



Shire of  
**Katanning**  
Heart of the Great Southern

**MINUTES OF AN  
AUDIT AND RISK COMMITTEE MEETING**

Minutes of the Shire of Katanning Audit & Risk Committee  
held on Tuesday 24 March 2020 at the  
Shire of Katanning Council Chambers, commencing at 10am.

PRESIDING MEMBER \_\_\_\_\_

DATE SIGNED \_\_\_\_\_



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**1. DECLARATION OF OPENING**

As the Committee Chairperson was not present at the meeting, the Chief Executive Officer chaired the meeting until the election of a presiding member.

The meeting was declared open at 11.15am.

**2. ELECTION OF PRESIDING MEMBER**

The Chief Executive Officer called for nominations for a presiding member from the members present at the meeting. Councillor Kristy D'Aprile nominated Councillor John Goodheart to Chair the meeting.

Being there was no further nominations, the Chief Executive Officer declared Councillor John Goodheart duly elected as Acting Chairperson of the Audit and Risk Committee for the meeting of Tuesday 24 March 2020.

Councillor John Goodheart took the chair at 11.20am.

Julian Murphy left the room at 11.20am.

**3. RECORD OF ATTENDANCE****PRESENT****Members:**

Cr John Goodheart – Acting Chairperson  
Cr Kristy D'Aprile  
Cr Owen Boxall

**Council Officers:**

Julian Murphy, Chief Executive Officer  
Lisa Hannagan, Executive Manager Finance & Administration

**Guests:****Apologies:**

Cr Serena Sandwell – Chairperson  
Cr Ernie Menghini  
Wendy Stringer, Finance Manager

**4. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS**

Nil.

**5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING****5.1 Audit and Risk Committee Meeting – Tuesday 17 December 2019**  
(SEE ATTACHED MINUTES)**MOVED: CR KRISTY DÁPRILE****SECONDED: CR OWEN BOXALL****ARC1/20 That the minutes of the Audit & Risk Committee Meeting held Tuesday 17 December 2019 on be confirmed as a true record of proceedings.****Voting Requirement: Simple Majority****CARRIED: 3/0**

**6. REPORTS****6.1 Compliance Audit Return 2019 (Audit & Risk)  
(ATTACHMENT)**

**File Ref:** CV.CM.2  
**Reporting Officer:** Lisa Hannagan, Executive Manager Corporate & Community  
**Date Report Prepared:** 1 March 2020

**Issue:**

To consider the Compliance Audit Return for the period 1 January 2019 to 31 December 2019.

**Body/Background:**

In accordance with the Local Government (Audit) Regulations 1996, Council is required to conduct a compliance audit for the period 1 January 2019 to 31 December 2019 against the requirements of the Compliance Audit Return.

The completed Compliance Audit Return is hereby presented to the Audit (Finance & Risk) Committee for consideration.

Following Council adoption, the Compliance Audit Return is to be submitted to the Director General of the Department of Local Government prior to 31 March 2020.

**Officer's Comment:**

The Compliance Audit Return is to be considered by the Audit (Finance & Risk) Committee who then make recommendation to Council on whether to adopt the Compliance Audit Return.

There are no issues of non compliance noted in the return, as presented.

**Statutory Environment:**

Local Government (Audit) Regulations 1996, Regulations 13, 14 and 15.

**Policy Implications:**

Nil.

**Financial Implications:**

Nil.

**Risk Implications:**

The Annual Compliance Audit process is considered LOW risk. The Shire is subject to numerous external audits and has established internal audits of critical compliance areas. Shire staff have actively worked to continue progress and ensure processes are well established throughout the organisation.

**Strategic Implications:**

Shire of Katanning Strategic Community Plan 2017 – 2027

| PRIORITY   | LEADERSHIP |   |
|------------|------------|---|
| ASPIRATION | L2         | A collaborative, progressive and resilient local government which is sustainably resourced. |
| OBJECTIVE  | L2.1       | Optimise use of shire resources – improve organisational systems.                           |

Officer's Recommendation:

That the Audit & Risk Committee recommends Council adopt the Compliance Audit Return, as attached, for the period 1 January 2019 to 31 December 2019 and submit a certified copy to the Executive Director of the Department of Local Government.

Voting Requirement: Simple Majority

**Committee Recommendation:****MOVED: CR KRISTY DÁPRILE****SECONDED: CR OWEN BOXALL**

**ARC2/20** That the Audit & Risk Committee recommends Council adopt the Compliance Audit Return, subject to changes being made to Item 6 on page 6 to reflect the response that "No" Council have not developed a Long Term Financial Plan and the comments be changed to include the words "or adopted".

Voting Requirement: Simple Majority

CARRIED: 3/0

## **6.2 Regulation 17 Risk Management Audit – January 2020 Update**

**File Ref:** FM.AU  
**Reporting Officer:** Lisa Hannagan, Executive Manager Corporate & Community  
**Date Report Prepared:** 1 March 2020

**Issue:**

Additional Regulations were gazetted for the Local Government (Audit) Regulations 1996 in February 2013. As a result of those amendments, Local Government Operational Guideline – 9 – Audit in Local Governments, was revised.

The Regulation 17 prescribes a number of matters that are to be reviewed by the Audit Committee.

These functions now include reviewing the Chief Executive Officer's report on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance; and reporting the results of the Committee's consideration, to Council.

**Body/Background:**

The Risk Audit and review process is to occur at least once every two calendar years.

Moore Stephens conducted the second Shire of Katanning review in June 2017.

The next Regulation 17 Audit will take place prior to 30 June 2020 and Auditors Avant Edge Consulting have been retained to conduct the audit.

This report is provided as noting closure of the 2017 Reg 17 Audit including matters that have not been fully resolved.

**Officer's Comment:**

The report from Moore Stephens contains recommendations to improve the Shire of Katanning's performance in the areas covered by the audit, that being:

1. Risk Management;
2. Internal Controls; and
3. Legislative Compliance.

There were no critical issues raised in the Moore Stephens report, but a number of the identified issues were considered priority and generally dealt with in 2018.

Of the 14 recommendations made in the report, all were allocated to a responsible officer and a timeframe to address the matters noted with updates provided to the Audit & Risk Committee as progress was made.

There were 3 matters that had not been fully resolved at the last update and, with the arrival of the Shire Intranet in December 2019, 2 remain outstanding as follows:

1. Develop an entity wide Risk Register;
2. Develop a Business Continuity Plan.

The Risk Register will now be addressed as part of the Narrow Scope Audit (February 2019) into Fraud in Local Government.

Drafting of a Business Continuity Plan been progressed with a draft document prepared and currently under review by ITC Officer and Senior Administration and Records Officer. The February bush fire emergency has provided an opportunity to start building a draft plan. A number of issues were highlighted in that emergency that have provided an understanding of some of the issues from an IT perspective and the ITC officer will be tasked with progress of this matter.

**Statutory Environment:**

Regulation 17 Local Government (Audit) Regulations 1996

**Policy Implications:**

Various policies may need to be amended to be aligned with new processes. This will take place over the coming months via a standardised policy review process.

**Financial Implications:**

Nil

**Strategic Implications:**

Shire of Katanning Strategic Community Plan 2017 – 2027

| PRIORITY   | LEADERSHIP |   |
|------------|------------|---|
| ASPIRATION | L2         | A collaborative, progressive and resilient local government which is sustainably resourced. |
| OBJECTIVE  | L2.1       | Optimise use of shire resources – improve organisational systems.                           |

**Officer's Recommendation/Committee Motion:**

**MOVED: CR OWEN BOXALL**

**SECONDED: CR KRISTY DÁPRILE**

**ARC3/20** That the Audit Committee notes the progress as at January 2020 of addressing the recommendations made by Moore Stephens – Review of Risk Management, Legislative Compliance and Internal Controls conducted in 2017.

**Voting Requirement:** Simple Majority

**CARRIED: 3/0**

### 6.3 Purchasing Policy – Compliance Monitoring

**File Ref:** FM.AU  
**Reporting Officer:** Lisa Hannagan, Executive Manager Corporate & Community  
**Date Report Prepared:** 1 March 2020

**Issue:**

The Audit Report for the financial year 1 July 2017 to 30 June 2018 noted a high level of non-compliance in relation to the Shire's Purchasing Policy.

**Body/Background:**

Compliance to Council Policies is mandatory for all employees. A limited number of employees have been given authority to purchase on behalf of the Shire and they are provided initial training on the correct processes for purchasing and a copy of the Purchasing Policy.

Shire creditors are paid weekly, and all payments are reviewed by either the Executive Manager of Finance & Administration or the Manager of Finance.

Since the audit report, a record is being kept of:

1. Number of creditors being paid;
2. Number of invoices being paid (because there can be multiple invoices being paid to a creditor); and
3. Number of failures in compliance, with the compliance issues being:
  - a. Purchase Order raised after Invoice received;
  - b. Authority/Signatures missing; and
  - c. Appropriate documentation for level of spending e.g. 3 written quotes for over \$5,000 etc.

**Officer's Comment:**

The graph below shows the results of the continuing internal auditing.

The Audit Report (17/18 financial year) noted a 50% non-compliance rate with the sample the Auditors reviewed.

While our testing has not demonstrated anywhere near the level of non-compliance as reported by the Auditors, it did initially demonstrate an unacceptable level of non-compliance which needs to be addressed.

To commence the strategy to improve this result, a benchmark of 10% has been used in the graph. So, the goal, in the first instance, is to see a consistent non-compliance level of less than 10%.

The CEO revoked the Purchasing Authority of six officers in July 2019 for a period of 8 weeks.

The updated graph, below, continues to show a significant ongoing improvement in the level of non-compliance since our previous reporting.



**Statutory Environment:**

Local Government Act 1995

Local Government (Audit) Regulations 1996

Local Government (Financial Management) Regulations 1996

**Policy Implications:**

Nil.

**Financial Implications:**

Nil.

**Risk Implications:**

Risk in local government procurement is generally low due to a very limited number of staff being authorised to conduct transactions and limits set for those who have been authorised. Routine procedures are considered sufficient to manage risks, with refresher training now being undertaken to consolidate initial training.

**Strategic Implications:**

Shire of Katanning Strategic Community Plan 2017 – 2027

| PRIORITY   | LEADERSHIP |   |
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| ASPIRATION | L2         | A collaborative, progressive and resilient local government which is sustainably resourced. |
| OBJECTIVE  | L2.1       | Optimise use of shire resources – improve organisational systems.                           |

**Officer’s Recommendation/Committee Motion:**

**MOVED: CR KRISTY DÁPRILE**

**SECONDED: CR OWEN BOXALL**

**ARC4/20 That the Audit Committee notes the monitoring of compliance in relation to Purchasing.**

**Voting Requirement:** Simple Majority

**CARRIED: 3/0**

**7. CLOSURE OF MEETING**

The Presiding Member declared the meeting closed at 11.43am.