



Shire of
Katanning
Heart of the Great Southern

**AGENDA OF AN
AUDIT AND RISK COMMITTEE MEETING**

Agenda of the Shire of Katanning Audit & Risk Committee
held on Monday 18 December 2023 at the
Shire of Katanning Conference Room, commencing at 4:30pm.

PRESIDING MEMBER _____

DATE SIGNED _____



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1. DECLARATION OF OPENING

The Chief Executive Officer will Chair the meeting until the election of the Chairperson.

The meeting was declared open at _____ pm.

2. ELECTION OF CHAIRPERSON

Nominations for the position of Chairperson must be made in writing to the Chief Executive Officer prior to or at the meeting. Sufficient time will be allowed for nominations at the meeting.

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

Cr Kristy D'Aprile – President
Cr Liz Guidera – Deputy President
Cr John Goodheart
Cr Matt Collis
Cr Michelle Salter
Cr Ian Hanna
Cr Paul Totino
Alan McFarland – Independent member

Council Officers:

Peter Klein, Chief Executive Officer
Grace French, Executive Manager Finance & Administration
Belinda Knight, Financial Services Contractor
Taryn Human, Executive Governance Officer

Guests:**Apologies:**

4. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS**5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING****5.1 Audit and Risk Committee Meeting – Monday 19 June 2023**
(SEE ATTACHED MINUTES)

ARC/23 That the minutes of the Audit & Risk Committee Meeting held on Monday 19 June 2023 be confirmed as a true record of proceedings.

Voting Requirement: Simple Majority

CARRIED / LOST:

FOR:

AGAINST:

6. REPORTS**6.1 Audit Exit Meeting
(ATTACHMENT)**

File Ref: FM.AU.2
Reporting Officer: Grace French, Executive Manager Finance & Administration
Date Report Prepared: 13 December 2023

Introduction:

The purpose of the End of Financial Year exit meeting held on 08 December 2023 at 1:30pm, is to discuss the Audit concluding Memorandum for the year ending 30 June 2023.

Attendees:**Shire Staff:**

Dale Putland – Acting Chief Executive Officer

Grace French – Acting Executive Manager Corporate and Community Services

Auditors:

Nayna Raniga – Director Financial Audit Office of the Auditor General (OAG),

Wen-Shien Chai – Partner Moore Australia (WA)

Gilles Chan – Audit Manager Moore Australia (WA).

Body/Background:

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

The 'Audit Concluding Memorandum' is presented to the committee by the Auditors to brief the committee on the outcomes of the audit for the year ended 30 June 2023.

The committee is given the opportunity to discuss with the senior staff any issues raised by the auditors and other matters of interest.

Officer's Comment:

In accordance with Auditor General Act 2006, the objective of this exit meeting is to clarify the findings of the management report, obtain reasonable assurance about findings and recommendations and ensure councilors are fully informed of the impact of these ratings.

Findings are clearly identified and discussed with management, prior to this meeting, to provide a better understanding of the rating's classifications.

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 moderate financial implications for this report, as new valuations will be needed to be performed to identify these significant variances.

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 2022 - 2032

Focus Area Leadership

Aspiration Katanning is an inclusive and respectful community.

Objective To ensure that Shire resources are utilised in a manner that represents the best interest of the whole community.

Voting Requirement: Simple Majority

Officer’s Recommendation/Council Motion:

ARC/23 That the Audit & Risk Committee recommends that Council receives the Audit Concluding Memorandum for the year ended 30 June 2023.

CARRIED/LOST:

6.2 Meeting with the Shire of Katanning Auditors

File Ref: FM.AU.2
Reporting Officer: Grace French, Executive Manager Finance & Administration
Date Report Prepared: 13 December 2023

Introduction:

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 – Audit Manager Moore Australia (WA).

Body/Background:

In accordance with section 7.12AD (2) of the Local Government Act 1995, the Office of the Auditor General (OAG) has completed the audit of the Annual Financial Report for the year ending 30 June 2023.

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

Officer's Comment:

Moore Australia (WA) have completed the annual audit for the financial year 2022-2023, on 12 December 2023, and the ratings of this audit assessment indicated deficiency in internal controls and a concern with respect to the probability and possibly impact on non-compliance and poor management and that could impact on poor service to rate payers and the shire's communities.

The following ratings are the summary of the findings with significant and moderate risks to be addressed instantaneously.

Interim Audit – July 2023

INDEX OF FINDINGS	Potential impact on audit opinion	RATING		
		Significant	Moderate	Minor
1. Depreciation on buildings not calculated properly	Yes	✓		
2. Fair Value of infrastructure assets	Yes	✓		
3. Fuel inventory reconciliation not performed	No		✓	

Explanatory:

Clarifications/Recommendations:

1. Depreciation rate for buildings not reported correctly as required by AASB 116. Recommendation for management to review and update fixed assets and implement measures to ensure consistency and accuracy.
2. Valuation of Infrastructure indicated inconsistent data with high decrements for roads, P&G and Ovals and increment in Drainage. Recommendations for management to review data and

adjust fair value to comply with AASB 13 (Fair Value Measurement) as well as Regulation 17(A) of the Regulations.

3. Fuel stock and inventory not completed prior auditing. Recommendations for management to implement current system and review its accuracy regularly.

End of Financial Year Audit – November 2023

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Fixed Assets reconciliation not performed regularly	Yes/Control	✓			✓
2. Fuel inventory reconciliation not performed	No/Control		✓		
3. Timesheet not completed	No/Control		✓		
4. Non -Compliance the purchasing policy	No/Control		✓		

Explanatory:

Clarifications/Recommendations:

1. Reconciliation of fixed assets not performed since December 2022. This has been a recurring issue from previous year. Recommendation for management to implement measures to ensure consistency and accountability.
2. Fuel inventory reconciliation not performed regularly. Recommendation for management to implement measures to ensure reconciliations are completed monthly.
3. Possible minor risk of fraud or error in the payroll. Recommendation for management to ensure procedures are followed and errors mitigated.
4. Purchases – risk of unauthorized expenditure going undetected. Recommendation for management to remind officers of their obligations, continual education on impact (breaches of policy) and consequences that might lead to the suspension of officer's authority.

Statutory Environment:

Local Government Act 1995

Section 7.12A Duties of Local Government with Respect of Audits

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- (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
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 - (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:

Implications of the rating significance in the event of unauthorized expenditure that occurs with difficulty to track whether expenditure incurred aligned with budgets or expectations.

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 2022 - 2032

Focus Area Leadership

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Objective To ensure that Shire resources are utilised in a manner that represents the best interest of the whole community.

Voting Requirement: Simple Majority

Officer’s Recommendation/Council Motion:

ARC/23 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 18 December 2023 and determines that the meeting satisfies the requirement of Section 7.12A(2) of the Local Government Act 1995.

CARRIED/LOST:

FOR:

AGAINST:

7. CLOSURE OF MEETING

The Presiding Member declared the meeting closed at _____pm.