



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 12 March 2019, at the
Shire of Katanning Conference Room, commencing at 10 am.

1. DECLARATION OF OPENING

The meeting was declared open at 10.15 am.

2. RECORD OF ATTENDANCE

PRESENT

Members:

Cr Liz Guidera - Shire President
Cr John Goodheart - Deputy Shire President
Cr Owen Boxall
Cr Serena Sandwell
Cr Martin Van Koldenhoven
Cr Kristy D'Aprile
Cr Ernie Menghini

Council Officers:

Julian Murphy, Chief Executive Officer
Lisa Hannagan, Executive Manager Finance & Administration
Libby French, Manager Finance

Guests:

Apologies:

Cr Danny McGrath

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3. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS

Serena Sandwell Entered Room at 10.20 am.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**4.1 Audit and Risk Committee Meeting – Monday 17 December 2018**
(SEE ATTACHED MINUTES)

MOVED: CR KRISTY D'APRILE

SECONDED: CR JOHN GOODHEART

ARC1/19 That the minutes of the Audit & Risk Committee Meeting held on Monday 17 December 2018 be confirmed as a true record of proceedings.

Voting Requirement: Simple Majority

CARRIED: 6/0

5. REPORTS

5.1 Compliance Audit Return 2018

File Ref: CV.CM.2
Reporting Officer: Lisa Hannagan, Executive Manager Finance & Administration
Date Report Prepared: 18 February 2019

Issue:

To consider the Compliance Audit Return for the period 1 January 2018 to 31 December 2018.

Body/Background:

In accordance with the Local Government (Audit) Regulations 1996, Council is required to conduct a compliance audit for the period 1 January 2018 to 31 December 2018 against the requirements of the Compliance Audit Return.

The completed Compliance Audit Return is required to be presented to the Audit (Finance & Risk) Committee for consideration before being submitted to Council for adoption.

Following Council adoption, the Compliance Audit Return is to be submitted to the Director General of the Department of Local Government prior to 31 March 2019.

Officer's Comment:

The Compliance Audit Return has been completed and no issues of non-compliance were identified.

Statutory Environment:

Local Government (Audit) Regulations 1996, Regulations 13, 14 and 15.

Policy Implications:

There are no policy implications.

Financial Implications:

There are no financial implications.

Risk Implications

The Annual Compliance Audit process is considered LOW risk. The Shire is subject to numerous external audits and has established internal audits of critical compliance areas. Shire staff have actively worked to continue progress and ensure processes are well established throughout the organisation.

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/Council Motion:**MOVED: CR JOHN GOODHEART****SECONDED: CR SERENA SANDWELL**

ARC2/19 That the Audit Finance & Risk Committee note receipt of the 2018 Compliance Audit Return and recommend to Council that the Compliance Audit Return be adopted.

Voting Requirement: Simple Majority

CARRIED:7/0

5.2 Purchasing Policy – Compliance Monitoring

File Ref: FM.AU
Reporting Officer: Lisa Hannagan, Executive Manager Finance & Administration
Date Report Prepared: 5 March 2019

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 graph below shows the results of the review.

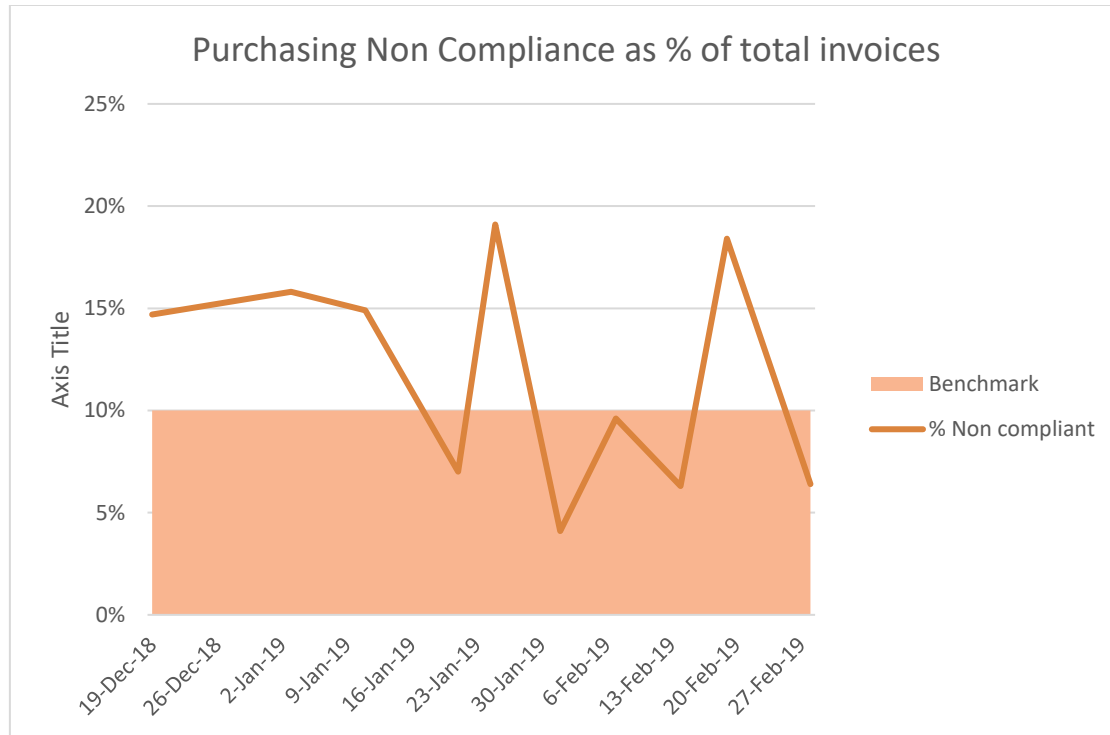
The Audit Report (17/18 financial year) noted a 50% non-compliance rate with the sample the Auditors reviewed. At the time, Finance Officers were concerned at the very small sample the auditors used.

While our testing has not demonstrated anywhere near the level of non-compliance as reported by the Auditors, it does 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%.

A program of refresher training has been developed, and individuals who are consistently not meeting compliance are being managed in "one on one" sessions with EMFA to reinforce the importance of complying with the Purchasing Policy.

The CEO will review the authority of officers who do not demonstrate compliance and will remove their authority, if deemed necessary.



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/Council Motion:

MOVED: CR OWEN BOXALL

SECONDED: CR SERENA SANDWELL

ARC3/19 That the Audit Committee notes the steps taken to monitor and improve compliance in relation to Purchasing.

Voting Requirement: Simple Majority

CARRIED:7/0

6. CLOSURE OF MEETING

The Presiding Member declared the meeting closed at 10.32 am.