



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

Agenda of the Shire of Katanning Audit & Risk Committee
held on Thursday 20 June 2024 at the
Shire of Katanning Conference Room, commencing at 1:00 pm.

PRESIDING MEMBER _____

DATE SIGNED _____



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1. DECLARATION OF OPENING/ACKNOWLEDGEMENT OF COUNTRY

The Chairperson declared the meeting open at _____ pm.

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

Council Officers:

Peter Klein, Chief Executive Officer
 David Blurton, Executive Manager Corporate Services
 Patrick Kennedy, Finance Manager

Guests:

Aram Madnack – Acting Senior Direct, Office of Auditor General
 Gille Chan – Senior Manager, Moore Australia
 Wen-Shien Chai – Partner, Moore Australia

Apologies:

3. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS**4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING****4.1 Audit and Risk Committee Meeting – Monday 26 February 2024**
(SEE ATTACHED MINUTES)**Voting Requirement:** Simple Majority**MOVED:****SECONDED:****ARC/24 That the minutes of the Audit & Risk Committee Meeting held on Monday 26 February 2024 be confirmed as a true record of proceedings.**

CARRIED:

FOR:

AGAINST:

5. REPORTS

5.1 2024 Audit Strategy (ATTACHMENT)

File Ref: FM.AU.2
Reporting Officer: David Blurton – Executive Manager of Corporate Services
Date Report Prepared: 12 June 2024
Disclosure of Interest: No Interest to disclose.

Issue:

Moore Australia and the Office of Auditor General will present their 2024 Audit Strategy to the committee.

Body/Background:

The Audit Strategy will define the objectives and scope of the 2024 audit process and includes audit methodology, timeframes and key risk areas that will form the basis for the 2024 audit of the Shire of Katanning.

Local government audits in WA are overseen by the Office of the Auditor General (OAG). The OAG has appointed Moore Australia as its agent to undertake the Shire of Katanning audit.

Officer's Comment:

The role of the independent auditor is critical to provide assurance and confidence to the Council that key financial controls are being undertaken, statutory requirements are being met and the risk of fraud and error is minimized. The audit process also provides validity to the 2023/24 end of year financial report.

Statutory Environment:

Part 7 of the Local Government Act 1995 (WA) covers the audit of local governments and the functions of Audit Committees in WA.

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:

ARC/24 That Council receives the 2024 Audit strategy as attached at appendix 1.

CARRIED:

FOR:

AGAINST:

5.2 Purchase of software to reduce the Risk of Fraud **(ATTACHMENT)**

File Ref: FM.BU.6
Reporting Officer: David Blurton – Executive Manager of Corporate Services
Date Report Prepared: 12 June 2024

Issue:

The threat of payment to a fraudulent supplier bank account is a real risk to the Shire of Katanning.

A proposal has been received from Eftsure which uses technology to cross reference business banking accounts, via a central database with the intent of minimising the risk of fraudulent transactions to third parties.

Officers would like to discuss the committee's appetite to purchase such a product.

Body/Background:

The Shire of Katanning has processes in place to minimise the risk of payment to a fraudulent bank account, however these processes were tested in April 2024 when a \$632 payment was made to an incorrect bank account. The details of this transaction were as follows:

- An invoice was received via email on behalf of the Jeert Mia Aboriginal Corporation and then an email directly after stating there was an issue with the invoice and to disregard and delete as the details were incorrect.
- A new invoice was received and entered into Synergy, where the officer realised that bank details on the invoice did not match the supplier details in synergy.
- Officers called representatives of Jeert to advise that a new form will be emailed through for her to confirm her bank details.
- An email was received with the form filled in with the original bank details.
- About an hour later, another email was received with the BSB and Account number typed out stating the first form was the "old bank details" and that they would send the filled-out form through shortly.
- They then sent through a second form with the "new details", which was used to update the creditor details in synergy.
- After payment went through, an email from Jeert representatives was received the following Monday stating that they had not received the funds. Officers emailed the remittance advice to Jeert and received a call shortly after advising that the bank account that was used wasn't Jeert's.
- Officers then reported the transaction as fraudulent through Commbiz and after a 2 week period, officers were advised that the amount was unrecoverable.
- Officers have since changed the procedure to include contacting the supplier on the number stored in synergy to confirm that banking details have been changed. The creditor must also provide a bank statement or deposit slip that confirms the company/trading name and the BSB and Account details that they have provided. Officers also undertake a BSB lookup and ABN lookup whenever any new creditor forms are received and when we are updating creditor details to verify that those details (even if they have not changed) are still valid.

Whilst changing the procedure will help minimise the risk of this situation reoccurring, the risk is not eliminated. With scammers increasing use of technology including AI and considering a \$15m Capital program and \$18m operating budget for 24/25 for the Shire of Katanning, the risk of fraud remains significant for the Council.

The Council does insure against commercial crime and cyber liability as follows;

Limit of \$1,000,000 coverage for commercial crime in any one period

Excess of \$1,000

Covers

- Internal crime,
- External crime
- A theft
- Physical loss or damage
- Contractual penalties (\$500,000)
- Interest (\$500,000)
- Public relations expense (\$100,000)
- Outsourcing, extortion, erroneous funds transfer – covered

Limit of \$2,000,00 aggregate coverage for cyber liability in any one period

Excess of \$15,00

Covers

- Incident repose
- Business interruption
- Data and system recovery
- Cyber extortion

Officer's Comment:

Unfortunately, the risk of fraud is growing exponentially and many Councils in WA are already using similar software as a measure to minimise the risk of fraud.

Given the risk, it is recommended that officers undertake further due diligence to understand all alternative products available, if any exist with the support of the audit committee and Council.

Officers have not had the opportunity to undertake due diligence and explore alternative products in the market at time of writing.

Statutory Environment:

N/A

Policy Implications:

N/A

Financial Implications:

The original proposal from Eftsure (29 April 2024) included a setup fee of \$2500 and an annual fee of \$7620, however a end of financial year special is currently offered which includes setup fee \$1250 and an annual fee of \$6,348 if Council signs up prior to 30 June 2024.

This would be sourced from the Councils software subscription budget which has an allocation of \$110,000. The contract is offered on an initial 12-month basis.

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: Simple Majority

Officer's Recommendation/Council Motion:

- ARC/24** **That Council**
- 1. receive the report on the growing threat of fraud; and**
 - 2. support officers investigating the potential purchase of software alternatives to minimise the future risk of fraudulent transactions.**

CARRIED:
FOR:
AGAINST:

6. CLOSURE OF MEETING

The Presiding Member declared the meeting closed at _____pm.