



Shire of
Katanning
Heart of the Great Southern

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

Minutes of the Shire of Katanning Audit & Risk Committee
held on Thursday 6 May 2021 at the
Shire of Katanning Conference Room.

PRESIDING MEMBER _____

DATE SIGNED _____



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1. DECLARATION OF OPENING

Cr Goodheart chaired the meeting in the absence of Cr Sandwell. The Acting Chairperson declared the meeting open at 10:02am.

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

Cr John Goodheart – Acting Chairperson
Cr Serena Sandwell – entered at 10:05am
Cr Kristy D’Aprile
Cr Ernie Menghini

Council Officers:

Julian Murphy, Chief Executive Officer (by electronic means)
Denise Gobbart, Executive Manager Finance & Administration
Sam Bryce, Executive Manager Infrastructure & Assets (by electronic means)
Taryn Human, Governance Executive Officer
Sue Eastcott, Executive Assistant to CEO

Guests:

Cr Liz Guidera
Nayna Raniga, Contract Manager – Office of the Auditor General (by electronic means)
Wen-Shien Chai, Engagement Partner – Moore Australia (by electronic means)
Gilles Chan, Engagement Manager – Moore Australia (by electronic means)

Apologies:

Cr Martin van Koldenhoven (Proxy)
Cr Owen Boxall (Proxy)

3. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS**4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

At 10:03am Nayna Raniga, Contract Manager – Office of the Auditor General joined the meeting via mobile phone, Wen-Shien Chai, Engagement Partner – Moore Australia and Gilles Chan, Engagement Manager – Moore Australia joined the meeting via video link and discussed the audit process.

Cr Sandwell entered the meeting at 10:05am.

Cr Goodheart held the chair for the remainder of the meeting.

4.1 Audit and Risk Committee Meeting – Tuesday 23 March 2021
(SEE ATTACHED MINUTES)

MOVED: CR ERNIE MENGHINI

SECONDED: CR SERENA SANDWELL

ARC06/21 That the minutes of the Audit & Risk Committee Meeting held on Tuesday 23 March 2021 be confirmed as a true record of proceedings.

Voting Requirement: Simple Majority

CARRIED: 4/0

Nayna Raniga, Wen-Shien Chai and Gilles Chan left the meeting at 10:50am.

5. REPORTS

5.1 Meeting with the Shire of Katanning Auditors
(ATTACHMENT)

File Ref: FM.AU.2

Reporting Officer: Denise Gobbart, Executive Manager Finance & Administration

Date Report Prepared: 03 May 2021

Issue:

For the Audit & Risk Committee to recommend that Council notes the outcomes of the electronic meeting with the Council's Auditors, Nayna Raniga – Director Financial Audit Office of the Auditor General (OAG), Wen-Shien Chai – Partner Moore Australia (WA) and Gilles Chan – Manager Moore Australia (WA).

Body/Background:

On appointment of the Audit & Risk Committee, the terms of reference provided the following:

f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcomes of those discussions.

The *Local Government Act 1995* does not require the Audit Committee to meet with the Auditor; rather the Local Government is to meet with the Auditor at least once each year.

It should be noted that there would be an additional fee involved for the auditor to visit the Shire of Katanning in person due to travel and time.

The electronic meeting today with Council's Auditors and the Audit and Risk Committee members in attendance, is intended to meet the requirements of Act.

Officer's Comment:

Moore Australia has been engaged by the Office of Auditor General (OAG) Western Australia to conduct our annual financial audit for a 3-year period, commencing with the audit for the year ended 30 June 2021.

The purpose of this meeting is to discuss the Audit Strategy Memorandum for the for the audit period ending 30 June 2021. The key purposes of the memorandum are to:

- Set out the audit scope and approach summary; and
- Communicate the key audit risk areas which we expect to be focus of the audit procedures; and
- Promote effective communication between the auditor and those charged with governance.

Key Dates are as follows:

19–21 May 2021	Interim Audit
10 June 2021	Interim Management Report
21 September 2021	Receipt of complete and balanced draft financial report
20-24 September 2021	Final Audit Visit (TBC)
Start November 2021	Issuance of Audit Concluding Memorandum
Mid November 2021	Audit Exit Meeting
Mid November 2021	CEO sign off on financial statements
Late November 2021	Final sign-off of Auditor’s report & management report

Statutory Environment:

Local Government Act 1995

Section 7.12A Duties of Local Government with Respect of Audits

- (1) A local government is to do everything in its power to —
 - (a) assist the auditor of the local government to conduct an audit and carry out the auditor’s other duties under this Act in respect of the local government; and
 - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government must —
 - (aa) examine an audit report received by the local government; and
 - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must —
 - (a) 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; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government’s official website.

Policy Implications:

There are no policy implications for this report.

Financial Implications:

There are no financial implications for this report.

Risk Implications:

This item has been evaluated against the Shire of Katanning’s Risk Assessment and Acceptance Criteria. The perceived level of risk is considered to be “Low” risk and can be managed by routine procedures and with current resources.

Strategic Implications:

Shire of Katanning Strategic Community Plan 2017 – 2027

PRIORITY	LEADERSHIP	
ASPIRATION	L1	An inclusive community, recognised as a great place to live and visit.
OBJECTIVE	L1.1	Operate with high ethical and professional standards, being open, transparent and responsive to the community and other stakeholders.

Voting Requirement: Simple Majority**Officer's Recommendation/Council Motion:****MOVED: CR KRISTY D'APRILE****SECONDED: CR ERNIE MENGHINI**

ARC07/21 That the Audit & Risk Committee recommends that Council notes the outcomes of the meeting between the Audit and Risk Committee members and the Auditor held by electronic means on 6 May 2021 and determines that the meeting satisfies the requirement of Section 7.12A(2) of the Local Government Act 1995.

CARRIED: 4/0

5.2 Purchasing Policy – Compliance Monitoring

File Ref: FM.AU
Reporting Officer: Denise Gobbart, Executive Manager Corporate & Community
Date Report Prepared: 03 May 2021

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 Corporate & Community 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 two graphs below show the results of the continuing internal auditing.

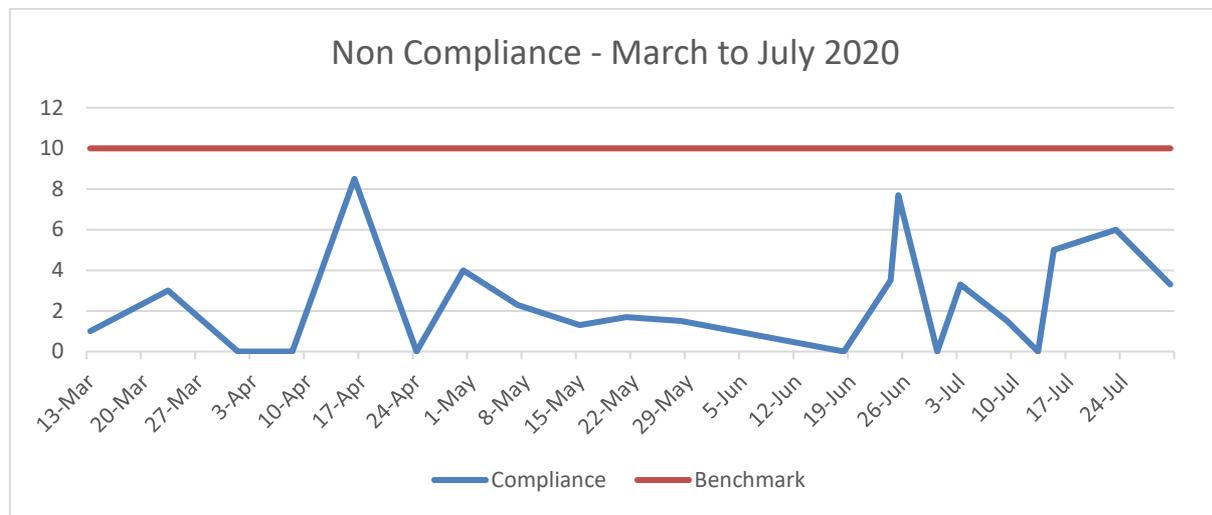
The Audit Report (17/18 financial year) noted a 50% non-compliance rate with the sample the Auditors reviewed.

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.

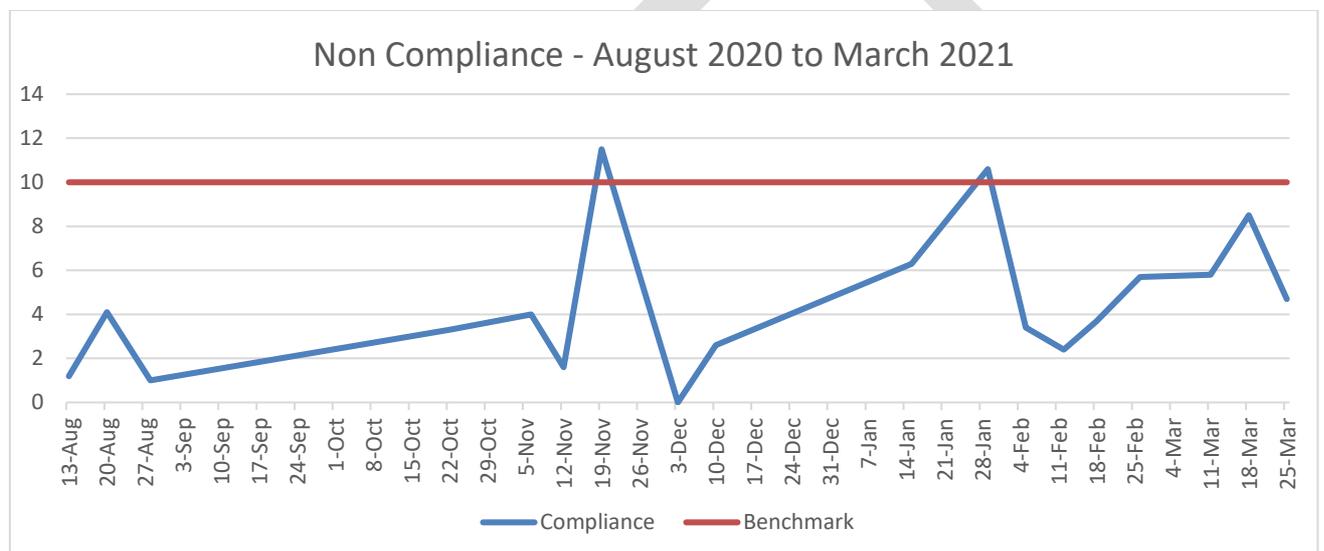
To commence the strategy to improve this result, a benchmark of 10% has been used in the graph. So, the goal, in the first instance, is to see a consistent non-compliance level of less than 10%.

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

The graph below, provided at the September 2020 Audit & Risk Committee meeting, showed a significant ongoing improvement in the level of non-compliance since our previous reporting.



This report has been completed for August 2021 to March 2021 and shows we are continuing to meet or better our benchmark, with the exception of two weeks.



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	
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 D'APRILE****SECONDED: CR SERENA SANDWELL**

ARC08/21 That the Audit Committee notes the monitoring of compliance in relation to Purchasing.

Voting Requirement: Simple Majority**CARRIED: 4/0****6. CLOSURE OF MEETING**

The Presiding Member declared the meeting closed at 10:55am.