



BUNBURY HARVEY
REGIONAL COUNCIL
HARVESTING RESOURCES FROM YOUR WASTE

Audit Committee Meeting

Notice of Meeting & Agenda

19 December 2022

Meeting to be held at: The Administration Complex, Stanley Road Waste Management Facility, Lot 45 Stanley Road, Wellesley on Monday, 19 December 2022, commencing at 4:15pm

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

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ATTACHMENTS

Attachment 1	-	Exit meeting agenda and Audit Planning Summary
Attachment 2	-	Auditors Report and Annual Financial Report for the year ending 30 June 2022
Attachment 3	-	2022 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 an appropriate process for the selection and appointment of a person as the local government's 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) months 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 Administration Complex, Lot 45 Stanley Road, Wellesley, on Monday, 19th December 2022.



Signed:

Peter Keane

Chief Executive Officer

(Date of Issue: 14 December 2022)

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
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)
Mr Rick Lotznicker	Director Infrastructure Services (Shire of Harvey)
Mrs Taryn York	Council Meeting Support Officer
Ms Vicki Gregg	Finance Manager
Mr David Ransom	Manager Finance (City of Bunbury)
Mr Dean Winter	Director of Corporate Services (Shire of Harvey)

<i>Others (Non-Voting)</i>	Representing
Mayor Jaysen De San Miguel	City of Bunbury
Cr Dakota Krispyn	Shire of Harvey
Ms Carly Meagher (via Phone)	Director Financial Audit (Office of the Auditor General WA)

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 & Apologies

4.1. Attendances

4.2. Apologies

5. Approved Leave of Absence

6. 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.

7. Public Question Time

Not Applicable to this committee

8. Confirmation of Minutes

Receive and accept the Minutes of the Audit Meeting held on 13 December 2021 presented to Council as true and accurate record.

MOVED BY: _____

SECONDED BY: _____

RESULT: CARRIED / LOST _____

RESOLUTION: _____

9. Presentations

Carly Meagher will deliver a presentation to the Committee 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**).

10. Method of Dealing with Agenda Business

As per the order of the Agenda or otherwise.

11. Reports of Officers

11.1. Auditors Report and Annual Financial Statements for the year ending 30 June 2022

Applicant / Proponent:	Internal			
Responsible Officer:	Vicki Gregg, Finance Manager			
Executive:	Peter Keane, 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 – Auditors Report and Annual Financial Report for the year ending 30 June 2022			

Summary

The Auditor's Report and Annual Financial Report of the Bunbury-Harvey Regional Council for the financial year ending 30 June 2022 are attached at Attachment 2 for the information of the Audit Committee.

Ms Carly Meagher, Director Financial Audit, from the Office of the Auditor General WA, has completed the Exit meeting with management and has provided the signed Auditors Report. Ms Meagher will be participating in this meeting via a telephone conference call to brief the Committee on the audit and to answer any questions. As the Exit Meeting has occurred on the 9th December 2022 both the Auditors Report and Statement by the Chief Executive Officer have been signed and will then be presented to Council at a future meeting.

The Auditor General Independent Auditor's Report has confirmed that the financial report is based on proper accounts and records, and fairly represents, in all material respects, the results of the operations and the financial position of the City for the year ended 30 June 2022. It has been noted in the report there is a material uncertainty related to the Going Concern of the council.

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 2022.

MOVED BY: _____

SECONDED BY: _____

RESULT: CARRIED / LOST _____

RESOLUTION: _____

Voting Requirement

Simple Majority

Background

The Auditor General has audited the 2021/2022 Annual Financial Report and has provided an Independent Auditor's Report (refer pages 40 to 42 in the attached Annual Financial Report) as required under the relevant provisions of the Local Government Act 1995 (the Act). The 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 in this meeting via a telephone conference call to discuss the audit with the Committee and to answer any queries arising from the 2021/2022 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

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 (Page 3 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 2022 include:

	<u>2022</u>	<u>2021</u>
Operating Revenue	\$5,418,121	\$ 5,692,597
Operating Expenses	(\$12,789,243)	(\$6,453,672)
Total Comprehensive Income	(\$7,371,122)	(\$785,666)

For the year ending 30 June 2022, the Total Comprehensive Income for the period increased from a deficit of \$786K to a deficit of \$7.37M an increase of \$6.58M. This is mainly due to a significant increase in Other Expenditure of \$6.52M, for the inclusion of a 'make good provision'. This provision has been included to show the legal obligation and current estimated costs to restore the sited under the licence.

Statement of Financial Position: The Statement of Financial Position (Page 4 of the Financial Report) shows the assets and liabilities which make up the Equity as at the 30 June 2022.

Key financial figures within the audited Annual Financial Report for the year ended 30 June 2022 include:

	<u>2022</u>	<u>2021</u>
Current Assets	\$2,615,806	\$3,165,234
Current Liabilities	\$7,179,955	\$933,930
Current Assets over Current Liabilities	(\$4,564,149)	\$2,231,304
Non-Current Assets	\$4,848,326	\$5,435,595
Non-Current Liabilities	\$21,158	\$32,758
Total Equity	\$263,019	\$7,634,141

Council's current liabilities exceeds current assets by \$4.56M compared to current assets exceeding current liabilities of \$2.2M in 2021/22. The total Equity as at 30 June 2022 was \$263K a decrease of \$7.37M from the 2021/22 financial year.

Statement of Changes in Equity: The Statement of Changes in Equity (Page 5 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 2022, the Equity decreased from \$7.6M to \$263K.

Statement of Cash Flows: The Statement of Cash Flows (Page 6 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 \$2.26M compared to \$2.58M in 2021/2022.

Rate Setting Statement: The Rate Setting Statement (Page 7 of the Financial Report) shows the amount of fees and charges required to be raised to fund the Council’s operations during 2021/22. In 2021/22, \$3.17M in Fees and Charges were raised, a decrease of \$1.14M or 26% on 2021/22. This was due to the licence restrictions placed on the Stanley Road site to accept any further landfill until remediation has been actioned.

The issue of Going Concern has been reported by the Auditor and included in Note 19 of the financial statements. The Bunbury-Harvey Regional Council (BHRC) is working with the member councils, which have committed to fund the BHRC going forward as provided under the Regional Council Constitution agreement.

Analysis of Financial and Budget Implications

There are no financial or budget implications for Council to accept the 2022 Annual Financial Report.

Elected Member/Officer Consultation

This matter is presented to the Committee for consideration.

11.2. 2022 Management Letter

Applicant / Proponent:	Internal			
Responsible Officer:	Peter Keane, Chief Executive Officer			
Executive:	Peter Keane, 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 3 – 2022 Management Letter			

Summary

The purpose of this report is for the Audit Committee to receive the management letter for the year ended 30 June 2022 prepared by the Auditor General. This report stems from the 2021/22 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 2021/22 Audit.

Executive Recommendation

That the Audit Committee:

Receives the Management Letter from the Office of the Auditor General for the year ended 30 June 2022.

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 2021/22 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 2 and lists the following findings during the 2021/22 audit:

1. Buildings revaluation not completed
2. General journals not independently reviewed
3. 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.

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

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

14. Confidential Business (Meeting Closed to the Public)

15. Next Meeting

The next meeting is scheduled for Thursday, 25 May 2023 at the Administration Complex, Lot 45 Stanley Road, Wellesley, commencing at 4.30pm.

16. Close of Meeting

The Presiding Member declares meeting closed at _____