

**AGENDA**

**Audit and Governance Committee**

**Wednesday 13 December 2023**

Notice is hereby given of the meeting

to be held in the Council Chamber

Administration Building

48 Old Perth Road, Bassendean WA 6054,

commencing at 5:30 pm

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

**Acknowledgement of Traditional Owners**

The Town of Bassendean acknowledges the past and present traditional owners of the land on which we gather to conduct this meeting, and pays its respects to their Elders, both past and present.

**2 Announcements by the Presiding Member without Discussion**

 **2.1 Election of Presiding Member and Deputy 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.

Nominations for the positions will be sought at the meeting.

If there is more than one nomination for each position a secret ballot will be conducted to decide the position.

Presiding Member

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

Deputy Presiding Member

The Presiding Member will conduct the election of the Deputy Presiding Member.

**3 Attendances, Apologies and Leave of Absence**

**4 Declarations of Interest**

**5 Presentations or Deputations**

**6 Confirmation of Minutes**

**7 Business Deferred from Previous Meeting**

**8 Reports**

 8.1 Audited Financial Statements for the year ended 30 June 2023

|  |  |
| --- | --- |
| **8.1** | **Audited Financial Statements for the year ended 30 June 2023** |
| **Property Address** | N/A |
| **Landowner/Applicant** | N/A |
| **File Reference** | FIMN/AUD/7 |
| **Directorate** | Corporate Services |
| **Previous Reports** | N/A |
| **Authority/Discretion** | **Executive** The substantial direction setting and oversight role of the Council.   |
| **Attachments** | 1. Town of Bassendean Financial Statements 2022-23 - Signed [**8.1.1** - 40 pages]
2. CONFIDENTIAL REDACTED - Auditor's Closing Report - 30 June 2023 - Final [**8.1.2** - 16 pages]
3. CONFIDENTIAL REDACTED - Management Letter 2022-23 - Financial Attachment - Management Comments [**8.1.3** - 4 pages]
4. CONFIDENTIAL REDACTED - Management Letter 2022-23 - ITGC Attachment - Management Comments [**8.1.4** - 16 pages]
5. CONFIDENTIAL REDACTED - Management Representation Letter 2022-23 - Signed [**8.1.5** - 6 pages]
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**Purpose**

The purpose of this report is to provide the Audit and Governance Committee with Audited Annual Financial Statements for the year ended 30 June 2023 and the associated attachments for endorsement.

**Background**

The Audit and Governance Committee received the RSM Audit Planning Memorandum at its meeting on 12 June 2023. The primary purpose of the Audit Planning Memorandum is to brief the Town on the proposed approach by RSM Australia Pty Ltd (**RSM**), on behalf of the Office of the Auditor General (**OAG**), to audit the financial report of the Town for the year ending 30 June 2023.

The audit is now complete, and the Audited Annual Financial Statements are hereby presented to the Audit and Governance Committee.

**Proposal**

For the Committee to:

* Endorse the Audited Annual Financial Statements for the year ended 30 June 2023 (**Attachment 1**);
* Receive the Independent Auditor’s Report (**Attachment 2 – To be tabled at the meeting**);
* Note the matters contained in the Auditor’s Closing Report (**Confidential Attachment 1**);
* Note the findings identified during the Financial Audit (Management Letter), and management responses to those findings (**Confidential Attachment 2**);
* Note the findings identified during the Information Technology General Controls Audit (Management Letter) and management responses to those findings (**Confidential Attachment 3**); and
* Note the accounting misstatements (un-adjusted items) shown in item 14 of the Management Representation Letter (**Confidential Attachment 4**).

**Communication and Engagement**

The Town and RSM engaged in regular communication during the conduct of the audit. The RSM audit team attended the Town for a week in October to conduct the audit field work and the Town continued to provide documents and information to RSM through to completion of the audit.

The OAG and RSM held the Audit Exit meeting with the Town’s Mayor and CEO on 5 December, to present the audit findings.

**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**

At the time of preparing this report, RSM have advised that the OAG intends to issue an unmodified auditor’s report on the financial statements for the year ending 30 June 2023. Further, RSM has advised that no matters of significance, required to be reported under section 24(1) of the *Auditor General Act 2006*, came to their attention during the audit.

For the Financial Audit, RSM identified three findings, as summarised in Table One.

Table 1: Financial Audit Findings

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Findings** | **Rating** | **Management Response** |
| 1 | Timeliness of performing bank reconciliations | Significant | Reviewing bank reconciliation process |
| 2 | Completeness of fixed asset register | Minor | Conduct full reconciliation of fixed asset register |
| 3 | Reports generation at year-end | Minor | Document year-end process |

The detailed findings from the Financial Audit are contained in confidential Attachment 2, with management comments to RSM. Management has accepted the findings and has or will introduce measures to address those findings.

For the Information Technology General Controls Audit, RSM identified 10 findings with one finding rated as “significant”, five findings rated as “moderate” and four findings rated as “Minor”.

The detailed findings from the Information Technology General Controls Audit are contained in confidential Attachment 3, with management comments to RSM. Management has accepted the findings and has or will introduce measures to address those findings.

The Information Technology General Controls Audit was completed in July 2023, with RSM issuing draft findings to the Town at that time. The Town has taken action to address all findings and considers that five of the findings have been addressed, including the significant finding, and action to address a sixth finding is scheduled to occur in December 2023. For one finding, the Town considers it has taken sufficient action to address the risk and further action would involve significant cost that is not considered warranted at this time. The remaining three findings are considered policy matters, which are currently being addressed as part of a holistic ICT policy and procedure review.

**Statutory Requirements**

The Audit and Governance Committee meets at least four times each year to carry 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.

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);

 (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a);

 (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**

Prior to the audit, the OAG advised that the indicative fee for the audit was $55,000. RSM is now able to complete the audits of grant acquittals and issue the opinion on the OAG’s behalf. RSM has completed audits of grants received by the Town and the Town is awaiting receipt of the invoice from RSM.

**Risk Management Implications**

Financial Risk

Medium

Risks are detailed in the audit management letters (Confidential Attachments 2 and 3).

**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.

**Officer Recommendation – Item 8.1**

That the Committee:

1. Recommends that Council endorse the Audited Annual Financial Statements for the year ended 30 June 2023 (**Attachment 1**);
2. Receives the Independent Auditor’s Report (**Attachment 2**);
3. Receives the Auditor’s Closing Report (**Confidential Attachment 1**);
4. Notes the findings identified during the Financial Audit (Management Letter) and management responses to those findings (**Confidential Attachment 2**);
5. Notes the findings identified during the Information Technology General Controls Audit (Management Letter) and management responses to those findings (**Confidential Attachment 3**); and
6. Notes the accounting misstatements (un-adjusted items) shown in item 14 of the Management Representation Letter (**Confidential Attachment 4**).

**Voting requirements: Simple Majority**

 8.2 Audit Risk Register

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| **8.2** | **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 [**8.2.1** - 6 pages]
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**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 6 September 2023.

**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 annual audit by RSM Australia and the Office of the Auditor General has been completed and is the subject of a separate report to this Committee. The recommendations and actions taken or proposed to be taken will be incorporated into the Audit Risk Register for the next meeting of the Committee.

No internal audits have been completed since the last meeting of the Committee.

**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.

**Officer Recommendation – I8.2**

That the Audit and Governance Committee receives the Audit Risk Register and notes the action taken or proposed to address the identified risks.

**Voting requirements: Simple Majority**

**9 Motions of Which Previous Notice Has Been Given**

**10 Announcements of Notices of Motion for the Next Meeting**

**11 Confidential Business**

**12 Closure**

The next Audit and Governance Committee will be held on Wednesday 6 March commencing at 5.00pm.