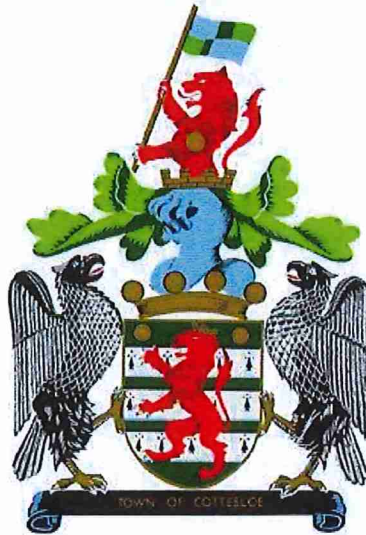


TOWN OF COTTESLOE



AUDIT COMMITTEE MINUTES

AUDIT COMMITTEE
HELD IN THE
War Memorial Hall, Cottesloe Civic Centre
109 Broome Street, Cottesloe
4:00pm Monday, 15 February 2021



MATTHEW SCOTT
Chief Executive Officer

16 February 2021

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1 DECLARATION OF MEETING OPENING/ANNOUNCEMENT OF VISITORS

The Chief Executive Officer announced the meeting opened a 4:00pm and read the Acknowledgement of Country.

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 NOMINATION AND ELECTION OF A PRESIDING MEMBER

The CEO call for nominations for a presiding member in Cr Masarei’s absence. Cr MacFarlane nominated Cr Barrett, which was seconded by Ms Suzanne Tuite. Cr Barrett accepted the nomination and was voted in unanimously (unopposed).

CARRIED 3/0

Cr Barrett assumed the chair at this point.

3 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

Nil

4 ATTENDANCE

Members

Cr Paul MacFarlane	Elected Member
Cr Kirsty Barrett	Elected Member
Ms Suzanne Tuite	Community Representative

Officers

Mr Matthew Scott	Chief Executive Officer
Mr Shane Collie	Director Corporate Services and Governance
Mr Wayne Richards	Finance Manager
Ms Irene Wai Shan Au-Yeung	Assistant Finance Manager
Ms Ann-Marie Donkin	Corporate Services and Engagement Officer

Visitors

Mr Michael Hoang	Ernst Young Auditors
Ms Kelly Tonich	Office of the Auditor General (OAG) – at 4:03pm

Approved Leave of Absence

Cr Craig Masarei

Elected Member/Presiding Member

Apologies

Ms Alveena Anthony

5 DECLARATION OF INTERESTS

Nil

6 CONFIRMATION OF MINUTES**AC001/2021****Moved Ms Tuite Seconded Cr Barrett****That the Minutes of the Audit Committee Meeting held on Wednesday 9 September 2020 be confirmed as a true and accurate record.****Carried 3/0****7 PRESENTATIONS**

Ms Kelly Tonich (OAG) and Mr Michael Hoang from Ernst Young – Town of Cottesloe Audit Report.

Ms Tonich provided an outline of the year that was and touched on some of the points of difference for the Town of Cottesloe; The Grove Library, WMRC and the WEARNE.

Mr Hoang provided explanation and opportunity for discussion on 4 Key Points from the EY Final Closing Report:

- Revenue Recognition for Rates and Parking Infringements and the Adoption of New Revenue Standards (page 5).
- Valuation of Property, Plant and Equipment, including Infrastructure Assets (page 6).
- Compliance with *Local Government (Financial Management) Amendment Regulations 2020* (page 7).
- Financial Ratio Compilation (page 11).

8 REPORTS**8.1 REPORTS OF OFFICERS****8.1.1 ADOPTION OF THE 2019/2020 ANNUAL REPORT AND AUDITOR'S REPORT**

File Ref: SUB/2791
Attachments: 8.1.1(a) DRAFT 2019/20 Annual Report Including Annual Financial Statements [under separate cover]
Responsible Officer: Matthew Scott, Chief Executive Officer
Author: Shane Collie, Director Corporate and Community Services
Author Disclosure of Interest: Nil

SUMMARY

The Town's 2019/20 Annual Financial Statements have now been audited by auditors Ernst & Young, and attached is the Auditors Report from the Office of the Auditor General.

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.

It is recommended that the Audit Committee recommend to Council, the adoption of the 2019/20 Annual Report, including the Financial Statements and Auditors' Report.

BACKGROUND

The Town's 2019/20 Annual Financial Statements have now been audited and the Auditor's Report to the CEO and Audit Committee has been received from the OAG as of 4 February 2021.

The Annual Report is attached and contains an analysis of the year ended 30 June 2020. It also includes the required statutory declarations/reports.

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 2019/20 Financial Report and the Audit Report are in keeping with this strategic objective.

POLICY IMPLICATIONS

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

STATUTORY ENVIRONMENT***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.

FINANCIAL IMPLICATIONS

Financial resource requirements are in accordance with the existing budgetary allocation. The cost to produce, print and distribute the Annual Report is minimal and contained within existing operating budget allocations.

STAFFING 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.

CONSULTATION

Office of the Auditor General

Ernst & Young

OFFICER COMMENT

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

- Revenue Recognition, being a matter relating to the timing and method of receiving lease revenue. Appropriate adjustments will be performed.
- Contract Management where a contract extension was undertaken by letter as opposed to a formal Instrument of Agreement. This will be corrected in the future and a new Contracts management system is in the process of being introduced which will also assist in this regard.
- Recording of proceedings at Budget workshops. The Auditor recommend that Budget Workshops (though not formal meetings of Council) should have minutes taken and appropriate records kept. Again this will be implemented.

The “Minor” matter raised related to the classification of bond monies.

The 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. Please note that the attached version to this agenda may require further formatting before publication.

It is noted that the finalisation of the Financial Statements has been a long and tedious task which is complicated by external accounts (Grove Library and WMRC) as well now the involvement of the OAG providing a further layer of scrutiny and time. It is also pointed out the Auditors themselves spent three weeks on site undertaking the Audit which is far more time than previous years. This also results in additional costs that are borne by the Town. The conclusion is that local government audits are become far more complex and time consuming.

VOTING REQUIREMENT

Absolute Majority

OFFICER RECOMMENDATION

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 2019/2020 Annual Financial Statements (as incorporated in the attached Annual Report);
3. ACCEPTS the Town of Cottesloe's Annual Report for the 2019/20 year (as attached);
4. SETS the date for the Electors' Annual General Meeting for Wednesday 10 March 2021 in the War Memorial Hall, and that the purpose of the meeting be - "to discuss the contents of the 2019/20 Annual Report (incorporating the 2019/20 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 24 February and the Town's Website, to ensure the minimum 14 days notice is provided.

AC002/2021**MEMBER MOTION/COMMITTEE RESOLUTION**

Moved Cr MacFarlane Seconded Cr Barrett

That the Audit Committee;

- 1. Accepts points 1 and 2 only of the officers recommendation; and**
- 2. Notes the finalised Annual report will be presented to Council at the March OCM.**

Carried By Absolute Majority 3/0

I

Reason for Change: The reason for change in the Officer's Recommendation was that the Annual Report document requires some format and presentation changes.

8.1.2 SUMMARY OF FINANCIAL AND REGULATORY REVIEWS/AUDITS

File Ref: SUB/2791
Applicant(s) Proponents: Nil
Attachments: Nil
Responsible Officer: Shane Collie, Director Corporate and Community Services
Author: Wayne Richards, Finance Manager
Author Disclosure of Interest: Nil

SUMMARY

At the audit committee on 9 September 2020, Cr Masarei requested a report be prepared that outlined the current audits/reviews of a financial and/or regulatory nature that the Town currently is required to perform.

BACKGROUND

This report was requested in light of the recent City of Perth report regarding the consideration of implementing a Strategic Audit Plan.

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.

POLICY IMPLICATIONS

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

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Local Government (Audit) Regulations 1996

FINANCIAL IMPLICATIONS

There is currently no budget allocation to prepare a Strategic Audit Plan and therefore a budget amendment would be required should the Town wish to proceed with a plan of this nature.

STAFFING IMPLICATIONS

With the increased level of scrutiny relating to audits in the past couple of years with the introduction of the Office of the Auditor General, the Town's human resources in the Finance area at capacity. The introduction of a Strategic Audit Plan would require either additional staff resources or be undertaken by contract.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

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

CONSULTATION

Staff

Audit Committee

OFFICER COMMENT

The Town is currently required to undergo a number of financial and regulatory type reviews/audits which include, but are not limited to, the following;-

Statutory Audit of the Annual Financial Statements

As required by the Local Government Act the Town is required to produce Annual Financial Statements which are submitted to the Town's auditors Ernst Young who have been appointed by the Office of the Auditor General.

This audit consists of an interim audit performed around April/May each year and involves a two week onsite visit (the interim audit usually takes around six weeks in total to finalise). The interim audit focuses on processes and procedures and the Town's compliance with such processes and procedures. This is followed up by the end of year audit which focuses more on the year end financial statements. This usually entails a three week onsite visit with the whole process taking eight to twelve weeks to complete depending on legislation changes, staffing and the timing of third party information such as changes to the Financial Management Regulations, or information relating to joint arrangements such as the Grove Library and the WMRC.

Financial Management Review

As required by Regulation 5(2) of the Financial Management Regulations 1996, the CEO is required, every 3 years, to review the appropriateness and effectiveness of the financial management systems and procedures of the local government and report the findings to the Audit Committee. The Town engaged Butler Settineri to perform the most recent review in January 2019. The report was presented to the Audit Committee meeting on 19 March 2019. The next review is due next financial year in 2021/22.

Audit Regulation 17 Review

The CEO is required to review, every three years, the appropriateness of certain systems and procedures in relation to risk management, internal control and legislative compliance. The Town is planning to engage an external consultant to perform this review in the next financial year in 2021/22.

Compliance Audit Return

This involves an in depth sample review of compliance with various acts and regulations including the Local Government Act 1995. It is conducted annually by way of a questionnaire sent by the Department of Local Government, Sport and Cultural Industries.

Ah hoc Focus Audits

Under the Local Government Amendment (Audit) Act 2017, the Office of the Auditor General conducts focus audits on sample local governments and regional councils with the aim of assessing how well local governments and regional councils perform common business practices and related controls. The Town was selected in 2019 for a focus audit relating to the management of contract renewals or extensions and variations.

VOTING REQUIREMENT

Simple Majority

AC003/2021**OFFICER AND COMMITTEE RECOMMENDATION**

Moved Cr Barrett Seconded Cr MacFarlane

That Council NOTE the information contained within this Summary of Financial and Regulatory Reviews/Audits report

Carried 3/0

9 NEXT MEETING

To be advised.

10 MEETING CLOSURE

The Presiding Member announced the meeting closed at 5:08pm.