



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 Monday 26 February 2024 at the
Shire of Katanning Conference Room.

PRESIDING MEMBER _____

DATE SIGNED _____



Heart of the Great Southern

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1. DECLARATION OF OPENING/ACKNOWLEDGEMENT OF COUNTRY

The Chairperson declared the meeting open at 5:05pm.

Acknowledgement of Country

The Shire of Katanning acknowledges the Goreng Noongar people as the traditional custodians of the land that we live and work on. We recognise their cultural heritage, beliefs, and continuing relationship with the land, and pay our respects to Elders past and present.

2. RECORD OF ATTENDANCE

PRESENT

Members:

Cr John Goodheart – Chairperson
 Cr Kristy D’Aprile
 Cr Liz Guidera
 Cr Matt Collis
 Cr Ian Hanna

Council Officers:

Peter Klein, Chief Executive Officer
 David Blurton, Executive Manager Corporate Services
 Belinda Knight, Financial Services Contractor (joined via electronic means)

Guests:

Apologies:

Cr Paul Totino
 Alan McFarland – (Independent Member)
 Cr Michelle Salter

3. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS

Nil.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**4.1 Audit and Risk Committee Meeting – Thursday 21 December 2023**
(SEE ATTACHED MINUTES)

Voting Requirement: Simple Majority

MOVED: CR KRISTY D'APRILE

SECONDED: CR IAN HANNA

ARC01/24 That the minutes of the Audit & Risk Committee Meeting held on Thursday 21 December 2023 be confirmed as a true record of proceedings.

CARRIED: Cr John Goodheart, Cr Kirsty D'Aprile, Cr Liz Guidera, Cr Ian Hanna, Cr Matt Collis
FOR: 5/0
AGAINST: Nil.

5. REPORTS

5.1 Compliance Audit Return 2023 (ATTACHMENT)

File Ref: FM.AU.2
Reporting Officer: Grace French, Executive Manager Finance & Administration
Date Report Prepared: 05 February 2024
Disclosure of Interest: No Interest to disclose.

Issue:

That Council adopts the Compliance Audit Return (CAR) for the year ending 31 December 2023.

Body/Background:

A Local Government is required to carry out a Compliance Audit for the period 1 January to 31 December each year. The compliance review process provides the CEO and Council with an additional element of accountability through a rigorous check on internal management systems, procedures and record keeping.

The Compliance Audit Return is to be completed with a certified copy signed by the CEO and President and submitted to the Director General, Department of Local Government and Regional Development by 31 March.

The Compliance Audit Return must:

1. initially be presented to the Audit Committee,
2. be presented to Council at the Ordinary Council meeting,
3. be adopted by the Council; and
4. be recorded in the minutes of the meeting at which it is adopted.

The CAR process provides both the CEO and the Council with an additional element of accountability through a check on internal management systems, procedures and record keeping and demonstrates the Shire's emphasis on improving good governance, compliance, and best practice.

Officer's Comment:

The CAR was completed by the Executive Manager Corporate & Community and then reviewed by the Chief Executive Officer.

This year there were eleven (11) categories with a total of ninety-four (94) questions.

1. Commercial Enterprises (5 questions) – No matters raised.
2. Delegation of Power/Duty (13 questions) – Question 5 – Council to review Delegations to Committees and be presented at OMC March 2024
3. Disclosure of Interest (21 questions) – S5.75 & 5.76 return not removed from the register. S5.87A or 5.87B Gift Register not updated when people have left the organization.
4. Disposal of Property (2 questions) – S3.58(3) two properties sold due to non-payment of rates.
5. Elections (3 questions) – No matters raised.

6. Finance (7 questions) – Question 4 (s7.12A(3)) – Auditors Qualified opinion due to inconsistency displayed at the Infrastructure Valuation Report.
7. Integrated Planning and Reporting (3 questions) – No matters raised.
8. Local Government Employees (5 questions) – Question 1 – CEO resignation August 2023. Executive Manager Corporate Resigned August 2023.
9. Official Conduct (4 questions) – no matters raised.
10. Other (9 questions) – Questions 4 & 6 – Policies in regard to attendance of council members and continue development to council members to be reviewed prior June 2024.
11. Tenders for Providing Goods and Services (22 questions) – Reg 11A(1) & (3) purchasing policy matters.

Statutory Environment:

Local Government (Audit) Regulation 1996;

14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under sub regulation (3A), the compliance audit return is to be —
 - (a) presented to the council at a meeting of the council; and
 - (b) adopted by the council; and
 - (c) recorded in the minutes of the meeting at which it is adopted.

15. Certified copy of compliance audit return and other documents to be given to Departmental CEO

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - (b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.
- (2) In this regulation — certified in relation to a compliance audit return means signed by —
 - (a) the mayor or president; and
 - (b) the CEO.

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 and the level of risk is low and can be managed by routine procedures and with current resources.

Strategic Implications: Shire of Katanning Strategic Community Plan 2022 - 2032**Focus Area** Leadership**Aspiration** Katanning is an inclusive and respectful community.**Objective** To ensure that Shire's resources are utilised in a manner that represents the best interest of the whole community.**Voting Requirement:** Simple Majority**Audit and Risk Committee Recommendation/Council Motion:****MOVED: CR LIZ GUIDERA****SECONDED: CR MATT COLLIS****ARC02/24 That Council:**

- 1. Adopts the Shire of Katanning Compliance Audit Return for the period 1 January 2023 to 31 December 2023; and**
- 2. Authorises the Shire President and Chief Executive Officer to endorse the certification contained within the Compliance Audit Return 2023.**

CARRIED: Cr John Goodheart, Cr Kirsty D'Aprile, Cr Liz Guidera, Cr Ian Hanna, Cr Matt Collis
FOR: 5/0
AGAINST: Nil.

5.2 Budget Review 2023/2024 (ATTACHMENT)

File Ref: FM.BU.6
Reporting Officer: Belinda Knight, Financial Services Consultant
Date Report Prepared: 21 February 2024

Issue:

For Council to consider and adopt the Budget Review as presented for the period 1 July 2023 to 31 December 2023.

Body/Background:

The *Local Government (Financial Management) Regulations 1996*, regulation 33A, requires that local governments conduct a budget review between 1 January and the last day in February in each financial year. A copy of the review and determination is to be provided to the Department of Local Government within 14 days of the adoption of the review.

The budget review has been prepared to include information required by the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards. Council has adopted thresholds of 10% or \$10,000 for the reporting of material variances in the statements of financial activity and the annual budget review.

The Shire of Katanning's adopted 2023/24 budget has a target net operating loss of \$1,384,684 with a nil carry forward. The proposed 2023/2024 Budget Review imposes an additional operating loss of \$45,500 (refer to the attached 2023/2024 Budget Review Report, page 2 "Amount attributable to operating activities). This brings the target operating loss for 2023/24 to \$1,430,184.

Officer's Comment:

Please refer to comments under Financial Implications, below.

Statutory Environment:

Regulation 33A of the Local Government (Financial Management) Regulations 1996 requires:

- (1) *Between 1 January and the last day of February in each financial year a local government is to carry out a review of its annual budget for that year.*
- (2A) *The review of an annual budget for a financial year must*
 - a) *Consideration the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and*
 - b) *Consider the local government's financial position as at the date of the review; and*
 - c) *Review the outcomes for the end of that financial year that are forecast in the budget; and*
 - d) *Include the following-*
 - (i) *the annual budget adopted by the local government;*
 - (ii) *an update of each of the estimates included in the annual budget;*

(iii) the actual amounts of expenditure, revenue and income as at the date of the review;

(iv) adjacent to each item in the annual budget adopted by the local government that stated an amount, the estimated end-of-year amount for the item.

(2) The review of an annual budget for a financial year must be submitted to the council on or before 31 March in that financial year.

(3) A Council is to consider a review submitted to it and is to determine whether or not to adopt the review, any parts of the review or any recommendations made in the review.*

***Absolute majority required.**

(4) Within 14 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

Policy Implications:

There are no policy implications for this report.

Financial Implications:

A budget review has been undertaken by the Shire's Financial Services Consultant, in consultation with Shire staff, as per the requirements of the *Local Government Act 1995 and Local Government (Financial Management) Regulations 1996*.

The methodology use included reviewing year-to-date actual costs at the time of the preparation of the report, together with the consideration of outstanding, or unfulfilled purchase orders. The Financial Services Consultant and the CEO have also jointly reviewed the document.

Purchase orders outstanding total as follows:

- Operating Expenses – \$412,929 (the largest of which being)
 - Consultants (Admin) – Asset Revaluation - \$60,500
 - Works Program – Other Reserves - \$37,598
 - Fuel & Oil - \$15,901
 - Plant Repairs - \$15,592
 - Harmony Festival - \$12,867
- Capital projects - \$1,297,922 (made up of)
 - Infrastructure – Roads - \$312,449
 - Infrastructure Footpaths - \$11,345
 - Infrastructure – Bridges - \$15,465
 - Plant & Equipment (incl motor vehicles) - \$788,663

The following table summarises the proposed amendments and further details are available on Page 8 of the Budget Review document.

Income/Expenditure Type	Description	Positive Outcome	Negative Outcome
OPERATING EXPENSES			
Materials & Contracts	Increase in costs associated with Contractors (Legal, Financial, Asset Valuations, Footpath & Bike Plan, and Airport Compliance), purchase of refuse and recycle bins, advertising and promotion, and purchase of sound system for Town Square.		-\$161,000
Depreciation	Increase in depreciation resulting from 2021/2022 Audit qualification (non-cash)		-\$4,194,403
Insurance	Increase in Insurance costs in general		-\$70,000
OPERATING REVENUES			
Grants, Subsidies & Contributions	Financial Assistance Grants (General & Roads) not included in original budget	\$70,000	
Fees & Charges	Increases in infringements (bush fire), rent on Medical Centre, Refuse Site disposal fees, and Building Licences	\$90,500	
Interest Revenue	Increase in interest due to improving interest rates	\$25,000	
CAPITAL EXPENSES			
Infrastructure – Roads	Increase in costs for Kelly Road and Pemble Street projects		-\$51,000
OPENING SURPLUS/DEFICIT			
	Adjustment resulting from finalisation of Audit	\$198,210	
	TOTALS (EXCLUDING NON-CASH ITEM)	\$383,710	-\$282,000

Risk Implications:

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

Strategic Implications:

Focus Area	Leadership
Aspiration	Katanning is an inclusive and respectful community.
Objective	To ensure that Shire resources are utilised in a manner that represents the best interest of the whole community.

Voting Requirement: Absolute Majority

Officer's Recommendation/Council Motion:**MOVED: CR KRISTY D'APRILE****SECONDED: CR IAN HANNA****ARC03/24****Item adjourned pending further information.**

CARRIED: Cr John Goodheart, Cr Kirsty D'Aprile, Cr Liz Guidera, Cr Ian Hanna, Cr Matt Collis

FOR: 5/0

AGAINST: Nil.

6. CLOSURE OF MEETING

The Presiding Member declared the meeting closed at 6:00pm.