



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 Wednesday 02 February 2022 at the  
Shire of Katanning Conference Room, commencing at 8:00am.

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

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



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**1. DECLARATION OF OPENING**

The Chairperson declared the meeting open at 8:03am.

**2. RECORD OF ATTENDANCE****PRESENT****Members:**

Cr J Goodheart – Chairperson  
Cr M Collis  
Cr K D’Aprile (Joined the meeting at 8:09am)  
Cr S Sandwell

Cr L Guidera (Proxy)

**Council Officers:**

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

**Guests:****Apologies:****3. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS**

Nil.

**4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING****4.1 Audit and Risk Committee Meeting – Thursday 16 December 2021**  
(SEE ATTACHED MINUTES)

**Voting Requirement:** Simple Majority

**MOVED: CR SERENA SANDWELL**

**SECONDED: CR MATT COLLIS**

**ARC01/22 That the minutes of the Audit & Risk Committee Meeting held on Thursday 16 December 2021 be confirmed as a true record of proceedings.**

CARRIED: 4/0

**5. REPORTS****5.1 Shire of Katanning Annual Report 2020/21**  
(ATTACHMENTS)

**File Ref:** FM.AU.2  
**Reporting Officer:** Denise Gobbart, Executive Manager Finance & Administration  
**Date Report Prepared:** 12 January 2022

**Issue:**

For the Audit & Risk Committee to recommend that Council adopts the Annual Report for the year ended 30 June 2021.

**Body/Background:**

The Annual Financial Report for the year ended 30 June 2021 was presented to the Shire of Katanning's auditor prior to 30 September 2021. The auditors undertook the annual site visit between the 29 September and 1 October 2021. The Audit Exit meeting was held Thursday 16 December 2021 with the audit signed off Tuesday 21 December 2021.

Section 5.54 'Acceptance of Annual Reports' by the *Local Government Act 1995* requires an Annual Report to be accepted by Council by 31 December in each year unless the Auditor's Report is not available in time. The *Local Government Act 1995* Section 5.42(2) requires that if the Annual Report is not accepted by the Local Government by 31 December then it must be presented within two (2) months of the Auditors Report becoming available.

**Officer's Comment:**

The completion of the audit and the annual financial report confirms the financial data for the 2020/21 year including the carried forward position at the 30 June 2021.

During the current year the following new standards were applied, AASB 1059 Service Concession Arrangements: Grantors and AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Materiality.

The 2020/21 end of year surplus of \$2,333,383 varies to the 2021/22 budget surplus estimate of \$2,453,602. The Surplus varied by \$120,219 due to the treatment of Contract Liabilities \$123,924 and other minor adjustments in the treatment of transaction during the audit.

Contract Liabilities were adjusted to reflect unspent grants with contractual obligations, these were:

- Hidden Treasures (Shire of Broomehill-Tambellup) \$5,000
- Vibrant Katanning (Foundation for Rural & Regional Renewal) \$22,000
- Regional Venues (Art on the Move) \$25,700
- Sports Engagement & Inclusion Program \$71,224

The treatment of these funds is a timing issue. When the revenue is received in the prior year and is unspent, that portion of revenue is removed from operating accounts and transferred to the Balance Sheet as a contract liability. When the appropriate expenditure has occurred, the contract liability is then transferred back to revenue.

In the Independent Auditor's Report, the following was noted:

*In accordance with the Local Government (Audit) Regulations 1996 I report that:*

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
  - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past three years.**
- (ii) The following material matter indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law were identified during the course of my audit:
  - a. Fixed asset reconciliation between the register and the corresponding general ledger control accounts has not been performed from December 2020 to April 2021. This is a key control for ensuring the completeness and accuracy of financial data within the general ledger from which the financial statements are derived. Without this reconciliation being performed on a regular basis there is an increased risk of fraud and or errors going undetected.**

**Statutory Environment:**

*Local Government Act 1995*

Section 5.53 Annual Reports

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain —
  - (a) a report from the mayor or president; and
  - (b) a report from the CEO; and
  - [(c), (d) deleted]
  - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and
  - (f) the financial report for the financial year; and
  - (g) such information as may be prescribed in relation to the payments made to employees; and
  - (h) the auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year; and
  - (ha) a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and
  - (hb) details of entries made under section 5.121 during the financial year in the register of complaints, including —
    - (i) the number of complaints recorded in the register of complaints; and
    - (ii) how the recorded complaints were dealt with; and
    - (iii) any other details that the regulations may require; and
  - (i) such other information as may be prescribed

Section 5.54 Acceptance of Annual Reports

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted\* by the local government no later than 31 December after that financial year.
  - \* *Absolute majority required.*
- (2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

**Section 5.55 Notice of Annual Reports**

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

**Section 5.55A Publication of Annual Reports**

The CEO is to publish the annual report on the local government's official website within 14 days after the report has been accepted by the local government.

**Policy Implications:**

There are no policy implications for this report.

**Financial Implications:**

It is estimated that advertising costs of the availability of the Annual Report and the Annual Electors General meeting will be \$600 which will be charged to account 102140 Advertising & Promotion.

**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	L1	An inclusive community, recognised as a great place to live and visit.
OBJECTIVE	L1.1	Operate with high ethical and professional standards, being open, transparent and responsive to the community and other stakeholders.

**Officer's Recommendation/Council Motion:**

**Voting Requirement:** Absolute Majority

**MOVED: CR MATT COLLIS**

**SECONDED: CR SERENA SANDWELL**

**ARC02/22 That the Audit & Risk Committee recommends that Council:**

- 1. In accordance with Sections 5.53 and 5.54 of the Local Government Act 1995, accepts the Annual Report for the 2020/21 financial year; and**
- 2. In accordance with Section 5.55 of the Local Government Act 1995 authorise the Chief Executive Officer to give public notice of the availability of the Annual Report from Friday 11 February 2022.**

**CARRIED: 4/0**

## 5.2 2020/21 Annual Electors General Meeting

**File Ref:** FM.AU.2  
**Reporting Officer:** Denise Gobbart, Executive Manager Finance & Administration  
**Date Report Prepared:** 12 January 2022

**Issue:**

For the Audit & Risk Committee to recommend that Council endorse the date for the Annual General Meeting set by the Chief Executive Officer.

**Body/Background:**

The Annual Electors General Meeting is to be held within 56 days of the local government accepting the Annual Report.

A requirement of setting the date is that 14 days local public notice is required for advertising the meeting. Providing the Annual Report is endorsed at the Special Council Meeting proposed on 08 February 2022, it is recommended that this be held after the March Council Meeting which is scheduled on 24 March 2022.

**Officer's Comment:**

Council is requested to endorse the date proposed, in accordance with the *Local Government Act*, for the Annual Electors Meeting.

**Statutory Environment:**

*Local Government Act 1995*

5.27 Electors' general meetings

- (1) A general meeting of the electors of a district is to be held once every financial year.
- (2) A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.
- (3) The matters to be discussed at general electors' meetings are to be those prescribed.

Local Government (Administration) Regulation 1996

15 Matters to be discussed at general meeting (Act s. 5.27(3))

For the purposes of section 5.27(3), the matters to be discussed at a general electors' meeting are, firstly, the contents of the annual report for the previous financial year and then any other general business.

Local Government Act 1995

5.29 Convening electors' meetings

- (1) The CEO is to convene an electors' meeting by giving —
  - (a) at least 14 days' local public notice; and
  - (b) each council member at least 14 days' notice, of the date, time, place and purpose of the meeting.
- (2) The local public notice referred to in subsection (1)(a) is to be treated as having commenced at the time the notice is first given and is to continue in the prescribed way until the meeting has been held.

**Policy Implications:**

There are no policy implications for this report.

**Financial Implications:**

It is estimated that advertising costs of the availability of the Annual Report and the Annual Electors General meeting will be \$600 which will be charged to account 102140 Advertising & Promotion.

**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	L1	An inclusive community, recognised as a great place to live and visit.
OBJECTIVE	L1.1	Operate with high ethical and professional standards, being open, transparent and responsive to the community and other stakeholders.

**Officer's Recommendation/Council Motion:**

**Voting Requirement:** Simple Majority

**MOVED: CR SERENA SANDWELL**

**SECONDED: CR MATT COLLIS**

**ARC03/22 That the Audit & Risk Committee recommends that Council holds the Annual General Meeting of Electors on Thursday 24 March 2022 at 7.30pm at the Shire of Katanning Council Chambers.**

CARRIED: 4/0



### 5.3 Purchasing Policy – Compliance Monitoring

**File Ref:** FM.AU  
**Reporting Officer:** Denise Gobbart, Executive Manager Corporate & Community  
**Date Report Prepared:** 12 January 2022

**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 training on the correct processes for purchasing and a copy of the Purchasing Policy.

Shire creditors are generally paid weekly, with payments being reviewed by the Executive Manager Corporate & Community.

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:**

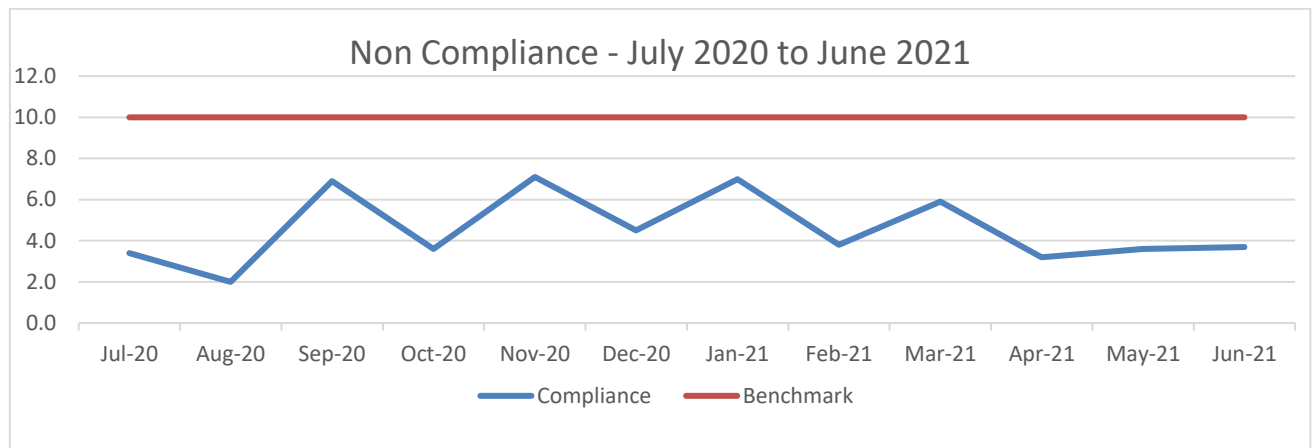
The two graphs below show the results of the continuing internal auditing.

The Audit Report (17/18 financial year) noted a 50% non-compliance rate with the sample the Auditors reviewed.

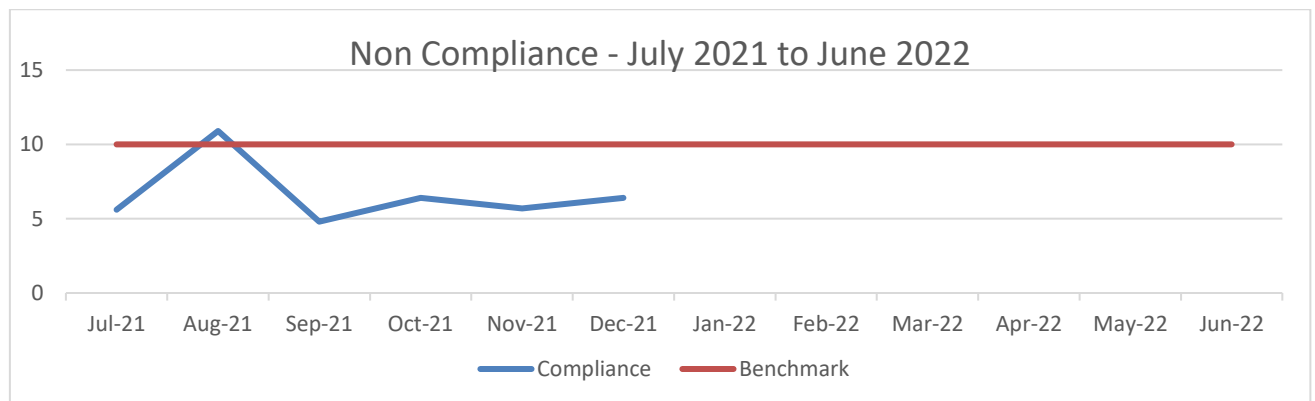
While our testing has not demonstrated anywhere near the level of non-compliance as reported by the Auditors, it did initially demonstrate an unacceptable level of non-compliance which needs to be addressed.

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 graph below, for the period 1 July 2020 to 30 June 2021 shows a significant ongoing improvement in the level of non-compliance on prior years. During this period 1,753 creditors were paid, this included 2,936 Invoices with a total of 123 issues. The average noncompliance for the period was 4.2%, which is within the benchmark set.



This report has been completed for July 2021 to December 2021 and shows we are continuing to meet or better our benchmark, except for one month. It is apparent with year end officers were rushing to get purchasing finalised and compliance fell. During July and August there were a total of 43 issues identified, all failing to raise a purchase order prior to an invoice being issued. In comparison the prior year only 17 issues were identified, during the same period.



During the period July 2021 to June 2022 there were a total of 1,057 Creditors paid, this included 1,733 invoices with a total of 114 issues. The average noncompliance for the period was 6.6%, which is within the benchmark set.

The compliance issues raised have been drawn to the attention of officers with purchasing authority.

**Statutory Environment:**

Local Government Act 1995

Local Government (Audit) Regulations 1996

Local Government (Financial Management) Regulations 1996

**Policy Implications:**

Policy 2.5 Purchasing Policy

**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 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:**

**Voting Requirement:** Simple Majority

**MOVED: CR MATT COLLIS**

**SECONDED: CR SERENA SANDWELL**

**ARC04/22 That the Audit Committee notes the monitoring of compliance in relation to Purchasing.**

CARRIED: 4/0

<b>6. CLOSURE OF MEETING</b>
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The Presiding Member declared the meeting closed at 8:13am.