

FINANCE, AUDIT & RISK MANAGEMENT COMMITTEE

Agenda



Meeting Date Wednesday 15 March 2023
Meeting Time 2:30 pm

To be held via TEAMS



ACKNOWLEDGEMENT OF COUNTRY

The Shire of Chapman Valley would like to respectfully acknowledge the Naaguja peoples who are the traditional owners and first people of the land on which we stand.

We would like to pay our respect to the elders past, present and emerging for they hold the memories, the traditions, the culture and hopes of the Naaguja peoples.

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Chapman Valley for any act, omission or statement or intimation occurring during Council Meeting. The Shire of Chapman Valley disclaims any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council of Committee Meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council Meeting does so at that person's or legal entity's own risk.

The Shire of Chapman Valley warns that anyone who has any application or request with the Shire of Chapman Valley must obtain and should rely on written confirmation of the outcome of the application or request of the decision made by the Shire of Chapman Valley.

COMMITTEE PURPOSE & DELEGATIONS

To provide a review of Council's ongoing financial situation, provide a forum for ongoing review of strategic management plan for Council operations and discuss the Audit System.

- Delegations – Nil

The Finance, Audit & Risk Management Committee is comprised of:

Cr Warr

Cr Batten

Cr Forth

Cr Davidson

Grant Middleton (External, Independent Member)

CEO

Manager Finance & Corporate Services

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1 Declaration of Opening & Announcements of Visitors

The Presiding member will welcome elected members and staff to the committee meeting and declare the meeting open.

“The Shire of Chapman Valley would like to respectfully acknowledge the Naaguja peoples who are the traditional owners and first people of the land on which we stand.

We would like to pay our respect to the elders past, present and emerging for they hold the memories, the traditions, the culture and hopes of the Naaguja peoples.”

2 Announcements from the Presiding Member

3 Record of Attendance

3.1 Attendees

The following are anticipated to attend the Finance, Audit & Risk Management Committee Meeting:

Elected Members

Cr Warr

Cr Batten

Cr Forth

Cr Davidson

External

Grant Middleton (Independent Member)

Officers

Jamie Criddle, Chief Executive Officer

Dianne Raymond, Manager Finance & Corporate Services

3.2 Apologies

4 Disclosure of Interest

Local Government Act 1995

Administration Part 5

Disclosure of financial interests and gifts Division 6

s. 5.59

Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences.

Section 5.60A:

“a person has a financial interest in a matter if it is reasonable to expect that the matter will, if dealt with by the local government, or an employee or committee of the local government or member of the council of the local government, in a particular way, result in a financial gain, loss, benefit or detriment for the person.”

Section 5.60B:

“a person has a proximity interest in a matter if the matter concerns –

(a) a proposed change to a planning scheme affecting land that adjoins the person’s land; or
(b) a proposed change to the zoning or use of land that adjoins the person’s land; or
(c) a proposed development (as defined in section 5.63(5)) of land that adjoins the person’s land.”

Regulation 34C (Impartiality):

“interest means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.”

5 Petitions/Deputations/Presentations

5.1 Petitions

The Council has not received any petitions at the time of writing this report

5.2 Presentations

The Council does not anticipate any presentations at the time of writing this report.

5.3 Deputations

The Council has not received any deputations at the time of writing this report.

6 Confirmation of Minutes from previous meetings

Recommendation

That the Minutes of the Finance, Audit and Risk Management Committee Meeting held on 14 December 2022 be confirmed as true and accurate.

7 Items to be dealt with En Bloc

8 Officers Reports

8.1	Compliance Audit Return
Department	Finance, Governance & Corporate Services Chief Executive Officer
Author	Jamie Criddle
Reference(s)	403.05 & 305.12
Attachment(s)	1. Compliance Audit Return 2022 [8.1.1 - 11 pages]

Voting Requirements

Simply Majority

Staff Recommendation

The Finance, Audit & Risk Management Committee recommends the following to Council:

1. The 2022 Compliance Audit Return be signed by CEO and Shire President
2. The 2022 Compliance Audit Return be received and recorded in the Minutes of Council
3. The 2022 Compliance Audit Return is submitted to the Department of Local Government and placed on the Shire website.

Disclosure of Interest

No officer declared an interest under the Local Government Act 1995, Subdivision 1 (LGA 1995) in the preparation of this report.

Background

Every Local Government Authority in Western Australia is required to complete the Compliance Audit Return (CAR) each year. The purpose of this item is to present the 2021 Compliance Audit Return to the Committee to review prior to going to Council for formal adoption and forwarding a certified copy to the Department of Local Government.

Comment

A Draft copy of the Shire of Chapman Valley 2022 Compliance Audit Return has been provided to Councillors as attachment **Compliance Audit Return 2022**

Statutory Environment

No Financial Implications Identified.

Long Term Financial Plan

No major effect is anticipated on the Long Term Financial Plan.

Policy/Procedure Implications

No Policy or Management Procedure affected.

Financial Implications

No Financial Implications Identified.

Long Term Financial Plan

No major effect is anticipated on the Long Term Financial Plan.

Strategic Implications

Nil

Strategic Community Plan/Corporate Business Plan Implications

GOVERNANCE & ACCOUNTABILITY

5.1 Ensure governance and administration systems, policies and processes are current and relevant.

5.1.1 Review policy categories and set ongoing accountability for review processes.

Consultation

Council staff have been consulted as part of the process to complete the Compliance Audit Report.

Risk Assessment

An Insignificant Health Risk of Level 1 - Which could result in negligible injuries.

An Insignificant Service Disruption Risk of Level 1 - Which will likely resulting in no material service disruption.

An Insignificant Reputational Risk of Level 1 - Which will likely result in unsubstantiated, low impact, low profile or 'no news' item.

8.2 Financial Management Review	
Department	Finance, Governance & Corporate Services Finance
Author	Dianne Raymond
Reference(s)	312.00
Attachment(s)	1. Financial Management Review Report 2022 [8.2.1 - 19 pages]

Voting Requirements

Simply Majority

Staff Recommendation

The Finance, Audit & Risk Management Committee recommends to Council that the items identified and management comments (as action plans) be endorsed.

Disclosure of Interest

No officer declared an interest under the Local Government Act 1995, Subdivision 1 (LGA 1995) in the preparation of this report.

Background

The Shire is required by legislation (*Local Government (Financial Management) Regulation, 1996*) to undertake a review on the financial management procedures of the organisation i.e.

5. *CEO's duties as to financial management*

(2) *The CEO is to —*

- (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
- (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
- (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

The Shire of Chapman Valley has recently undertaken the latest review in accordance with the legislated time frame stipulated and received the *Financial Management Review Report* from Dry Kirkness (Audit) Pty Ltd

Comment

The review covered the period 1 July 2019 to 30 June 2022 in relation to financial management controls and this was performed in October 2022. Audit officers from Dry Kirkness attended the office and performed a

- (a) Review of the Shire's compliance with Local Government laws and regulations through enquiry, inspection and observation.*
- (b) Review of the appropriateness and effectiveness of the Shire's systems and procedures in relation to financial management by performing system walkthroughs, enquiry, inspection, and observation.*

The scope included review of policies, procedures and plans for legislative compliance and internal controls and has noted areas of concern which are detailed in the attached Financial Management Review Report. Findings are detailed in relation to these areas are categorized as "Moderate" or "Minor", which indicate a generally good system of internal control. Recommendations for improvement identified during the review have been discussed with management (Manager Finance & Corporate Services, Chief Executive Officer and Financial Services Officer) and action plans or implementation to address these risks within acceptable timeframes were agreed upon.

All areas of concern have been noted with a management comment in red in the attached Financial Management Review Report.

Statutory Environment

Long Term Financial Plan

No major effect is anticipated on the Long Term Financial Plan.

Policy/Procedure Implications

No Policy or Management Procedure affected.

Financial Implications

Long Term Financial Plan

No major effect is anticipated on the Long Term Financial Plan.

Strategic Implications

The financial management review of the Shire's operations is integral to monitoring how the Shire is tracking with its integrated strategic planning.

Strategic Community Plan/Corporate Business Plan Implications

GOVERNANCE & ACCOUNTABILITY

5.1 Ensure governance and administration systems, policies and processes are current and relevant.

5.1.1 Review policy categories and set ongoing accountability for review processes.

Consultation

Council staff have been in contact and discussion with the audit officers throughout the audit review process.

Risk Assessment

A Minor Financial Impact Risk of Level 2 - Which will likely be between \$1,001 to \$10,000.

An Insignificant Service Disruption Risk of Level 1 - Which will likely resulting in no material service disruption.

An Insignificant Compliance Risk of Level 1 - Which will likely result in no noticeable regulatory or statutory impact.

9 New Business of an Urgent Nature Introduced by Decision of the Meeting

10 Closure

Finance Audit and Risk Management Committee 15 March 2023 Attachments

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SHIRE OF

Chapman Valley

love the rural life!

FINANCE, AUDIT & RISK MANAGEMENT COMMITTEE

Unconfirmed Minutes

**9:00am Wednesday
14/12/2022**

Nabawa Council Chambers

Committee Purpose & Delegations

To provide a review of Council's ongoing financial situation, provide a forum for ongoing review of strategic management plan for Council operations and discuss the Audit System.

Delegation – Nil

The Finance, Audit & Risk Management Committee is comprised of:

4 x Councillors

- Cr Warr (Presiding Member)
- Cr Forth
- Cr Davidson
- Cr Batten
- Grant Middleton (External, Independent Member)

Observers:

- CEO
- Manager Finance & Corporate Services

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A handwritten signature in black ink, appearing to read 'Jamie Criddle'.

Jamie Criddle
CHIEF EXECUTIVE OFFICER

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ORDER OF BUSINESS

1.0 DECLARATION OF OPENING/ANNOUNCEMENTS OF VISITORS

Presiding member declared meeting open at 9:03am.

I would like to acknowledge the traditional owners of the land we are meeting on today, the Naaguja people, and we pay our respects to elders both past, present and emerging

2.0 ANNOUNCEMENTS FROM THE PRESIDING MEMBER

3.0 RECORD OF ATTENDANCE

3.1 Attendees

Elected Members	In	Out
Cr Warr (Presiding Member)	9:03am	9:08am
Cr Forth	9:03am	9:08am
Cr Davidson	9:03am	9:08am
Cr Batten	9:03am	9:08am
Grant Middleton (External, Independent Member)	9:03am	9:08am

Officers	In	Out
Jamie Criddle - Chief Executive Officer	9:03am	9:08am
Dianne Raymond - Manager Finance & Corporate Services	9:03am	9:08am
Beau Raymond – Minute Taker	9:03am	9:08am

Visitors	In	Out
Nil		

3.2 Apologies

Nil

3.3 Previously Approved Leave of Absence

Nil

4.0 DISCLOSURE OF INTEREST

Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences.

Section 5.60A:

“a person has a financial interest in a matter if it is reasonable to expect that the matter will, if dealt with by the local government, or an employee or committee of the local government or member of the council of the local government, in a particular way, result in a financial gain, loss, benefit or detriment for the person.”

Section 5.60B:

“a person has a proximity interest in a matter if the matter concerns –

- (a) a proposed change to a planning scheme affecting land that adjoins the person's land; or
- (b) a proposed change to the zoning or use of land that adjoins the person's land; or
- (c) a proposed development (as defined in section 5.63(5)) of land that adjoins the person's land.”

Regulation 34C (Impartiality):

“interest means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.”

5.0 PETITIONS/DEPUTATIONS/PRESENTATIONS

5.1 Petitions

Nil

5.2 Presentations

Nil

5.3 Deputations

Nil

6.0 CONFIRMATION OF MINUTES FROM PREVIOUS MEETINGS

6.1 Finance, Audit & Risk Management Committee held on 31 January 2022.

COMMITTEE RESOLUTION

MOVED: Cr Forth

SECONDED: Cr Davidson

The Minutes of the Ordinary Meeting of Council held on 31 January 2022 be confirmed as true and accurate.

Voting 5/0

CARRIED

Minute Reference: FARM 12/22-01

7.0 ITEMS TO BE DEALT WITH EN BLOC

8.0 OFFICERS REPORTS

8.0

Chief Executive Officer and Manager Finance & Corporate Services

- 8.1 Independent Auditor Report 2022
- 8.2 Management Report 2022

8.1 Independent Audit Report 30 June 2022

PROPONENT:	Finance, Audit & Risk Management Committee
SITE:	Council Chambers
FILE REFERENCE:	403.05 & 305.00
PREVIOUS REFERENCE:	Nil
DATE:	14 th December 2022
AUTHOR:	Dianne Raymond, Manager of Finance & Corporate Services

SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.1(a)	Independent Auditors Report 30 June 2022		✓

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The Shire of Chapman Valley has received the Independent Audit Report from its Auditors; Nexia Perth performed this audit on behalf of the Office of Auditor General (Please refer to Audit Report Letter submitted at Attachment 8.2(a).

COMMENT

Councillors, Chief Executive Officer, Acting Manager of Finance & Corporate Services met (via teleconference) with representatives from the Office of the Auditor General for Western Australia (OAG) and the OAG appointed Auditors, Nexia Perth, on 12th of December 2022 for an audit exit meeting. Both the OAG and Nexia Perth reported on Key Audit Risks and Focus Areas as outlined in the original Audit Strategy Memorandum.

During the exit meeting attention was drawn to findings which are of a sufficient concern to warrant action being taken in the following areas:

- Fair Value of Infrastructure Assets – Frequency of Valuations.
- Non-Compliance with Regulation 5 of the Local Government (Financial Management) Regulations 1996 – Timeliness of review.
- Bank reconciliation prepared without review - Absence of Manager Signature Only.

The only item considered as significant being Fair Value of Infrastructure Assets, the OAG considers the Shire should perform a robust formal review of infrastructure assets on an annual basis. Currently the shire performs a yearly management review in between a formal external revaluation being performed every five years. With the OAG interpretation of a “robust review” being currently undefined, further information will be provided by the OAG and Minister for Local Government in early 2023.

STATUTORY ENVIRONMENT

Part 7 Local Government Act 1995 and the Local Government (Audit) Regulations 1996

POLICY/PROCEDURE IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

The long-term financial viability of the Shire is of importance for future service delivery levels provided to the Shire’s constituents

Long Term Financial Plan (LTFP):

The annual audit of the Shire's operations is integral to monitoring how the Shire is tracking with its integrated strategic planning

STRATEGIC IMPLICATIONS

The annual audit of the Shire's operations is integral to monitoring how the Shire is tracking with its integrated strategic planning

Strategic Community Plan/Corporate Business Plan:

Ref	Objective	Strategy	Action
5.1	Ensure governance and administration systems, policies and processes are current and relevant	Review policy categories and set ongoing accountability for review processes	Review current Council and Management policies and formalise update process and timelines

CONSULTATION

Council staff have been in contact and discussion with the OAG and Council auditors throughout the audit review process.

RISK ASSESSMENT

Low risk as it is considered the Council remains in a sound financial position and management procedures are sound.

Measures of Consequence							
Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment
Insignificant (1)	Negligible injuries	Less than \$1,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential or no damage.	Contained, reversible impact managed by on site response

VOTING REQUIREMENTS

Simple Majority

MOVED: Grant Middleton

SECONDED: Cr Batten

COMMITTEE RESOLUTION/STAFF RECOMMENDATION

The Finance, Audit & Risk Management Committee recommends to Council:

1. That the Independent Audit Report for year ending 30 June 2022 be received.
2. That Council to consider correspondence to the Minister for Local Government, the Department of Local Government and the Office of the Auditor General disputing the severity of the risk (Significant) attached to the Fair Value of Infrastructure Assets – Frequency of valuations due to the materiality of the issue and apparent additional costs to band 4 Local Governments.

Voting 5/0

CARRIED

Minute Reference: FARM 12/22-02

8.2 Management Report 30 June 2022

PROPONENT:	Finance, Audit & Risk Management Committee
SITE:	Council Chambers
FILE REFERENCE:	403.05 & 305.00
PREVIOUS REFERENCE:	Nil
DATE:	14 th December 2022
AUTHOR:	Dianne Raymond, Manager Finance & Corporate Services

SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.2(a)	Management Report 30 June 2022		✓

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The Shire of Chapman Valley has received the Management Report from its Auditors Nexia Perth who performed this audit on behalf of the Office of Auditor General (Please refer to Audit Report Letter submitted at Attachment 8.3(a).

COMMENT

The Management Report is attached with items listed. All matters raised during the interim audit have been addressed as per the management comments.

STATUTORY ENVIRONMENT

Part 7 Local Government Act 1995 and the Local Government (Audit) Regulations 1996

POLICY/PROCEDURE IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

The long term financial viability of the Shire is of importance for future service delivery levels provided to the Shire's constituents

Long Term Financial Plan (LTFP):

The annual audit of the Shire's operations is integral to monitoring how the Shire is tracking with its integrated strategic planning

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Strategic Community Plan/Corporate Business Plan:

Ref	Objective	Strategy	Action
5.1	Ensure governance and administration systems, policies	Review policy categories and set ongoing	Review current Council and Management policies and

	and processes are current and relevant	accountability for review processes	formalise update process and timelines
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CONSULTATION

Council staff have been in contact and discussion with Council auditors throughout the audit review process.

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Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment
Insignificant (1)	Negligible injuries	Less than \$1,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential or no damage.	Contained, reversible impact managed by on site response

VOTING REQUIREMENTS

Simple Majority

MOVED: Cr Forth

SECONDED: Cr Davidson

COMMITTEE RESOLUTION/STAFF RECOMMENDATION

The Finance, Audit & Risk Management Committee recommends to Council that the Management Report for the year ending 30 June 2022 be received and actions taken on items listed endorsed.

Voting 5/0

CARRIED

Minute Reference: FARM 12/22-03

9 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING

Nil

10 CLOSURE

The Presiding Member thanked Elected Members and Staff for their attendance and closed the meeting at 9:08am.

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Chapman Valley



Department of
**Local Government, Sport
and Cultural Industries**

Chapman Valley – Compliance Audit Return

Commercial Enterprises by Local Governments				
No	Reference	Question	Response	Comments
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2022?	N/A	
2	s3.59(2)(b) F&G Regs 7,8A, 8, 10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2022?	N/A	
3	s3.59(2)(c) F&G Regs 7,8A, 8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2022?	N/A	
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2022?	N/A	
5	s3.59(5)	During 2022, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A	

Delegation of Power/Duty				
No	Reference	Question	Response	Comments
1	s5.16	Were all delegations to committees resolved by absolute majority?	Yes	
2	s5.16	Were all delegations to committees in writing?	Yes	
3	s5.17	Were all delegations to committees within the limits specified in section 5.17 of the Local Government Act 1995?	Yes	
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes	
5	s5.18	Has council reviewed delegations to its committees in the 2021/2022 financial year?	Yes	
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Local Government Act 1995?	Yes	

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Chapman Valley



Department of
**Local Government, Sport
and Cultural Industries**

7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes	
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes	
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes	
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	Yes	
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes	
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2021/2022 financial year?	Yes	
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Local Government (Administration) Regulations 1996, regulation 19?	Yes	

Disclosure of Interest				
No	Reference	Question	Response	Comments
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69 of the Local Government Act 1995, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes	
2	s5.68(2) & s5.69(5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by the Local Government (Administration) Regulations 1996 regulation 21A, recorded in the minutes of the relevant council or committee meeting?	Yes	
3	s5.73	Were disclosures under sections 5.65, 5.70 or 5.71A(3) of the Local Government Act 1995 recorded in the minutes of the meeting at which the disclosures were made?	Yes	
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes	
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2022?	Yes	
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes	

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Chapman Valley



Department of
**Local Government, Sport
and Cultural Industries**

7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76 of the Local Government Act 1995?	Yes	
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28?	Yes	
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76 of the Local Government Act 1995, did the CEO remove from the register all returns relating to that person?	Yes	
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) of the Local Government Act 1995 been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes	
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28A?	Yes	
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes	
13	s5.89A(6)	When people cease to be a person who is required to make a disclosure under section 5.87A or 5.87B of the Local Government Act 1995, did the CEO remove from the register all records relating to those people?	Yes	
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A(6) Local Government Act 1995 been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes	
15	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes	
16	s5.71A & s5.71B(5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under section 5.71A(1) of the Local Government Act 1995 relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A	

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17	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under section 5.71B(6) of the Local Government Act 1995, recorded in the minutes of the council meeting at which the decision was considered?	N/A	
18	s5.104(1)	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates within 3 months of the prescribed model code of conduct coming into operation (3 February 2021)?	Yes	
19	s5.104(3) & (4)	Did the local government adopt additional requirements in addition to the model code of conduct? If yes, does it comply with section 5.104(3) and (4) of the Local Government Act 1995?	Yes	
20	s5.104(7)	Has the CEO published an up-to-date version of the code of conduct for council members, committee members and candidates on the local government's website?	Yes	
21	s5.51A(1) & (3)	Has the CEO prepared and implemented a code of conduct to be observed by employee of the local government? If yes, has the CEO published an up-to-date version of the code of conduct for employees on the local government's website?	Yes	

Disposal of Property				
No	Reference	Question	Response	Comments
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) of the Local Government Act 1995 (unless section 3.58(5) applies)?	Yes	
2	s3.58(4)	Where the local government disposed of property under section 3.58(3) of the Local Government Act 1995, did it provide details, as prescribed by section 3.58(4) of the Act, in the required local public notice for each disposal of property?	Yes	

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Elections				
No	Reference	Question	Response	Comments
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate in accordance with regulations 30G(1) and 30G(2) of the Local Government (Elections) Regulations 1997?	Yes	
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years in accordance with regulation 30G(4) of the Local Government (Elections) Regulations 1997?	N/A	
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with regulation 30G(5) of the Local Government (Elections) Regulations 1997?	Yes	

Finance				
No	Reference	Question	Response	Comments
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Local Government Act 1995?	Yes	
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Local Government Act 1995, did it do so by absolute majority?	Yes	
3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2022 received by the local government by 31 December 2022?	Yes	
4	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under section 7.9(1) of the Local Government Act 1995	Yes	

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		required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?		
5	s7.12A(4)(a) & (4)(b)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A	
6	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under section 7.12A(4)(b) of the Local Government Act 1995, did the CEO publish a copy of the report on the local government's official website?	N/A	
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June 2022 received by the local government within 30 days of completion of the audit?	Yes	

Local Government Employees				
No	Reference	Question	Response	Comments
1	s5.36(4) & s5.37(3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Local Government (Administration) Regulations 1996, regulation 18A?	Yes	
2	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	Yes	
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4) of the Local Government Act 1995?	Yes	
4	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	N/A	
5	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A	

Official Conduct				
No	Reference	Question	Response	Comments

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1	s5.120	Has the local government designated an employee to be its complaints officer?	Yes	
2	s5.121(1) & (2)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a) of the Local Government Act 1995?	Yes	
3	S5.121(2)	Does the complaints register include all information required by section 5.121(2) of the Local Government Act 1995?	Yes	
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes	

Tenders for Providing Goods and Services				
No	Reference	Question	Response	Comments
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy, adopted under the Local Government (Functions and General) Regulations 1996, regulations 11A(1) and (3) in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes	
2	s3.57 F&G Reg 11	Subject to Local Government (Functions and General) Regulations 1996, regulation 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in regulation 11(1) of the Regulations?	Yes	
3	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 of the Local Government Functions and General) Regulations 1996, required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with Regulation 14(3) and (4)?	Yes	
4	F&G Reg 12	Did the local government comply with Local Government (Functions and General) Regulations 1996, Regulation 12 when deciding to enter into multiple contracts rather than a single contract?	N/A	

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5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents, or each acceptable tenderer notice of the variation?	N/A	
6	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 15 and 16?	Yes	
7	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulation 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes	
8	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	N/A	
9	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	N/A	
10	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes	
11	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulations 21 and 22?	Yes	
12	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A	
13	F&G Reg 23(3) & (4)	Were all expressions of interest that were not rejected under the Local Government (Functions and General) Regulations 1996, Regulation 23(1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer?	N/A	
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with Local Government (Functions and General) Regulations 1996, Regulation 24?	Yes	

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15	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with Local Government (Functions & General) Regulations 1996 regulations 24AD(4) and 24AE?	Yes	
16	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A	
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	Yes	
18	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24AG?	Yes	
19	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A	
20	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A	
21	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	Yes	
22	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24E and 24F?	N/A	

Integrated Planning and Reporting				
No	Reference	Question	Response	Comments
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan?	Yes	18/08/2022

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		If Yes, please provide the adoption date or the date of the most recent review in the Comments section?		
2	Admin Reg 19DA(1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	16/06/2022
3	Admin Reg 19DA(2) & (3)	Does the corporate business plan comply with the requirements of Local Government (Administration) Regulations 1996 19DA(2) & (3)?	Yes	

Optional Questions				
No	Reference	Question	Response	Comments
1	Financial Management Reg 5(2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the Local Government (Financial Management) Regulations 1996 regulations 5(2)(c) within the three financial years prior to 31 December 2022? If yes, please provide the date of council's resolution to accept the report.	N/A	
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulations 1996 regulation 17 within the three financial years prior to 31 December 2022? If yes, please provide date of council's resolution to accept the report.	N/A	
3	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B of the Local Government Act 1995, were the disclosures made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C of the Act?	Yes	
4	s5.90A(2) & (5)	Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events?	Yes	

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5	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4) of the Local Government Act 1995?	Yes	
6	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes	
7	s5.127	Did the local government prepare a report on the training completed by council members in the 2021/2022 financial year and publish it on the local government's official website by 31 July 2022?	Yes	
8	s6.4(3)	By 30 September 2022, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2022?	Yes	
9	s.6.2(3)	When adopting the annual budget, did the local government take into account all its expenditure, revenue and income?	Yes	

Chief Executive Officer

Date

Mayor/President

Date



D

K

DRY / KIRKNESS

FINANCIAL MANAGEMENT REVIEW REPORT

SHIRE OF CHAPMAN VALLEY
24 February 2023

Accounting / Audit & Assurance /
Bookkeeping / Self-Managed
Superannuation Funds

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DISCLAIMER

This report is provided in accordance with the agreed upon procedures engagement letter dated 17 October 2022 and is subject to its terms and conditions.

Our work was limited to that described in this report and was performed in accordance with ASRS 4400 as issued by AUASB. It did not constitute an examination or a review in accordance with generally accepted auditing standards or assurance standards. Accordingly, we provide no opinion or other form of assurance with respect to our work or the information upon which our work was based. We did not audit or otherwise verify the information supplied to us in connection with this review, except to the extent specified in this report.

Our work was based only on the information made available up to the date of the review. Accordingly, changes in circumstances after this date or the availability of other information could affect our findings.

This report is intended solely for Shire of Chapman Valley's internal use and benefit and may not be relied on by any other party. We accept no liability or responsibility to any other party who gains access to this report.

1.1 Background

As outlined in our engagement letter dated 17 October 2022, we have been engaged to perform the following procedures in order for the Chief Executive Officer (CEO) to satisfy the requirements of Regulation 5(2) of the *Local Government (Financial Management) Regulations 1996*:

- (a) Review the Shire's compliance with Local Government laws and regulations through enquiry, inspection and observation.
- (b) Review the appropriateness and effectiveness of the Shire's systems and procedures in relation to financial management by performing system walkthroughs, enquiry, inspection, and observation.

Our review covered the period 1 July 2019 to 30 June 2022 in relation to financial management controls and we performed our procedures in October 2022.

The Shire of Chapman Valley is a local government based in Western Australia. The Shire is governed by eight (8) Councilors responsible for planning and making decisions on policies and developments affecting the area.

At the time of the review, the Shire employed approximately twenty-six (26) staff to implement the Council's decisions, running its day-to-day operations and providing a range of programs and services for the community.

1.2 Scope and Methodology

The objective of this review is to assess the Shire's compliance with Local Government laws and regulations through enquiry, inspection and observation and review the appropriateness and effectiveness of the Shire's system and procedures in relation to risk management, internal control and financial management systems by performing system walkthroughs, enquiry, inspection and observation.

The scope included review of the policies, procedures and plans in the areas and cycles described in Appendix B to this report.

1.2.1 Legislative Compliance and Internal Controls Review

Internal Controls Scope:

The following controls were reviewed:

- separation of roles and functions, processing and authorization;
- control of approval of documents, letters and financial records;
- comparison of internal data with other or external sources of information;
- limit of direct physical access to assets and records;
- control of computer applications and information system standards;
- limit access to make changes in data files and systems;
- regular maintenance and review of financial control accounts and trial balances;
- comparison and analysis of financial results with budgeted amounts;
- the arithmetical accuracy and content of records;
- report, review and approval of financial payments and reconciliations; and
- comparison of the result of physical cash and inventory counts with accounting records.

Internal Controls Methodology:

- Conduct interviews with key personnel involved in the various internal control process;
- Review policies, plans and assess compliance with industry best practice;
- Assess whether actual practices are in accordance with approved policies, frameworks and plans;
- Performed walkthroughs of all significant transaction cycles. Our decision to perform a walkthrough was based on the significance of a particular cycle in terms of either the dollar value it represented in the annual financial statements (reference year 2021/22) or the strategic importance as noted in the Regulations or discussions from management;
- Obtained an understanding of the Shires IT operating systems and reviewed user access rights to determine whether appropriate segregation has been achieved;
- Report on the appropriateness and the effectiveness of the current systems and procedures.

Legislative Compliance Scope:

The following areas of the legislative compliance process was reviewed:

- Compliance with legislation and regulations;
- Annual Compliance Audit Return and reporting to Council the results of that review;
- Procedures for receiving and treating complaints, including confidential and anonymous employee complaints;
- Obtain assurance that adverse trends are identified and review management's plans to deal with these;
- Management disclosures in financial reports;
- Whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects and report compliance and ethics issues to the Audit Committee;
- Compliance frameworks dealing with relevant external legislation and regulatory requirements;

Legislative and regulatory requirements imposed on Audit Committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.

Legislative Compliance Methodology:

- Conduct interviews with key personnel involved in the various internal control process;
- Review policies, plans and assess compliance with industry best practice;
- Assess whether actual practices are in accordance with approved policies, frameworks and plans;
- Reviewed key documents and plans to determine if the plans that are required by legislation are adopted and current.
- Report on the appropriateness and the effectiveness of the current systems and procedures.

1.2.2 Financial Management Review

Financial Management Review Scope:

As agreed, our examination covered the period 1 July 2019 to 30 June 2022. We examined the following financial systems and procedures of the Shire:

- Bank reconciliations and Petty Cash
- Trust Funds
- Receipts and receivables
- Rates
- Fees and Charges
- Purchases, payments and payables (Including Purchase Orders)
- Salaries and wages
- Credit Card procedures
- Fixed Assets (Including acquisition and disposal of property)
- Cost and administration overhead allocations
- Minutes of meetings

- Budget
- Financial Reports
- Registers (including Annual and Primary Returns)
- Delegations
- Audit Committee
- Insurance
- Storage of documents/record keeping
- Plan for the future
- General compliance and other matters
- Revenue – Rates, Fees and Charges and Receivables.

Financial Management Review Methodology:

- Conduct interviews with key personnel involved in the various internal control process;
- Review policies, plans and assess compliance with industry best practice;
- Assess whether actual practices are in accordance with approved policies, frameworks and plans;
- We compared this listing and the relevant areas covered by these policies to the Local Government Act and Regulations, in particular the Local Government (Financial Management) Regulations, as amended from time to time;
- We noted areas of concern, in particular where we identified a lack of documented policies and procedures, or where documented policies and procedures deviated from the requirements of the Regulations;
- We performed walkthroughs of all significant transaction cycles. Our decision to perform a walkthrough was based on the significance of a particular cycle in terms of either the dollar value it represented in the annual financial statements (reference year 2020/21) or the strategic importance as noted in the Regulations or discussions from management;
- From these walkthroughs we noted areas of concern for discussion with management. Areas of concern include any significant deviation from the documented framework, or where the current framework did not address key risk areas;
- From the work performed above, we prepared a draft report to identify specific key risk areas and potential improvement recommendations.

Outcomes

1.2.1 Legislative Compliance and Internal Controls Review

Internal Controls

The Shire has a number of policies and procedures documented and implemented over key financial areas. Considering the size, resources and operations of the Shire the internal control framework, policies and procedures as described to us are appropriate for most areas of operations. We have identified some recommendations for improvements.

Legislative Compliance

The Council has adopted various governance policies. The Chief Executive Officer is responsible for ensuring that legislative requirements are met, a compliance calendar is used in this process. The Shire's legislative compliance process is appropriate and effective.

1.2.2 Financial Management Review

From the work performed during our review, we note that the financial management framework is generally in good order.

In particular, we found that all major controls in relation to financial controls for the receipting of monies, control over expenditure, revenue and record keeping are in place and functional.


Therefore, most of our findings in relation to these areas are categorized as "Moderate" or "Minor", which indicate a generally good system of internal control.

Our detailed recommendations for improvement identified during our review can be found in Appendix A of this report.

These recommendations have been discussed with management and action plans to address these risks within acceptable timeframes were agreed on.

We would like to take this opportunity to thank all staff involved in this review for their courteous assistance, in particular Jamie Criddle, Dianne Raymond, Beau Raymond and the rest of the administration and finance team.

DRY KIRKNESS (AUDIT) PTY LTD



Robert Hall CA
Director

Date: 24 February 2023

APPENDIX A: RECOMMENDED IMPROVEMENTS

RISK RATINGS

The Ratings in this Appendix are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Risk ratings have been assigned to issues raised in this report as follows:

Control is Inadequate	Extreme	Can be expected to occur in most circumstances; more than 75% chance of occurring; complex process with minimal checks & balances; impacting factors outside the control of the organisation. Those findings where there is potentially an extreme risk to the entity should the finding not be addressed by the entity promptly.
	Significant	Will probably occur in most circumstances; 50-75% chance of occurring; complex process with some checks & balances; impacting factors outside the control of the organisation. Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
	Moderate	Might occur at some time; 25 – 50% chance of occurring; previous audits/reports indicate non-compliance; complex process with extensive checks & balances; impacting factors outside control of organisation. Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
Control is Adequate	Minor	Could occur at some time; less than 25% chance of occurring; non-complex process &/or existence of checks and balances. Those findings that are not of primary concern but still warrant action being taken.

APPENDIX A: RECOMMENDED IMPROVEMENTS

	Area	Audit Findings/Comment	Rating	Implication	Recommendation	Management Comment
Financial Management Review Controls						
1	Rates Revenue	Rates revenue is generated from the Synergy accounting system after importing the rates model. However there is no review of the rates model prepared by the Manager of Finance and corporate services.	Moderate	Errors in the rates modelling module may go undetected. Rateable property values may not represent property values as provided by Landgate and determined under the Valuation of Land Act 1978 on 1 July as required by the Local Government Act 1995 section 6.28.	We recommend that management review the data in the rates module before importing to the Synergy accounting software.	<i>Management acknowledges the risk and this a resource issue – no skilled rates officer to complete the task and this was undertaken by MFCS. Should resource issues continue the CEO will review rate model in future</i>
2	Rates Revenue	A monthly reconciliation of land values per Landgate reports and the Synergy accounting system is performed by the Manager Finance Corporate Services ("MFCS"). However, there is no evidence of review of the monthly reconciliation.	Minor	Rateable property values may not represent the value of property values as provided by Landgate and determined under the Valuation of Land Act 1978 on 1 July as required by the Local Government Act 1995 section 6.28.	We recommend that management review the monthly reconciliation of land values between the Synergy accounting system and the Landgate reports. Management review Rates Notices prior to distribution to ratepayers	<i>Management acknowledges the risk and this resource issue – no skilled rates officer to complete the task and this was undertaken by MFCS. Currently this is being outsourced in part with the reconciliation to be done by contractors and reviewed by MFCS</i>
3	Audit Trail Reports	We noted that the Synergy Audit Trail reports for creditor batch payments are not produced and reviewed before each creditor's pay run but rather on a monthly basis.	Minor	There is an increased risk that unauthorised changes to supplier accounts may not be detected prior to payments being released resulting in errors or financial loss to the Shire.	We recommend that Synergy Audit Trail reports for creditor batch payments are produced and reviewed by management before each creditor's pay run.	<i>This has now been implemented and SynergySoft Audit Trail reports for creditor batch payments are produced and reviewed by management before each creditor's pay run.</i>

4	Audit Trail Reports	We noted that the Synergy Audit Trail reports for creditor batch payments are not signed by the preparer or reviewer and there is no evidence of review.	Moderate	There is an increased risk that unauthorised changes to supplier accounts may not be detected prior to payments being released resulting in errors or financial loss to the Shire.	We recommend that Synergy Audit Trail reports are signed and dated by the preparer and reviewer as evidence of preparation and review.	<i>This has now been implemented and SynergySoft Audit Trail reports are signed and dated by the preparer and reviewer as evidence of preparation and review</i>
5	Cash Controls	Cash left in the unmanned donations box at the overnight camping grounds is collected by the Shire Ranger. The cash amount is not counted by the Ranger or recorded prior to hand over to the Shire Administration staff.	Minor	There are no controls in place to ensure that all cash collected from the overnight camping grounds donations box is recorded and handed over to the Shire Administration staff.	We recommend that management consider upgrading the donations box to one that allows for cash to be inserted but only opened by way of key. The box is then required to be opened by the Shire Administration staff who have custody of the key.	<i>Management considers this low risk in the current circumstance yet will place this item to the next building committee for consideration - upgrading the donations box to one that allows for a cash box to be brought back to the administration office and is then required to be opened by the Shire Administration staff who have custody of the key.</i>
6	Cash Controls	We noted two employees conduct the cash count at the end of each day. One of the employees is the Customer Services Officer ("CSO") who signs the daily takings report. We noted that there is no evidence of signature of the second employee.	Moderate	There is a risk of misappropriation of cash if there is no second employee witnessing the cash count.	We recommend that the daily takings report is signed by the Customer Services Officer and second employee observing the cash count.	<i>Management will implement the recommendation that the daily takings report is signed by the Customer Services Officer and second employee observing the cash count.</i>
7	Purchases, Payments and Payables	We have noted that for purchasing decisions, there is no evidence that the Shire's Quotes Evaluation Matrix is	Moderate	There is a risk that the incorrect decision will be made in the approval of quotations and awarding	We recommend that the Shire's Quotes Evaluation Matrix is used in purchasing decisions. All considerations in evaluating	<i>Noted yet: Purchasing Policy CP-024 identifies methods; we also have a panel of pre-qualified suppliers of Plant,</i>

		used in determining which quote is the most appropriate for the Shire. There is no evidence to support what factors were taken into consideration before the approval of quotations and the awarding of jobs.		work to suppliers which may lead to financial loss to the Shire.	quotations are to be documented and signed by the purchasing officer and signed by the delegated authorising officer as evidence of review.	<i>Equipment & Traffic Management Services for Occasional Hire. The quotes evaluation matrix is used when assessing purchases of significant value. Management judgement on value for money in the mid-range purchasing quotes are based on knowledge and experience of the contractors supplying quotes.</i>
8	Supplier Masterfile Changes	We noted that for one of the Supplier Change Details Form selected for review, the form was not completed or signed by the supplier. Only an e-mail from the supplier regarding the change of details was attached.	Moderate	There is a risk that incorrect supplier details are processed to the system without direct confirmation from a valid supplier.	We recommend that Supplier Change Details Form are completed and signed by the supplier to ensure that changes to supplier details as requested by suppliers are accurate and complete.	<i>Management have implemented the recommendation that the Supplier Masterfile Form changes are signed by the supplier and reviewed by MFCS</i>
9	Payroll	It is the policy of the Shire to perform and document reference checks of all employees hired. We noted 1 instance from our sample where the reference check for an employee was not on record.	Minor	Reference checks are an important procedure in the recruiting process to assist in assessing the suitability and qualification of candidates to the relevant position. Without reference checks, there is an increased risk that the incorrect candidate without necessary qualifications will be appointed.	We recommend that reference checks are performed for all employees hired and that these are documented and retained on employee files.	<i>Management acknowledge record keeping in some instances have been incomplete. Recruiting managers will be reminded to document and return to HR for record keeping.</i>

10	Journal Entries	<p>We noted that journal entries are prepared by the Senior Finance Officer ("SFO") and approved by the MFCS. The preparation and review are evidenced by way of signature.</p> <p>Currently the SFO & MFCS are close family members and deemed to be related parties.</p>	Significant	<p>As the SFO and MFCS are close family members and deemed related parties, there is an increased risk in the control environment over journal entries. As journals represent a critical financial accounting area in all businesses, this may lead to ineffective detection of fraud and error.</p>	<p>We recommend that close family members and related parties do not review the work of one another as far as practicable.</p> <p>For those key areas, including journal entries, we recommend that the CEO perform the review as part of the month end process.</p>	<p><i>Management acknowledges this area of concern, yet resources are limited and no fraud and/or error has been highlighted by any OAG or other audits to date. The current situation of related parties is a known area and the risk rated as acceptable, however if future internal/external audits or audit committee require a further layer, this will be implemented.</i></p>
Internal Controls						
11	IT Control Environment	<p>Activity logs of the Synergy accounting system do not accurately reflect the actual employee who processed transactions or who affected changes to the system as the name listed in the activity log is based on the login details used to gain access to the system and may not be the actual employee who processed the transaction.</p>	Moderate	<p>The Shire is unable to accurately determine which employee was responsible for processing specific transactions or making changes to the system. Should these transactions or changes be incorrect or harmful to the Shire, no follow up action can be taken with the relevant employee.</p>	<p>We recommend that Activity logs of the Synergy accounting system be enhanced to accurately reflect the actual employee who processed transactions or who affected changes to the system by listing the name of the employee in addition to the login details of the user.</p>	<p><i>Management acknowledges this area of concern. Usernames are kept generic for roles as opposed to individuals. This is a software provider query which will be investigated. Audit trails will identify the user, with restructure of admin no two persons log into the system as the same user so this is in itself a resolution.</i></p>

12	Access to Computers	<p>We noted that employees are not locking the computer screens when they leave their seats and sensitive information could be accessed by staff without the correct authority levels.</p> <p>We further noted 1 instance where the password details of an employee were written on the desktop.</p>	Moderate	<p>There is an increased risk of sensitive data being accessed by staff without the correct authority levels. There are further risks of unauthorised access to the server and specific functionality which could lead to the loss of data integrity, confidentiality and other threats.</p>	<p>We recommend that management educate employees on the risks associated with IT access and encourage employees not to share or display their login details and password.</p>	<p><i>Management will conduct an education process with all employees on the risks associated with IT access and reiterate the IT Policy which states not to share or display their login details and password.</i></p>
13	Access to Computer Login Details	<p>We have identified that the Shire has no control over the User Log for Synergy as this is maintained by a third-party IT contractor. A User Log report is not readily available or reviewed by management on a timely basis.</p>	Moderate	<p>There is an increased risk of financial loss due to cyber-crime going undetected as the User Log report is not made available and not reviewed on a regular and timely basis by management.</p>	<p>We recommend that the Shire consider requesting the User Log report from the IT contractor on a regular basis and perform a review for any suspicious activities or users.</p>	<p><i>Management will forward this identified risk and recommendation to the IT contractor and request user log reports be made available.</i></p>
14	Access to Shire Administration Office	<p>We have noted that certain employees employed in the Works Department have access to the backdoor of the Shire Administration office. There appears to be no control over who has access to the administration office.</p>	Moderate	<p>The Shire Administration office could be accessed by unauthorised persons and sensitive or confidential information could be compromised.</p>	<p>The back door to the Shire Administration office should be locked at all times with a pin-pad security device installed to restrict access to authorized persons only.</p>	<p><i>Management acknowledges this area of concern. The security of the Administration office is currently undergoing an upgrade. Unauthorised persons will not have access to the back door. The back door is now locked at all times. A pin pad system and dongle has been commenced with further upgrades before the end of the financial year. Only administrative employees will have access via the back door all other employees</i></p>

						<i>must access via the front office and request access through their manager.</i>
15	Access Keys to	<p>We noted that there are two key-boxes maintained in the Shire Administration office. One inside the safe and one outside of the safe. The key-box located outside the safe uses a number locking system with access via password. The password is known to all the office employees.</p> <p>We noted that there is a key register, but this is not completed by employees when keys are taken for access to vehicles and machinery. The key to the safe is also accessible by all the employees.</p> <p>We further noted that there are a set of spare keys for vehicles and machinery which are stored in a Ziplock bag on a shelf in the safe.</p>	Moderate	<p>The Shire has no control over the access to keys to various assets and rooms and there is a risk of unauthorised access to assets and rooms.</p> <p>There is a further risk of keys being duplicated and misused.</p> <p>There is no record of which vehicles and machinery are assigned to employees at any given time and there is a risk that employees without the correct delegated authority have access to assets.</p>	<p>We recommend that the password to the key-box located outside the safe is controlled by restricting it to only authorised employees and changed on a regular basis.</p> <p>We recommend that the key register is maintained by employees signing for keys taken to serve as a record of the custody of assets at all times.</p> <p>We further recommend that a regular key and asset verification is performed as well as a reconciliation of physical to recorded keys and assets to identify any missing assets.</p>	<p><i>Management acknowledges this area of concern and will address this with the Building Manager with a view to implement the recommendations for increased controls over access to shire assets.</i></p>
16	Access Safe to	<p>The safe is located in the Shire Administration office with the keys left on the safe door throughout the working day.</p> <p>Administration office staff do not record when they use the safe key in the key register.</p>	Moderate	<p>All employees located in the Shire Administration office have access to the safe and there is an opportunity for the misappropriation of cash held in the safe and the access to confidential information and records.</p> <p>There are also no surveillance monitors in place to record any activity that may be required for</p>	<p>We recommend that only authorised employees with the appropriate delegated authority levels should be allowed access to the safe.</p>	<p><i>Management acknowledges this area of concern and have implemented change with access for the safe being restricted. Only authorised employees with the appropriate delegated authority levels are allowed access to the safe.</i></p> <p><i>A register to record access by employees will be implemented immediately.</i></p>

				<p>future reference should an incident occur.</p> <p>Without an accurate key register there is a risk of not being able to identify which employee accessed the safe at any time should that information be required in the event of an incident.</p>	<p>We recommend that employees record details in the key register instances where they use the safe key.</p>	
17	Access to Shire Depot and Assets	<p>We noted that the Shire depot does not maintain a log of vehicle and machinery assets which are assigned to employees.</p> <p>A vehicle inspection form is maintained which is completed by employees each day and handed over to the mechanic and used for tracking vehicle maintenance levels.</p>	Moderate	<p>There is no record of which vehicles and machinery are assigned to employees at any given time.</p> <p>There is a risk that employees without the correct delegated authority have access to assets.</p> <p>The Shire may not be covered by insurance should there be an accident or incident which could result in financial loss to the Shire.</p>	<p>We recommend that a log is maintained to record details of vehicle and machinery assets which are assigned to employees.</p>	<p><i>Management acknowledges there is an area of concern for access and use of assets such as vehicles and machinery and will maintain a record detailing which assets are assigned to employees.</i></p>
18	Access to Employee Files	<p>We noted that the keys to the human resources filing cabinet containing confidential employee information is made available to employees other than those with the appropriate delegated authority without an appropriate authorisation form.</p>	Moderate	<p>There is a risk of access to confidential employee information by those employees without the appropriate level of authorisation.</p>	<p>We recommend that access to the human resources filing cabinet is controlled by requiring those employees requesting access to complete a form setting out details of the access which is then authorised by an employee with appropriate delegated authority.</p>	<p><i>Keys for the HR filing cabinet are only available to the CEO & MFCS. Staff requiring access for operations must request the key from MFCS or CEO and explain at the time the details for the access. Completing a requisition form will not be implemented as management consider the restrictions are adequate.</i></p>

Legislative Compliance					
19	Workforce Plan	<p>We noted that the Shire's Workforce Plan 2013 – 2017 had not been reviewed and updated since 2015.</p> <p>Section 5.56 of the <i>Local Government Act 1995</i> requires a local government to plan for the future of the district, and the plans made are to be in accordance with any regulations made about planning for the future of the district.</p> <p>Section 19DA(3)(c) of the <i>Local Government (Administration) Regulations 1996</i> requires a corporate business plan for a district to develop and integrate matters relating to resources, which includes workforce planning. Section 19DA(4) requires the corporate business plan to be reviewed every year.</p>	Significant	<p>There is a risk of non-compliance with the Local Government Act and Regulations when the Workforce Plan is not reviewed annually to ensure its ongoing effectiveness and integration with the corporate business plan.</p>	<p>We recommend that management ensure the Workforce Plan is reviewed annually as part of the annual planning cycle to ensure its ongoing effectiveness and integration with the corporate business plan.</p> <p><i>Management acknowledge the Workforce Plan is overdue for review and is currently engaging a service provider for this. Once completed an annual review will be undertaken to ensure its ongoing effectiveness and integration with the corporate business plan.</i></p>

APPENDIX B: LIST OF POLICIES, PROCEDURES, PLANS AND DOCUMENTS COVERED BY THIS REVIEW

Shire Polices	Shire Plans	Shire Procedures and Documents
Debt Collection	Workforce Plan	Payroll Procedure
Purchasing	Corporate Business Plan	Creditor Procedure
Authorisation to Purchase Goods and Services	Strategic Community Plan	Rates Procedure
Corporate Credit Cards	Business Continuity Response Plan	Trust Procedure
Motor Vehicle Replacement	IT Disaster Recovery Plan	Record Keeping Audit Procedure
Petty Cash Policy	Long Term Financial and Asset Management Plan	Records Management Procedure
Portable and Attractive assets	Records Recovery Disaster Management Plan	Delegation Register
Human Resources	Risk Management Plan	Risk Register
Governance	Record Keeping Plan	Tender Register
Finance		Annual Compliance Return
Works		Register of Gifts and Travel



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