



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 25 September 2018, at the  
Katanning Hotel, commencing at 3.00pm.

**1. DECLARATION OF OPENING**

The meeting was declared open at 3.06pm.

**2. RECORD OF ATTENDANCE**

PRESENT

Members: Cr Liz Guidera - Shire President  
Cr John Goodheart - Deputy Shire President  
Cr Owen Boxall  
Cr Kristy D'Aprile  
Cr Ernie Menghini

Council Officers: Julian Murphy, Chief Executive Officer  
Lisa Hannagan, Executive Manager Finance & Administration  
Sophie Justins, Executive Assistant to CEO

Guests:

Apologies: Cr Serena Sandwell  
Cr Danny McGrath  
Cr Martin Van Koldenhoven  
Libby French, Manager Finance

PRESIDING MEMBER \_\_\_\_\_

DATE SIGNED \_\_\_\_\_

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**3. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS**

Nil.

**4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING****4.1 Audit and Risk Committee Meeting – 29 May 2018**  
(SEE ATTACHED MINUTES)**MOVED: CR JOHN GOODHEART****SECONDED: CR ERNIE MENGHINI**

**ARC10/18 That the minutes of the Audit & Risk Committee Meeting held on Tuesday 29 May 2018 be confirmed as a true record of proceedings.**

**Voting Requirement:** Simple Majority

CARRIED: 5/0

**5. REPORTS****5.1 Regulation 17 Risk Management Audit – September 2018 Update**

**File Ref:** FM.AU.3

**Reporting Officer:** Lisa Hannagan, Executive Manager Finance & Administration

**Date Report Prepared:** 5 September 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.

**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 OWEN BOXALL**

**ARC11/18** That the Audit Committee recommends to Council that it notes the progress as at September 2018 of addressing the recommendations made by Moore Stephens – Review of Risk Management, Legislative Compliance and Internal Controls.

**Voting Requirement:** Simple Majority

CARRIED: 5/0

## 5.2 Audit & Risk Committee – Case Studies for Code of Conduct

**File Ref:** FM.AU.3  
**Reporting Officer:** Lisa Hannagan, Executive Manager Finance & Administration  
**Date Report Prepared:** 5 September 2018

**Issue:**

Reg 17 Audit recommendation to include case studies with the Code of Conduct induction.

**Body/Background:**

The Regulation 17 Audit suggested inclusion of case studies be included with Code of Conduct inductions.

**Officer's Comment:**

The case studies attached are for both Councillors and Staff and I am seeking Council endorsement to incorporate these into the Shire's Code of Conduct Induction.

Initial Staff Induction (for new staff) includes the requirement for staff to read and acknowledge receipt of the Code of Conduct, by signing an acknowledgement form.

Councillors are provided with the Code of Conduct as part of the post-election induction with the Chief Executive Officer.

**Statutory Environment:**

Local Government Act 1995  
 Local Government (Audit) Regulations 1996  
 Local Government (Financial Management) Regulations 1996

**Policy Implications:**

Update to the Shire of Katanning Code of Conduct.

**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 case studies included with this agenda item be incorporated into the Shire of Katanning Code of Conduct.

**Committee Motion:****MOVED: CR JOHN GOODHEART****SECONDED: CR ERNIE MENGhini**

**ARC12/18** That the Audit Committee recommends that the case studies included with this agenda item be incorporated into the Shire of Katanning Code of Conduct, be further developed and presented back to the Committee at the next Audit & Risk Committee Meeting.

**Voting Requirement:** Simple Majority

CARRIED: 5/0

### 5.3 Audit & Risk Committee – Draft Charter and Terms of Reference and associated Guideline

**File Ref:** FM.AU.3  
**Reporting Officer:** Lisa Hannagan, Executive Manager Finance & Administration  
**Date Report Prepared:** 5 September 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 Local Government Auditing Reforms bring a number of changes to the way in which Local Governments are audited.

A new draft Charter and Terms of Reference for the Audit and Risk Committee are attached.

**Officer’s Comment:**

The draft Charter and Terms of Reference is suggesting four elected members and an independent member. A draft guideline has been prepared (and is also attached to this item) in relation to the appointment of an independent member.

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”*.

As all items considered by the Audit & Risk Committee are referred to the next Ordinary Meeting of Council.

Schedule of Meetings

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/Committee Motion:**

**MOVED: CR OWEN BOXALL**

**SECONDED: CR KRISTY D'APRILE**

**ARC13/18** That the Audit Committee recommends to Council that the Charter and Terms of Reference for the Audit (Finance and Risk) Committee be amended to reflect current best practice.

**Voting Requirement:** Simple Majority

**CARRIED: 5/0**



Cr John Goodheart left the room at 4.10pm.

#### **5.4 Risk Management – Risk Assessment & Acceptance Criteria**

**File Ref:** FM.AU.3  
**Reporting Officer:** Lisa Hannagan, Executive Manager Finance & Administration  
**Date Report Prepared:** 6 September 2018

**Issue:**

The Reg 17 Audit listed areas for improvement in the Shire's Risk Management processes including Policy review and embedding risk management into strategic and operational processes.

**Body/Background:**

Risk Management is an important area of business operations that local governments must consider on a day to day basis.

Regardless of whether a risk is strategic or operational, local governments are expected to be able to identify, assess and mitigate/manage risks.

The Risk Assessment and Acceptance Criteria (attached) are matrix documents that allow Council and officers to understand the different types of risks associated with local government and measure the consequences and likelihood of those risks.

The suggested suite of documents (attached) also consider controls and responsibility for mitigation and management of risks.

These are a standard form document provided by WALGA.

Once adopted by Council, the Risk Assessment & Acceptance Criteria will be used throughout the organisation to score risk and consider how to address. For example, each agenda item will include a heading for "Risk" and text addressing the perceived risk and control.

**Officer's Comment:**

Council reviewed the Shire's Risk Management Policy at the Policy Workshop #2 in the first half of 2018. Council noted that a Risk Assessment and Acceptance Criteria was not included with the Risk Management Policy.

The Risk Assessment & Acceptance Criteria attached to this agenda item forms part of the Shires "Risk Management Governance Framework" which is a draft document from around 2014 that has not been presented to Council.

The Risk Management Governance Framework has been superseded by Council's Risk Management Policy, but the Risk Assessment and Acceptance Criteria is seen as being vital inclusion to the Risk Management Policy.

**Statutory Environment:**

Local Government Act 1995  
Local Government (Audit) Regulations 1996  
Local Government (Financial Management) Regulations 1996

**Policy Implications:**

Inclusion of the Risk Assessment and Acceptance Criteria.

**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 ERNIE MENGHINI**

**SECONDED: CR OWEN BOXALL**

**ARC14/18 That the Audit Committee recommends to Council that the Risk Assessment and Acceptance Criteria be included to form part of the Risk Management Policy.**

**Voting Requirement:** Simple Majority

**CARRIED: 4/0**

Cr John Goodheart returned to the room at 4.12pm.

## 5.5 Draft Risk Register

**File Ref:** FM.AU.3  
**Reporting Officer:** Lisa Hannagan, Executive Manager Finance & Administration  
**Date Report Prepared:** 13 September 2018

**Issue:**

The Regulation 17 Audit recommended the development of an entity wide Risk Register.

**Body/Background:**

The Risk Register is one part of a document set that will provide both the organisation and Council with an understanding of the types of risks that need to be considered by local governments and the way in which we manage them.

The Risk Register is the document that sets out what we have identified as a risk, how we rate or assess that risk and indicates the way in which we manage the risk.

The Risk Register sits with the Risk Management Policy and Risk Assessment and Acceptance Criteria that articulate the Shire's approach to risk.

**Officer's Comment:**

The attached is a draft Risk Register. An entity wide Risk Register is a major undertaking and the draft presented with this Agenda Item forms the basis of such a document for the Shire of Katanning.

It is by no means a final document, but it is timely for Council to be included in the development of this document and to gain a better understanding of risk.

Embedding a risk management culture within the organisation takes a considerable period of time. Risk, and its management are both formulaic and cultural.

So, while a process can be set up and delivered, it is the consistent approach in using the process that will change culture over time.

A heading for "Risk" should be included in each Agenda item that comes to Council. The purpose of that heading is to demonstrate that officers have considered the item from a risk perspective and provide commentary on our risk assessment and treatment.

**Statutory Environment:**

Local Government Act 1995

**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 JOHN GOODHEART**

**SECONDED: CR ERNIE MENGHINI**

**ARC15/18 That the Audit Committee:**

- 1. Notes that the Shire is developing an entity wide Risk Register; and**
- 2. Notes that a heading for "Risk" and appropriate commentary will be included in all Council Agenda items commencing in October 2018.**

**Voting Requirement:** Simple Majority

**CARRIED: 5/0**

## 5.6 Draft Compliance Calendar

**File Ref:** FM.AU.3  
**Reporting Officer:** Lisa Hannagan, Executive Manager Finance & Administration  
**Date Report Prepared:** 5 September 2018

### Issue:

The Regulation 17 Audit recommended the implementation of a compliance calendar to embed compliance requirements into day to day operations.

### Body/Background:

There are a number of compliance requirements in local government that sit broadly across the entire organisation.

The Shire does not have a single person or role that is responsible for overall compliance but rather several different staff are responsible for nominated areas.

Elected members are not directly responsible for compliance matters and this draft document is provided for information purposes only.

### Officer's Comment:

The attached is a draft Compliance Calendar that attempts to contain, in one document, all the various compliance issues that must be dealt with on a monthly, quarterly or annual basis by the Shire of Katanning. Note some items are repeated because they are required to be completed each month, and some are repeated as reminders for the officer ie. there may be no activity required, but the line is included as a reminder.

Once the Compliance Calendar is completed, it will be housed on the Shire's intranet site, with all responsible officers strongly encouraged to add their individual tasks to their personal calendars.

### Statutory Environment:

Local Government Act 1995

### 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 OWEN BOXALL****SECONDED: CR JOHN GOODHEART**

**ARC16/18** That the Audit Committee notes that the Shire is developing a Compliance Calendar to ensure compliance with regulatory requirements.

**Voting Requirement:** Simple Majority

CARRIED: 5/0

**6. CLOSURE OF MEETING**

The Presiding Member declared the meeting closed at 4.45pm.