



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 29 May 2018, at the
Katanning Hotel, commencing at 4.30pm.

1. DECLARATION OF OPENING

The meeting was declared open at 4.32pm.

2. RECORD OF ATTENDANCE

PRESENT

Members:

Cr Liz Guidera - Shire President
Cr John Goodheart - Deputy Shire President
Cr Danny McGrath
Cr Martin Van Koldenhoven
Cr Kristy D'Aprile
Cr Ernie Menghini

Council Officers:

Gary Martin, Acting Chief Executive Officer
Lisa Hannagan, Executive Manager Finance & Administration
Libby French, Manager Finance

Guests:

David Tomasi, Partner Moore Stephens Perth

Apologies:

Cr Alep Mydie
Cr Serena Sandwell
Cr Owen Boxall

Table of Contents

Item No.	Item Heading	Page No.
1	Declaration of Opening/Announcement of Visitors	1
2	Record of Attendance	1
3	Disclosure of Financial/Impartiality Interest	3
4	Confirmation of Minutes of Previous Meeting	3
4.1	Audit and Risk Committee Meeting – 12 February 2018	3
5	Reports	3
5.1	Regulation 17 Risk Management Audit – May 2018 Update	3
5.2	Statement of Business Ethics	6
5.3	Audit & Risk Committee - Review of Terms of Reference	8
5.4	Interim Audit – March 2018	10
5.5	Katanning Airport CAA Audit	12
6	Closure of Meeting	14

3. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS

Nil.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**4.1 Audit and Risk Committee Meeting – 12 February 2018**
(SEE ATTACHED MINUTES)**MOVED: CR MARTIN VAN KOLDENHOVEN****SECONDED: CR JOHN GOODHEART**

ARC4/18 That the minutes of the Audit & Risk Committee Meeting held on Monday 12 February 2018 be confirmed as a true record of proceedings.

Voting Requirement: Simple Majority

CARRIED: 5/0

5. REPORTS

Cr Danny McGrath attended the meeting at 4.40pm.

5.1 Regulation 17 Risk Management Audit – May 2018 Update
(ATTACHMENT)

File Ref: FM.AU.3

Reporting Officer: Lisa Hannagan, Executive Manager Finance & Administration

Date Report Prepared: 18 May 2018

Issue:

New 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 new 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.

Body/Background:

The Risk Audit and review process is to occur at least once every two calendar years. Moore Stephens conducted the second Shire of Katanning review in June 2017.

Officer's Comment:

The attached report from Moore Stephens 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.

The Report also contains “Responsible Person/s” and “Actions” which describe what the Shire Administration will do to see the recommendations implemented.

There were no critical issues raised in the Moore Stephens report, but a number of the identified issues are considered high priority.

Of the 14 recommendations made in the report, all have been allocated a responsible person and a timeframe to address the matters noted.

The report has been updated as at May 2018 to include an additional column that notes progress and any changes to the timing for the expected finalization of each matter.

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

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 KRISTY D'APRILE****SECONDED: CR JOHN GOODHEART**

ARC5/18 **That the Audit Committee recommends to Council that it notes the progress as at May 2018 of addressing the recommendations made by Moore Stephens – Review of Risk Management, Legislative Compliance and Internal Controls.**

Voting Requirement: Simple Majority**CARRIED: 6/0**

5.2 Statement of Business Ethics (ATTACHMENT)

File Ref: FM.AU.3
Reporting Officer: Lisa Hannagan, Executive Manager Finance & Administration
Date Report Prepared: 18 May 2018

Issue:

The Regulation 17 Audit (June 2017) recommended that the Shire of Katanning adopt a Code or Statement of Business Ethics.

Body/Background:

The Risk Audit and review process conducted by Moore Stephens in June 2017 recommended, under the Code of Conduct items, that the Shire of Katanning develop a Code of Business Ethics.

Once adopted, the Code of Business Ethics will be communicated to all suppliers and contractors at the commencement of their engagement with the Shire of Katanning.

The Code of Business Ethics will also be published prominently on the Shire's website.

Officer's Comment:

The Statement of Business Ethics provides a clear statement by Council on their principles, compliance, expectations and also covers off with practical guidelines for contractors and suppliers.

Statutory Environment:

Regulation 17 Local Government (Audit) Regulations 1996
 Local Government Act 1995
 Corruption, Crime and Misconduct Act 2003
 Local Government (Functions & General) Regulations 1996
 Local Government (Administration) Regulations 1996

Policy Implications:

The Statement of Business Ethics will sit within the Council Policy Framework but will be more widely published to all contractors who transact with the Shire.

Financial Implications:

Nil

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 ERNIE MENGHINI

ARC6/18 **That the Audit Committee recommends to Council that it adopts the Statement of Business Ethics.**

Voting Requirement: Simple Majority

CARRIED: 6/0

5.3 Audit & Risk Committee - Review of Terms of Reference (ATTACHMENTS)

File Ref: FM.AU.3
Reporting Officer: Lisa Hannagan, Executive Manager Finance & Administration
Date Report Prepared: 18 May 2018

Issue:

In September 2017 the Department of Local Government, Sport and Cultural Industries announced a number of audit reforms for Local Governments.

The publication "A Guide to Local Government Auditing Reforms" is included with this Agenda.

The publication notes that "Changes to the Local Government (Audit) Regulations 1996 will revise the role and functions of a Local Government's Audit Committee."

Body/Background:

The current Terms of Reference for the Audit and Risk Committee are attached. They were included in the "Shire of Katanning Procurement & Probity Audit Action Plan supporting documents" presented at the Audit and Risk Committee meeting held in March 2017.

Officer's Comment:

The Local Government Auditing Reforms bring a number of changes to the way in which Local Governments are audited.

In particular, the publication "A Guide to Local Government Auditing Reforms" states that the role of the Audit Committee will be amended so that *"the Audit Committee will have greater involvement in assisting the CEO to carry out the review under Regulation 17 of the Audit Regulations of systems and procedures concerning risk management, internal control, and legislative compliance"*.

It is considered timely for the Audit and Risk Committee to review the Terms of Reference and in particular consider:

Membership of the Audit & Risk Committee

The current TOR allow for the committee to consist of all elected members of Council.

The regulations continue to allow for external membership of the Audit & Risk Committee and the Department of Local Government is encouraging Councils to consider *"inviting appropriate people with expertise in financial management and audit to be member of their Audit Committee"*.

For discussion.

As all items considered by the Audit & Risk Committee are referred to the next Ordinary Meeting of Council, it is possible that the number of elected members currently sitting on the committee could be reduced.

In other local governments the author has been at the Audit & Risk Committee generally contain between 3 and 5 elected members who have a specific skill or interest in audit and risk matters.

Schedule of Meetings

The current TOR state that the Audit & Risk Committee shall meet at least annually with additional meetings being convened at the discretion of the Presiding Person.

Best practice suggests that four Audit & Risk Committee meetings should be held each year in order to ensure significant matters (Compliance Audit Return, Interim Audit, Annual Report) can be recommended to Council in a timely manner. Additional meetings should still be able to be convened at the discretion of the Presiding Member.

Statutory Environment:

Local Government Act 1995

Local Government (Audit) Regulations 1996

Local Government (Financial Management) Regulations 1996

Policy Implications:

Nil

Financial Implications:

Nil

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:

That the Audit Committee recommends to Council that the Terms of Reference for the Audit (Finance and Risk) Committee be amended to reflect current best practice.

Committee Motion:

MOVED: CR MARTIN VAN KOLDENHOVEN

SECONDED: CR ERNIE MENGHINI

ARC7/18 That the Terms of Reference for the Audit (Finance and Risk) Committee be amended to reflect current best practice and return to the next Audit and Risk Committee Meeting.

Voting Requirement: Simple Majority

CARRIED: 6/0

5.4 Interim Audit – March 2018 (ATTACHMENT)

File Ref: FM.AU.3
Reporting Officer: Lisa Hannagan, Executive Manager Finance & Administration
Date Report Prepared: 18 May 2018

Issue:

At the conclusion of the Interim Audit in March 2018 the Shire’s Auditors provided to staff an informal list of areas they had noted where improvements could be made.

Body/Background:

Moore Stephens conducted the Shire of Katanning Interim Audit in March 2018.

It was noted that the conduct of the Audit was significantly improved with information and relevant officers prepared.

No serious issues were noted at this audit but the Shire was advised of minor compliance and internal control weaknesses by the Auditor.

Officer’s Comment:

The minor compliance and internal control weaknesses noted by Moore Stephens have been addressed by the Finance and Administration staff.

The Shire did not receive formal advice from Moore Stephens at the conclusion of the Audit, rather a list of areas where improvements could be made.

The list of issues noted is attached to this Agenda and contains the Officer responses to address the concerns.

Statutory Environment:

Local Government (Audit) Regulations 1996

Policy Implications:

Nil.

Financial Implications:

Nil.

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 KRISTY D'APRILE****SECONDED: CR DANNY MCGRATH**

ARC8/18 **That the Audit Committee recommends to Council that it notes the minor areas for improvement raised at the Interim Audit and the Officer actions taken to address those items.**

Voting Requirement: Simple Majority

CARRIED: 6/0

5.5 Katanning Airport CAA Audit (ATTACHMENT)

File Ref: CP.AU.1
Reporting Officer: Gary Martin, Acting Chief Executive Officer
Date Report Prepared: 24 May 2018

Issue:

The Civil Aviation Safety Authority (CASA) has recently conducted an audit of the Katanning Aerodrome and issued eight Safety Findings and five Safety Observations.

The issues raised in the audit are currently subject to operational consideration and will be the subject of a report to the Council.

The CASA report is presented to the Audit & Risk Committee in relation to its awareness of the risk factors associated with the operation of an aerodrome.

Body/Background:

The operation of an aerodrome is heavily regulated and creates management difficulties particularly in the situation such as Katanning with limited and irregular use compared to an aerodrome with regular flights requiring daily inspections and processes justifying the specialised employee resources required.

In consultation with CASA, an extension of time has been granted to formally respond to the various matters raised in the report and this includes the engagement of an approved person to conduct a proper inspection and plan including an obstacle assessment and update the En Route Supplement Australia (ERSA). CASA advises that this process will clear some of the findings.

The proposed report to Council will also include consideration of the pros and cons of changing the status of the aerodrome to a lesser classification of an Aircraft Landing Area (ALA). The main advantage of that would be a significantly less compliance requirement suiting an aerodrome such as Katanning with its limited and irregular use. For example, the Wagin aerodrome is an ALA.

However, there may be sound reasons for maintaining the current status of the aerodrome including any potential in future for increased landings associated with mining activity.

Officer's Comment:

The purpose of this report is to alert the Audit & Risk Committee of the risks associated with the operation of an aerodrome and the need to properly resource that operation with competent trained staff and budget provision to ensure compliance. This also needs to be balanced with the minor revenue associated with the irregular use.

The aerodrome operation is very much a service provided to the community and requires consideration of that in the Shire's planning processes, but recognising that service comes with obligations and risks.

Currently the aerodrome is serviced by two Airport Reporting Officers (ARO's) with other Shire duties, but due to a pending resignation one of these positions will shortly become vacant.

The CASA report identifies risk factors and the requirement for the Shire to address those issues. The Council will receive a report addressing the CASA report and the options of changing the status of the aerodrome.

Statutory Environment:

Local Government Act 1995

Civil Aviation Safety Regulations 1998 and relevant manuals and standards.

Policy Implications:

Nil

Financial Implications:

Nil

Strategic Implications:

Shire of Katanning Strategic Community Plan 2017 – 2027

PRIORITY	BUILT ENVIRONMENT	
ASPIRATION	B1	Infrastructure that meets community need.
OBJECTIVE	B1.2	Provide Council facilities that meet community need.
PRIORITY	ECONOMIC	
ASPIRATION	E3	Sustainable economic and population growth.
OBJECTIVE	E3.2	Continue to build Katanning's reputation as a strategic sub-regional service centre and economic hub.
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 DANNY MCGRATH

SECONDED: CR ERNIE MENGHINI

ARC9/18

That the Audit Committee:

- 1. Receives the Civil Aviation Safety Authority Surveillance Report of the Katanning Aerodrome.**
- 2. Notes the risks factors associated with the operation of an aerodrome.**
- 3. Notes the intent of a further report to the Council on the Surveillance Report and options for the future management of the aerodrome.**

Voting Requirement: Simple Majority

CARRIED: 6/0

6. CLOSURE OF MEETING

The Presiding Member declared the meeting closed at 7.07pm.