



Shire of
Katanning
Heart of the Great Southern

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

Agenda of the Shire of Katanning Audit & Risk Committee
held on Monday 20 March 2023 at the
Shire of Katanning Conference Room, commencing at 12:00 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 Matt Collis
 Cr Kristy D’Aprile
 Cr Serena Sandwell
 Cr Liz Guidera (Proxy)
 Cr Michelle Salter (Proxy)

Council Officers:

Julian Murphy, Chief Executive Officer
 Denise Gobbart, Executive Manager Finance & Administration
 Taryn Human, Executive Assistant Governance

Guests:

Nayna Raniga – Director Financial Audit Office of the Auditor General (OAG)
 Wen-Shien Chai – Partner Moore Australia (WA)
 Gilles Chan – Manager Moore Australia (WA).
 Belinda Knight, Finance Contractor

Apologies:

3. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS**4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING****4.1 Audit and Risk Committee Meeting – Wednesday 8 February 2023**
(SEE ATTACHED MINUTES)

Voting Requirement: Simple Majority

MOVED:

SECONDED:

ARC/23 That the minutes of the Audit & Risk Committee Meeting held on Wednesday 8 February 2023 be confirmed as a true record of proceedings.

CARRIED / LOST:

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: 09 March 2023

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 2023. The key purposes of the memorandum are to:

- Set out the audit scope and approach in summary;
- 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:

- | | |
|-----------------------|-----------------------------------------------------------|
| • March 2023 | Audit Planning |
| • 20 March 2023 | Entrance Meeting |
| • 27-29 March 2023 | Interim Audit Visit |
| • Late April 2023 | Interim Management Report (If any matters to be reported) |
| • 30 September 2023 | Receipt of complete and balanced draft financial report |
| • 2-6 October 2023 | Final Audit Visit |
| • Mid November 2023 | Issuance of Audit Concluding Memorandum |
| • End November 2023 | Concluding (Exit) Meeting |
| • End November 2023 | Date CEO sign off on financial statements |
| • Early December 2023 | 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 2022 - 2032

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/23 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 20 March 2023 and determines that the meeting satisfies the requirement of Section 7.12A(2) of the Local Government Act 1995.

CARRIED/LOST:

5.2 Compliance Audit Return 2022 (ATTACHMENT)

File Ref: FM.AU.4
Reporting Officer: Denise Gobbart, Executive Manager Finance & Administration
Date Report Prepared: 09 March 2023

Issue:

For the Audit & Risk Committee to recommend that Council adopts the Compliance Audit Return (CAR) for the year ending 31 December 2022.

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 internally by both the Executive Manager Corporate & Community and Manager Finance 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) – No matters raised.
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 plant items disposed by RFQ, not by tender or auction as required.
5. Elections (3 questions) – No matters raised.
6. Finance (7 questions) – No matters raised.
7. Integrated Planning and Reporting (3 questions) – Reg 19DA (2) & (3) Corporate Business Plan has not been reviewed annually.
8. Local Government Employees (5 questions) – no matters raised.
9. Official Conduct (4 questions) – no matters raised.

10. Other (9 questions) – FM Reg 5 the Financial Management Review had not been reviewed within three (3) years. 21/22 Council Member Training not on website
11. Tenders for Providing Goods and Services (22 questions) – Reg 11A(1) & (3) purchasing policy matters

There were seven (7) areas of non-compliance identified in the CAR. They have identified areas where improved record keeping, and awareness of legislative changes is required. Procedures for staff will be enhanced to enable improved awareness to meet our compliance needs.

Statutory Environment:

Local Government Act 1995

Local Government (Administration) Regulations 1996

Local Government (Audit) Regulations 1996

Local Government (Elections) Regulations 1997

Local Government (Functions and General) Regulations 1996

Local Government (Audit) Regulation 1996

13. Prescribed statutory requirements for which compliance audit needed (Act s7.13(1)(i))

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 subregulation (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. 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 2022 - 2032

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/23

That the Audit & Risk Committee recommends that Council:

- 1. Adopts the Shire of Katanning Compliance Audit Return for the period 1 January 2022 to 31 December 2022; and**
- 2. Authorises the Shire President and Chief Executive Officer to endorse the certification contained within the Compliance Audit Return 2022.**

CARRIED/LOST:

5.3 Budget Review 2022/23 (ATTACHMENT)

File Ref: FM.BU.6
Reporting Officer: Denise Gobbart, Executive Manager Corporate & Community
Date Report Prepared: 24 March 2023

Issue:

For Council to consider and adopt the Budget Review as presented for the period 1 July 2022 to 28 February 2023.

Body/Background:

Regulation 33A of the Local Government (Financial Management) Regulations 1996 requires Local Governments to conduct a review of the annual budget between 1 January and 31 March each year.

Regulation 33A (2) requires that within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.

Regulation 33A (3) requires Council to consider the 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.

Regulation 33A (4) requires that within 30 days after Council has adopted the review a copy of the review and determination is to be provided to the Department.

Officer's Comment:

After the adoption of the 2022/23 Annual Budget and the completion of the Annual Audit there was a decrease in the opening surplus of \$330,249. This variation was due to the treatment of the Local Roads & Community Infrastructure Phase 3 funding of \$293,629 to Contract Liabilities and several other minor adjustments in the treatment of transactions during the audit.

Issues addressed in the Budget Review:

Grant Funded Projects

- Local Roads & Infrastructure Fund Phase 3 \$293,629 from contract liabilities to offset existing expenditure.

Reduction in Revenue

- Interest Loan 162 \$2,445, lower than anticipated interest repayment on loan.
- Principal Loan 162 \$5,867, lower than anticipated principal repayment on loan.

Increase in Revenue

- Private works additional revenue from Water Corporation.
- Interest Municipal Funds.
- Interest Reserve Funds – offset by various transfers to Reserve accounts.
- Transfer from Employees Leave Reserve \$26,798, offset resignation payment.

Increase in Expenditure

- Private Works \$20,000, additional works undertaken for Water Corporation

- Staff Housing \$10,000, replacement Solar Hart 25 Marion Street.
- Back Rates \$5,000, adjustment on delayed transfers.
- Saleyard Salaries \$26,798, Resignation payment off set by Reserve Transfer.

Decrease in Expenditure

- Interest Loan 162 \$2,445, lower than anticipated interest repayment on loan.
- Principal Loan 162 \$5,867, lower than anticipated principal repayment on loan.

Expenditure Not Included in the Budget

- Interest Loan 163 \$1,899, repayment on loan set up as quarterly payments reducing the interest rate and making a payment due in May.
- Principal Loan 163 \$9,626, repayment on loan set up as quarterly payments reducing the interest rate and making a payment due in May.
- Interest Loan 164 \$1,718, repayment on loan set up as quarterly payments reducing the interest rate and making a payment due in May.
- Principal Loan 164 \$8,710, repayment on loan set up as quarterly payments reducing the interest rate and making a payment due in May.

Operating Grants & Contributions

On review of the budget variations the projects are timing issues and funds already being held as a contract liability. The GSDC Leadership Development Project is not proceeding as it is part of the Indigenous Governance funding. Hidden Treasures Funding is not proceeding, as it is now through another agency. Both these projects have no impact on the budget position, as revenue offsets expenditure.

Materials & Contracts

There are numerous variations across the accounts the most significant under allocations are:

\$250,000	Contributions to Clubs – KCC Loan
\$211,777	Grant Expenditure (CDOW)
\$134,566	Fuel & Oil (POC) – Allocation timing issue
\$38,029	Special Projects (CDOW) – Grant Funded
\$36,153	Balance of KCC Project funds
\$52,632	Consultants (MRBD) – Road Condition & Infrastructure Fair Value Report
\$48,421	Expensed Minor Asset Purchases (PLP) – Timing of purchases

Salaries and Wages

Due to the number of vacancies, salaries will not exceed the total estimated budget. There will be some variation within the Salaries and Wages accounts.

There are overspends in a few accounts with our outside workers' wages and plant costs, adjustments have not been considered in the budget review as they will be balanced out by underspends in other accounts.

Statutory Environment:

Local Government Act

s 6.2 Local government to prepare annual budget.

Local Government (Financial Management) Regulations 1996

Reg 33A Review of Budget

- (1) Between 1 January and 31 March 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) consider 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.
- (2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.
- (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 30 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:

The Budget Review incorporates proposed amendments to the Annual Budget. The cumulative effect of the proposed amendments gives a budget surplus of \$6,426.

Additional funds have been drawn from the following reserves:

Leave Reserve - \$26,798 to fund unexpected long service leave payouts.

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 2022 - 2032

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:

OC/23

That Council:

1. **Adopts the Budget Review conducted for the eight (8) months ended 28 February 2023; and**
2. **Authorises the Chief Executive Officer to amend the 2022/23 Budget in accordance with the attached report Budget Review as at 28 February 2023.**

CARRIED/LOST:

6. CLOSURE OF MEETING

The Presiding Member declared the meeting closed at _____pm.