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CITY OF BUSSELTON

MINUTES FOR THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON 2 NOVEMBER 2017

TABLE OF CONTENTS

ITEM NO.	SUBJECT	PAGE NO.
1.	DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS.....	2
2.	ATTENDANCE	2
3.	PUBLIC QUESTION TIME.....	3
4.	DISCLOSURE OF INTERESTS	3
5.	CONFIRMATION OF MINUTES	3
5.1	Minutes of the Audit Committee Meeting held 2 March 2017.....	3
6.	REPORTS	4
6.1	CITY OF BUSSELTON 2016/2017 ANNUAL FINANCIAL REPORT, AUDITORS REPORT AND MANAGEMENT LETTER.....	4
6.2	CONDUCT OF MEETING WITH AUDITOR	8
6.3	OFFICE OF AUDITOR GENERAL TO BE RESPONSIBLE FOR APPOINTMENT OF LOCAL GOVERNMENT AUDITORS	10
7.	GENERAL DISCUSSION ITEMS	13
8.	NEXT MEETING DATE	13
9.	CLOSURE	13

MINUTES

MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD IN THE COMMITTEE ROOM, ADMINISTRATION BUILDING, SOUTHERN DRIVE, BUSSELTON, ON 2 NOVEMBER 2017 AT 10.30AM.

1. DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Director, Finance and Corporate Services opened the meeting at 10.30am.

2. ATTENDANCE

Presiding Member:

Mr Cliff Frewing, Director,
Finance and Corporate Services
(until 10.32am)
Cr Paul Carter (from 10.32am)

Members:

Cr Grant Henley
Cr Kelly Hick

Officers:

Mr Cliff Frewing, Director, Finance and Corporate Services
Mr Kim Dolzadelli, Manager, Financial Services

Invited Guests

Mr Tim Partridge FCA (Auditor) (Partner AMD Chartered Accountants)

ELECTION OF A PRESIDING MEMBER

Conducted by the Director, Finance and Corporate Services as a delegated representative of the Chief Executive Officer.

Councillor Carter was nominated for the position by Councillor Henley and the nomination was accepted by Councillor Carter. There being no further nominations, Councillor Carter was elected as Presiding Member.

CARRIED 3/0

10.32am Cr Paul Carter was declared elected to the position of Presiding Member and assumed Chairmanship of the meeting at this time.

ELECTION OF DEPUTY PRESIDING MEMBER

Conducted by the Presiding Member, Cr Paul Carter.

Councillor Kelly Hick nominated herself for the position and her nomination was seconded by Councillor Carter. There being no further nominations, Councillor Hick was elected as Deputy Chair.

CARRIED 3/0

Apologies

Nil

Approved Leave of Absence

Nil

3. PUBLIC QUESTION TIME

Nil

4. DISCLOSURE OF INTERESTS

Nil

5. CONFIRMATION OF MINUTES

5.1 Minutes of the Audit Committee Meeting held 2 March 2017

COMMITTEE DECISION

AU1711/022 Moved Councillor G Henley, seconded Councillor P Carter

That the Minutes of the Audit Committee Meeting held 2 March 2017 be confirmed as a true and correct record.

CARRIED 3/0

6. REPORTS

6.1 CITY OF BUSSELTON 2016/2017 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 - Cliff Frewing
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Attachment A 2016/2017 Annual Financial Report Including Auditors Report⇒ Attachment B 2016/2017 Management Letter⇒

PRÉCIS

The 2016/17 Annual Financial Statement, Auditors Report and Management Letter was received from Council's appointed Auditor, Mr Tim Partridge from AMD Chartered Accountants on 12 October 2017, and is provided to Committee Members with the Agenda documents.

Pursuant to its Instrument of Appointment, it is relevant that the Audit Committee considers the 2016/17 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 7.12A.
- Local Government (Financial Management) Regulations 1996.
- Local Government (Audit) Regulations 1996 – Regulation 16.

RELEVANT PLANS AND POLICIES

Not applicable.

FINANCIAL IMPLICATIONS

Not applicable.

Long-term Financial Plan Implications

Nil

STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 6 – ‘Open and Collaborative Leadership’ and more specifically Community Objective 6.1 - ‘Governance systems, process and practices are responsible, ethical and transparent’.

RISK ASSESSMENT

Not applicable.

CONSULTATION

Not applicable.

OFFICER COMMENT

The Audit Committee should note the following Auditors comments that:

“Opinion

In our opinion, the accompanying financial report of the City of Busselton:

- (i) gives a true and fair view, in all material respects, of the financial position of the City of Busselton as at 30 June 2017, and of its financial performance and its cash flows for the year then ended;*
- (ii) complies with Australian Accounting Standards; and*
- (iii) is prepared in accordance with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.*

Statutory Compliance:

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

- (i) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the City of Busselton:*
- (ii) There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our audit, with exception of the following:*
 - a. The mid-year budget review was not completed prior to 31 March 2017 in accordance with Regulation 33A of the Local Government (Financial Management) Regulations 1996. The review was completed on 9 May 2017 and forwarded to the Department of Local Government 1 June 2017; and*

- b. *The monthly financial statements for November 2016 and May 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) *The asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions;*
- (iv) *All necessary information and explanations were obtained by us; and*
- (v) *All audit procedures were satisfactorily completed during our audit.*

The officer notes the minor non-compliance issues raised in points a. and b. above and advises that a review of Committee meeting dates has been initiated to ensure timelines for reporting can be attained.

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 2016/17 Financial Audit, the Auditor made two findings, both of which have been ranked by the Auditor as "Minor":

- a) A finding relating to Policy Review; and
- b) A finding relating to excessive leave balances for key personnel;

The review of the City of Busselton's Policies and Procedures is an ongoing process; the Auditor has highlighted the following items.

These will be addressed in the coming months, as appropriate.

Policy Description	Last reviewed	Review frequency noted within policy
031 Tender selection Criteria	March 2011	As required
FIN100 Petty cash Procedure	January 2014	As required
FIN105 Operation of Business Customer Account Cards	October 2014	As required
HR224 Shire Motor Vehicles	June 2010	Annually
FIN104 Credit Facilities- Waste Disposal Sites	December 2013	As Required
Customer Service Procedure- Petty cash	February 2014	Not noted
HR406 Disciplinary Practice and Procedure	October 2009	Annually
HR301 Study Assistance Practice and Procedure	July 2014	Annually or as required

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.

CONCLUSION

The City achieved a clear audit for the financial year ending 30 June 2016 with only 2 minor areas of non-compliance relating to the timeframes with respect to presentation of the Annual Budget Review and Statements of Financial Activity. As previously noted *a review of Committee meeting dates has been initiated to ensure timelines for reporting can be attained.*

Whilst the Auditor has reported two audit findings in the Management Report, the Auditor has rated these as minor (i.e. not of primary concern however still warranting action being taken). Officers have addressed these minor issues as shown above.

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.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not applicable.

COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION

AU1711/023 Moved Councillor K Hick, seconded Councillor G Henley

That the City of Busselton Audit Committee recommends to Council that the 2016/17 Annual Financial Report including Auditors Report be accepted.

CARRIED 3/0

6.2 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 - Cliff Frewing
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Nil

PRÉCIS

For the Audit Committee and Council's Auditor to meet.

BACKGROUND

The 2016/17 Annual Financial Statement, Auditors Report and Management Letter were received from Council's appointed Auditor, Mr Tim Partridge from AMD Chartered Accountants on 12 October 2017.

Pursuant to its Instrument of Appointment, the Audit Committee is to consider the 2016/17 Annual Financial Statement, Auditors Report and Management letter and is to meet with its Auditor at least once every year.

STATUTORY ENVIRONMENT

Local Government Act 1995 Section 7.12A(2)

(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

N/A

FINANCIAL IMPLICATIONS

Nil

Long-term Financial Plan Implications

Nil

STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 6 – 'Open and Collaborative Leadership' and more specifically Community Objective 6.1 - 'Governance systems, process and practices are responsible, ethical and transparent'.

RISK ASSESSMENT

N/A

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 meeting is to discuss with the Auditor, the conduct of the audit, the audit findings, and the state of the City's financial affairs generally. This meeting provides the Audit Committee to undertake this important function as required by the *Local Government Act 1995* Section 7.12A(2).

CONCLUSION

That the Audit Committee meets with Council's Auditor on a regular basis and reports any findings to Council. The auditor has agreed to attend this meeting of the Audit and Governance Committee.

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.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Immediate.

OFFICER RECOMMENDATION

That the Audit and Governance Committee notes that an appointment has been made to meet with the Council's appointed Auditor, Mr Tim Partridge from AMD Chartered Accountants who will attend this meeting.

COMMITTEE RECOMMENDATION

AU1711/024 Moved Councillor G Henley, seconded Councillor K Hick

That the Audit and Governance Committee advises Council that it has met with the Council's appointed Auditor, Mr Tim Partridge from AMD Chartered Accountants who attended the meeting.

CARRIED 3/0

6.3 OFFICE OF AUDITOR GENERAL TO BE RESPONSIBLE FOR APPOINTMENT OF LOCAL GOVERNMENT AUDITORS

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:	Director, Finance and Corporate Services - Cliff Frewing
AUTHORISING OFFICER:	Director, Finance and Corporate Services - Cliff Frewing
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Nil

PRÉCIS

The purpose of this report is to formally inform the Audit Committee and Council that the Auditor General has advised that following the assent of the Local Government Amendment (Auditing) Act 2017, the Auditor General will become increasingly involved in the audit of Local Governments.

BACKGROUND

Parliament has recently approved legislation known as the Local Government Amendment (Auditing) Act 2017, which provides for the Auditor general to become responsible for the conduct of Local Government Audits. Up until now, each Local Government was responsible for selecting its own Auditor having regard for the requirements of the Local Government Act and Local Government Audit Regulations.

Certain sections of the Act that allow the Auditor General to commence auditing Local Governments have yet to be proclaimed but this is expected to occur in the near future.

In September 2103, Council appointed its current Auditors for a 5 year period ending at the conclusion of the 2017/18 audit (approximately in one years time). On this basis, the Auditor General will be responsible for appointment and management of the City's auditors (if not performed by themselves) with effect from the commencement of the 2018/19 financial year.

STATUTORY ENVIRONMENT

Matters pertaining to the financial audit of a local government authority are detailed within:

- Local Government Act 1995 Section 7.12A.
- Local Government (Financial Management) Regulations 1996.
- Local Government (Audit) Regulations 1996 – Regulation 16.

RELEVANT PLANS AND POLICIES

Not applicable.

FINANCIAL IMPLICATIONS

Unknown at this time, however the Auditor General has indicated in correspondence that it is likely that audit fees will rise as a result of his Departments involvement.

Long-term Financial Plan Implications

Not significant

STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 6 – ‘Open and Collaborative Leadership’ and more specifically Community Objective 6.1 - ‘Governance systems, process and practices are responsible, ethical and transparent’.

RISK ASSESSMENT

Not applicable.

CONSULTATION

Not applicable.

OFFICER COMMENT

Correspondence has been received from the Auditor General advising the City of new arrangements that will apply in the future regarding Local Government auditing.

Under the new arrangements, the Auditor General will be responsible for selection, appointment, management of the City’s Audit. In some cases, the Auditor General will conduct audits with resources from within the Department, but it is likely that most audits will be contracted out. Either way, it is unlikely that the City will have any involvement in this process. The Auditor General will also be responsible for signing off each Local governments audit at the end of each financial year.

At this stage, only limited information is available but it is anticipated that when the Audit Committee next meets, detailed and more relevant information will be available as to how the Auditor General intends to conduct the Audit of the City.

CONCLUSION

The advice received from the Auditor General is preliminary in nature and is advisory only. Over the course of the next few months, after full proclamation of the *Local Government Amendment (Auditing) Act 2017*, the Auditor General will advise the City of arrangements that will affect future Audits.

In the meantime, the City will continue to be audited by AMD Chartered Accountants until the completion of their contract following audit of the 2017/18 financial statements.

OPTIONS

There are no options as the *Local Government Amendment (Auditing) Act 2017*, has been passed by Parliament providing the statutory authority for the Auditor General to conduct future Audits.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Auditor general will be responsible for the audit from the commencement of the 2017/18 financial year.

COMMITTEE DECISION AND OFFICER RECOMMENDATION

AU1711/025 Moved Councillor G Henley, seconded Councillor K Hick

That the advice from the office of the Auditor general be received.

CARRIED 3/0

7. GENERAL DISCUSSION ITEMS

It was noted that the internal Governance review conducted by John Woodhouse, Special Adviser Business Improvement and Projects will be tabled at the next meeting of the Audit and Governance meeting for consideration.

The chairman thanked the Auditor, Mr Tim Partridge FCA for his attendance at the meeting.

8. NEXT MEETING DATE

To be advised.

9. CLOSURE

The meeting closed at 11.10am.

<p>THESE MINUTES CONSISTING OF PAGES 1 TO 13 WERE CONFIRMED AS A TRUE AND CORRECT RECORD ON MONDAY, 25 DECEMBER 2017.</p> <p>DATE: _____ PRESIDING MEMBER: _____</p>
