



**City of
Kalgoorlie
Boulder**

MINUTES

of the

Audit and Risk Committee Meeting

held at 2:00 PM

on

19 APRIL 2023

at the

Administration Building

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Audit and Risk Committee Members

Independent Chairperson Allan Pandal

Independent Member Robert Northcoat

Mayor John Bowler

Cr Glenn Wilson

Cr John Matthew

Cr Terrence Winner

Cr Kirsty Dellar

Cr Kim Eckert

Cr Amy Astill

1 DECLARATION OF OPENING

The Chairperson declared the meeting open at 2:07 pm welcoming those present.

2 RECORD OF ATTENDANCE

2.1 Attendance

In Attendance:

Independent Chairperson via teams
Allan Pandal
Independent Member
Robert Northcoat
Deputy Mayor Glenn Wilson
Cr John Matthew
Cr Terrence Winner
Cr Kim Eckert
Cr Amy Astill via teams

Members of Staff:

Andrew Brien	Chief Executive Officer
David Trevaskis	Director Corporate and Commercial
Frances Liston	Executive Manager Governance and Risk Services
Amy Toor	PA to Director Corporate and Commercial

Visitors:

2.2 Apologies

Apologies - Elected Members:

Mayor John Bowler and Cr Kirsty Dellar

Apologies - Members of Staff:

Nil

Leave of Absence:

Nil

3 PRESENTATIONS

Nil

4 DECLARATIONS OF MEMBERS' AND OFFICERS' INTEREST

4.1 Interest Affecting Impartiality City of Kalgoorlie-Boulder Code of Conduct

Nil

4.2 Financial Interest Local Government Act Section 5.60A

Nil

4.3 Proximity Interest Local Government Act Section 5.60B

Nil

5 REPORTS OF OFFICERS

5.1 Chief Executive Officer

5.1.1 Compliance Audit Return 2022

Responsible Officer:	Frances Liston Executive Manager Governance and Risk Services
Responsible Business Unit:	Office of the CEO Governance
Disclosure of Interest:	Nil
Voting Requirements:	Absolute Majority
Attachments:	1. Draft Compliance Audit Return 2022 [5.1.1.1 - 6 pages] 2. Submitted Compliance Audit Return 2022 [5.1.1.2 - 11 pages]

OFFICER/ COMMITTEE RECOMMENDATION

Moved By: Cr John Matthew
Seconded By: Cr Terrence Winner

That the Committee recommend Council:

1. Receive and endorse the attached revised submission of the Compliance Audit Return for the period 1 January 2022 – 31 December 2022 to the Department of Local Government, Sport and Cultural Industries in accordance with the *Local Government (Audit) Regulations 1996*; and
2. Note the variations between the attached revised submission of the Compliance Audit Return compared with the attached draft Compliance Audit Return endorsed by Council on 27 March 2023.

CARRIED
(7 / 0)

Executive Summary

The Department of Local Government, Sport and Cultural Industries (Department) made changes to the questions that formed the Compliance Audit Return. On 15 March 2023, City officers presented a draft Compliance Audit Return to the Committee, which was recommended to Council for endorsement and was endorsed by Council on 27 March 2023. Through submission of the endorsed Compliance Audit Return on the Department's online portal, City officers became aware that there being some variation between the draft that was endorsed by Council and the submitted Compliance Audit Return.

Community Engagement Consultation

No community consultation was considered necessary in relation to the recommendations of the report.

Community Strategic Plan Links

This report links to the Strategic Community Plan through the following Guiding Theme/s:

EMPOWERED: We ensure considered decision making based on collaborative, transparent and accountable leadership.

Budget Implications

There are no financial implications resulting from the recommendations of this report.

Report

The Department of Local Government, Sport and Cultural Industries (Department) made changes to the questions that formed the Compliance Audit Return. On 15 March 2023, City officers presented a draft Compliance Audit Return to the Committee, which was recommended to Council for endorsement and was endorsed by Council on 27 March 2023. Through submission of the endorsed Compliance Audit Return on the Department's online portal, City officers became aware that there being some variation between the draft that was endorsed by Council and the submitted Compliance Audit Return. The differences between the two versions of the questions have been identified as follows:

1. Under the heading "Delegation of Power/Duty":
 - a. Question 11 and question 13: in the submitted version, "1995" has been deleted following "Local Government Act";

- b. Question 12: change of financial year from 2021/2022 in the endorsed version to 2020/2021 in the submitted version. This has been answered “Yes”;
2. Under the heading “Disclosure of Interest”:
 - a. Question 18: the question changed from 2022 to 2021 in respect of which year the model code of conduct for elected members, committee members and candidates was adopted. This has been answer “Yes”;
 - b. Addition of new question (number 20): Has the CEO published an up-to-date version of the code of conduct for council members, committee members and candidates on the local government’s website?”. This has been answered “Yes”.
 - c. Variation to question 21 regarding code of conduct for employees to combine two questions (formerly 20 and 21) about whether the CEO has prepared and implemented the same, and published it on the website into one (question 21). Both limbs of this question were included in the draft Compliance Audit Return endorsed by Council and have been answered “Yes”.
3. Question 2 under the heading “Disposal of Property”: in the submitted version, the words “of the Act” following “section 3.58(4)” have been deleted. This has been answered “Yes” in accordance with the draft report endorsed by Council; and
4. Question 1 under the heading “Official Conduct’ has been amended in the submitted report from “senior employee” to “employee”. This been answered “Yes” in accordance with the draft report endorsed by Council.
5. Under the heading “Other”:
 - a. Question 1 and 2: these questions have changed from “year” in the endorsed version to “financial year” in the submitted version. This has been answered “Yes”;

Statutory Implications

This report is prepared in furtherance of the *Local Government (Audit) Regulations 1996*.

Policy Implications

There are no policy implications resulting from the recommendations of this report.

5.1.2 Annual Financial Report 2021-22

Responsible Officer:	Casey Radford Finance Manager
Responsible Business Unit:	Finance
Disclosure of Interest:	Nil
Voting Requirements:	Simple
Attachments:	<ol style="list-style-type: none"> 1. Financial statements - City of Kalgoorlie Boulder - 30 June 2022 [5.1.2.1 - 65 pages] 2. Opinion - City of Kalgoorlie- Boulder - 30 June 2022 [5.1.2.2 - 3 pages] 3. CONFIDENTIAL REDACTED - Final Management Letter Attachment - City of Kalgoorlie Boulder - 30 June 2022 [5.1.2.3 - 8 pages] 4. CONFIDENTIAL REDACTED - CKB - Audit Findings Report (AF R) - 30 June 2022 [5.1.2.4 - 26 pages]

OFFICER/ COMMITTEE RECOMMENDATION

Moved By: Deputy Mayor Glenn Wilson

Seconded By: Cr Amy Astill

That the Committee recommends that Council:

1. Adopt the 2021-22 Annual Financial Report and accompanying Independent Auditor's Report for the year ended 30 June 2022; and
2. Receives the Auditor's Management Letter in respect of the 2021-22 financial audit for the year ended 30 June 2022.

CARRIED
(7 / 0)

Executive Summary

In accordance with s6.4 of the *Local Government Act 1995* (the Act), the 2021-22 Annual Financial was prepared and submitted to the Office of the Auditor General (OAG) to conduct the annual audit in September 2022.

The OAG has completed its audit, in accordance with the terms of their engagement and the requirements of Part 7 Division 3 of the Act and prepared the Audit Report. The audit has been delayed several months due to the finalisation the City's asset revaluations as at 30 June 2022 and the limited availability of OAG audit staff to complete their review in January and February following the Christmas break.

The attached Annual Financial Report and Audit Report will form part of the City's 2021-22 Annual Report which is required to be accepted by Council within 2 months after the auditor's report becomes available.

Community Engagement Consultation

No community consultation was considered necessary in relation to the recommendations of the report.

Community Strategic Plan Links

This report links to the Strategic Community Plan through the following Guiding Theme/s:

EMPOWERED: We continue to believe in the principles of representational democracy and are enabled to make decisions about our lives.

Budget Implications

There are no financial implications resulting from the recommendations of this report. The audited carried forward surplus as at 1 July 2022 was amended in the mid-year budget review approved by Council on 9 March 2023.

Report

The preparation of the Annual Financial Report and submission of the City's accounts to the auditor for audit are statutory requirements of the Act. The Annual Financial Report needs to be accepted by Council to enable the holding of the Annual General Meeting of Electors, at which the City's Annual Report will be considered. The signed Annual Financial Report is also required to be submitted to the Department of Local Government, Sport and Cultural Industries (DLGSC).

Audit field work

Section 6.4 of the Act requires the City to prepare the annual financial report and submit the report to the auditor by 30 September. The accounts and draft annual financial report were submitted by this date.

The external audit was conducted by Grant Thornton on behalf of the OAG and they presented the Audit Planning Report to the Committee on 29 June 2022. The plan described the areas of audit focus and a proposed audit timeline including the schedule for the audit fieldwork which was to be conducted in two stages. The first being the interim audit 29 June to 10 July and then the final audit 3 to 21 October. The audit was scheduled for completion in November 2022 so it could be presented to Council at the December ordinary Council meeting.

The auditors worked remotely for the majority of the audit and attended the City offices for one week. They performed testing on all areas of the accounts, with a focus on areas they consider to be of high risk.

In accordance with Local Government (Financial Management) Regulations 1996 regulation 17A the City must revalue non-financial assets held within a period of not more than 5 years. The City's property (land and building) assets were last valued in

June 2017 and all other infrastructure assets (including roads, footpaths, park assets and other) were last valued in June 2018. A management decision was made to revalue both property and infrastructure assets as at 30 June 2022. Following instructions from the City, AssetVal Valuation Consultants were engaged to provide fair valuation reports as at 30 June 2022 for the City's assets. Onsite inspections were carried out between 9-13 May and 26-28 July with the final report delivered on 16 November 2022. The revaluation of assets involves significant management judgement and subjectivity with regards to the underlying assumptions in determining the value of the asset balances.

Due to delayed responses to the auditor's queries from the City's appointed asset revaluation expert, the audit was not finalised before 31 December. Both Grant Thornton and OAG audit staff had limited availability during January and February and were unable to pick-up the audit engagement again to finalise until March 2023.

End of financial year position

As at 30 June 2022, the City reported a higher Rate Setting Statement Surplus than budget. The surplus is \$6,844,027 which was \$1,272,448 higher than the \$5,571,579 provided for in the 2022-23 annual budget. This additional surplus has been accounted for in the amended mid-year budget approved by Council in March 2023.

The Financial Health Indicator (FHI) is a measurement of a local government's overall financial health. It is calculated from the seven financial ratios as determined by the DLGSC. An FHI result of 70 and above indicates sound financial health. It has been calculated that the City has achieved the basic standard or better for all seven ratios and estimates an FHI score of 96 for the 2021-22 financial year. Please note the ratios are no longer required to be prepared as part of the Annual Financial Report and were not subject to audit by the OAG.

Audit findings

The auditor identified one moderate finding and three minor findings. The moderate finding is in relation to the asset revaluations calculation and the required revised workings following the audit review. Further details on the findings are provided in the Management Letter and Audit Findings Report (confidential attachments).

Statutory Implications

Section 5.53 of the Local Government Act 1995 states:

5.53 Annual Reports

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain:
 - (f) the financial report for the financial year;

Section 6.4 of the Local Government Act 1995 states:

6.4 Financial Report

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to –
 - (a) be prepared and presented in the manner and form prescribed; and

- (b) contain the prescribed information.
- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor –
 - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
 - (b) the annual financial report of the local government for the preceding financial year.

Section 7.9 of the Local Government Act 1995 states:

7.9 Audit to be conducted

- (1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and audit report relate or such later date as may be prescribed, to prepare a report thereon ...

Local Government (Financial Management) Regulations 1996.

Regulation 51(2) states:

“A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government’s CEO of the auditor’s report on that financial report.”

Local Government (Audit) Regulations 1996.

Regulation 16 a and b states:

An audit committee has the following functions – to guide and assist the local government in carrying out its functions under Part 6 and Part 7 of the Act; and its functions relating to audits and other matters related to financial management.

Policy Implications

The Audit and Risk Committee Terms of Reference includes the following Roles and Functions of the Committee:

- Provide guidance and assistance to Council as to the carrying out of the functions of the City in relation to audits
- Consider and recommend adoption of the annual financial report to Council.

6 DATE OF NEXT MEETING

The next Audit and Risk Committee Meeting will be held on Wednesday 7 June 2023 at 11:00am.

7 CLOSURE

There being no further business, the Chairperson thanked those present for their attendance and declared the meeting closed at 2:38 pm.