



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 24 September 2019 at the
Shire of Katanning Council Chambers, commencing at 4.30pm.

1. DECLARATION OF OPENING

The meeting was declared open at 4.30 pm.

2. RECORD OF ATTENDANCE

PRESENT

Members: Cr Liz Guidera -President
Cr John Goodheart – Deputy President
Cr Owen Boxall
Cr Danny McGrath
Cr Martin Van Koldenhoven

Council Officers: Julian Murphy, Chief Executive Officer
Lisa Hannagan, Executive Manager Finance & Administration

Guests:
Apologies: Cr Serena Sandwell
Cr Kristy D'Aprile
Cr Ernie Menghini
Libby French, Manager Finance

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3. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

4.1 Audit and Risk Committee Meeting – Tuesday 30 July 2019 (SEE ATTACHED MINUTES)

MOVED: CR OWEN BOXALL

SECONDED: CR DANNY MCGRATH

ARC10/19 That the minutes of the Audit & Risk Committee Meeting held Tuesday 30 July 2019 on be confirmed as a true record of proceedings.

Voting Requirement: Simple Majority

CARRIED 5/0

5. REPORTS**5.1 Purchasing Policy – Compliance Monitoring
(ATTACHMENT)****File Ref:** FM.AU**Reporting Officer:** Lisa Hannagan, Executive Manager Finance & Administration**Date Report Prepared:** 15 September 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 attached to this item shows the results of the continuing 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%.

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

This meant that those officers were required to refer purchasing to their Executive Manager for that period.

One officer has subsequently left the Shire and it has been determined that another Officer does not require Purchasing Authority.

Therefore, only four officers have had their Purchasing Authority reinstated at the beginning of September.

The updated graph, attached to this report, shows a significant improvement in the level of non-compliance since our previous reporting.

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 JOHN GOODHEART

ARC11/19 That the Audit Committee notes the monitoring of compliance in relation to Purchasing.

Voting Requirement: Simple Majority

CARRIED 5/0

5.2 Office of the Auditor General – Fraud Prevention in Local Government (ATTACHMENT)

File Ref: FM.AU
Reporting Officer: Lisa Hannagan, Executive Manager Finance & Administration
Date Report Prepared: 28 August 2019

Issue:

The Shire participated in a narrow scope performance audit, conducted by the Office of the Auditor General in March 2019. The report has been received by the Shire of Katanning and has been submitted to Legislative Council and Legislative Assembly for tabling in the West Australian Parliament.

Body/Background:

Recent high-profile investigations into fraud in the public sector have featured several Western Australian Local Governments.

This audit reviewed whether local government entities have taken appropriate steps to prevent fraud, through the following lines of enquiry:

1. Have entities implemented a co-ordinated approach to manage fraud risks?
2. Do entities have adequate controls for preventing a detecting fraud?
3. Do entities respond appropriately to suspected fraud?

The purpose of the audit was to review the systems that local governments had in place and did not seek to identify any specific instances of fraud.

The audit included a sector wide questionnaire for all Western Australian local governments and then detailed reviews at the:

- Shire of East Pilbara
- Shire of Katanning
- City of Nedlands
- Shire of Serpentine-Jarrahdale
- City of Vincent

The report is attached to this agenda item.

The Report concludes that Local Government entities can do more to prevent fraud.

Officer's Comment:

The report provided makes clear the expectation for local governments to do more to prevent fraud. In general terms, the Shire of Katanning has core integrity policies, but we do not currently have a co-ordinated approach in place.

The Shire is fully compliant with legislative controls particularly around Council decision making but is required to develop a Fraud and Corruption Control Plan to co-ordinate our approach to manage fraud risk across the organisation.

The Shire already has several processes in place that document our approach to reducing the risk of fraud and corruption but have developed these documents with relevant Acts and Regulations as the framework.

The report by the Western Australian Auditor General recommends that Fraud and Corruption Control in local governments now also be aligned to the Australian Standard AS 8001-2008.

The first step will be for Council to consider risks in relation to fraud and corruption across the organisation.

The second step will be for Council to consider and adopt a Fraud and Corruption Control Plan.

Statutory Environment:

Local Government (Audit) Regulations 1996

Policy Implications:

New Policy to be developed – Fraud and Corruption Control Plan

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/Council Motion:**MOVED: CR JOHN GOODHEART SECONDED: CR DANNY MCGRATH****ARC12/19 That the Audit Committee:**

- 1. Recommends to Council that it notes the Western Australian Auditor General's Report titled "Fraud Prevention in Local Government"; and**
- 2. Notes that a Fraud and Corruption Control Plan will be developed before 30 June 2020.**

Voting Requirement: Simple Majority

CARRIED 5/0

5.3 Fraud and Corruption Prevention – Australian Standard 8001-2008 (ATTACHMENT)

File Ref: FM.AU
Reporting Officer: Lisa Hannagan, Executive Manager Finance & Administration
Date Report Prepared: 28 August 2019

Issue:

The Office of the Auditor General report “Fraud Prevention in Local Government” has concluded that Local Government can do more to manage and prevent the risk of fraud and corruption.

Body/Background:

The Shire already has many processes in place that document our approach to reducing the risk of fraud and corruption but have developed these documents with relevant Acts and Regulations as the framework.

The report by the Western Australian Auditor General recommends that Fraud and Corruption Control in local governments now also be aligned to the Australian Standard AS 8001-2008.

Officer’s Comment:

The introduction to the Australian Standard AS 8001-2008 is provided with this agenda item for Council reference and context in considering the Shire’s risks in relation to fraud and corruption across the organisation.

Statutory Environment:

Local Government (Audit) Regulations 1996

Policy Implications:

New Policy to be developed – Fraud and Corruption Control Plan

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/Council Motion:**MOVED: CR OWEN BOXALL****SECONDED: CR JOHN GOODHEART**

ARC13/19 That the Audit Committee notes the Australian Standard AS 8001-2008 Fraud and Corruption Prevention in preparation for reviewing the Shire risks related to these matters.

Voting Requirement: Simple Majority

CARRIED 5/0

5.4 **Fraud and Corruption Risk Review 3** (ATTACHMENT)

File Ref: FM.AU
Reporting Officer: Lisa Hannagan, Executive Manager Finance & Administration
Date Report Prepared: 28 August 2019

Issue:

The Office of the Auditor General report “Fraud Prevention in Local Government” has concluded that Local Government can do more to manage and prevent the risk of fraud and corruption.

The first step for Council is to identify risks across the organisation.

Body/Background:

Council have been provided with Australian Standard AS 8001-2008 as the back-ground information required to develop a Fraud and Corruption Control Plan for the Shire of Katanning.

Attached to this agenda is a document that details what fraud and corruption can look like in the local government environment.

Officer’s Comment:

The identified risks for local government are not exhaustive but has been provided for Council consideration and to provide Council the opportunity to provide input to the areas for focus.

Once this list is finalised, the Officer will further develop the document with details on what the Shire is currently doing to address the risks and what additional mitigation can be developed and documented.

This will then return to the Audit Committee for review.

Statutory Environment:

Local Government (Audit) Regulations 1996

Policy Implications:

New Policy to be developed – Fraud and Corruption Control Plan

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/Council Motion:**MOVED: CR OWEN BOXALL****SECONDED: CR JOHN GOODHEART**

ARC14/19 That the Audit Committee notes the identified risks for fraud and corruption and provide input on any other fraud and corruption risks they consider should be included.

Voting Requirement: Simple Majority

CARRIED 5/0

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| 6. CLOSURE OF MEETING |
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The Presiding Member declared the meeting closed at 5.04 pm.