

Hon Hannah Beasley MLA
Minister of Local Government
7th Floor, Dumas House
2 Havelock Street
WEST PERTH 6005

Report to address significant findings from 2022/23 Audit in accordance with Section 7.12A(4)(b) of *The Local Government Act 1995 (Act)*

Dear Minister,

In accordance with section 7.12A(4)(b) of the Act, I present the officers report from the Audit and Risk Committee Minutes of 21 December 2023 which identifies the actions the Shire of Katanning plans to take in relation to the significant matters identified by the auditor during the 2022/23 end of year audit.

A copy of the report will be made available on the Shire of Katanning website within 14 days from the date of this letter as per section 7.12A(5).

Please contact me on the number below or at peter.klein@katanning.wa.gov.au if you have any questions.

Yours Sincerley



Peter Klein
Chief Executive Officer

27 February 2024

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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 Thursday 21 December 2023 at the
Shire of Katanning Conference Room.

PRESIDING MEMBER _____

DATE SIGNED _____



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1. DECLARATION OF OPENING/ACKNOWLEDGEMENT OF COUNTRY

The Chairperson declared the meeting open at 10:05am.

Acknowledgement of Country

The Shire of Katanning acknowledges the Goreng Noongar people as the traditional custodians of the land that we live and work on. We recognise their cultural heritage, beliefs, and continuing relationship with the land, and pay our respects to Elders past and present.

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

Cr John Goodheart - Chairperson
Cr Kristy D'Aprile – President
Cr Liz Guidera – Deputy President
Cr Matt Collis
Cr Ian Hanna (left the meeting at 11:01am)
Cr Paul Totino
Alan McFarland – Independent member

Council Officers:

Peter Klein, Chief Executive Officer
Grace French, Executive Manager Corporate & Community
Taryn Human, Executive Governance Officer

Guests:

Nayna Raniga, Senior Director Financial Audit (joined via electronic means)
Wen-shien Chai, Partner Moore Australia (joined via electronic means)
Gilles Chan, Senior Manager Moore Australia (joined via electronic means)
Belinda Knight, Financial Services Contractor (joined via electronic means)

Apologies:

Cr Michelle Salter

3. DISCLOSURE OF FINANCIAL/IMPARTIALITY INTERESTS

Nil.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**4.1 Audit and Risk Committee Meeting – Monday 18 December 2023**
(SEE ATTACHED MINUTES)**MOVED: CR KRISTY D'APRILE****SECONDED: ALAN MCFARLAND**

ARC13/23 That the minutes of the Audit & Risk Committee Meeting held on Monday 18 December 2023 be confirmed as a true record of proceedings.

Voting Requirement: Simple Majority

FOR: CR JOHN GOODHEART, CR KRISTY D'APRILE, CR LIZ GUIDERA, CR MATT COLLIS, CR PAUL
TOTINO
AGAINST: NIL

CARRIED: 5/0

5. REPORTS

5.1 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.

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.

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

- (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:

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

Aspiration Katanning is an inclusive and respectful community.

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

Voting Requirement: Simple Majority

Officer's Recommendation/Council Motion:

MOVED: CR KRISTY D'APRILE

SECONDED: CR MATT COLLIS

- ARC14/23**
- 1. That the Shire of Katanning addresses the significant findings of the 2023 Audit through:**
 - **Review of valuation process and a report to Council on findings;**
 - **Address the moderate findings through improved procedures and policies to be reviewed regularly to ensure accuracy, efficiency and compliance.**
 - 2. That the Audit & Risk Committee recommends that Council notes the discussion of the meeting between the Audit and Risk Committee members and the Auditor held by electronic means on 21 December 2023 and determines that the meeting satisfies the requirement of Section 7.12A(2) of the Local Government Act 1995.**

FOR: CR JOHN GOODHEART, CR KRISTY D'APRILE, CR LIZ GUIDERA, CR MATT COLLIS, CR PAUL
TOTINO
AGAINST: NIL

6. CLOSURE OF MEETING

The Presiding Member declared the meeting closed at 11:15am.

DRAFT