



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 8 September 2020 at the
Shire of Katanning Council Chambers, commencing at 4.00pm.

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 4.00 pm.

2. ELECTION OF PRESIDING MEMBER

The Chief Executive Officer called for nominations for a presiding member from the members present at the meeting. Councillor Owen Boxall 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 8 September 2020.

Councillor John Goodheart took the chair at 4.00pm.

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

Cr John Goodheart – Acting Chairperson
Cr Owen Boxall, Proxy
Cr Martin van Koldenhoven, Proxy

Council Officers:

Julian Murphy, Chief Executive Officer
Wendy Stringer, Finance Manager

Guests:**Apologies:**

Cr Ernie Menghini
Cr Serena Sandwell – Chairperson
Cr Kristy D’Aprile

3. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS

Nil.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**4.1 Audit and Risk Committee Meeting – Tuesday 24 March 2020**
(SEE ATTACHED MINUTES)**MOVED: CR OWEN BOXALL****SECONDED: CR MARTIN VAN KOLDENHOVEN****ARC5/20 That the minutes of the Audit & Risk Committee Meeting held Tuesday 24 March 2020
on be confirmed as a true record of proceedings.****Voting Requirement: Simple Majority**

CARRIED 3/0

Wendy Stringer entered the room at 4.05 pm.

5. REPORTS

5.1 Purchasing Policy – Compliance Monitoring

File Ref: FM.AU
Reporting Officer: Lisa Hannagan, Executive Manager Corporate & Community
Date Report Prepared: 28 August 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 two graphs below show the results of the continuing internal auditing.

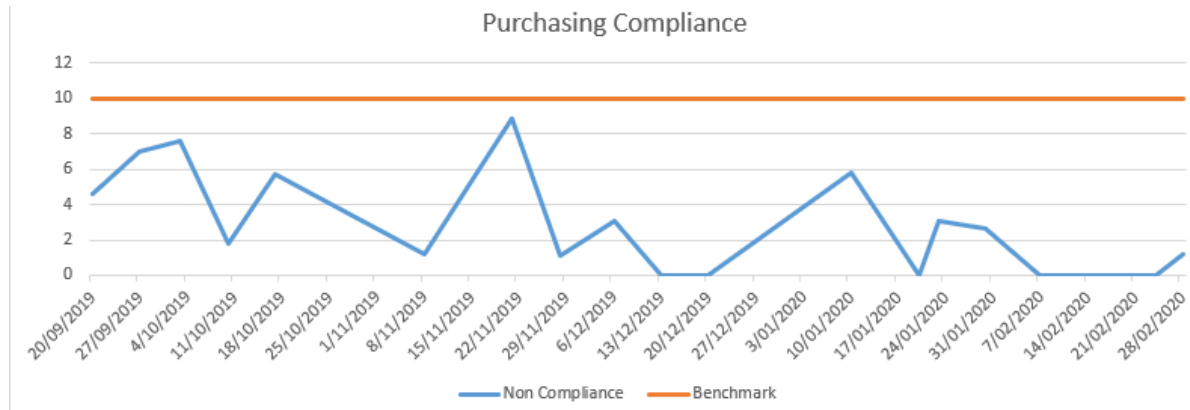
The Audit Report (17/18 financial year) noted a 50% non-compliance rate with the sample the Auditors reviewed.

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.

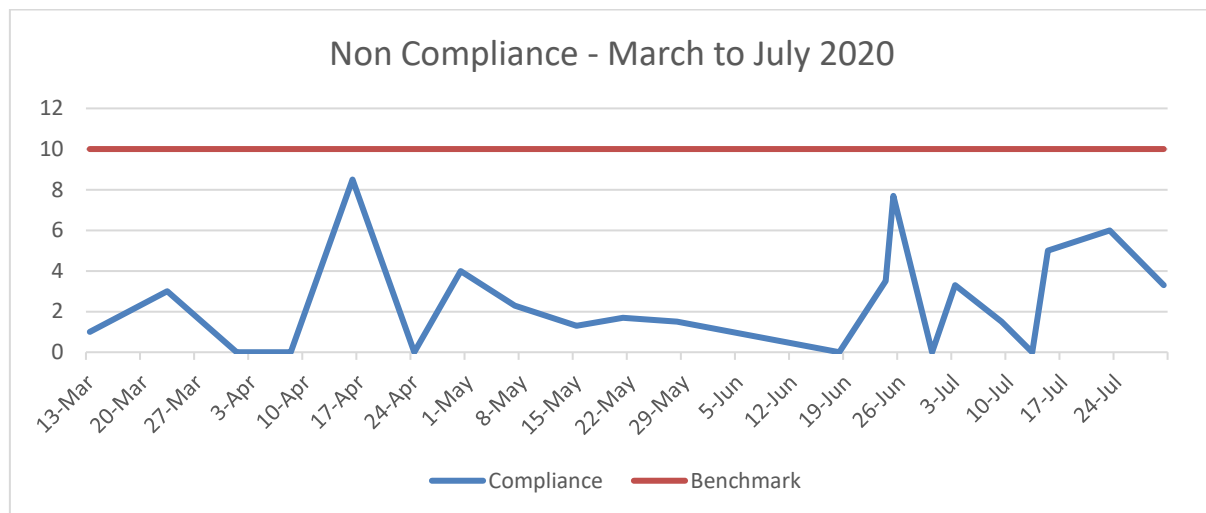
To commence the strategy to improve this result, a benchmark of 10% has been used in the graph. So, the goal, in the first instance, is to see a consistent non-compliance level of less than 10%.

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

The graph below, provided at the March 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 March to July 2020 and shows we are continuing to meet or better our benchmark.



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 OWEN BOXALL

SECONDED: CR MARTIN VAN KOLDENHOVEN

ARC6/20 That the Audit Committee notes the monitoring of compliance in relation to Purchasing.

Voting Requirement: Simple Majority

CARRIED 3/0

5.2 Interim Audit Findings Report 2020 (ATTACHMENT)

File Ref: FM.AU
Reporting Officer: Lisa Hannagan, Executive Manager Corporate & Community
Date Report Prepared: 28 August 2020

Issue:

The Interim Audit for the 2019/20 financial year was conducted by Moore Stephens on behalf of the Office of the Auditor General.

The remote conduct of the audit commenced with the Audit Entrance Meeting held 24 March 2020. Due to COVID 19, the audit was conducted remotely and was a very protracted and difficult process.

The OAG report was received by the Shire of Katanning on 29 June 2020 and is attached to this item.

Body/Background:

The 2020 Interim Audit was the third financial audit conducted under the management of the Office of the Auditor General. Staff were required to load requested documents to an electronic portal for review by auditors and then queries were dealt with by one on one telephone calls and emails.

The conduct of the Audit was protracted but generally without issue with the Shire staff being well prepared and all requested documentation uploaded to the information portal well ahead of schedule.

5 issues rated between minor (1), moderate (3) and significant (1) were noted in the Interim Audit Findings Report.

Officer's Comment:

The Interim Audit Findings report contained 5 issues – with 1 being noted as minor, 3 being noted as moderate and 1 being noted as significant.

The Interim Audit Findings Report is attached to this Agenda and contains the Officer comment/responses to address matters raised.

Findings 3,4 and 5 have been addressed by Finance staff and processes.

Statutory Environment:

Local Government (Audit) Regulations 1996

Policy Implications:

Nil

Financial Implications:

Nil

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	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 MARTIN VAN KOLDENHOVEN

ARC7/20 That the Audit Committee recommends to Council that it notes the Interim Audit Findings Report and remediation actions taken by Officers to address those items.

Voting Requirement: Simple Majority

CARRIED 3/0

5.3 Regulation 17 Risk Management Audit – June 2020 **(ATTACHMENT)**

File Ref: FM.AU
Reporting Officer: Lisa Hannagan, Executive Manager Corporate & Community
Date Report Prepared: 28 August 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.

The Regulation 17 Audit took place in June 2020 and Auditors Avant Edge Consulting were retained to conduct the audit.

Body/Background:

Avant Edge Consulting conducted the Regulation 2020 Regulation 17 Audit with staff providing requested information in the lead up and Auditor Santo Casilli visiting site 17, 18 and 19 June 2020.

The Regulation 17 Report contained 5 recommendations and the attached report contains officer responses.

None of the findings were considered to pose a significant risk.

Officer's Comment:

The report from Avant Edge 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 significant issues raised in the Avant Edge report, but a number of the identified issues are considered at priority level and will be dealt with promptly.

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.

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 MARTIN VAN KOLDENHOVEN SECONDED: CR OWEN BOXALL

ARC8/20 That the Audit Committee notes the Regulation 17 Audit of June 2020 in relation to the Review of Risk Management, Legislative Compliance and Internal Controls.

Voting Requirement: Simple Majority

CARRIED 3/0

6. CLOSURE OF MEETING

The Presiding Member declared the meeting closed at 4.27 pm.