



Shire of
Katanning
Heart of the Great Southern

**MINUTES OF THE
AUDIT AND RISK COMMITTEE MEETING**

Minutes of the Shire of Katanning Audit & Risk Committee
held on Tuesday 29 March 2022 at the
Shire of Katanning Conference Room, commencing at 1:00 pm.

PRESIDING MEMBER _____

DATE SIGNED _____



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1. DECLARATION OF OPENING

The Chairperson declared the meeting open at 1.05pm.

2. RECORD OF ATTENDANCE

PRESENT

Members:

Cr John Goodheart – Chairperson
 Cr Matt Collis
 Cr Kristy D’Aprile (By electronic means)
 Cr Serena Sandwell

Council Officers:

Julian Murphy, Chief Executive Officer (By electronic means)
 Denise Gobbart, Executive Manager Finance & Administration
 Belinda Knight, Finance Manager
 Sophie Justins, Executive Officer to CEO

Guests:

Nayna Raniga – Director Financial Audit Office of the Auditor General (OAG) (By electronic means)
 Wen-Shien Chai – Partner Moore Australia (WA) (By electronic means)
 Gilles Chan – Manager Moore Australia (WA) (By electronic means)

Apologies:

Nil

3. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS

Nil.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**4.1 Audit and Risk Committee Meeting – Wednesday 8 February 2022**
(SEE ATTACHED MINUTES)

Voting Requirement: Simple Majority

MOVED: CR SERENA SANDWELL **SECONDED:** CR KRISTY D'APRILE

ARC05/22 That the minutes of the Audit & Risk Committee Meeting held on Wednesday 2 February 2022 be confirmed as a true record of proceedings.

CARRIED: 4/0

5. REPORTS**5.1 Meeting with the Shire of Katanning Auditors**
(ATTACHMENT)

File Ref: FM.AU.2
Reporting Officer: Denise Gobbart, Executive Manager Finance & Administration
Date Report Prepared: 23 March 2022

Issue:

For the Audit & Risk Committee to recommend that Council notes the outcomes of the electronic meeting with the Council's Auditors, Nayna Raniga – Director Financial Audit Office of the Auditor General (OAG), Wen-Shien Chai – Partner Moore Australia (WA) and Gilles Chan – Manager Moore Australia (WA).

Body/Background:

On appointment of the Audit & Risk Committee, the terms of reference provided the following:

f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcomes of those discussions.

The *Local Government Act 1995* does not require the Audit Committee to meet with the Auditor; rather the Local Government is to meet with the Auditor at least once each year.

It should be noted that there would be an additional fee involved for the auditor to visit the Shire of Katanning in person due to travel and time.

The electronic meeting today with Council's Auditors and the Audit and Risk Committee members in attendance, is intended to meet the requirements of Act.

Officer's Comment:

Moore Australia has been engaged by the Office of Auditor General (OAG) Western Australia to conduct our annual financial audit for a 3-year period, commencing with the audit for the year ended 30 June 2021.

The purpose of this meeting is to discuss the Audit Strategy Memorandum for the for the audit period ending 30 June 2022. The key purposes of the memorandum are to:

- Set out the audit scope and approach in summary;
- Communicate the key audit risk areas which we expect to be focus of the audit procedures; and
- Promote effective communication between the auditor and those charged with governance.

Key Dates are as follows:

- | | |
|------------------------|---|
| • 5-7 April 2022 | Interim Audit |
| • Late April 2022 | Interim Management Report (If any matters to be reported) |
| • Early September 2022 | Receipt of complete and balanced draft financial report |
| • 12-16 September 2022 | Final Audit Visit |
| • Late October 2022 | Issuance of Audit Concluding Memorandum |
| • Early November 2022 | Concluding (Exit) Meeting |
| • Mid November 2022 | Date CEO sign off on financial statements |
| • End November 2022 | Final sign-off of Auditor's report & management report |

Statutory Environment:

Local Government Act 1995

Section 7.12A Duties of Local Government with Respect of Audits

- (1) A local government is to do everything in its power to —
 - (a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and
 - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government must —
 - (aa) examine an audit report received by the local government; and
 - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must —
 - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

Policy Implications:

There are no policy implications for this report.

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 | 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. |

1.25pm Auditors left the meeting.

Voting Requirement: Simple Majority

MOVED: CR MATT COLLIS

SECONDED: CR SERENA SANDWELL

Officer's Recommendation/Council Motion:

ARC06/22 That the Audit & Risk Committee recommends that Council notes the outcomes of the meeting between the Audit and Risk Committee members and the Auditor held by electronic means on 29 March 2022 and determines that the meeting satisfies the requirement of Section 7.12A(2) of the Local Government Act 1995.

CARRIED: 4/0

5.2 Compliance Audit Return 2021 (ATTACHMENT)

File Ref: FM.AU.4
Reporting Officer: Denise Gobbart, Executive Manager Finance & Administration
Date Report Prepared: 23 March 2022

Issue:

For the Audit & Risk Committee to recommend that Council adopts the Compliance Audit Return (CAR) for the year ending 31 December 2021.

Body/Background:

A Local Government is required to carry out a Compliance Audit for the period 1 January to 31 December each year. The compliance review process provides the CEO and Council with an additional element of accountability through a rigorous check on internal management systems, procedures and record keeping.

The Compliance Audit Return is to be completed with a certified copy signed by the CEO and President and submitted to the Director General, Department of Local Government and Regional Development by 31 March.

The Compliance Audit Return must:

1. initially be presented to the Audit Committee,
2. be presented to Council at the Ordinary Council meeting,
3. be adopted by the Council; and
4. be recorded in the minutes of the meeting at which it is adopted.

The CAR process provides both the CEO and the Council with an additional element of accountability through a check on internal management systems, procedures and record keeping and demonstrates the Shire's emphasis on improving good governance, compliance and best practice.

Officer's Comment:

The CAR was completed internally by both the Executive Manager Corporate & Community and Manager Finance then reviewed by the Chief Executive Officer.

This year there were eleven (11) categories with a total of ninety-eight (98) questions.

1. Commercial Enterprises (5 questions) – No matters raised.
2. Delegation of Power/Duty (13 questions) – No matters raised.
3. Disclosure of Interest (25 questions) – No matters raised.
4. Disposal of Property (2 questions) – No matters raised.
5. Elections (3 questions) – Electoral gift register had not been published on the website, published March 2022.
6. Finance (7 questions) – S7.12A(4)(a) & (4) No report was prepared and given to the Minister.
7. Integrated Planning and Reporting (3 questions) – Corporate Business Plan has not been reviewed annually.
8. Local Government Employees (6 questions) – no matters raised.
9. Official Conduct (3 questions) – no matters raised.

10. Optional Questions (9 questions) – FM Reg 5 the Financial Management Review had not been reviewed within three (3) years.
11. Tenders for Providing Goods and Services (22 questions) – No matters raised.

There were four (4) areas of non-compliance identified in the CAR. They have identified areas where improved record keeping, and awareness of legislative changes is required. Procedures for staff will be enhanced to enable improved awareness to meet our compliance needs.

Statutory Environment:

Local Government Act 1995

Local Government (Administration) Regulations 1996

Local Government (Audit) Regulations 1996

Local Government (Elections) Regulations 1997

Local Government (Functions and General) Regulations 1996

Local Government (Audit) Regulation 1996

13. Prescribed statutory requirements for which compliance audit needed (Act s7.13(1)(i))
14. Compliance audits by local governments
 - (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
 - (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
 - (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
 - (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
 - (a) presented to the council at a meeting of the council; and
 - (b) adopted by the council; and
 - (c) recorded in the minutes of the meeting at which it is adopted.
15. Certified copy of compliance audit return and other documents to be given to Departmental CEO
 - (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - (b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.
 - (2) In this regulation — certified in relation to a compliance audit return means signed by —
 - (a) the mayor or president; and
 - (b) the CEO.

Policy Implications:

There are no policy implications for this report.

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 | 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. |

Voting Requirement: Simple Majority

MOVED: CR SERENA SANDWELL

SECONDED: CR MATT COLLIS

Officer's Recommendation/Council Motion:

ARC07/22 That the Audit & Risk Committee recommends that Council:

1. Adopts the Shire of Katanning Compliance Audit Return for the period 1 January 2021 to 31 December 2021; and
2. Authorises the Shire President and Chief Executive Officer to endorse the certification contained within the Compliance Audit Return 2021.

CARRIED: 4/0

5.3 Budget Review 2021/22 (ATTACHMENT)

File Ref: FM.BU.6
Reporting Officer: Denise Gobbart, Executive Manager Corporate & Community
Date Report Prepared: 24 March 2022

Issue:

For Council to consider and adopt the Budget Review as presented for the period 1 July 2021 to 28 February 2022.

Body/Background:

Regulation 33A of the Local Government (Financial Management) Regulations 1996 requires Local Governments to conduct a review of the annual budget between 1 January and 31 March each year.

Regulation 33A (2) requires that within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.

Regulation 33A (3) requires Council to consider the review submitted to it and is to determine whether or not to adopt the review, any parts of the review or any recommendations made in the review.

Regulation 33A (4) requires that within 30 days after Council has adopted the review a copy of the review and determination is to be provided to the Department.

Officer's Comment:

After the adoption of the 2021/22 Annual Budget and the completion of the Annual Audit there was a decrease in the opening surplus of \$120,219. This variation was due to the treatment of Contract Liabilities \$123,924 and other minor adjustments in the treatment of transactions during the audit.

Issues addressed in the Budget Review:

Grant Funded Projects

- Lotterywest Community Capacity Building Project \$180,000 offset by matching expenditure.
- Local Roads & Infrastructure Fund Phase 3 \$375,000 off set by matching expenditure.
- Great Southern Housing Project \$190,460 additional revenue to be received, offset by transfer to Land & Building Reserve.
- Approval for use of Heritage Centre Funding Interest \$180,572 Art Project – Noongar Story offset by matching expenditure.
- Drought Affected Communities Grant reduced by \$200,000 due to incorrect allocation of funding in the prior year.
- Local Roads & Community Infrastructure Funding increase of \$200,000 due to incorrect allocation of funding in the prior year.
- Contract Liability – Vibrant Katanning Funding \$22,000 audit adjustment revenue not included in the budget.
- Contract Liability – Sports Engagement & Inclusion Project Funding \$71,224 audit adjustment revenue not included in the budget.
- RED Funding – Destination Development Project \$30,000 revenue not included in the budget, expenditure had been included.

Reduction in Revenue

- Shared EHO Reimbursements \$39,736, no longer sharing services with the Shire of Kojonup.
- Write-off of rates \$6,756 approved by resolution of Council.

Increase in Revenue

- Paid Parental Leave – offset by matching expenditure.
- Over Payments – offset by matching expenditure.
- Fuel Tax reimbursement \$8,596 additional rebate.
- ATO refund on FBT \$16,737
- Disposal of 77 Piesse St & Refuse Site Demountable \$9,982 not included in the budget.
- Insurance Good Driver Rebate \$8,678 additional to budget.
- Amherst Village Refundable Deposit \$80,000 offset by matching transfer to the Amherst Village Refundable Deposits Reserve.
- Transfer from Leave Reserve of \$30,475 to offset Long Service Leave liabilities paid and not funded in the budget.

Increase in Expenditure

- Pool Chemicals \$10,000, a different chemical is being used to prolong the life of the new chemical dosing machine.
- Utilities – Water \$10,000 replacement water meter. As we had not been paying for water as the meter was faulty, the budget provision was under.
- Long Service Leave payment of \$5,368 for past employee liability
- Ranger Relief \$85,532 additional expenditure due to using contract rangers.

Decrease in Expenditure

- Election Expenses \$13,442 offset by a reduction in transfer from the Elections Reserve.
- Salaries PWO - \$41,463 the new Projects & Asset Manager position was not filled until the new year.
- Salary Costs (HAI) \$21,000 we are now using a contract EHO service.
- Salary & Super Costs (FPV) \$29,462 as we are no longer employing a ranger and using a contract service.
- Salary, Super, Uniform & Training Costs (ANI) \$56,070 as we are no longer employing a ranger and using a contract service.

Projects Not Included in the Budget

- Driver Reviver Van \$68,046 – Expense was not included in the budget and during the audit it was identified that the funding had been received prior to 30 June 2021.

Salaries and Wages

It is projected that there will be savings of \$113,115 in Gross Salaries and Wages due to the use of contract services for the provision of Rangers and Environmental Health. There is also a projected saving in the current year of \$41,463 as the new Projects & Asset Manager position was not filled until the new year.

There are overspends in a few accounts with our outside workers wages and plant costs, adjustments have not been considered in the budget review as they will be balanced out by underspends in other accounts.

Statutory Environment:

Local Government Act

s 6.2 Local government to prepare annual budget.

Local Government (Financial Management) Regulations 1996

Reg 33A Review of Budget

- (1) Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.
- (2A) The review of an annual budget for a financial year must —
 - (a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and
 - (b) consider the local government's financial position as at the date of the review; and
 - (c) review the outcomes for the end of that financial year that are forecast in the budget.
- (2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.
- (3) A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review. *Absolute majority required.
- (4) Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

Policy Implications:

There are no policy implications for this report.

Financial Implications:

The Budget Review incorporates proposed amendments to the Annual Budget. The cumulative effect of the proposed amendments retains a balanced budget.

Additional funds have been drawn from the following reserves:

Leave Reserve - \$30,475 to fund unexpected long service leave payouts.

Additional funds to be transferred to reserves:

Land & Building Reserve - \$190,460 additional grant funding received for the Great Southern Housing project.

Amherst Village Refundable Deposits Reserve - \$80,000 deposits from new residents.

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. |
| ASPIRATION | L2 | A collaborative, progressive and resilient local government which is sustainably resourced. |
| OBJECTIVE | L2.1 | Optimise use of shire resources – improve organisational systems. |

Voting Requirement: Absolute Majority**MOVED:** CR MATT COLLIS**SECONDED:** CR KRISTY D'APRILE**Officer's Recommendation/Council Motion:****ARC08/22 That Council:**

1. **Adopts the Budget Review conducted for the eight (8) months ended 28 February 2022; and**
2. **Authorises the Chief Executive Officer to amend the 2021/22 Budget in accordance with the attached report Budget Review as at 28 February 2022.**

CARRIED BY ABSOLUTE MAJORITY: 4/0

6. CLOSURE OF MEETING

The Presiding Member declared the meeting closed at 1.40pm.