



AUDIT COMMITTEE MEETING
MINUTES

6 DECEMBER 2021

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CITY OF GREATER GERALDTON**AUDIT COMMITTEE MEETING
HELD ON TUESDAY 6 DECEMBER 2021 AT 2pm
IN THE GREENOUGH ROOM – CIVIC CENTRE****MINUTES****1 DECLARATION OF OPENING**

The meeting was declared open at 2pm by **Shane Van Styn, Mayor**

2 ATTENDANCEPresent:

Mayor Van Styn
Deputy Mayor J Clune
Cr N Colliver
Cr M Reymond

Officers:

R McKim, Chief Executive Officer
P Radalj, Director Corporate and Commercial Services
N Jane, Acting Chief Financial Officer
T Machukera, Financial Accountant
K Wheeler – Minute Secretary

By Invitation:

Mark Ambrose - Office of the Auditor General (by telephone)
Alisdair Whyte - RSM (by telephone)
AJ Neo - RSM (by telephone)

Apologies:

Nil

Leave of Absence:

Nil

3 ELECTION OF CHAIRPERSON

Cr Colliver nominated Mayor Van Styn for the position of Chairperson of the Committee. The Mayor accepted the nomination.

No other nominations were received

COMMITTEE DECISION

MOVED Cr Clune SECONDED Cr Colliver

Signed _____ Dated _____

That the Audit Committee appoint Mayor Van Styn as Chairperson

CARRIED 4/0

4 ELECTION OF PROXY CHAIRPERSON

Mayor Van Styn nominated Cr Clune for the position of Proxy Chairperson of the Committee. Cr Clune accepted the nomination.

No other nominations were received

COMMITTEE DECISION

MOVED Cr Colliver, SECONDED Mayor Van Styn

That the Audit Committee appoint Cr Clune as Proxy Chairperson

CARRIED 4/0

Mayor Van Styn assumed the role as the Chairperson of the Meeting

5 CONFIRMATION OF PREVIOUS MINUTES

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held on 28 September 2021 as attached be accepted as a true and correct record of proceedings.

COMMITTEE DECISION

MOVED Cr Colliver, SECONDED Mayor Van Styn

That the minutes of the City of Greater Geraldton Audit Committee meeting held on 28 September 2021 as attached be accepted as a true and correct record of proceedings.

CARRIED 4/0

Signed _____ Dated _____

6 ITEMS FOR AUDIT COMMITTEE REVIEW

AC112	EXIT MEETING OAG AND RSM
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AGENDA REFERENCE:	D-21-136923
AUTHOR:	N Jane, A/Chief Financial Officer
EXECUTIVE:	P Radalj, Director Corporate & Commercial Services
DATE OF REPORT:	29 November 2021
FILE REFERENCE:	GO/11/0020
ATTACHMENTS:	Yes (x4) 3 x Confidential
	A. Exit Meeting Agenda
	B. Confidential – Management Letter
	C. Confidential – Audit Closing Report
	D. Confidential – Audit Planning Memorandum

EXECUTIVE SUMMARY:

The purpose of this report is to provide the Office of the Auditor General (OAG) and Audit Partner from RSM opportunity to present to the Audit Committee an overview of their findings following the 2020-21 financial audit.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. RECEIVE the Office of Auditor General overview of the audit finding for the year ended 30 June 2021 (as outlined in the Audit Closing Report); and
2. PROVIDE FEEDBACK to the Office of Auditor General on the findings and any other matter related to the audit.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The annual financial report will be general purpose financial statements for the financial year ended 30 June 2021. The Auditor General is required by the Act to provide an opinion on the financial report and other legal and regulatory requirements in accordance with the *Local Government (Audit) Regulations 1996*. The objective of the Auditor General's audit is to obtain reasonable assurance about whether the City's financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report.

As outlined in the Audit Planning Memorandum (Attachment D), a final audit exit meeting is held to cover the presentation and discussion of the audit closing report, which outlines any significant audit related matters concerning the

Signed _____ Dated _____

financial report, management letters and improvement suggestions for future audits.

The audit committee is responsible for understanding the results of financial and performance audits conducted within the local government and overseeing whether recommendations are implemented by management. The committee's responsibilities include meeting with the OAG to discuss the results of the financial audit (audit exit meeting) and reviewing reports from the OAG including auditor's reports, closing reports and management letters.

COMMUNITY, ECONOMY, ENVIRONMENT AND LEADERSHIP ISSUES:

Community:

There are no adverse community impacts.

Economy:

There are no adverse economic impacts.

Environment:

There are no adverse environmental impacts.

Leadership:

Holding an Exit Meeting provides opportunity for the Audit Committee to undertake its functions including to discuss with the auditors their findings.

Disclosure of Interest:

No Officer involved in the preparation of this report has a declarable interest in this matter.

RELEVANT PRECEDENTS:

Each year an audit entrance and exit meeting is held with OAG, the Audit Committee and the contract auditor.

Item AC102 – Entrance Meeting – OAG & RSM presented to the Audit Committee on 31 May 2021 a copy of the Audit Planning Memorandum and held the entrance meeting.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government (Audit) regulations 1996, section 16:

An audit committee has the following functions —

(a) to guide and assist the local government in carrying out —

(i) its functions under Part 6 of the Act; and

(ii) its functions relating to other audits and other matters related to financial management;

Signed _____ Dated _____

- (b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) *to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —*
- (i) *report to the council the results of that review; and*
- (ii) *give a copy of the CEO's report to the council;*
- (d) *to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
- (i) *regulation 17(1); and*
- (ii) *the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (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); and*
- (ii) *has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
- (iii) *has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
- (iv) *has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) *to perform any other function conferred on the audit committee by these regulations or another written law.*

FINANCIAL AND RESOURCE IMPLICATIONS:

Provision is made in the annual budget to undertake the audit function.

INTEGRATED PLANNING LINKS:

Strategic Direction: Leadership	Aspiration: A strong local democracy with an engaged community, effective partnerships, visionary leadership and well informed decision-making.
Outcome 4.2	Decision making is ethical, informed and inclusive
Outcome 4.3	Accountable leadership supported by a skilled and professional workforce
Outcome 4.4	Healthy financial sustainability that provides capacity to respond to changes in economic conditions and community priorities
Outcome 4.7	Council understands its roles and responsibilities and leads by example

Signed _____ Dated _____

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT:

The audit committee is part of the lines of defence which all work together to manage risks and ensure that controls are implemented and effective.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS:

No alternative options were considered.

COMMITTEE DECISION

MOVED Cr Colliver, **SECONDED** Cr Clune

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- 1. RECEIVE the Office of Auditor General overview of the audit finding for the year ended 30 June 2021 (as outlined in the Audit Closing Report); and**
- 2. PROVIDE FEEDBACK to the Office of Auditor General on the findings and any other matter related to the audit.**

CARRIED 4/0

Signed _____ Dated _____

AC113 REVIEW OF THE AUDIT COMMITTEE TERMS OF REFERENCE

AGENDA REFERENCE:	D-21-130376
AUTHOR:	M Adam, Coordinator Governance
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	22 November 2021
FILE REFERENCE:	GO/11/0020
ATTACHMENTS:	Yes (x1) Draft Audit Committee Terms of Reference

EXECUTIVE SUMMARY:

The purpose of this report is provide a draft of the Audit Committee Terms of Reference 2021 to the newly elected Audit Committee, for consideration and endorsement.

EXECUTIVE RECOMMENDATION:

That Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. Endorse the Audit Committee Terms of Reference – 6 December 2021

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The Audit Committee Terms of Reference 2021 (attachment AC113) is provided for the purpose of deliberation and discussion by the newly elected Audit Committee, and to ensure that Audit Committee Members have shared understanding of the role of the committee.

At the Ordinary Meeting of Council on 26 November 2021 (report CEO085) Council resolved as follows;

Part A.

RE-ESTABLISH the following listed Council Committees:

- b. City of Greater Geraldton Audit Committee;*

Part B

REQUIRE each internal Council Committee at their first meeting held following this resolution to:

- a. APPOINT by Committee resolution an Elected Member as Chairperson, and Elected Member as a proxy Chairperson for the Committee; and*
- b. REVIEW the terms of reference of the Committee and report to Council any required changes in relation to named membership of the Committee.*

Signed _____ Dated _____

The Audit Committee Terms of Reference 2021 (TOR) are based on the provisions of the *Local Government Act 1995*, the *Local Government (Audit) Regulations 1996*, and Operational Guideline 9 - *The appointment, function and responsibilities of audit committees*, provided by the Department of Local Government Sport and Cultural Industries.

The previous Audit Committee Charter has been reviewed by city officers and forms the basis of the draft TOR (Attachment AC113). The TOR has been updated to align with the amended provisions of the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996*, in relation to audit and audit committees. Superseded provisions have been removed and additional or amended clauses are highlighted in yellow on the attachment. An Audit Committee member induction checklist has also been added.

COMMUNITY, ECONOMY, ENVIRONMENT AND LEADERSHIP ISSUES:

Community:

There are no adverse community impacts.

Economy:

There are no adverse economic impacts.

Environment:

There are no adverse environmental impacts.

Leadership:

The objective of the Audit Committee is to assist the Council in fulfilling their oversight responsibilities in relation to;

- systems of risk management and internal control;
- the processes for monitoring compliance with legislation, including the code of conduct;
- financial and performance reporting; and
- external and internal audit.

Disclosure of Interest:

No Officer involved in the preparation of this report has a declarable interest in this matter.

RELEVANT PRECEDENTS:

The Audit Committee Charter was reviewed by the Audit Committee on 2 December 2019 (report AC082).

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government Act 1995 s. 7.12A, 7.13(1)

Local Government (Audit) Regulations 1996 r17

Local Government (Financial Management) Regulations 1996 r 5(2)(c)

Signed _____ Dated _____

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Strategic Direction: Leadership	Aspiration: A strong local democracy with an engaged community, effective partnerships, visionary leadership and well informed decision-making.
Outcome 4.2	Decision making is ethical, informed and inclusive.
Outcome 4.3	Accountable leadership supported by a skilled and professional workforce.
Outcome 4.4	Healthy financial sustainability that provides capacity to respond to change in economic conditions and community priorities.
Outcome 4.5	A culture of safety, innovation and embracing change.

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT:

The Audit Committee is required by Council Resolution of 26 November 2021 (Report CEO085) to review its TOR at the first meeting of the committee after the ordinary election of the Council.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS:

The Audit Committee may choose to simply discuss the TOR with the view to enhancing understanding by newly elected committee members. The committee may also choose to discuss and recommend changes to the TOR. Note that the Committee is able to seek a review of the TOR at a future time.

COMMITTEE DECISION

MOVED Cr Colliver, SECONDED Cr Reymond

That Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- 1. Endorse the Audit Committee Terms of Reference – 6 December 2021**

CARRIED 4/0

Signed _____ Dated _____

AC114	2020-21 ANNUAL FINANCIAL REPORT
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AGENDA REFERENCE:	D-21- 134415
AUTHOR:	N Jane, Acting Chief Financial Officer
EXECUTIVE:	P Radalj, Director Corporate and Commercial Services
DATE OF REPORT:	22 November 2021
FILE REFERENCE:	GO/11/0020
ATTACHMENTS:	Yes (x3), 1 X Confidential
	A. 2020-21 Annual Financial Report
	B. Auditors Report 2020-21
	C. Confidential – Management Letter

EXECUTIVE SUMMARY:

The purpose of this report is for the Audit Committee to consider and accept the 2020-21 Annual Financial Report and Auditor's Report.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

1. RECEIVE the Annual Financial Report for the financial year ended 30 June 2021;
2. RECEIVE the Audit Report for the financial year ended 30 June 2021;
3. NOTE that the Auditor has provided an unqualified audit opinion for the Annual Financial Report year ended 30 June 2021;
4. RECOMMEND to Council the adoption of the audited Financial Report for the year ended 30 June 2021;
5. NOTE the findings identified during the Audit and REQUEST they be listed for review until completed.
 - a. Expand grant register to include all grant revenue including that recognised under AASB1058.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The audit was conducted by RSM on behalf of the Office of the Auditor General (OAG). The final audit site visit was conducted from 11-15 October 2021. At the conclusion of the audit, the following reports are issued:

- Independent Auditor's Report
- Management Letter – Final Audit Results

The Report and Management Letter are attached along with the Audited Financial Statements for 2020-21 for the information of the Audit Committee.

Signed _____ Dated _____

COMMUNITY, ECONOMY, ENVIRONMENT AND LEADERSHIP ISSUES:**Community:**

There are no adverse community impacts.

Economy:

There are no adverse economic impacts.

Environment:

There are no adverse environmental impacts.

Leadership:

The Audit Committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting.

Disclosure of Interest:

No Officer involved in the preparation of this report has a declarable interest in this matter.

RELEVANT PRECEDENTS:

The Audit Committee received the 2019-20 Financial Report on 27 January 2021, AC093. The Interim Audit Report for 2020-21 was received on 28 September 2021, AC103.

COMMUNITY/COUNCILLOR CONSULTATION:

No community consultation has been undertaken. The annual financial report and audit certificate are included in the City's Annual Report, which will be presented to Council for adoption, then released to the community as a public document. The annual report is subsequently presented to an annual electors meeting and made available on the City website.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government (Audit) regulations 1996, section 16:

An audit committee has the following functions —

(a) to guide and assist the local government in carrying out —

(i) its functions under Part 6 of the Act; and

(ii) 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 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); and

(ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and

(g) to perform any other function conferred on the audit committee by these regulations or another written law.

Signed _____ Dated _____

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Strategic Direction: Leadership	Aspiration: A strong local democracy with an engaged community, effective partnerships, visionary leadership and well informed decision-making.
Outcome 4.2	Decision making is ethical, informed and inclusive
Outcome 4.3	Accountable leadership supported by a skilled and professional workforce
Outcome 4.4	Healthy financial sustainability that provides capacity to respond to changes in economic conditions and community priorities
Outcome 4.7	Council understands its roles and responsibilities and leads by example

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT:

Findings outlined in the management letter have been assigned a risk rating by the Office of Auditor General. These ratings are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. Consideration is given to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Management have provided responses to each of the findings.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS:

No alternative options were considered by City Officers.

COMMITTEE DECISION

MOVED Cr Colliver, SECONDED Cr Clune

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act 1995 RESOLVES to:

- 1. RECEIVE the Annual Financial Report for the financial year ended 30 June 2021;**
- 2. RECEIVE the Audit Report for the financial year ended 30 June 2021;**

Signed _____ Dated _____

3. **NOTE** that the Auditor has provided an unqualified audit opinion for the Annual Financial Report year ended 30 June 2021;
4. **RECOMMEND** to Council the adoption of the audited Financial Report for the year ended 30 June 2021;
5. **NOTE** the findings identified during the Audit and **REQUEST** they be listed for review until completed.
 - a. Expand grant register to include all grant revenue including that recognised under AASB1058.

CARRIED 4/0

Note

The Mayor provided questions via email for the Committee before the meeting as listed below. The CFO provided responses at the meeting and via email.

Sub Note1 – Page 3 of the Financials

That is a radically different deficit to budget. It is noted that prepayment of FAGS has bumped this down by \$3.1M. The note however seems to say that prepayments would have lifted the prior year also. Did we receive "extra" Fags this year i.e. Two years' worth this year?

FAGS were prepaid in both 19/20 and 20/21.

The budget set was a very conservative budget in uncertain times. Projections were that fees and charges would be significantly impacted by COVID restrictions, and therefore expenditure was reduced wherever possible.

Main reasons for result being so different to budget are:

- Fees and charges income not impacted as severely by COVID restrictions as expected (Airport), stimulus in building sector and Meru – extra \$2.6m*
- Interest earnings – extra \$158k*
- Employment expenses - \$790k under budget*
- Materials and contracts - \$1.67m under budget*

Note 2

Bad debts are well up. Can this be details? I note in note 38 Virgin owes us \$96k

Signed _____ Dated _____

Provision for Doubtful Debts includes Virgin and Pindan.

Note 3 and Note 14

Where did the CBD reserve go?

Major Initiatives Reserve

Public Open Space reserve in Note 20 states \$1.3m but note 14 states \$154,251

All POS Funds have been transferred from Trust (note 20 – balances are zero) to Reserve (Note 14 - Money in Lieu of Public Open Space) \$1,286,015. The balance of the Trust Fund is \$154,751.

Note 7a and Note 15

Land fair value has falls \$24m? Can we get details of this?

Land and building assets were revalued during the 2020/21 financial year.

The bulk of the decrement related to airport tech park. This land was previously (in 2017) valued on the basis that it was subdivided. This year the land was valued in its current unsubdivided state.

APV noted that there was “a significant overall decrease in land over the past four years, with some areas dropping as much as 50%”.

Note 8C

What is the effective life of the runway at the airport?

The subbase component of Runway 03/21 has an estimated useful life of 100 years and an estimated remaining useful life as at 30 June 2021 of 59 years.

The asphalt seal component of Runway 03/21 has an estimated useful life of 20 years and an estimated remaining useful life as at 30 June 2021 of 18 years

Note 11

Sundry creditors have gone from \$6m to \$11m. Can I get details of this increase?

In the 2019/20 year due to the impacts of COVID on suppliers, a concerted effort was made to pay creditors within 7 days. By the end of 2020/21, payment times had extended. The value also includes creditors

Signed _____ Dated _____

associated with Cyclone cleanup works, LRCIP program delivery, other capital works and transfer to POS Reserve.

Note 34

Have spelled my name wrong! - "Shayn"

This will be corrected.

IT Audit

Can we get a briefing on what resolutions are in place for suer access as raised in the IT finding?

Discussed during AC112 Exit Meeting OAG and RSM

Signed _____ Dated _____

7 GENERAL BUSINESS

8 MEETING CLOSURE

There being no further business the meeting was declared closed at **2.47pm**

Signed _____ Dated _____
