



SHIRE OF
Chapman Valley
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AGENDA

FINANCE, AUDIT & RISK COMMITTEE MEETING 1st MAY 2019 COUNCIL CHAMBERS NABAWA 4.00PM

Committee Purpose & Delegations

The purpose of the Committee in fulfilling the requirements of Local Government (Audit) Regulation 17 by assisting the Chief Executive Officer to:

- a) provide an independent oversight of the financial systems of the local government on behalf of the Council;
- b) guide and assist the local government in respect to financial management;
- c) contribute to the Shire's corporate governance, stewardship, leadership and control responsibilities in relation to financial reporting and audit;
- d) guide and assist with the Internal Audit and Risk Management;
- e) oversee the implementation of audit recommendations made by the auditor, which have been accepted by council; and
- f) oversee accepted recommendations arising from reviews of local government systems and procedures.

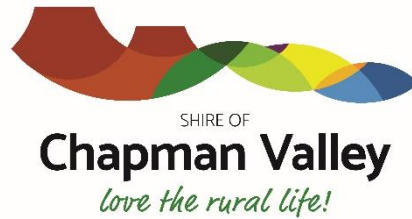
Delegation – Nil

The Finance, Audit & Risk Committee is comprised of:

Cr A Farrell (Presiding Member)
Cr P Humphrey
Cr D Forth

Chief Executive Officer	(Observer)
Manager Finance & Corporate Services	(Observer)
Accountant	(Observer)

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 liability for 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 or 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.

A handwritten signature in black ink, appearing to read "M. Battilana". The signature is stylized with large, sweeping loops.

Maurice Battilana
CHIEF EXECUTIVE OFFICER

AGENDA

FINANCE, AUDIT & RISK COMMITTEE MEETING TO BE HELD IN THE COUNCIL CHAMBERS, NABAWA 30th APRIL 2019 AT 9:00AM

ORDER OF BUSINESS

1.0 Declaration of Opening / Announcements of Visitors

2.0 Announcements from the Presiding Member

3.0 Attendance

3.1 Present

Please note that Mr Greg Goodwin from Moore Stephens WA will be attending the meeting via phone link.

3.2 Apologies

3.3 Leave of Absence (Previously approved)

Nil

4.0 Declaration 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

6.0 Confirmation of Minutes from previous meetings

Finance and Audit Committee Meeting held on 8th February 2019

Recommend that the Minutes of the Finance and Audit Committee of the Shire of Chapman Valley held on 8th February 2019 be confirmed as a true and accurate record of proceedings. (Supplied under separate cover **Attachment 6.0(a)**).

7.0 Items to be dealt with En Bloc

8.0 Officers' Reports

8.1 Interim Audit Entrance Meeting

9.0 Information Items

Nil

10.0 Urgent Business Approved by the Presiding Member or by a Decision of the Committee

11.0 Closure

AGENDA ITEM:	8.1
SUBJECT:	AUDIT ENGAGEMENT ACTIVITY PLAN
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	305.05
PREVIOUS REFERENCE:	N/A
DATE:	30th APRIL 2019
AUTHORS:	MAURICE BATTILANA & DIANNE RAYMOND

SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.1(a)	Audit Strategy Memorandum		√

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The Shire of Chapman Valley has received the Audit Strategy Memorandum and Audit Engagement Activity Plan from its Auditors - Moore Stephens i.e.

Key Deliverables

The following timetable is a broad outline of the key deliverables and timing aspects of the audit:

Engagement Activity	Timing
Audit Planning	17 April 2019
Entrance Meeting (Interim)	30 April 2019 (TBC)
Interim Audit Visit	6 – 9 May 2019
Interim management report (if any matters to be reported)	24 May 2019
Receipt of complete and balanced draft financial report	27 September 2019
Final Audit Visits	14 October – 17 October 2019 (TBC)
Issuance of Audit Concluding Memorandum	11 November 2019 (TBC)
Concluding (Exit) Meeting	13 November 2019 (TBC)
Date CEO sign off on financial statements	15 November 2019 (TBC)
Final sign-off of Auditor's report & management report	18 November 2019 (TBC)

COMMENT

The intention of the Committee meeting is to conduct an *Audit Entrance Meeting* with Committee Members, Staff and Auditors. This is an opportunity for open discussion between Council and the Auditors on the direction the forthcoming audit will take.

The Management Letter and Financial Audit Report for 2017/2018 were dealt with at the Committee meeting held on the 8th February 2019, so there is no need to action any aspects highlighted in the Minutes from this Meeting, which have also been presented to Council for consideration and direction.

STATUTORY ENVIRONMENT

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

POLICY IMPLICATIONS

None applicable

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. It is also important for the Shire to be geared to transition to future audits being undertaken by the Office of the Auditor General (OAG).

- **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 Council auditors throughout the past and proposed audit processes.

RISK ASSESSMENT

The most recent Management Letter and Financial Audit Report have not highlighted any significant areas of risk.

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

NA

STAFF RECOMMENDATION

No Recommendation(s) presented or relevant to this item.



UNCONFIRMED MINUTES

FINANCE, AUDIT & RISK COMMITTEE MEETING 8th FEBRUARY 2019 COUNCIL CHAMBERS NABAWA 2.00PM

Committee Purpose & Delegations

The purpose of the Committee in fulfilling the requirements of Local Government (Audit) Regulation 17 by assisting the Chief Executive Officer to:

- g) provide an independent oversight of the financial systems of the local government on behalf of the Council;
- h) guide and assist the local government in respect to financial management;
- i) contribute to the Shire's corporate governance, stewardship, leadership and control responsibilities in relation to financial reporting and audit;
- j) guide and assist with the Internal Audit and Risk Management;
- k) oversee the implementation of audit recommendations made by the auditor, which have been accepted by council; and
- l) oversee accepted recommendations arising from reviews of local government systems and procedures.

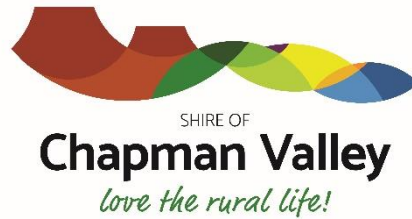
Delegation – Nil

The Finance, Audit & Risk Committee is comprised of:

Cr A Farrell (Presiding Member)
Cr T Royce
Cr D Forth

Chief Executive Officer	(Observer)
Manager Finance & Corporate Services	(Observer)
Accountant	(Observer)

DISCLAIMER



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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.

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Maurice Battilana
CHIEF EXECUTIVE OFFICER

UNCONFIRMED MINUTES

FINANCE, AUDIT & RISK COMMITTEE MEETING TO BE HELD IN THE COUNCIL CHAMBERS, NABAWA FRIDAY 8th FEBRUARY 2019 AT 2.00PM

ORDER OF BUSINESS

1.0 Declaration of Opening / Announcements of Visitors

The Presiding Member, Cr Farrell welcomed Councillors and Staff and opened the meeting at 2.00pm

2.0 Announcements from the Presiding Member

Nil

3.0 Attendance

3.1 Present

a. Councillors

Members
Cr Anthony Farrell (President)
Cr Trevor Royce

b. Staff

Officer	Position
Mr Maurice Battilana	Chief Executive Officer
Mrs Dianne Raymond	Manager of Finance & Corporate Services
Mrs Karen McKay	Executive Services Administrator (Minute Taker)

c. Visitors

Name	
Greg Godwin (via Teleconference from 2.12pm to 2.26pm)	Auditor – Moore Stephens

3.2 Apologies

Cr Darrell Forth

3.3 Leave of Absence (Previously approved)

Nil

4.0 Declaration of Interest - Nil

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."*

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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

Nil

6.0 Confirmation of Minutes from previous meetings

COMMITTEE RECOMMENDATION

MOVED: CR FARRELL

SECONDED: CR ROYCE

Finance and Audit Committee Meeting held on 26th July 2018

Recommend that the Minutes of the Finance and Audit Committee of the Shire of Chapman Valley held on Friday 26th July 2018 be confirmed as a true and accurate record of proceedings. (Supplied under separate cover).

CARRIED

Voting 2/0

Minute Reference FAC 02/19 - 1

7.0 Items to be dealt with En Bloc

COMMITTEE RECOMMENDATION

MOVED: CR FARRELL

SECONDED: CR ROYCE

That all items be moved en-bloc

CARRIED

Voting 2/0

Minute Reference FAC 02/19 - 2

8.0 Officers' Reports

8.1	Management Report 30 June 2018	Page 6
8.2	Audit Report 30 June 2018	Page 10
8.3	Compliance Audit Return 2018	Page 14
8.4	Review of Long Term Financial Plan; Asset Management Plan & Workforce Plan	Page 16

9.0 Information Items

9.1	Risk Management Procedure (Review)	Page 20
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Chief Executive Officer and Manager Finance & Corporate Services Report February 2019

Contents

8.0 AGENDA ITEMS

- 8.1 Management Report (30 June 2018)
- 8.2 Audit Report (30 June 2018)
- 8.3 Compliance Audit Report (2018)
- 8.4 Review of Long Term Financial Plan;
Asset Management Plan & Workforce Plan

AGENDA ITEM:	8.1
SUBJECT:	MANAGEMENT REPORT - 30 JUNE 2018
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	305.05
PREVIOUS REFERENCE:	N/A
DATE:	8th FEBRUARY 2019
AUTHORS:	MAURICE BATTILANA & DIANNE RAYMOND

SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.1(a)	Management Report 2017/2018	√	

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The Shire of Chapman Valley has received the Management Report from its Auditors - Moore Stephens (Please refer to Management Report Letter submitted at **Attachment 8.1(a)**).

COMMENT

The Management Report is attached, which identifies all areas raised by the Auditors for Committee and Council consideration.

STATUTORY ENVIRONMENT

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

POLICY IMPLICATIONS

None applicable

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 Council auditors throughout the audit review process.

RISK ASSESSMENT

The audit report has not highlighted any significant areas of risk.

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

STAFF RECOMMENDATION

The Finance, Audit & Risk Committee recommends to Council the Management Report for year ending 30 June 2018 be received and, other than monitoring the levels and trends of all ratios, there are no actions required out of the report.

**Item moved en-bloc
CARRIED
Voting 2/0
Minute Reference FAC 02/19 - 2**

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2 The Esplanade, Perth, WA 6000
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26 November 2018

The Shire President
Shire of Chapman Valley
PO Box 1
NABAWA WA 6532

Dear Cr Farrell

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2018

We advise that we have completed our audit procedures for the year ended 30 June 2018.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

We noted the following matters we wish to draw to your attention:

COMMENT ON OPERATING SURPLUS RATIO

This ratio represents the percentage by which the operating surplus (or deficit) differs from the Shire's own source revenue which includes rates and operating grants. In addition, when the ratio is negative, it indicates operating expenditure is greater than operating income.

The Operating Surplus Ratio for the current year of -0.34 and last year of -0.14, are both below the DLGSCI standard of 0.01, and the current year's ratio is below last year.

Whilst we do not consider this a significant indication of an adverse trend within the financial position of the Shire, Council and Management should continue their efforts in improving the operating position of the Shire. This includes considering the sustainability of the current rating structure, identifying potential new avenues of revenue, and finding the optimum level of the Shire's operating expenses.

Interpretation of this ratio should be considered together with the Asset Renewal Funding Ratio (ARFR). The ARFR of 1.07 is above its target of 0.75 indicating the planned renewal and replacement expenditure over the next 10 years is sufficient to meet the required renewal and replacement expenditure. The Shire's Asset Management Plans indicate average annual capital renewal and replacement expenditure of \$1.5million is required which is below current depreciation expense of \$2.3million. As depreciation expense is a significant component of operating expenditure, management should consider whether the current level of depreciation is overstating the annual deterioration of the assets during asset management planning.

LONG TERM FINANCIAL PLAN AND ASSET MANAGEMENT PLAN

During our review of the Financial ratio's, we noted the Shire's Long Term Financial Plan (LTFFP) and Asset Management Plan (AMP) do not reflect 10 years' worth of forecast expenditure.

Whilst we are satisfied the current year ratios were supported by verifiable information and reasonable assumptions, management should consider developing a process of reviewing the LTFFP and AMP, to ensure the ratios are appropriately calculated in future years.

We noted no other matters we wish to draw to your attention.

UNCORRECTED MISSTATEMENT

We advise there were no uncorrected misstatements noted during the course of the audit.

We take this opportunity to thank the Shire for their assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



Greg Godwin
Partner
Moore Stephens

Encl.

AGENDA ITEM:	8.2
SUBJECT:	INDEPENDENT AUDIT REPORT - 30 JUNE 2018
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	403.05 & 305.12
PREVIOUS REFERENCE:	N/A
DATE:	8th FEBRUARY 2019
AUTHORS:	MAURICE BATTILANA & DIANNE RAYMOND

SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.2(a)	Independent Auditors Report 2017/2018	√	

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The Shire of Chapman Valley has received the final Independent Audit Report from its Auditors Moore Stephens. (Please refer to **Attachment 8.2(a)**).

COMMENT

As the Independent Audit Report didn't highlight any issues there is nothing to report on or bring to Council attention for further action.

STATUTORY ENVIRONMENT

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

POLICY 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 Council auditors throughout the audit review process.

RISK ASSESSMENT

The audit report has not highlighted any significant areas of risk.

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

STAFF RECOMMENDATION

The Finance, Audit & Risk Committee recommends to Council the Final Audit Report of the Chief Executive Officer the year ending 30 June 2018 be received and it be noted there are no further actions required from the report.

**Item moved en-bloc
CARRIED
Voting 2/0
Minute Reference FAC 02/19 - 2**

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INDEPENDENT AUDITOR'S REPORT TO THE COUNCILLORS OF THE SHIRE OF CHAPMAN VALLEY REPORT ON THE FINANCIAL REPORT

Opinion

We have audited the accompanying financial report of the Shire of Chapman Valley (the Shire), which comprises the Statement of Financial Position as at 30 June 2018, Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and the Rate Setting Statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Statement by Chief Executive Officer.

In our opinion, the financial report of the Shire of Chapman Valley:

- a) is based on proper accounts and reports; and
- b) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Shire in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Preparation

We draw attention to Note 1 to the financial report, which describes the basis of preparation. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT
TO THE COUNCILLORS OF THE SHIRE OF CHAPMAN VALLEY
REPORT ON THE FINANCIAL REPORT (CONTINUED)**

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives of the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

**INDEPENDENT AUDITOR'S REPORT
TO THE COUNCILLORS OF THE SHIRE OF CHAPMAN VALLEY
REPORT ON THE FINANCIAL REPORT (CONTINUED)**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- a) All required information and explanations were obtained by us.
- b) All audit procedures were satisfactorily completed in conducting our audit.
- c) In my opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Chapman Valley for the year ended 30 June 2018 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



GREG GODWIN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 26th day of November 2018

AGENDA ITEM:	8.3
SUBJECT:	COMPLIANCE AUDIT RETURN (2018)
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	403.05 & 305.12
PREVIOUS REFERENCE:	N/A
DATE:	8th FEBRUARY 2019
AUTHOR:	MAURICE BATTILANA

SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.3(a)	Compliance Audit Return 2018		√

DISCLOSURE OF INTEREST

Nil

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 2018 Compliance Audit Return to the Committee to review prior to going to Council for formal adoption and forward a certified copy to the Department of Local Government.

COMMENT

A Draft copy of the Shire of Chapman Valley 2018 Compliance Audit Return has been provided to Councillors as **Attachment 8.3(a)**.

STATUTORY ENVIRONMENT

Local Government Act 1995

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

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 consulted as part of the process to complete the Compliance Audit Report.

RISK ASSESSMENT

The Compliance Audit Report has not highlighted any significant areas of risk.

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

STAFF RECOMMENDATION

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

1. The 2018 Compliance Audit Return be signed by the CEO and Shire President
2. The 2018 Compliance Audit Return be received and recorded in the Minutes of Council
3. The 2018 Compliance Audit Return is submitted to the Department of Local Government

**Item moved en-bloc
CARRIED
Voting 2/0
Minute Reference FAC 02/19 - 2**

AGENDA ITEM:	8.4
SUBJECT:	REVIEW OF LONG TERM FINANCIAL PLAN; ASSET MANAGEMENT PLAN & WORKFORCE PLAN
PROPONENT:	SHIRE OF CHAPMAN VALLEY
SITE:	SHIRE OF CHAPMAN VALLEY
FILE REFERENCE:	313.00
PREVIOUS REFERENCE:	MINUTE REFERENCES: 9/13-5; 11/13-9 & 07/17-6
DATE:	8th FEBRUARY 2019
AUTHOR:	MAURICE BATTILANA & DIANNE RAYMOND

SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.4(a)	Long Term Financial Plan		√
8.4(b)	Asset Management Plan		√
8.4(c)	Draft Reviewed Workforce Plan		√
8.4(d)	Existing Workforce Plan (2015)		√

DISCLOSURE OF INTEREST

Nil.

BACKGROUND

The Shire of Chapman Valley Long Term Financial Plan (LTFP) and Workforce Plan (WP) were presented to Council's September 2013 OCM with the following resolved:

MOVED: CR ROYCE SECONDED: CR HUMPHREY

"That Council:9/13-5

- 1 Receive the Shire of Chapman Valley Long Term Financial Plan (subject to modification to section 8.2) and Shire of Chapman Valley Workforce Plan and forward the documents to the Department of Local Government; &*
- 2 Advise the Department of Local Government that the Asset Management Plan will be presented to the October meeting of Council and submitted thereafter.*

*Voting 8/0
CARRIED
Minute Reference 9/13-5"*

The Shire of Chapman Valley Asset Management Plan (AMP) was presented to the November 2013 OCM with the following being resolved:

"That Council:

- 1 Receive the Shire of Chapman Valley Asset Management Plan in its current format and forward the documents to the Department of Local Government; &*
- 2 Advise the Department of Local Government the Asset Management Plan may be subject to on-going review until Council is comfortable with its content.*

*Voting 7/0
CARRIED
Minute Reference 11/13-9"*

Council undertook a full review of the LTFP and AMP again in July 2017 with the following being resolved at the July 2017 OCM:

Council endorse the reviewed Long Term Financial Plan and Asset Management Plan as presented, with the understanding these Plans are to be reviewed again by Council to reflect:

- i. Outcomes of the current review being undertaken of the Shire's Strategic Community Plan and Corporate Business Plan; and*
- ii. Variations to the 2016/2017 endorsed Capital Works Programs (e.g. Roadworks, Plant and Building) as these have and will occur in the future.*

*Voting 5/1
CARRIED
Minute Reference 07/17-6*

COMMENT

Staff have continued to work on improvements to the LTFP and AMP since the original adoption of these plans to try and make these more integrated, encompassing of all asset areas, cognisant of past actual expenditures incurred and revenues received and hopefully easier to follow and update annually.

The revised LTFP has now been fine tuned to better reflect past and future expenditure and revenue of the organisation and address the issues raised in the recent audit i.e.

"Long Term Financial Plan and Asset Management Plan

During our review of the Financial ratio's, we noted the Shire's Long Term Financial Plan (LTFP) and Asset Management Plan (AMP) do not reflect 10 years' worth of forecast expenditure.

Whilst we are satisfied the current year ratios were supported by verifiable information and reasonable assumptions, management should consider developing a process of reviewing the LTFP and AMP, to ensure ratios are appropriately calculated in future years."

The concern raised by the Auditors was specific to the Asset Renewal Funding Ratio, which had an incorrect formula in the previous LTFP. This formula has now been corrected and reflects the correct ratio in the revised LTFP.

As Councillors will be aware the Shire has completed the Strategic Community Plan (SCP) and Corporate Business Plan (CBP) review in accordance with legislative requirements (with the assistance of Marg Hemsley from LG People). The LTFP and AMP have also been amended to accommodate endorsed SCP and CBP. The LTFP & AMP are also amended to reflect the adopted current year Budget and audited previous year Financial Statements. This ensures there is a true integration and recognition of current aspects across all the plans, budgets, etc. for the future.

The Integrated Planning and Reporting Framework is intended to integrate asset, service and financial plans to ensure local government resource capabilities are matched to their community's needs.

The Workforce Plan (WP) was reviewed in September 2015, and with the LTFP & AMP, is a working document to support the Strategic Community and Corporate Business Plans.

The purpose of a Workforce Plan is to identify the human resources and skills required to deliver the medium and long-term direction identified in the SCP and CBP.

The current WP has several strategies, which are predominantly related to recruitment processes, roles, performance management, improved technology, governance & employee procedure manuals, policy & procedure improvements. I am confident we have addressed (or are in the process of addressing) most of these within the annual administration operating budget, which form part of the operating expenditure allocated in the LTFP.

The one strategy listed in the current WP is a Service Delivery Review, which has been budgeted for in 2018/2019. However; I feel this can be deferred or discontinued as the current service delivery levels are accommodating the desired service requirements in the short and medium term. This may be something the Shire may look at in the long term.

The amendments to the WP reflects basic updates to dates, actions, statistics, etc. The WP is a working document which does not have any legislative requirement to be endorsed by Council; however, I have presented this to Council (via the Committee) to ensure there is a clear understanding of the amendments being made.

STATUTORY ENVIRONMENT

Section 5.56 of the *Local Government Act 1995* states:

“5.56 Planning for the Future

- (1) A local government is to plan for the future of the district.*
- (2) A local government is to ensure that plans made under subsection (1) are in accordance with any regulations made about planning for the future of the district.”*

Section 19C of the *Local Government (Administration) Regulations 1996* addresses the Shire’s requirements in relation to the Strategic Community Plan and Section 19D the requirements in relation to the Corporate Business Plan.

POLICY IMPLICATIONS

Various Council policies and procedures have an effect on the Shire’s integrated strategic planning e.g.

- 10 Year Road Works Program;
- Road Hierarchy;
- Plant Replacement Program;
- Building Capital Upgrade & Maintenance Programs;
- Disability Access & Inclusion Plan;
- Various Master/Concept Plans;
- Town Planning Policies, Procedures, Strategies, etc.

FINANCIAL IMPLICATIONS

The Strategic Community Plan should be used as a guiding tool in the preparation of Council’s ongoing Annual Budgets, and inform the Shire’s Corporate Business Plan, Long-Term Financial Plan, Asset Management Plan and Workforce Plan. However, the identification of a project within the Strategic Community Plan does not guarantee it will be completed in any given year as circumstances change.

It is considered essential Council remains flexible in its approach to ensure community expectations are balanced with financial responsibility and to achieve this the Strategic Community Plan should be reviewed on a 2 to 4 yearly basis in accordance with Section 19C(4) of the *Local Government (Administration) Regulations 1996*, and the Corporate Business Plan, Long Term Financial Plan, Asset Management Plan be reviewed on an annual rolling basis during the budget preparation phase.

- **Long Term Financial Plan (LTFP):**

The LTFP will be directly affected by the annual update process.

STRATEGIC IMPLICATIONS

See below.

- **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.
5.2	Be accountable and transparent in managing resources	Asset Management	Review Asset Management Plan regularly and maintain integration with other Strategic Plans within the Shire
		Long Term Financial Management	Review Long Term Financial Plan regularly and maintain integration with other Strategic Plans within the Shire
		Workforce Planning	Review Workforce Plan regularly and maintain integration with other Strategic Plans within the Shire

CONSULTATION

Ongoing consultation has occurred with:

- Executive Staff; and
- Financial Consultants

RISK ASSESSMENT

It is a legislative requirement to have a Strategic Community Plan and a Corporate Business Plan. These Plans are expected to be supported by working documents such as LTFP, AMP & WP. We are bringing the plans & working documents to a level where they are integrated and making more sense, therefore providing the organisation with a clearer indication of the future direction of the shire. However; it must be understood these are forecast documents and many unknown factors may vary the predictions and figures.

Based the forecast figure within the LTFP, AMP WP presented the risk is considered ***insignificant*** at this stage i.e.

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

STAFF RECOMMENDATION

Council endorse the reviewed Long Term Financial Plan, Asset Management Plan and Workforce Plan as presented.

**Item moved en-bloc
CARRIED
Voting 2/0
Minute Reference FAC 02/19 - 2**

9.0 Information Items

AGENDA ITEM:	9.1
SUBJECT:	RISK MANAGEMENT PROCEDURE - REVIEW
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	411.01
PREVIOUS REFERENCE:	NA
DATE:	8th FEBRUARY 2019
AUTHOR:	MAURICE BATTILANA & DIANNE RAYMOND

SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
9.1(a)	Shire of Chapman Valley Risk Management Report		√

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The State Government introduced legislation under the Local Government (Audit) Audit Regulations, 1996, to stipulate it is a legal requirement for a local government Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- a) Risk management,
- b) Internal controls; and
- c) Legislative compliance.

This is known as LG (Audit) Regulation 17.

Council adopted the *Risk Management Policy (CP-017)* at the June 2014 OCM. This Policy is complemented by the *Risk Management Procedure (CMP-028)*.

COMMENT

Procedures are an internal operational document and though a copy has been provided under separate cover (**Attachment 9.1(a)**) for Council information there is no legal requirement for Committee or Council to adopt or endorse amendments these documents. This is an internal document the CEO and Senior Staff use to undertake the necessary analysis and review of risk management as required under legislation.

Therefore, the purpose of this item is to simply inform the Committee of the review undertaken by staff of *Risk Management Procedure (CMP-028)*. There are no changes recommended to the existing Procedure. However; the Risk Management Report has been updated to incorporate items completed and to be undertaken by staff. Council do not need to consider the changes to the Report as this is an internal operational document only.

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations, 1996

17. CEO to review certain systems and procedures
- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) **risk management**; and
 - (b) internal control; and
 - (c) legislative compliance.
 - (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
 - (3) The CEO is to report to the audit committee the results of that review.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

POLICY IMPLICATIONS

Risk Management Policy (CP-017). This Policy is complemented by the *Risk Management Procedure (CMP-028)*.

FINANCIAL IMPLICATIONS

Nil affect.

- **Long Term Financial Plan (LTFP):**

No effect on the LTFP

STRATEGIC IMPLICATIONS

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 consulted as part of the process to complete the Risk Management Report.

RISK ASSESSMENT

The Risk Management Report has not highlighted any significant areas of risk.

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

STAFF RECOMMENDATION

The Committee receives the *Risk Management Report* as presented for information only.

**Item moved en-bloc
CARRIED
Voting 2/0
Minute Reference FAC 02/19 - 2**

10.0 Urgent Business Approved by the Presiding Member or by Decision of the Committee

Nil

11.0 Closure

Prior to closing the meeting, the President and Chief Executive Officer expressed appreciation to Di Raymond (Manager Finance & Corporate Services) and all staff involved in providing Council with a clean audit report. This reflects the significant time and effort Di and staff have put into improving the finance and corporate governance aspect of the organisation.

The Presiding Members thanked Elected Members and Staff for their attendance and closed the meeting at 3.01pm

10.0 Urgent Business Approved by the Presiding Member or by Decision of the Committee

11.0 Closure