



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 17 December 2019 at the
Shire of Katanning Council Chambers.

PRESIDING MEMBER _____

DATE SIGNED _____



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1. DECLARATION OF OPENING

The Chief Executive Officer Chaired the meeting until the election of the Chairperson.

The meeting was declared open at 3.07 pm.

2. ELECTION OF CHAIRPERSON

The Chief Executive Officer called for nominations for position of Chairperson and allowed sufficient time for nominations. Cr Serena Sandwell submitted a nomination at the meeting.

The Chief Executive Officer declared Councillor Serena Sandwell duly elected as Chairperson of the Audit and Risk Committee.

Councillor Serena Sandwell took the chair at 3.08 pm.

3. RECORD OF ATTENDANCE

PRESENT

Members:

Cr Serena Sandwell - Chair
Cr John Goodheart – Deputy President
Cr Ernie Menghini

Council Officers:

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

Guests:

Apologies: Cr Kristy D’Aprile

4. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS**5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

5.1 Audit and Risk Committee Meeting – Tuesday 24 September 2019
(SEE ATTACHED MINUTES)

MOVED: CR ERNIE MENGhini SECONDED: CR JOHN GOODHEART

ARC15/19 That the minutes of the Audit & Risk Committee Meeting held Tuesday 24 September 2019 on be confirmed as a true record of proceedings.

Voting Requirement: Simple Majority

CARRIED 3/0

6. REPORTS**6.1 Shire of Katanning Audit Report, Management Letter and Draft Annual Report 2018/19 (ARC)**
(ATTACHMENTS)

File Ref: FM.AU.2
Reporting Officer: Lisa Hannagan, Executive Manager Finance & Administration
Date Report Prepared: 16 December 2019

Issue:

For the Audit & Risk Committee to consider the Shire of Katanning Audit Report, Audit Report and Draft Annual Report for the 2018/19 financial year.

Body/Background:

The Audit & Risk Committee is required to consider the Audit Report and Management Letter prior to recommending adoption by Council.

A Council resolution adopting the Shire of Katanning Annual Report 2018/18 and the Annual Financial Report 2018/19 is required before Council can convene the Annual General Meeting of Electors.

Officer's Comment:

The Shire's Auditors have completed their audit of the Annual Financial Report and certification of Councils 2018/19 annual financial statements. Copies of the Auditor's report, Management Letter and draft Annual Report are included with this agenda.

Audit Report

Moore Stephens have issued an unqualified opinion on the Shire's financial report.

Audit Concluding Memorandum

In accordance with Reg 10(3) of the Local Government (Audit) Regulations 1996, we will also report:

- (a) There is a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio has been below the DLGSCI standard and OAG threshold for the past three years; and*
- (b) The following material matters which indicate non-compliance with Part 6 of the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of our audit:*
 - *Accounting Journal entries were prepared and posted by a senior staff member independent of preparation. Accounting journals can represent significant adjustments to previously approved accounting transactions and should therefore be independently reviewed and approved.*

- *The process and procedures for changing supplier details was not formally documented. Further there was not evidence retained of independent review of changes made to the supplier Masterfile prior to payments made. This increased the risk of unauthorised changes to key information.*

The report further states, on page 10, that the Auditor is “satisfied that the Shire has addressed the finding” in relation to both the independent review of journals and changes to supplier details.

In relation to the adverse trend in the Operating Surplus Ratio being below the DLGSCI standard for the past three years, Council have already undertaken a review into the organisational operations and structure that will result in a significant decrease in operating expenses. Changes will be implemented in the 2019/20 financial year.

The Audit & Risk committee will recommend that, in line the Finance Regulations, CEO will write to the Minister for Local Government, Sport and Cultural industries that advising of Council’s response as noted in the paragraph above.

Financial Report

The Financial Report 2018/19 has been provided with this Agenda Item.

Statutory Environment:

The relevant sections of the *Local Government Act 1995* and associated regulations provide as follows:

s6.4: 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.

s5.54: Acceptance of annual reports

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.

* Absolute majority required.

- (2) If the auditor’s report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor’s report becomes available.

s5.55: Notice of annual reports

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

s5.27: Electors' general meetings

- (1) A general meeting of the electors of a district is to be held once every financial year.
- (2) A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.
- (3) The matters to be discussed at general electors' meetings are to be those prescribed.

s5.29: Convening electors' meetings

- (1) The CEO is to convene an electors' meeting by giving —
 - (a) at least 14 days' local public notice; and
 - (b) each council member at least 14 days' notice, of the date, time, place and purpose of the meeting.

s5.33: Decisions made at electors' meetings

- (1) All decisions made at an electors' meeting are to be considered at the next ordinary council meeting or, if that is not practicable —
 - (a) at the first ordinary council meeting after that meeting; or
 - (b) at a special meeting called for that purpose, whichever happens first.
- (2) If at a meeting of the council a local government makes a decision in response to a decision made at an electors' meeting, the reasons for the decision are to be recorded in the minutes of the council meeting.

*Local Government (Financial Management) Regulations 1996 - Reg 51***51: Annual financial report to be signed etc. by CEO and given to Department**

- (1) After the annual financial report has been audited in accordance with the Act the CEO is to sign and append to the report a declaration in the form of Form 1.
- (2) 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.

Policy Implications:

Nil.

Financial Implications:

The cost of Auditing the annual financial reports is included in the Shire Budget.

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 "Medium" and will require the allocation of additional funding to address the lack of data around Shire Asset management. This lack of data is contributing to the issues with the Asset Sustainability Ratio.

Strategic Implications:

Nil.

Officer's Recommendation/Council Motion:

MOVED: CR ERNIE MENGHINI SECONDED: CR JOHN GOODHEART

ARC16/19 That the Audit & Risk Committee:

- 1. Recommends that Council accept the Audit Report for the 2018/19 financial year as presented;**
- 2. Recommends that Council adopt the Annual Report (including the Financial Report) for the year ended 30 June 2019 as presented;**
- 3. Recommends that Council advise the Minister for DLGSCI, in writing, of their response to the Operating Surplus Ratio not currently meeting the required standard; and**
- 4. Recommends to Council that the General Meeting of Electors be held on Thursday 6 February 2020 at 7.30pm at the Katanning Leisure Centre Pioneer Room.**

Voting Requirement: Absolute Majority

CARRIED 3/0

NB. Dates for the AGM, noting 14-day advertising period for local notice & only if the Council resolve as above and this item is listed as a Late Item and adopted at the OCM on 17 December 2019.

Advertising period would be 6-20 January 2019. Suggested dates are 3-6 February 2020

6. CLOSURE OF MEETING

The Presiding Member declared the meeting closed at 3.14 pm.