



BUNBURY HARVEY
REGIONAL COUNCIL
HARVESTING RESOURCES FROM YOUR WASTE

Audit Committee Meeting

Notice of Meeting & Agenda

13 December 2021

*Meeting to be held at: The Administration Complex, Stanley Road Waste Management Facility, Lot 45, Stanley Road, Wellesley on Monday
13 December 2021, commencing at 4:30pm*

**NOTE: THIS COMMITTEE DOES NOT HAVE ANY DELEGATED
AUTHORITY TO ACT ON BEHALF OF COUNCIL**

Bunbury-Harvey Regional Council
Lot 45 Stanley Road, Wellesley
Western Australia 6233

Correspondence to:
Post Office Box 111
Australind WA 6233

Table of Contents

1. Declaration of Opening / Announcement of Visitors.....	6
2. Disclaimer	6
3. Announcement from the Presiding Member.....	6
4. Attendances.....	6
4.1. Apologies	6
4.2. Approved Leave of Absence	6
5. Declaration of Interest.....	6
6. Public Question Time.....	6
7. Confirmation of Minutes	6
8. Presentations.....	6
9. Method of Dealing with Agenda Business	7
10. Reports of Officers.....	7
10.1. Draft Auditors Report and Annual Financial Statements for the year ending 30 June 2021 ...	7
10.2. 2020/21 Annual Financial Report Audit Findings	10
10.3. 2021 Management Letter	11
11. Elected Member motions of which previous notice has been given	12
12. Urgent business approved by the person presiding or by decision of the Council.....	12
13. Confidential Business (Meeting Closed to the Public)	12
14. Next Meeting.....	13
15. Close of Meeting.....	13

ATTACHMENTS

Attachment 1	-	AMD Exit Meeting Agenda & Audit Planning Summary
Attachment 2	-	Draft Auditors Report and Annual Financial Report for the year ending 30 June 2021
Attachment 3	-	Report Addressing 2020/21 Annual Financial Audit Findings
Attachment 4	-	2021 Management Letter

Audit Committee Terms of Reference

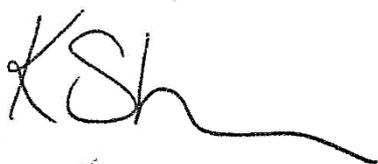
The duties and responsibilities of the committee will be:

- a. Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;
- b. Develop and recommend to Council and appropriate process for the selection and appointment of a person as the local governments auditor;
- c. Develop and recommend to Council:
 - a list of those matters to be audited; and
 - the scope of the audit to be undertaken
- d. Recommend to Council the person or persons to be appointed as auditor;
- e. Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include:
 - the objectives of the audit;
 - the scope of the audit;
 - a plan of the audit;
 - details of the remuneration and expenses to be paid to the auditor; and
 - the method to be used by the local government to communicate with, and supply information to, the auditor;
- f. Meet with auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g. Liaise with the CEO to ensure that the local government does everything in its power to:
 - assist the auditor to conduct the audit and carry out his or her other duties under the Local Government Act 1995; and
 - ensure that audits are conducted successfully and expeditiously;
- h. Examine the reports of the auditor after receiving a report from the CEO on the matters to:
 - determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters;
- i. Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or six (6) month after the last report prepared by the auditor is received, whichever is the latest in time;
- j. Review the scope of the audit plan and program and its effectiveness;
- k. Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO;
- l. Review the level of resources allocated to internal audit and the scope of its authority;
- m. Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;
- n. Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- o. Review the local government's draft annual financial report, focusing on:
 - accounting policies and practices;
 - change to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years;
- p. Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
- q. Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;
- r. Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council;
- s. Review the annual Compliance Audit Return and report to the council the results of that review, and
- t. Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.

Bunbury-Harvey Regional Council Audit Committee Notice of Meeting

Dear Committee Members,

The next meeting of the Bunbury-Harvey Regional Council Audit Committee will be held at the Shire of Harvey Council Chambers, Mulgara Street, Australind on Thursday, 26th May 2022.



Kate Shaw
Chief Executive Officer
(Date of Issue: 6 December 2021)

AGENDA

Note: Members of the public to note that recommendations made by this committee are not final and will be subject to adoption (or otherwise) at a future meeting of the Bunbury-Harvey Regional Council

<i>Council Members:</i>	Representing
Cr Tresslyn Smith	City of Bunbury
Cr Wendy Dickinson	Shire of Harvey
Cr Karen Turner	City of Bunbury
Cr John Bromham	Shire of Harvey
Cr Ben Andrew	City of Bunbury
<i>Executive Leadership Team (Non-Voting)</i>	Representing
Ms Kate Shaw	Acting Chief Executive Officer (BHRC)
Mr Peter Keane	Chief Executive Officer (BHRC)
Ms Annie Riordan	Chief Executive Officer (Shire of Harvey)
Mr Mal Osborne	Chief Executive Officer (City of Bunbury)
<i>Officers (Non-Voting)</i>	Representing
Mr Gavin Harris	Director Works and Services (City of Bunbury)
Ms Karen McDonald	Finance Manager
Mrs Taryn York	Council Meeting Support Officer
Mr David Ransom	Manager Finance (City of Bunbury)

Ms Vicki Gregg	Team Leader Financial Accounting (City of Bunbury)
<i>Others (Non-Voting)</i>	Representing
Mayor Jaysen De San Miguel	City of Bunbury
Cr Dakota Krispyn	Shire of Harvey
Cr Gabi Ghasseb	City of Bunbury
Cr Kris Plumb	City of Bunbury
Ms Carly Meagher (via Phone)	Director Financial Audit (Office of the Auditor General WA)
Mr Tim Patridge (via Phone)	Director (AMD Chartered Accountants)

1. Declaration of Opening / Announcement of Visitors

The Presiding Member Declares Meeting open _____

2. Disclaimer

Not applicable to this committee.

3. Announcement from the Presiding Member

4. Attendances

4.1. Apologies

4.2. Approved Leave of Absence

5. Declaration of Interest

IMPORTANT: Committee members to complete a "Disclosure of Interest" form for each item on the agenda in which they wish to disclose a financial/proximity/impartiality interest. They should give the form to the Presiding Member **before** the meeting commences. After the meeting, the form is to be forwarded to the Administration Services Section for inclusion in the Corporate Financial Disclosure Register.

6. Public Question Time

Not Applicable to this committee

7. Confirmation of Minutes

Receive and accept the Minutes of the Audit Meeting held on 27 May 2021 presented to Council as true and accurate record.

MOVED BY: _____

SECONDED BY: _____

RESULT: CARRIED / LOST _____

RESOLUTION: _____

8. Presentations

Carly Meagher and Tim Partridge will deliver a presentation to the Committee as an exit meeting in relation to the recent financial audit of the Bunbury-Harvey Regional Council (refer exit meeting agenda and Audit Planning Summary contained at **Attachment 1**).

9. Method of Dealing with Agenda Business

As per the order of the Agenda or otherwise

10. Reports of Officers

10.1. Draft Auditors Report and Annual Financial Statements for the year ending 30 June 2021

Applicant / Proponent:	Internal			
Responsible Officer:	Karen McDonald, Finance Manager			
Executive:	Kate Shaw, Acting Chief Executive Officer			
Authority / Discretion:	Advocacy	<input checked="" type="checkbox"/>	Review	<input type="checkbox"/>
	Executive/Strategic	<input checked="" type="checkbox"/>	Quasi-Judicial	<input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes	<input checked="" type="checkbox"/>
Attachment(s):	Attachment 2 – Draft Auditors Report and Annual Financial Report for the year ending 30 June 2021			

Summary

The Draft Auditor's Report and draft Annual Financial Report of the Bunbury-Harvey Regional Council for the financial year ending 30 June 2021 are attached at Appendix 2 for the information of the Audit Committee.

These reports are in 'draft' as Ms Carly Meagher, Director Financial Audit, from the Office of the Auditor General WA, is required to meet with the Audit Committee prior to the signing of the Auditors Report. Ms Meagher will be participating this meeting via a telephone conference call to brief the Committee on the audit and to answer any questions. Following this meeting both the Auditors Report and Statement by the Chief Executive Officer will be signed and will then be presented to Council at a future meeting.

There are no qualifications to the audit opinion.

Executive Recommendation

That the Audit Committee:

Recommends that Council accept the Auditor's Report and the Audited Annual Financial Report of the Bunbury-Harvey Regional Council for the financial year ending 30 June 2021.

MOVED BY: _____

SECONDED BY: _____

RESULT: CARRIED / LOST _____

RESOLUTION: _____

Voting Requirement

Simple Majority

Background

The Auditor General has audited the 2020/2021 Annual Financial Report and have provided an Independent Auditor's Report (refer pages iv to v in the attached Annual Financial Report) as required under the relevant provisions of the Local Government Act 1995 (the Act). The draft Auditor's Report and Annual Financial Report are now presented to the Audit Committee for information.

Furthermore, section 7.12A(2) of the Act requires a local government to meet with its Auditor at least once in every year.

Ms Carly Meagher, Director Financial Audit, from the Office of the Auditor General WA, who is representing the Auditor General, will be participating this meeting via a telephone conference call to discuss the audit with the Committee and to answer any queries arising from the 2020/2021 Audit.

Council Policy Compliance

N/A

Legislative Compliance

Section 7.9(1) of the Act requires the auditor to submit a report to the local government by 31 December each year.

Section 7.12A(2) of the Act requires a local government to meet with its Auditor at least once each year.

Officer Comments

Council's financial management and internal control systems are sound. In addition to being monitored internally on a daily and monthly basis they are also strengthened by an independent assessment each year on the Council's financial management systems and external audit reporting. The independent assessment reviews Council's financial position, financial management practices and compliance with the requirements of the Local Government Act, the Local Government (Financial Management) Regulations, and Accounting Standards. The Financial Management Systems Review for 2021 is included in this Agenda at Item 10.3.

There are five (5) primary financial statements:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Fee Setting Statement

Statement of Comprehensive Income: The Statement of Comprehensive Income (Pages 1 to 2 of the Financial Report) shows the extent to which operating expenditure has exceeded operating revenue during the financial year (i.e. operating deficit).

Key financial figures within the audited Annual Financial Report for the year ended 30 June 2021 include:

	<u>2021</u>	<u>2020</u>
Operating Revenue	\$ 5,692,597	\$ 4,525,153
Operating Expenses	\$ (6,453,672)	\$ (5,233,238)
Total Comprehensive Income	\$ (785,666)	\$ (715,484)

For the year ending 30 June 2021, the Total Comprehensive Income for the period increased from a deficit of \$715K to a deficit of \$785K an increase of \$70K. This is mainly due to increases in Materials & Contracts \$667K and Employee Costs \$713K; which was offset by an increases in fees and charges of \$398K and other revenue of \$649K.

Statement of Financial Position: The Statement of Financial Position (Page 3 of the Financial Report) shows the assets and liabilities which make up the Equity as at the 30 June 2021.

Key financial figures within the audited Annual Financial Report for the year ended 30 June 2021 include:

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 3,165,234	\$ 4,234,312
Current Liabilities	\$ 933,930	\$ 825,101
Current Assets over Current Liabilities	\$ 2,231,304	\$ 3,409,211
Non-Current Assets	\$ 5,435,595	\$ 5,034,844
Non-Current Liabilities	\$ 32,758	\$ 24,248
Total Equity	\$ 7,634,141	\$ 8,419,807

Council's current assets exceed current liabilities by \$2.2M compared to \$3.4M in 2019/20. The total Equity as at 30 June 2021 was \$7.6M a decrease of \$785K from the 2019/20 financial year.

Statement of Changes in Equity: The Statement of Changes in Equity (Page 4 of the Financial Report) shows the extent to which the Equity has been decreased by the net result of the year's activities. For the year ending 30 June 2021, the Equity decreased from \$8.4M to \$7.6M.

Statement of Cash Flows: The Statement of Cash Flows (Page 5 of the Financial Report) shows the nature and amount of Council's cash inflows and out flows from all activities. Council's cash held at the end of the reporting period was \$2.5M compared to \$3.7M in 2019/2020.

Fee Setting Statement: The Fee Setting Statement (Page 6 of the Financial Report) shows the amount of fees and charges required to be raised to fund the Council's operating during 2020/21. In 2020/21, \$4.3M in Fees and Charges were raised, an increase of \$398K or 10% on 2019/20. This was mainly due to increases in casual tipping fees (\$271K).

Financial Information by Ratio:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
--	-------------	-------------	-------------

Current Ratio	1.07	1.37	2.32
----------------------	------	------	------

Current Assets as a ratio of Current Liabilities.

(Measure of short term liquidity, i.e. the ability of Council to meet its liabilities when they fall due. A ratio of greater than 1.0 indicates Council has more current assets than current liabilities. Target is > 1.0)

Asset Sustainability Ratio	1.23	0.65	0.57
-----------------------------------	------	------	------

Capital renewal and replacement expenditure as a ratio of depreciation expense.

(Measures the extent to which assets are being renewed/replaced compared to the amount consumed i.e. depreciation. A ratio of greater than 1.0 indicates that council is investing in asset renewal/replacement greater than current consumption. Target is > 0.80)

Asset Consumption Ratio	0.71	0.73	0.81
--------------------------------	------	------	------

Depreciated replacement cost of assets as a ratio of Current replacement cost of assets.

(Measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost. The Department of Local Government indicates that the standard is met if the ratio is greater than 0.50, and is improving if the ratio is between 0.60 and 0.75)

Asset Renewal Funding Ratio	1.00	1.00	0.81
------------------------------------	------	------	------

NPV of planning renewal over 10 years as a ratio of NPV of required capital expenditure over 10 years.

(Measures the ability of a local government to fund its projected asset renewal / replacements in the future. The Department of Local Government indicates that the standard is met if the ratio is between 0.75 and 0.95)

Debt Service Cover Ratio	Nil	Nil	Nil
---------------------------------	-----	-----	-----

Operating Surplus before Interest and Depreciation as a ratio of principal and interest expense for borrowings. Council had no borrowings as at 30 June 2020.

(Measures Council's ability to service debt out of its uncommitted or general purpose funds available for its operations. The Department of Local Government indicates that a Basic standard is achieved if ≥ 2.0 . An Advanced standard is ≥ 5.0 . This ratio is not applicable as the Council has no debt.)

Operating Surplus Ratio	(0.15)	(0.16)	(0.16)
--------------------------------	--------	--------	--------

Operating Revenue minus Operating Expenditure as a ratio of own source operating revenue.

Background

The Auditor's Report for the year ended 30 June 2021 indicates that the Asset Sustainability Ratio and Operating Surplus Ratio are below the Department's standard for the last 2 years and 3 years respectively.

The Local Government Act, Section 7.12A(4) requires local governments to examine the audit report it receives and implements appropriate action in respect to the significant matters raised.

A report addressing the significant matters identified in the audit report must be prepared and then considered by the Audit Committee before being adopted by Council.

Council Policy Compliance

N/A

Legislative Compliance

Local Government Act, Section 7.12A(4) – Duties of local governments; with respect to matters identified as significant by the auditor.

Officer Comments

A report has been prepared for the Audit Committee's information on the adverse ratio trends identified in the 2021 Auditor's Report, their implications to the financial position of the Council and how these ratios can be improved (refer Appendix 3).

This report will be provided to the Minister within three months of receiving the audit report and within 14 days after giving the report to the Minister, the Council will publish a copy of this report on the City's website as required by the Local Government Act.

Analysis of Financial and Budget Implications

Nil

Elected Member/Officer Consultation

This matter is presented to the Committee for consideration.

10.3. 2021 Management Letter

Applicant / Proponent:	Internal			
Responsible Officer:	Karen McDonald, Finance Manager			
Executive:	Kate Shaw, Acting Chief Executive Officer			
Authority / Discretion:	Advocacy	<input checked="" type="checkbox"/>	Review	<input type="checkbox"/>
	Executive/Strategic	<input checked="" type="checkbox"/>	Quasi-Judicial	<input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes	<input checked="" type="checkbox"/>
Attachment(s):	Attachment 4 – 2021 Management Letter			

Summary

The purpose of this report is for the Audit Committee to receive the management letter for the year ended 30 June 2021 prepared by the Auditor General. This report stems from the 2020/21 financial audit of the Bunbury-Harvey Regional Council.

Ms Carly Meagher, Director Financial Audit, from the Office of the Auditor General, is representing the Auditor General and will be available via a conference call to discuss with the Committee any queries arising from the 2020/21 Audit.

Executive Recommendation

That the Audit Committee:

Receives the Management Letter from the Office of the Auditor General for the year ended 30 June 2021.

MOVED BY: _____

SECONDED BY: _____

RESULT: CARRIED / LOST _____

RESOLUTION: _____

Voting Requirement

Simple Majority

Background

Findings Identified during the Year End Audit outlines any management or financial issues identified by the Auditor as part of the 2020/21 financial audit of the Bunbury-Harvey Regional Council that were not material enough to qualify the overall audit, but relevant enough to be brought to the attention of the Audit Committee.

Council Policy Compliance

N/A

Legislative Compliance

The Report to the Audit Committee is provided by the Council's Auditor as part of the Council's annual audit report completed under section 7.9(1) of the *Local Government Act 1995*.

Officer Comments

The Management Report is attached at Appendix 5 and lists the following findings during the 2020/21 audit:

1. Auditors not notified of Department of Water and Environmental Regulation breach
2. High Leave Accruals at Year End

A management comment to each of these findings is included in the Management Report.

Analysis of Financial and Budget Implications

There are no financial or budget implications arising from the recommendations contained within this report.

Elected Member/Officer Consultation

This matter is presented to the Committee for consideration.

11. Elected Member motions of which previous notice has been given

12. Urgent business approved by the person presiding or by decision of the Council

13. Confidential Business (Meeting Closed to the Public)

14. Next Meeting

The next meeting is scheduled for Thursday, 26 May 2022 at the Administration Complex, Lot 45 Stanley Road, Wellesley, commencing at 4.30pm.

15. Close of Meeting

The Presiding Member declares meeting closed at _____