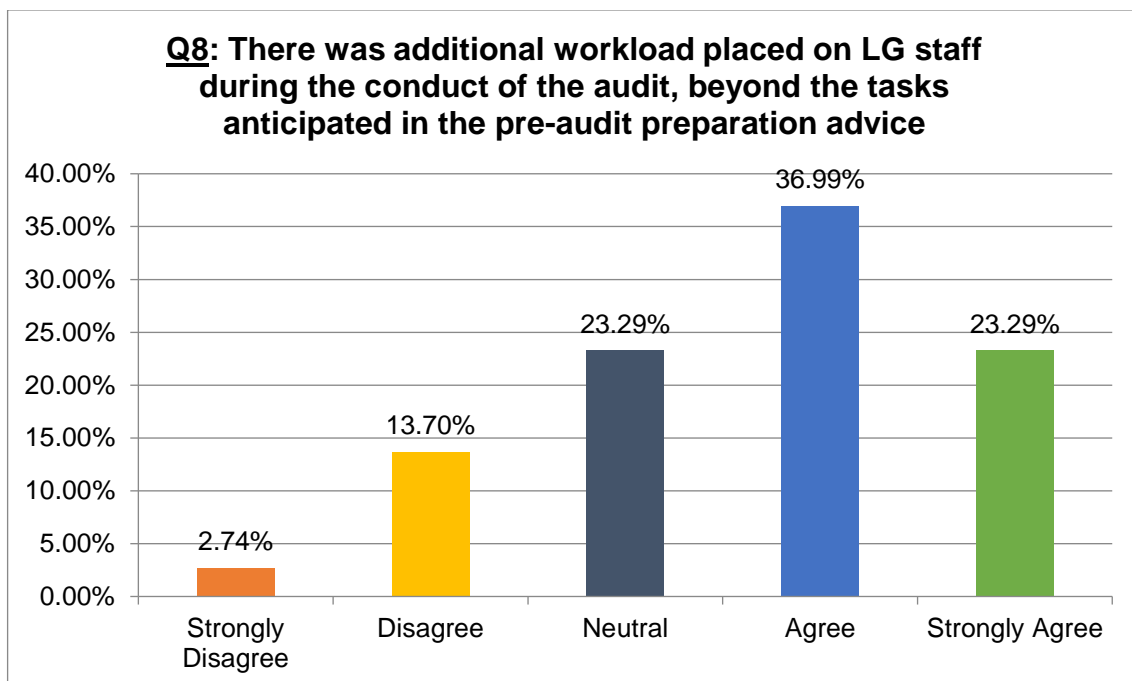
85.5% of respondents either strongly agreed, agreed or were neutral in their response to the proposition.

Comments essentially claimed compliance with the requirement or acknowledged some minor omissions or delays.



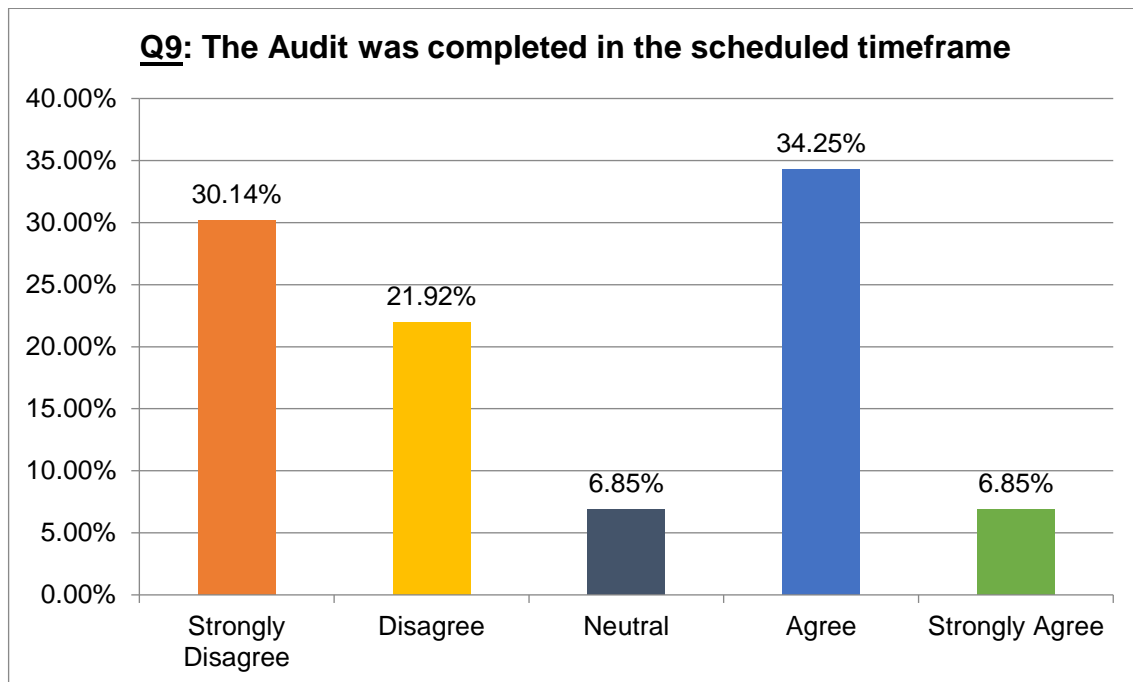
65.8% of respondents were either neutral or supported the statement, indicating that approximately one third of local governments experienced lower than expected levels of local government knowledge and awareness by their auditors.

Comments highlighted this lack of operational knowledge, although some acknowledged that there had been an improvement over last year.



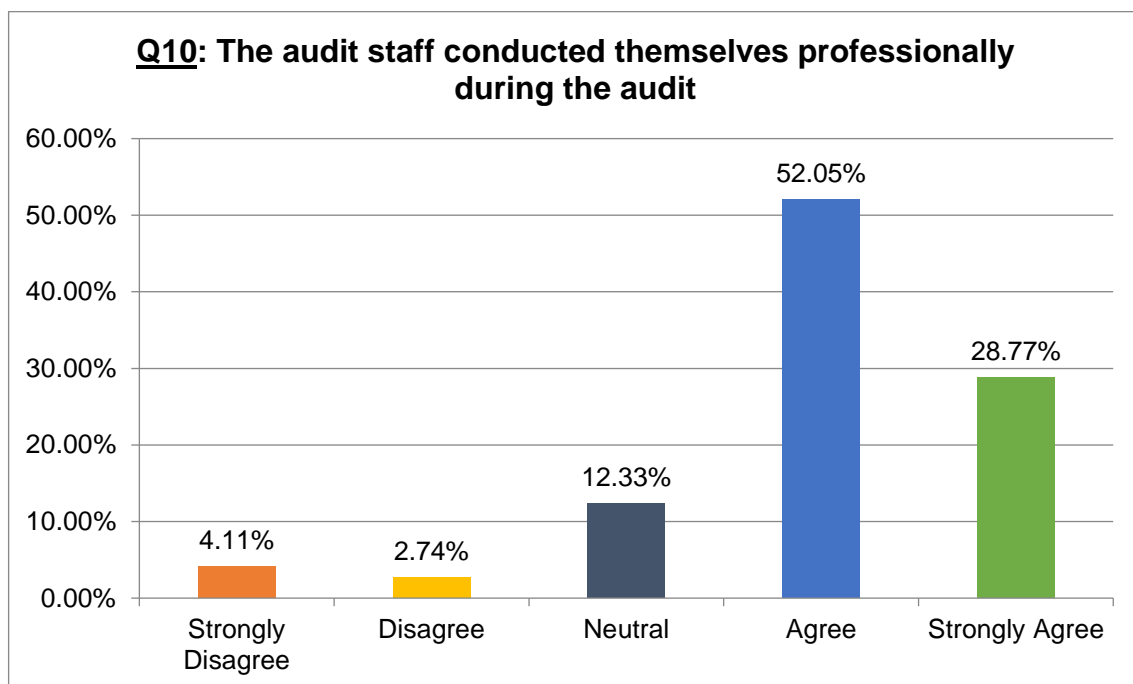
81.6% of respondents were neutral or agreed that they had experienced an abnormal workload, in addition to normal expectations.

Comments emphasised difficulties created by the high number of detailed sampling requests, additional information requests, and repeated requests because the auditor had lost the previous response.

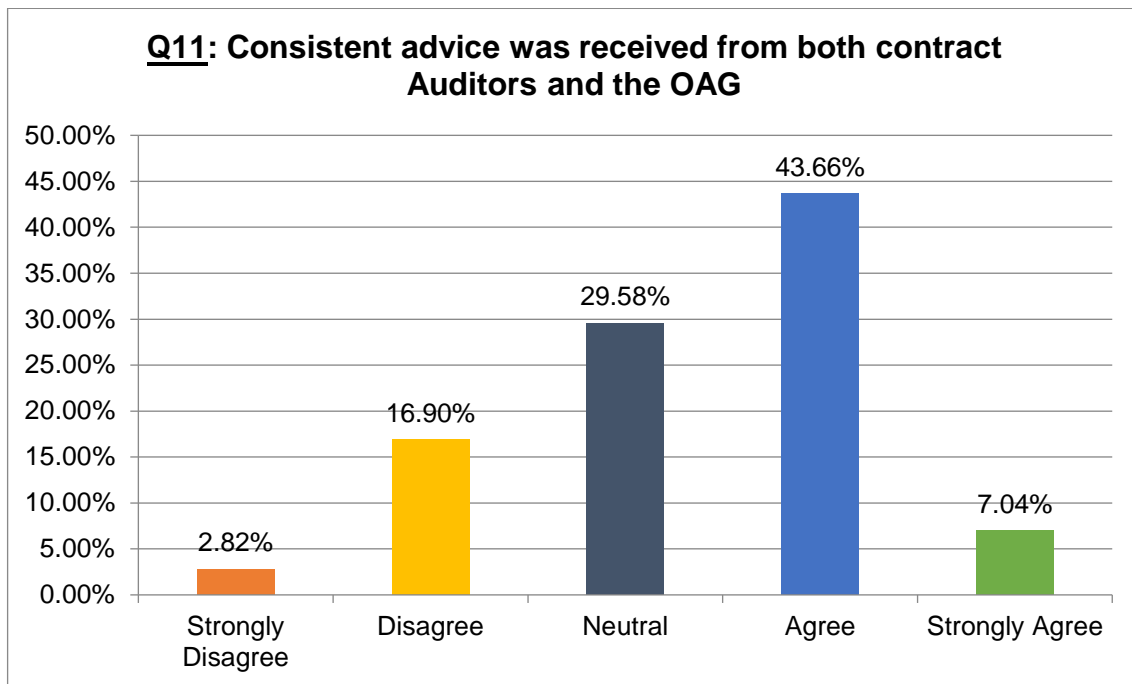


Another 50/50 proposition, where **48%** were neutral or agreed and **52%** disagreed.

When asked to indicate why delays were experienced, the common responses referenced differences between the contract auditors and the OAG and disputes over asset valuation (Fair Value).



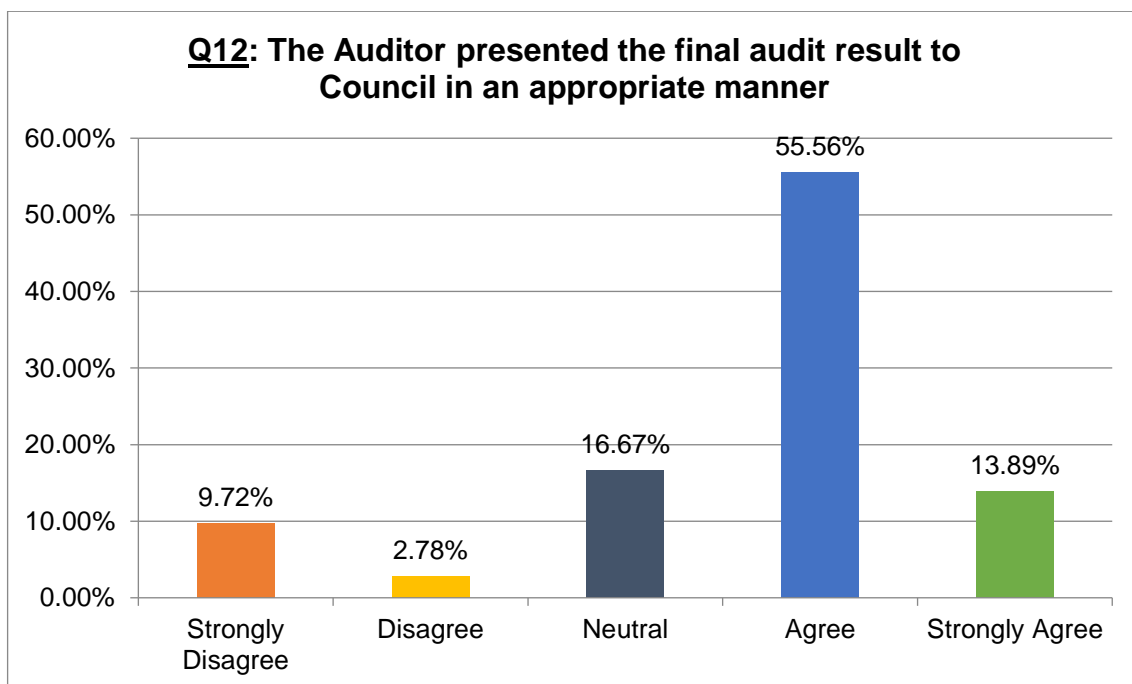
93.1% of respondents supported the statement or were neutral, indicating a very high level of respect and appreciation for the audit staff. Beyond this, the lack of local government experience of some audit staff was referenced.



19.7% of respondents experienced conflicting advice from different audit sources.

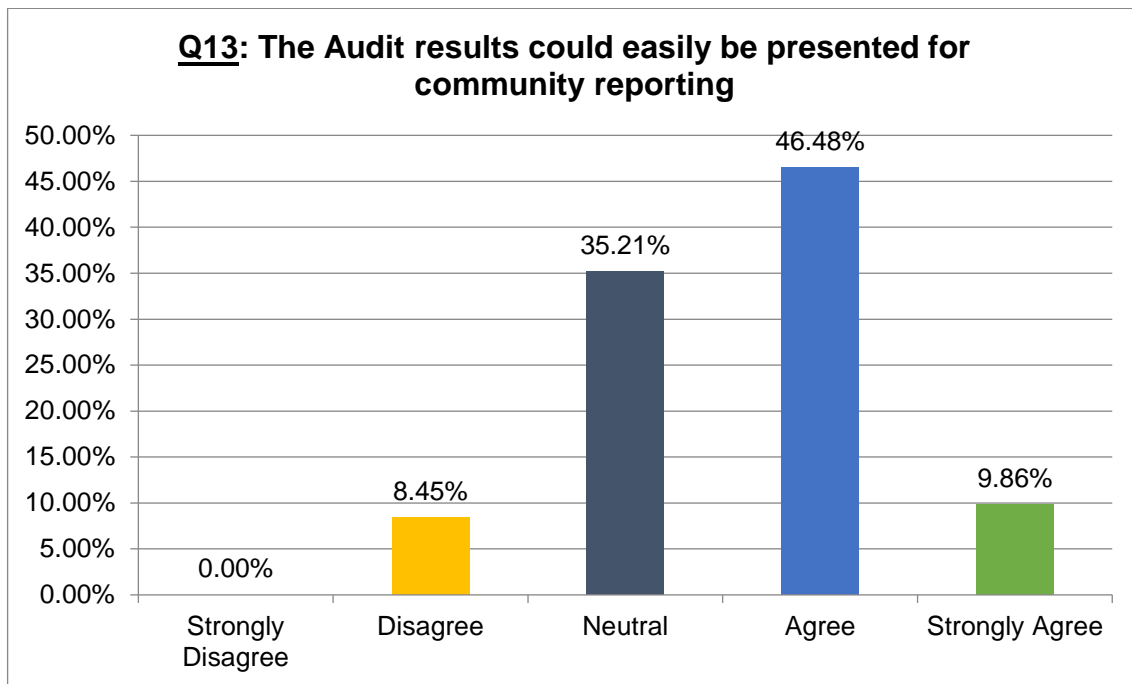
Commentators observed that:

- a lack of knowledge could trigger contradiction of one auditor over the other and referral by contract auditors to the OAG, resulting in considerable delays.
- There was a lack of clarity around asset valuations, creating conflict and inconsistency.



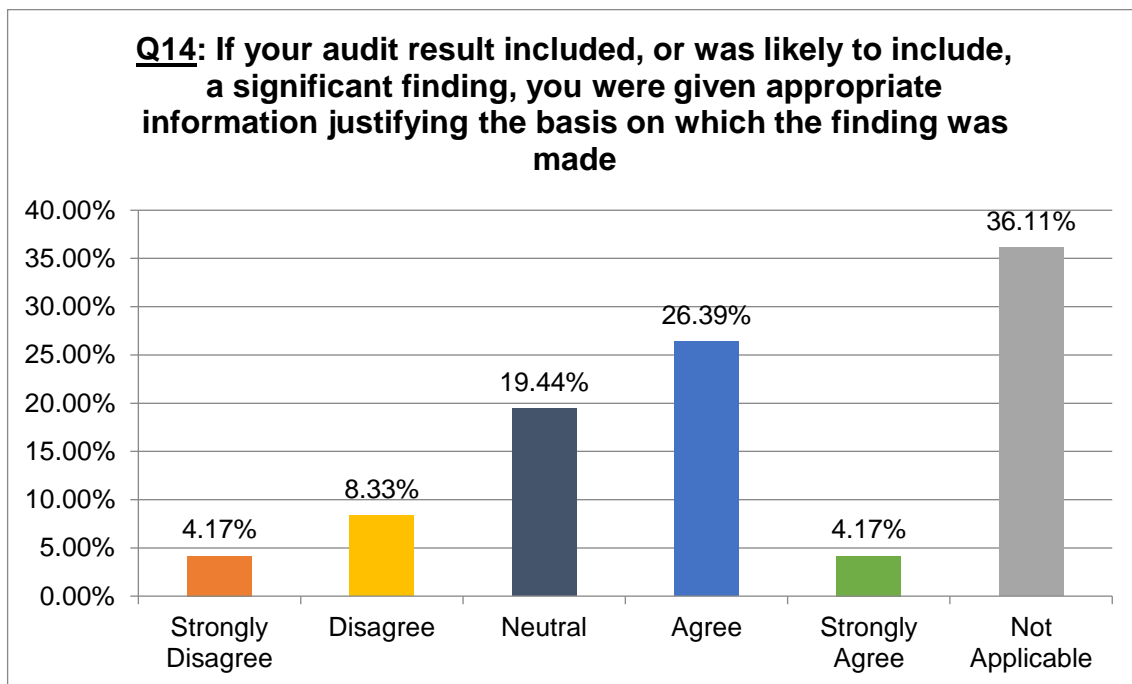
86.1% of responses were neutral or supported the statement, indicating satisfaction with the presentation skills of the audit staff.

Most comments related to the time taken to complete the audit process. The perception of duplication between the exit interview with the Audit Committee and the sign-off with the Council was highlighted.



91.5% of respondents agreed with the statement or were neutral.

An interesting suggestion was that the auditor's report could be more positively framed to also highlight what is being done well.



12.5% of respondents disagreed with the statement.

Comments indicated that concern was being created by; a lack of clarity on asset valuation; conflict between Contract Auditors and the OAG over the definition of a significant finding, and; late, or lack of, communication to individual local governments over expectations.

Q15 - Please indicate initial estimated audit cost versus actual final audit cost.

The lowest **actual cost** indicated was \$22,000 and the highest was \$138,873.

There was an equal amount of responses indicating that the estimated and actual audit costs were the same, as responses indicating that the actual cost was higher than the estimated cost.

The biggest difference between the estimated and actual cost of an audit was \$40,000, with the average difference being approximately \$12,000.

Only two responses indicated that the actual cost was less than the estimated cost.

Respondents were asked: *What were the reasons given for any variance?* Typical responses indicated -

- *"Additional time taken to source information."*
- *"We are still waiting for the justification!"*
- *"No variance. Delivered on time with no delays or additional information required. Happy days."*
- *"We estimated based on previous year and it had gone up again."*

Q16 - Compared to the 2020/21 audit, did you observe any improvement to the 2021/22 audit process that was worth noting?

There were mixed responses to this question, typified by:

- *"No, it was worse, and 20/21 was horrible."*
- *"Yes, 2021/22 audit completed in December 2022 in contrast to 2020/21 audit which was completed in February 2022."*
- *"Yes - our 2021/22 Audit was managed much better from a timing perspective and the OAG stuck to the agreed timeline. This occurred following significant feedback from us following the 20/21 Audit, which included our President meeting with the Director General of the OAG."*
- *"No, in fact the 21/22 audit process was more difficult, took more time due to additional requests and queries from the auditors, and was delayed further due to the inflexibility of timing from audit staff."*

Q17 - Do you have any other comments you would like to make in relation to your 2021/22 audit experience?

The comments could be summarised as seeking:

- Better communication between auditors and the OAG.
- Improved familiarity by audit staff with local government.
- Streamlined processes between local governments, contract auditors and the OAG.

KEY EMERGING ISSUES

The results and comments from the survey highlight five key areas to address in the annual audit process.

Timeframe and delays

Over **50%** of respondents either disagreed or strongly disagreed that *"the audit was completed in the scheduled timeframe"*. Comments from respondents suggested disruptions to the timeframe were caused by things like; consecutive periods of leave taken by the Auditors and OAG staff; difficulties with asset valuations, and; collection of information. One respondent noted that the Auditors continually asked for more information from Local Government staff but refused to acknowledge the delays these requests were causing or allowing for any flexibility in the times allocated.

Additional workload on Local Government staff

60% of respondents either agreed or strongly agreed that *“there was additional workload placed on Local Government staff during the conduct of the audit, beyond the tasks anticipated in the pre-audit preparation advice”*. Only 15% of respondents disagreed or strongly disagreed with this statement. Respondents noted that the tasks expected of Local Government staff *“far exceeded”* what was anticipated, and this led to a *“very high workload”* for staff and a strain on resources. Unclear instructions, poor communication and being asked to answer the same question multiple times were cited by respondents as causes for the additional workload.

Cost

Almost half of respondents either disagreed or strongly disagreed with the statement that *“the estimated audit costs were reasonable, given the Audit Brief and the comparative cost of previous audits”*. Comments from some respondents reported that the costs were more than twice that incurred prior to the OAG assuming responsibility for Local Government auditing. There was also feedback about a lack of transparency from the OAG in its failure to provide a cost breakdown.

In terms of the actual cost of the audit, only two respondents indicated that the final cost was less than the estimated cost, with a significant amount of respondents indicating the actual cost was higher than the estimate. The average difference between the estimated and actual was an increase of around \$12,000, with the biggest difference being \$40,000.

Inconsistent advice from contract Auditors and OAG

Whilst a majority of respondents either agreed or strongly agreed that *“consistent advice was received from both contract Auditors and the OAG”*, several comments indicated that when inconsistent advice was received it led to confusion, delays, and frustration. One respondent suggested that *“requiring the Local Government to only communicate with the contract auditors, and not also the OAG, would avoid these outcomes”*. In this scenario, it would be up to the contract Auditors and the OAG to be on the same page in terms of the advice given, and this in turn would reduce *“inconsistent advice or information from both parties”*.

Asset Valuation Requirements

There were a number of comments throughout the survey raising the need for simplification and clarification of the Fair Value asset valuation requirements. In response to question 11 about the consistency of advice from the contract auditors and the OAG, one respondent noted that the advice received was good *“apart from the issue of the valuation of assets”*.

A similar comment appears in question 14 where a respondent has sought clarification and guidance about *“the timing of infrastructure revaluation and what mechanisms, beside management judgement, [are] in place to show how we have made the decision”*. Feedback on the handling of the asset valuation process can also be seen in a comment in question 8 which suggests that *“more thought needs to be given between the LG Sector and the OAG.”*

Next Steps

Moving forward, we will continue to work with the OAG to reform the audit process by seeking:

- That the OAG review the requirements for pre-audit information with a view to reducing the need for additional information where possible.
- That auditors be required to improve their communication and information management and avoid repeated requests for information that has already been provided.
- That a ceiling of 20% be placed on variances from the quoted estimated cost of the audit in any single financial year.
- That the transparency of the audit costing quotation be enhanced and any variance be fully explained to the local government as part of the final billing process.
- That local governments only be required to communicate with contract Auditors (*unless the OAG is directly auditing the local government*) and the onus be placed on the contract auditors to confirm their advice with the OAG before instructing the local government.
- The application of Fair Value principles be reviewed in the context of the audit.

We encourage the promotion and discussion of the survey outcomes and our proposed action at the local level amongst both staff and elected members.

Amounts recommended for write-off

Debtor Name	Debt Due	Written off under delegation	Council approval for write off	Pending outcome of notice of intention to claim	Description	Comments
DS Ashby	\$50.00	\$50.00			INV17833 - Outstanding Dangerous Dog Inspection Fee	Debt is too small to follow up
Praetorium	\$180.00	\$180.00			INV173882 - Fire Season Risk Mitigation Works for 39 Broadway, Bassendean	Company is derigestered
Y Gomes	\$40.00	\$40.00			INV18452 - Stallholder Permit Usage Fee - Old Perth Road Markets	Debt is too small to follow up
Mary Mogridge	\$313.44		\$313.44		INV16642 - Reimbursement to the Town of Bassendean for damage sustained to the Town of Bassendean Community Hall during hire on Saturday, 15 August 2020	Multiple attempts made by staff to contact hirer. Debt recovery unlikely, recommend write off.
G Cicchini	\$430.32			430.32	INV18096 - Fire Season Risk Mitigation Works for 26 Third Avenue, Bassendean WA 6054	Issue Notice of Intention to Claim
JI Daniels	\$220.00			220.00	INV18861 - Fire Season Risk Mitigation Works for 4A Calnon Place, Bassendean	Issue Notice of Intention to Claim
KN HA	\$645.48			645.48	INV18098 - Fire Season Risk Mitigation Works for 92 Walter Road East, Bassendean WA 6054	Issue Notice of Intention to Claim
L Avramovic	\$430.32			430.32	INV18095 - Fire Season Risk Mitigation Works for 1 Hardaker Street, Eden Hill WA 6054	Issue Notice of Intention to Claim
LC Carpenter	\$430.32			430.32	INV18097 - Fire Season Risk Mitigation Works for 27 Gallagher Street, Eden Hill WA 6054	Issue Notice of Intention to Claim
Main Roads	\$270.00			135.00	INV18446 - Noise Management Plan - Approval for Out of Hours Works for Period 14/08/2022 to 19/08/2022	Matter to be pursued with the Main Roads with liasion from the Health Department
				135.00	INV18851 - Noise Management Plan - Tree Pruning Works - Guildford Road, Between Pearson Street and French Street, Ashfield	
Martu Charitable Trust	\$491.36			491.36	INV18939 - Outstanding Childcare Fees to be paid for Raheem Slater and Ariyah Joseph	Issue Notice of Intention to Claim
Pilates Flow	\$1,798.00			1,798.00	INV18716 - Hire of Alf Faulkner Hall - Third Quarter 2022 INV18914 - Hire of Alf Faulkner Hall - Fouth Quarter 2022	Issue Notice of Intention to Claim
	\$5,299.24	\$270.00	\$313.44	\$4,715.80		