

# Audit Committee Meeting

Minutes

11 December 2023

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

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

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### ATTACHMENTS

<b>Attachment 1</b>	-	Auditors Report and Annual Financial Report for the year ending 30 June 2023
<b>Attachment 2</b>	-	Final Management Letter for year ending 30 June 2023.
<b>Attachment 3</b>	-	Interim Management Letter for the year ending 30 June 2023.
<b>Attachment 4</b>	-	Bunbury Harvey Regional Council Exit Meeting Agenda
<b>Attachment 5</b>	-	2023 Financial Management System Review

# Audit Committee Terms of Reference

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## *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 Minutes

Minutes of the Audit Committee Meeting of the Bunbury-Harvey Regional Council held in the Administration Complex, 51 Stanley Road, Wellesley on Thursday, 11 December 2023 at 4:15pm.

## MINUTES

**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**

### 1. Declaration of Opening / Announcement of Visitors

The meeting was declared open by Cr Tresslyn Smith at 4:15pm.

These Minutes were confirmed as being true and correct by Council on [Click here to enter a date.](#) by Council Resolution: [Click here to enter text.](#)

\_\_\_\_\_  
**Cr Wendy Dickinson**  
Chairperson

\_\_\_\_\_  
**Mr Nick Edwards**  
Chief Executive Officer

### 2. Acknowledgement of the Country

We acknowledge the Traditional Custodians of this land on which we gather today, the Noongar Wardandi people, and pay our respects to Elders past, present and future.

### 3. Disclaimer

Not applicable to this committee.

### 4. Announcements from the Presiding Member

Nil

### 5. Attendances, Apologies or Leave of Absence

#### 5.1. Attendances

<i>Council Members:</i>	<b>Representing</b>
Cr Tresslyn Smith ( <b>Deputy Chairperson</b> )	Shire of Harvey
Cr Marina Quain	City of Bunbury
Cr Dakota Krispyn	Shire of Harvey ( <i>arrived 4.21pm</i> )
Cr John Bromham	Shire of Harvey
<i>Executive Leadership Team (Non-Voting)</i>	<b>Representing</b>
Mr Nick Edwards	Chief Executive Officer (Bunbury Harvey Regional Council)

Mr Annie Riordan	Chief Executive Officer (Shire of Harvey) ( <i>via Teams</i> )
<b>Officers (Non-Voting)</b>	<b>Representing</b>
Ms Meta Hazeldine	Finance Manager
Mrs Taryn York	Council Meeting Support Officer
<b>Others(Non-Voting)</b>	<b>Representing</b>
Mr Gavin Harris	Director Works and Services (City of Bunbury)
Ms Carly Meagher ( <i>via Phone</i> )	Director Financial Audit (Office of the Auditor General WA) ( <i>via Teams</i> )
Tim Partridge	Director – Audit (AMD) ( <i>via Teams</i> )

## 5.2. Apologies

Cr Wendy Dickinson  
 Cr Michelle Steck  
 Mr Alan Ferris, CEO, City of Bunbury

## 5.3. Approved Leave of Absence

Cr Dickinson is on approved leave of absence from 4<sup>th</sup> December 2023 to 3<sup>rd</sup> January 2024.

## 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.

Nil

## 7. Public Question Time

Not applicable to this committee.

## 8. Confirmation of Minutes

Receive and accept the Minutes of the Audit Committee Meeting held on 19 December 2022, presented to Council as true and accurate.

**MOVED BY:** Cr John Bromham

**SECONDED BY:** Cr Tresslyn Smith

**RESULT:** CARRIED / ~~LOST~~ 3 / -

**RESOLUTION:** AC111223-024

## 9. Petitions / Memorials / Presentations

### 9.1. Petitions

Nil

### 9.2. Presentations

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

### 9.3. Deputations

Nil

### 10. Method of Dealing with Agenda Business

As per the order of the agenda or otherwise.

### 11. Reception of Reports and Recommendations

#### 11.1. Auditors Report, Annual Report and Audited Financial Statements for the year ending 30 June 2023

<b>Applicant / Proponent:</b>	Internal			
<b>Responsible Officer:</b>	Meta Hazeldine, Finance Manager			
<b>Executive:</b>	Nick Edwards, Chief Executive Officer			
<b>Authority / Discretion:</b>	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 type="checkbox"/>
<b>Attachment(s):</b>	<b>Attachment 2</b> – Annual Financial Report and Independent Auditors Report for the year ending 30 June 2023			

#### *Summary*

The Auditor's Report and Annual Financial Report of the Bunbury-Harvey Regional Council for the financial year ending 30 June 2023 are attached at Attachment 2 for the information of the Audit Committee.

Following the Audit Exit Meeting held on the 23<sup>rd</sup> of November 2023 the Independent Auditor's reports was received, from the Office of the Auditor General WA. 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 Bunbury Harvey Regional Council for the year ended 30 June 2023.

The Auditor's Report will be presented to Council at the Council meeting immediately following this Audit Committee Meeting.

#### *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 2023.

**MOVED BY:** Cr Dakota Krispyn **SECONDED BY:** Cr Marina Quain

**RESULT:** CARRIED ~~LOST~~ 4 / 0

**RESOLUTION:** AC111223-025

#### *Voting Requirement*

Simple Majority

#### *Background*

The Auditor General has audited the 2022/2023 Annual Financial Report and have provided an Independent Auditor's Report (refer to pages 37 to 39 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, is participating in this meeting via a telephone conference call to discuss the audit with the Committee and to answer any queries arising from the 2022/2023 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 revenue has exceeded operating expenditure during the financial year (i.e. operating surplus).

Key financial figures within the audited Annual Financial Report for the year ended 30 June 2023 include:

	<u>2023</u>	<u>2022</u>
Operating Revenue	\$12,851,199	\$ 5,418,121
Operating Expenses	\$ (7,539,776)	\$(12,789,243)
Operating Surplus / (Deficit)	\$ 5,311,423	\$ (7,371,122)
Total Comprehensive Income	\$ 6,505,442	\$ (7,371,122)

For the year ending 30 June 2023, the Total Comprehensive Income for the period increased from a deficit of \$7.37M to a surplus of \$6.50M, an increase of \$13.87M. This is mainly due to the work completed to cap and make good of the existing land fill. This resulted in an increase in revenue due to the member council contributions providing funds of \$6M. A provision of \$6.38M was recognised in 2022 for the work to be completed. The work has been completed and expensed in 2023 under Materials and Contracts. The provision from the prior year has been reversed resulting in a negative expenditure in Other expenditure.

This statement also includes for Changes on Revaluation of Non-Current assets. The fair value of the buildings and infrastructure increased by \$1.18M. Valuations were carried out by an independent valuer.

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 2023.

Key financial figures within the audited Annual Financial Report for the year ended 30 June 2023 include:

	<u>2023</u>	<u>2022</u>
Current Assets	\$ 3,979,878	\$ 2,615,806
Current Liabilities	\$ 2,643,843	\$ 7,179,155
Current Assets over Current Liabilities	\$ 1,336,035	\$(4,563,349)

Non-Current Assets	\$ 5,459,522	\$ 4,848,326
Non-Current Liabilities	\$ 27,097	\$ 21,158
Total Equity	\$ 6,768,461	\$ 263,019

Council's current assets exceed current liabilities by \$1.33M compared to current liabilities exceeding current assets in 2022 by \$4.56M.

The Regional Council received funding for the Organics Facility of \$1.5M in 2022/23 which has resulted in the increase of Current assets from prior year of \$1.36M.

Current liabilities decreased by \$4.53M. This is due to recognising the make good and cell capping provision (\$6.38M) in the prior year which has reduced to nil. Offset by an increase of \$1.5M as a liability recognised for the Organics Facility due to funding being unspent at 30 June 2023.

Non-current assets increased by \$611K due to the fair value of the buildings and infrastructure being revalued.

The total Equity at 30 June 2023 was \$6.76M an increase of \$6.50M 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 increased by the net result of the year's activities. For the year ending 30 June 2023, the Equity increased from \$263K to \$6.76M.

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 \$3.43M compared to \$2.25M in 2021/22, an increase of \$1.18M.

Statement of Financial Activity: The Statement of Financial Activity (Page 7 of the Financial Report) shows the surplus position after income and expenditure activity during the year. At the end of 2022/23 the surplus was \$488K. This was \$6.8M more than last year. As per the Budget approved for 2023/24, \$200K of the surplus will be utilised for a new reserve set aside for staff entitlements.

### Analysis of Financial and Budget Implications

There are no financial or budget implications for Council to accept Annual Financial Statements and Auditor's report.

### Elected Member/Officer Consultation

This matter is presented to the Committee for consideration.

## 11.2. Final Audit Management Letter for the year ending 30 June 2023

<b>Applicant / Proponent:</b>	Internal			
<b>Responsible Officer:</b>	Meta Hazeldine, Finance Manager			
<b>Executive:</b>	Nick Edwards, Chief Executive Officer			
<b>Authority / Discretion:</b>	Advocacy	<input type="checkbox"/>	Review	<input type="checkbox"/>
	Executive/Strategic	<input type="checkbox"/>	Quasi-Judicial	<input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes	<input checked="" type="checkbox"/>
<b>Attachment(s):</b>	<b>Attachment 3</b> – Final Management Letter for year ended 30 June 2023.			

### Summary

Following the 30 June 2023 financial audit, the Auditor General, has issued their Final Management Letter (refer to Attachment 3). The Management Letter comments on matters noted during the audit and provides recommendations to be considered.



Only one matter was raised in the Management Letter being the late submission of the Annual Financial Statements for 2021/22. Local Government (Financial Management) Regulations 1996 section 51(2) requires the Council to submit its Annual Financial Report to the Department of Local Government within 30 days of receipt of the Auditor’s report.

**Executive Recommendation**

**That the Audit Committee recommends that Council:**

Notes the findings by the Auditor General in the Auditors’ Management Letter for the 2022/23 financial year.

**MOVED BY:** Cr Marina Quain **SECONDED BY:** Cr Dakota Krispyn  
**RESULT:** CARRIED ~~LOST~~ 4 / 0  
**RESOLUTION:** AC111223-026

**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 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**

A new process has been established to ensure this does not occur again.

**Analysis of Financial and Budget Implications**

Nil

**Elected Member/Officer Consultation**

This matter is presented to the Committee for consideration.

**11.3. Interim Audit Management Letter for the year ending 30 June 2023**

<b>Applicant / Proponent:</b>	Internal			
<b>Responsible Officer:</b>	Meta Hazeldine, Finance Manager			
<b>Executive:</b>	Nick Edwards, Chief Executive Officer			
<b>Authority / Discretion:</b>	Advocacy	<input type="checkbox"/>	Review	<input type="checkbox"/>
	Executive/Strategic	<input type="checkbox"/>	Quasi-Judicial	<input checked="" type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes	<input checked="" type="checkbox"/>
<b>Attachment(s):</b>	<b>Attachment 4</b> – Interim Management Letter for year ended 30 June 2023.			

**Summary**

Following the 30 June 2023 interim financial audit, the Auditor General, has issued their Management Letter (refer to Attachment 4). The Management Letter comments on matters noted during the audit and provides recommendations to be considered.

There were two findings raised in the Management Letter. During the review of the petty cash controls, it was noted that not all invoices were being retained with the petty cash reconciliation. The second finding being the late submission of the Annual Financial Statements for 2021/22 also addressed in the Final Management Letter.

*Executive Recommendation*

**That the Audit Committee recommends that Council:**

Notes the findings by the Auditor General in the Auditors’ Management Letter for the 2022/23 financial year.

**MOVED BY:** Cr Marina Quain **SECONDED BY:** Cr Dakota Krispyn

**RESULT:** CARRIED ~~LOST~~ 4 / 0

**RESOLUTION:** AC111223-027

*Voting Requirement*

Simple Majority

*Background*

Findings identified during the Interim Audit outlines any management or financial issues identified by the Auditor as part of the 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*

All supporting invoices are now retained in the petty cash reconciliation and a new process has been established to ensure Annual Financial Statements are submitted within 30 days of receipt of the Auditor’s report.

*Analysis of Financial and Budget Implications*

Nil

*Elected Member/Officer Consultation*

This matter is presented to the Committee for consideration.

**11.4. Draft Financial Management Systems Review April 2023**

<b>Applicant / Proponent:</b>	Internal			
<b>Responsible Officer:</b>	Meta Hazeldine, Finance Manager			
<b>Executive:</b>	Nick Edwards, Chief Executive Officer			
<b>Authority / Discretion:</b>	Advocacy	<input type="checkbox"/>	Review	<input type="checkbox"/>
	Executive/Strategic	<input type="checkbox"/>	Quasi-Judicial	<input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes	<input checked="" type="checkbox"/>
<b>Attachment(s):</b>	<b>Attachment 5 – 2023 Financial Management System Review (Draft)</b>			

*Summary*

The purpose of this report is for the Audit Committee to receive the draft Financial Management Systems Review (FMSR) April 2023 prepared by AMD Chartered Accountants. Note this is a draft report subject to management comments before the final Financial Management Systems Review is delivered.

### *Executive Recommendation*

That the Audit Committee recommends that Council receive the draft Financial Management Systems Review April 2023 as presented.

**MOVED BY:** Cr Dakota Krispyn **SECONDED BY:** Cr Marina Quain

**RESULT:** CARRIED ~~LOST~~ 4 / 0

**RESOLUTION:** AC111223-028

### *Voting Requirement*

Simple Majority

### *Strategic Relevance*

Not applicable.

### *Background*

In March 2023, AMD Chartered Accountants conducted a review of the Council's financial management systems and procedures in accordance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

The resulting reports have now been completed and are presented to the Audit Committee for information. A copy of this report is attached at Attachment 5.

### *Council Policy Compliance*

There is no current Council Policy relevant to this item.

### *Legislative Compliance*

Regulation 5(1) of the Local Government (Financial Management) Regulations 1996 outlines the Chief Executive Officer's duties as to financial management.

### *Officer Comments*

The FMSR (Attachment 5) includes recommendations to improve the Council's internal controls following an onsite visit to the Council and a management response to each of the identified recommendations.

The following areas were reviewed as part of the FMSR:

1. Collection of money
2. Custody and security of money
3. Maintenance and security of financial records
4. Accounting for municipal or trust transactions
5. Authorisation for incurring liabilities and making payments
6. Maintenance of payroll, stock control and costing records
7. Preparation of budgets, budget reviews, accounts and reports required by the Act or the regulations.

AMD have identified the following areas of risk and recommendations in the FMSR report:

#### Medium Risk

1. Tender Management

#### Low Risk

1. Keys Register
2. Employee – Performance Appraisal
3. Excessive Leave Owing

The above-mentioned issues have been detailed in the FMSR addressing the identified areas of risk and improvement.

*Analysis of Financial and Budget Implications*

Nil

*Elected Member/Officer Consultation*

This matter is presented to the Committee for consideration.

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

Nil

**13. Committee Discussion and Questions from Members**

Nil

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

Nil

**15. Confidential Business (Meeting Closed to the Public)**

Nil

**16. Next Meeting**

The next meeting is scheduled for Thursday, 23 May 2024 at the Administration Complex, 51 Stanley Road, Wellesley, commencing at 4.15pm.

The Presiding Member Cr Smith took this opportunity to thank all those involved with the hard work of completing the end of year financials and such a successful audit. Special mention to the finance team of City of Bunbury Meta Hazeldine, Vicki Gregg, David Ransom, Donelle Bruton and the executives Nick Edwards, Mal Osborne, Annie Riordan, Gavin Harris and Rick Lotznicker and all staff involved from Bunbury Harvey Regional Council.

**17. Close of Meeting**

The Presiding Member declares meeting closed at 4:40pm.