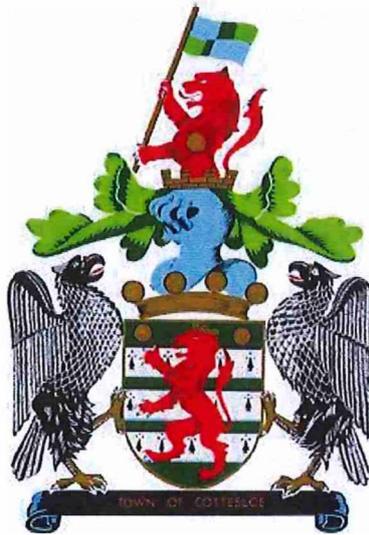


# TOWN OF COTTESLOE



## AUDIT COMMITTEE

# UNCONFIRMED MINUTES

AUDIT COMMITTEE

HELD IN THE

Mayor's Parlour, Cottesloe Civic Centre

109 Broome Street, Cottesloe

4.00pm Wednesday, 2 February 2022



**MATTHEW SCOTT**  
Chief Executive Officer

8 February 2022

TABLE OF CONTENTS

ITEM	SUBJECT	PAGE NO
1	DECLARATION OF MEETING OPENING/ANNOUNCEMENT OF VISITORS .....	1
1.1	ACKNOWLEDGEMENT OF COUNTRY .....	1
2	DISCLAIMER.....	1
2.1	APPOINTMENT OF A PRESIDING MEMBER.....	1
3	ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION .....	1
4	ATTENDANCE .....	1
5	DECLARATION OF INTERESTS.....	2
6	CONFIRMATION OF MINUTES.....	2
7	PRESENTATIONS .....	2
8	REPORTS.....	1
8.1	REPORTS OF OFFICERS.....	1
8.1.1	ADOPTION OF THE 2020/2021 ANNUAL REPORT AND AUDITOR'S REPORT	1
8.1.2	MEETING DATES 2022	6
8.1.3	COMPLIANCE AUDIT RETURN 2021	8
8.2	ITEMS FOR DISCUSSION.....	11
8.2.1	COMPLIANCE CALENDAR	11
8.2.2	COMPLIANCE AUDIT RETURN	11
8.2.2	LOCAL GOVERNMENT LEGISLATIVE CHANGES	11
9	GENERAL BUSINESS.....	11
9.1	COMMITTEE MEMBERS .....	11
9.2	OFFICERS.....	11
10	MEETING CLOSED TO PUBLIC.....	11
10.1	MATTERS FOR WHICH THE MEETING MAY BE CLOSED.....	11
11	NEXT MEETING .....	11
12	MEETING CLOSURE .....	11

**1 DECLARATION OF MEETING OPENING/ANNOUNCEMENT OF VISITORS**

The CEO announced the meeting opened at 4:06pm.

**1.1 ACKNOWLEDGEMENT OF COUNTRY**

I would like to begin by acknowledging the Whadjuk Nyoongar people, Traditional Custodians of the land on which we meet today, and pay my respects to their Elders past and present. I extend that respect to Aboriginal and Torres Strait Islander peoples here today.

**2 DISCLAIMER**

The CEO drew attention to the Town's Disclaimer.

**2.1 APPOINTMENT OF A PRESIDING MEMBER**

The CEO called for nominations for a Presiding Member. Cr MacFarlane nominated himself. Seconded by Cr Wylynko.

The CEO called for further nominations.

There being no further nominations, the CEO declared Cr MacFarlane elected as Presiding Member (unopposed).

Cr MacFarlane accepted the nomination and assumed the chair at 4:07pm.

**3 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION**

Nil.

**4 ATTENDANCE****Members**

Cr Brad Wylynko	Elected Member
Cr Paul MacFarlane	Elected Member
Mr Andrew Dimsey	Community Representative
Mr Ian McKenzie	Community Representative

**Officers**

Mr Matthew Scott	Chief Executive Officer
Mr Shane Collie	Director Corporate Services and Governance
Ms Lauren Davies	Finance Manager
Ms Mary-Ann Winnett	Governance Coordinator
Ms Kate Saunders	Executive Services Officer

**Apologies**

Cr Craig Masarei	Elected Member
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**5 DECLARATION OF INTERESTS**

Nil.

**6 CONFIRMATION OF MINUTES**

**AC001/2022**

**Moved Cr MacFarlane**

**Seconded Cr Wylynko**

**That the Minutes of the Audit Committee Meeting held on Wednesday 1 December 2021 be confirmed as a true and accurate record.**

**Carried 4/0**

**7 PRESENTATIONS**

Nil

**8 REPORTS****8.1 REPORTS OF OFFICERS****8.1.1 ADOPTION OF THE 2020/2021 ANNUAL REPORT AND AUDITOR'S REPORT**

**Directorate:** Corporate and Community Services  
**Author(s):** Shane Collie, Director Corporate and Community Services  
**Authoriser(s):** Matthew Scott, Chief Executive Officer  
**File Reference:** D22/2725  
**Applicant(s):** Internal  
**Applicant(s) Proponents:**  
**Author Disclosure of Interest:** Nil

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**SUMMARY**

The Town's 2020/21 Annual Financial Statements have now been audited by auditors Ernst & Young, and attached is the Auditors Report from the Office of the Auditor General.

**OFFICER RECOMMENDATION IN BRIEF**

It is recommended that the Audit Committee recommend to Council, the adoption of the 2020/21 Annual Report, including the Financial Statements and Auditors' Report; set the date for the date for the Electors' Annual General Meeting and provide 14 days notice of the meeting date on the Town's Notice Boards and Website.

**BACKGROUND**

Contemporary audits are intense activities and the Office of the Auditor General (OAG) is setting very high standards for local governments across Western Australia. Whilst Cottesloe has performed well, like all local governments, there are always areas that Auditors suggest require more rigour when considered against a contemporary accountability environment.

The Town's 2020/21 Annual Financial Statements have now been audited and the Auditor's Report to the CEO and Audit Committee has been received from the OAG on 16 December 2021.

The Annual Report is attached and contains an analysis of the year ended 30 June 2021. It also includes the required statutory declarations/reports.

**OFFICER COMMENT****Auditor General Report**

The Auditor General raised the matter of the Town's Operating Surplus Ratio being below the Department of Local Government, Sport and Cultural Industries standard for the past three years. This matter is not new and reasons have previously been put forward why this ratio is below the standard. The ratio did in fact improve from the previous year though still remained behind the standard. It is understood that the Department is reviewing this

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standard to better reflect that the results across the industry which generally fall below the standard do not necessarily reflect a poor financial outcome for a local government.

In the Town of Cottesloe’s case while the standard has not been met the information needs to be viewed in the context of other financial measures contained within the statements including but not limited to the below results:

Net Assets/Total Equity	\$108,617,323
Cash Backed Reserves	\$8,591,484
Borrowings	\$2,880,200

Note these borrowings do not include two self supporting loans and represent a single loan being for the Grove Library.

Auditor Ernst and Young Report

There were no matters of “Significance” raised in the Audit. There were six matters raised as “Moderate” and two matters raised as “Minor”. The “Moderate” matters raised included the following:

- **AASB 1059 Assessment Completeness.** This matter relates to a new requirement to consider this Accounting Standard when reporting on lease arrangements. This will be included for future reporting.
- **Financial Statement Preparation.** This matter referenced hard coding in the production of financial information which is inefficient and prone to error. This is generally as a result of the Authority software system in place. This is anticipated to be corrected when the new Datacom system is implemented.
- **Revenue Recognition.** The recognition of revenue in the period in which it was received was the issue raised and while not material in respect of any overall impact this will be corrected in the future.
- **Daily Bank Reconciliation.** A request for greater separation in the tasks and greater emphasis on supporting documents was raised and the recommendations will be implemented.
- **Refine Provision for expected credit losses.** It is recommended that a more robust system of providing for expected credit losses be put in place. This is agreed with and will be implemented.
- **Significant Aged Bonds Payable.** It is recommended that a more robust system of dealing with aged bonds payable be introduced. This is agreed with and will be implemented.

Two minor matters relating to Bank Signatories and Bonds Payable Classification were also raised and will be attended to as recommended.

The Town’s Annual Report has been prepared by the administration and will be distributed via the Town’s Webpage, and also in hard copy at the Administration Centre and Library.

ATTACHMENTS

- 8.1.1(a) Town of Cottesloe Annual Report 2020/21 [under separate cover]

**CONSULTATION**

Office of the Auditor General

Ernst & Young

**STATUTORY IMPLICATIONS*****Local Government Act 1995******5.27 and 5.29. Electors' general meetings (and convening thereof)***

*Outlines that a general meeting of the electors is to be held once every financial year, and not more than 56 days after the local government accepts the annual report.*

*14 days' local public notice is to be given for the meeting (of the date, time, place and its purpose). The 14 days commences from the day the notice appears on the Town's notice board.*

***5.53. Annual reports***

*The local government is to prepare an annual report for each financial year that contains:*

- *a report from the mayor;*
- *a report from the CEO;*
- *an overview of the plan for the future of the district, including major initiatives that are proposed to commence or to continue in the next financial year;*
- *the financial report;*
- *payments made to prescribed employees;*
- *the auditor's report;*
- *Disability Services Act 1993 reports;*
- *register of complaints details (vis. number and how the complaints were dealt with);*
- *other details required by regulations or be prescribed.*

***5.54. Acceptance of annual reports***

*Subject to the Audit Report being available, the Annual Report is to be accepted (by absolute majority) by 31 December if it is received in time to reasonably do so (or no later than 2 months after the auditor's report becomes available).*

***5.55. Notice of annual reports***

*The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.*

***6.4. Financial report***

*A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed. It is to be prepared and presented to the auditor by 30 September (in the manner and form prescribed; contain the prescribed information; and submitted).*

**7.12AB and AD and 19CA of the Local Government (Administration) Regulations (Conducting and Reporting a financial audit)**

*The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year, and prepare and sign the report and give the report to the mayor; the CEO; and the Minister.*

**Regulations 16 of the Local Government (Audit) Regulations, 1996 outline the functions of audit committee, which is to (in relation to the annual report at least) -**

- (a) to guide and assist the local government in carrying out its functions under Part 6 (vis. Financial management) of the Act; and 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 (vis. Audit) of the Act;*
- (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) (vis. examine an audit report received by the Town; determine if any matters raised by the audit report, require action to be taken; and ensure that appropriate action is taken in respect of those matters); and*
  - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a) (vis. prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters).*

**19CA of the Local Government (Administration) Regulations (Information about modifications to certain plans to be included) –**

*Requires that if modifications are made during a financial year to a local government's strategic community plan or corporate business plan, the annual report is to contain information about those modifications.*

**POLICY IMPLICATIONS**

There are no perceived policy implications arising from the officer's recommendation.

**STRATEGIC IMPLICATIONS**

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

Consideration of the 2020/21 Financial Report and the Audit Report are in keeping with this strategic objective.

**RESOURCE IMPLICATIONS**

There are constant pressures to continue to heighten accountability levels. There will be staffing implications arising from these increasing requirements. As required, they will form part of future budgets for either support staff or contractors so that these elevated audit requirements can be accommodated.

**ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

There are no perceived sustainability implications arising from the officer's recommendation.

**VOTING REQUIREMENT**

Absolute Majority

AC002/2022

**OFFICER AND COMMITTEE RECOMMENDATION**

Moved Cr MacFarlane                      Seconded Cr Wylynko

**That the Audit Committee recommends that Council, by Absolute Majority:**

- 1. NOTES the Auditor's Report from the Office of the Auditor General (attached) and that no action is required by the Town's Audit Committee relevant to its responsibilities under the *Local Government (Audit) Regulations*;**
- 2. ADOPTS the 2020/2021 Annual Financial Statements (as incorporated in the attached Annual Report);**
- 3. ACCEPTS the Town of Cottesloe's Annual Report for the 2020/21 year (as attached);**
- 4. SETS the date for the Electors' Annual General Meeting for 6pm Wednesday 9 March 2022 in the War Memorial Hall, and that the purpose of the meeting be - "to discuss the contents of the 2020/21 Annual Report (incorporating the 2020/21 Annual Financial Statements and Auditor's Report) and any other general business"; and**
- 5. NOTES that local public notice will be placed on the Town's Notice Board on Wednesday 23 February and the Town's Website, to ensure the minimum 14 days notice is provided.**

**Carried 4/0**

There were two matters that the Committee highlighted in the Annual Report:

1. Change in Valuation method of the Civic Centre complex resulting in a reduction in book value of approximately \$20 million. This does not impact any rating or cash transactions of the Town. The changed valuation method notes that the land and buildings can not be used for any other purpose than they are now, hence the valuation reflects this restriction on use and realisation of the asset.
2. Operating Surplus ratio which industry standard regularly is below the recommended value. Non cash expenditure items such as depreciation are used in this ratio while capital income is not. Both negatively impact the ratio figure.

**8.1.2 MEETING DATES 2022**

**Directorate:** Corporate and Community Services  
**Author(s):** Shane Collie, Director Corporate and Community Services  
**Authoriser(s):** Matthew Scott, Chief Executive Officer  
**File Reference:** D22/2736  
**Applicant(s):** Internal  
**Author Disclosure of Interest:** Nil

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**SUMMARY**

For the Committee to reset the Audit Committee meetings dates set by Council at its meeting held on 27 July 2021 due to changed circumstances and to set meeting dates for the remainder of 2022.

**OFFICER RECOMMENDATION IN BRIEF**

That the Audit Committee confirms the meeting dates for 2022 and advertises the dates on the Town of Cottesloe website.

**BACKGROUND**

The Audit Committee meets approximately four times per year and has a range of statutory responsibilities to attend to over the financial year. Setting dates in advance is efficient and saves having to specifically determine when members are available in the lead up to meetings.

At the Ordinary Council Meeting held on 27 July 2021, Council set the meeting dates for the 2021/22 financial year. To assist with determining availability of members for meetings this report proposes that meeting dates be set for the remainder of 2022 and advertised on the Town's website.

**OFFICER COMMENT**

Audit Committee meetings are generally held to coincide with audit related matters and to meet deadlines associated with those matters. For example an Audit Committee meeting is normally held in February each year to receive the Annual Report, March each year dealing with the Annual Compliance Return, the June meeting the Interim Audit and the December meeting the Annual Audit and Annual Report.

In the present year both the Annual Report and Compliance Return are ready for adoption at the February meeting with there being no need to hold a meeting in March.

Additionally this year the Audit Committee will deal with a financial Services Audit and an Audit Regulation 17 Review. These are both expected by the June 2022 meeting.

**ATTACHMENTS**

Nil

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**CONSULTATION**

Audit Committee members are to determine which times/dates suit.

**STATUTORY IMPLICATIONS**

*Local Government Act 1995.*

Local Government (Audit) Regulations 1996.

**POLICY IMPLICATIONS**

There are no perceived Policy implications arising from the officer's recommendation.

**STRATEGIC IMPLICATIONS**

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

**RESOURCE IMPLICATIONS**

Resource requirements are in accordance with the existing budgetary allocation.

**ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

There are no perceived sustainability implications arising from the officer's recommendation.

**VOTING REQUIREMENT**

Simple Majority

**AC003/2022**

**OFFICER AND COMMITTEE RECOMMENDATION**

**Moved Cr MacFarlane                      Seconded Mr McKenzie**

**Moved    Seconded**

**THAT the Audit Committee recommends that Council CONFIRMS the following dates for Audit Committee meetings for 2022:**

**Wednesday 8 June 2022 at 4pm;**

**Wednesday 7 September 2022 at 4pm;**

**Wednesday 7 December 2022 at 4pm;**

**and that the dates be advertised on the Town of Cottesloe website**

**Carried 4/0**

**8.1.3 COMPLIANCE AUDIT RETURN 2021**

**Directorate:** Corporate and Community Services  
**Author(s):** Shane Collie, Director Corporate and Community Services  
**Authoriser(s):** Matthew Scott, Chief Executive Officer  
**File Reference:** D22/3640  
**Applicant(s):** Internal  
**Author Disclosure of Interest:** Nil

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**SUMMARY**

A recommendation is made to adopt the Compliance Audit Return for 2021 and authorise the Mayor and Chief Executive Officer to certify the Return so that it may be returned to the Department of Local Government by the due date of 31 March 2022.

**OFFICER RECOMMENDATION IN BRIEF**

For Council to adopt the 2021 Compliance Audit Return and authorise the Mayor and Chief Executive Officer to certify the Return so that it may be returned to the Department of Local Government and Communities by the due date of 31 March 2022.

**BACKGROUND**

Each year the Department of Local Government issues a Compliance Audit Return that covers a sample of legislative provisions required under the provisions of the *Local Government Act 1995*, which is required to be completed by staff and endorsed by Council prior to submission.

The Compliance Audit Return (CAR) covers 11 different categories and each category can have anywhere from 3 to 24 questions.

**OFFICER COMMENT**

The Compliance Audit Return for 2021 has been completed and it is recommended to Council for adoption and further, authorisation is sought from the Mayor and Chief Executive Officer to certify the Return so that it can be forwarded to the Department of Local Government and Communities.

There were no areas of non compliance located in the completion of the Return.

**ATTACHMENTS**

**8.1.3(a) Completed Compliance Audit Return 2021 [under separate cover]**

**CONSULTATION**

Senior Staff.

**STATUTORY IMPLICATIONS**

*Local Government Act 1995*

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**7.13 Regulations as to Audits**

- (1) (i) requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are –
- (i) of a financial nature or not; or
  - (ii) under this Act or another written law.
- (2) Regulations may also make any provision about audit committees that may be made under section 5.25 in relation to committees.

*Local Government (Audit) Regulations 1996 - Regulations 14 and 15*

**14. Compliance audits by local governments**

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under sub regulation (3A), the compliance audit return is to be –
- (a) presented to the council at a meeting of the council; and
  - (b) adopted by the council; and
  - (c) recorded in the minutes of the meeting at which it is adopted.

*[Regulation 14 inserted in Gazette 23 Apr 1999 p. 1724-5; amended in Gazette 30 Dec 2011 p. 5580-1.]*

**15. Compliance audit return, certified copy of etc. to be given to Executive Director**

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with –
- (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
  - (b) any additional information explaining or qualifying the compliance audit,
- is to be submitted to the Executive Director by 31 March next following the period to which the return relates.
- (2) In this regulation –
- Certified in relation to a compliance audit return means signed by –
- (a) the mayor or president; and
  - (b) the CEO.

*Local Government (Audit) Regulations 1996.*

**POLICY IMPLICATIONS**

There are no perceived Policy implications arising from the officer's recommendation.

**STRATEGIC IMPLICATIONS**

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

**RESOURCE IMPLICATIONS**

Resource requirements are in accordance with the existing budgetary allocation.

**ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

There are no perceived sustainability implications arising from the officer's recommendation.

**VOTING REQUIREMENT**

Simple Majority

**AC004/2022**

**OFFICER AND COMMITTEE RECOMMENDATION**

Moved Cr MacFarlane                      Seconded Cr Wylynko

That Council **ADOPTS** the 2021 Compliance Audit Return and **AUTHORISES** the Mayor and Chief Executive Officer to certify the Return so that it may be returned to the Department of Local Government and Communities by the due date of 31 March 2022.

Carried 4/0

**8.2 ITEMS FOR DISCUSSION****8.2.1 COMPLIANCE CALENDAR**

The Committee discussed the Compliance Calendar and requested an updated list for the next meeting.

**8.2.2 COMPLIANCE AUDIT RETURN**

The CEO provided an explanation of the various processes of local governments, how it is managed with limited resources and the options available to smaller Local Governments.

**8.2.2 LOCAL GOVERNMENT LEGISLATIVE CHANGES**

The Director Corporate and Community Services provided an explanation of some of the legislative changes being considered by the Department of Local Government and explained the affect it may have on financial areas for Band 3 Local Councils such as the Town of Cottesloe.

**9 GENERAL BUSINESS****9.1 COMMITTEE MEMBERS****9.2 OFFICERS****10 MEETING CLOSED TO PUBLIC****10.1 MATTERS FOR WHICH THE MEETING MAY BE CLOSED****11 NEXT MEETING**

Wednesday, 8 June 2022 at 4pm.

**12 MEETING CLOSURE**

The Presiding Member announced the meeting closed at 5:12pm.