



Shire of
Chapman Valley
Love the Rural Life

AGENDA

**FINANCE & AUDIT COMMITTEE MEETING
WEDNESDAY 10th JULY 2013
COUNCIL CHAMBERS NABAWA
10.00AM**

The Finance and Audit Committee is comprised of:-

Cr John Collingwood
Cr Beverley Davidson
Cr Pauline Forrester

Chief Executive Officer (Advisor)
Executive Assistant (Minute Taker)

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.


Stuart Billingham
CHIEF EXECUTIVE OFFICER

AGENDA

FINANCE & AUDIT COMMITTEE MEETING TO BE HELD IN THE COUNCIL CHAMBERS, NABAWA WEDNESDAY 10TH JULY 2013 AT 10.00AM

ORDER OF BUSINESS

1.0 Declaration of Opening / Announcements of Visitors

2.0 Record of Attendance

2.1 Present

2.2 Apologies

3.0 Confirmation of Minutes from previous meetings – *Attachment 2*

Finance and Audit Committee Meeting held on Wednesday 6 February 2013

'Recommend that the minutes of the Finance and Audit Committee of the Shire of Chapman Valley held on Wednesday 6 February 2013 be confirmed as a true and accurate record of proceedings.'

4.0 Agenda Items

4.1 Interim Audit Report 30 June 2013 – *Attachment 1*

5.0 Information Items

6.0 General Business

7.0 Closure

AGENDA ITEM:	4.1
SUBJECT:	INTERIM AUDIT REPORT 30 JUNE 2013
PROPONENT:	SHIRE OF CHAPMAN VALLEY
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	403.05 & 305.13
PREVIOUS REFERENCE:	N/A
DATE:	3 JULY 2013
AUTHOR:	STUART BILLINGHAM

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The Shire of Chapman Valley has received the Interim Audit Report from its Auditors UHY Haines Norton. (Please refer to Final Audit Report submitted as **Attachment 1**).

The following Other Legal and Regulatory Requirements were raised:

Audit Report

Purchases, Payments & Payables

- It was noted where purchase orders were raised after supplier tax invoices were received.

Month End Procedures

A review of month end reconciliations revealed the following:

- In one instance the rate debtors and sundry debtors reconciliations had not been prepared and in two instances these reconciliations did not have evidence of having been reviewed by senior office independent of preparation;
- There were three instances where creditors reconciliations did not have evidence of having been reviewed by senior officer independent of preparation; and
- Whilst reconciliations for fixed assets were performed as required, they did not have evidence of having been reviewed by senior officer independent of preparation.

Monthly Financial Activity Statement

The review of Monthly Finance Activity Statements noted the following:

- Whilst an “*” denotes where material variances have occurred the actual material variances, in \$ or % terms, were not disclosed as required by FM Reg 34(1)(d).
- Some material variances in Monthly Financial Activity Statements did not have adequate explanations.

Financial Interest Register

The review of the annual return in the Financial Interest Register noted the period covered in the annual returns was from 1 July 2012 to 30 June 2013 instead of 1 July 2011 to 30 June 2012.

COMMENT

A review of month end reconciliations revealed the following:

Auditor comment

- In one instance the rate debtors and sundry debtors reconciliations had not been prepared and in two instances these reconciliations did not have evidence of having been reviewed by senior office independent of preparation;

Officer Comment

Rates Debtors and Sundry Debtors reconciliations are now prepared monthly and signed off by the preparer and checking officer. Office procedure manual have been adjusted to reflect this requirement.

Auditor comment

- There were three instances where creditors reconciliations did not have evidence of having been reviewed by senior officer independent of preparation; and

Officer Comment

Sundry Creditors reconciliations are now prepared monthly and signed off by the preparer and checking officer. Office procedure manual have been adjusted to reflect this requirement.

Auditor comment

- Whilst reconciliations for fixed assets were performed as required, they did not have evidence of having been reviewed by senior officer independent of preparation.

Officer Comment

Fixed Asset reconciliations are now prepared annually and signed off by the preparer and checking officer. Office procedure manual have been adjusted to reflect this requirement.

Monthly Financial Activity Statement

The review of Monthly Finance Activity Statements noted the following:

Auditor comment

- Whilst an “*” denotes where material variances have occurred the actual material variances, in \$ or % terms, were not disclosed as required by FM Reg 34(1)(d).

Officer Comment

The May and June monthly Statement of Financial Activity has now been updated to reflect these statutory requirements and now resolved.

Auditor comment

- Some material variances in Monthly Financial Activity Statements did not have adequate explanations.

Officer Comment

The May and June monthly Statement of Financial Activity has now been updated with more detailed explanations of material variances and this matter is now considered resolved.

STATUTORY ENVIRONMENT

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

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

STAFF RECOMMENDATION

That Council receive the Auditors Report and it be noted there are no further actions required.

22 MAY 2013

305.13
Record No

20 May 2013



Cr J P Collingwood
The Chair
Audit Committee
Shire of Chapman Valley
PO Box 1
NABAWA WA 6532

Dear Cr Collingwood

INTERIM AUDIT VISIT

We have completed our onsite procedures in respect of our interim audit visit on 8 to 9 April 2013 and attach a list of matters raised with management during our exit meeting.

Please note, we will follow these up during our final visit later in the year to help ensure appropriate action has been implemented.

This letter, together with the attached matters are provided for the purposes of general information only and are not part of our formal audit reporting process. Our audit and management reports will be formally issued at the conclusion of our audit in respect of the year ended 30 June 2013.

If you have any queries regarding these or other matters, please contact me.

Yours sincerely


GREG GODWIN
PARTNER

cc: Mr Stuart Billingham- Chief Executive Officer

SHIRE OF CHAPMAN VALLEY

INTERIM AUDIT VISIT
YEAR ENDED 30 JUNE 2013
MATTERS NOTED & REQUIRING FOLLOW UP



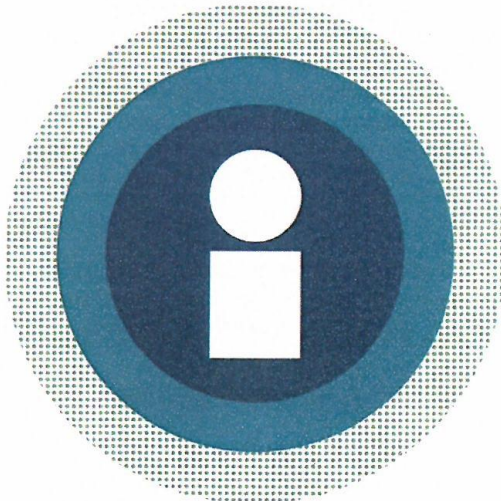
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1.0 SYSTEMS AND PROCEDURES

1.1 PURCHASES, PAYMENTS AND PAYABLES

OBSERVATION

We noted instances where purchase orders were raised after supplier tax invoices were received.

COMMENT

All authorised officers should be “reminded” of the need to ensure purchase orders are to be raised prior to the time of authorising works/services or ordering goods. This will help to ensure goods/services have been appropriately ordered and authorised, and also helps ensure budget responsibility.

Purchases made without orders may commit the Shire to unauthorised expenditure. It is important for all purchasing to follow a documented procedure to control expenditure and ensure the dollar value limits set for staff are not exceeded.

Whilst we acknowledge compensating controls exist whereby the relevant expenditure is controlled by budgets and spending limits, ensuring purchase orders are written out and matched to invoices provides a higher level of control.

1.2 MONTH END PROCEDURES

OBSERVATION

Our review of month end reconciliations revealed the following:

- In one instance the rate debtors and sundry debtors reconciliations had not been prepared and in two instances these reconciliations did not have evidence of having been reviewed by a senior officer independent of preparation;
- There were three instances where creditors reconciliations did not have evidence of having been reviewed by a senior officer independent of preparation; and
- Whilst reconciliations for fixed assets were performed as required, they did not have evidence of having been reviewed by a senior officer independent of preparation.

COMMENT

To help ensure the completeness and accuracy of sub ledgers, the general ledger should be reconciled to the respective sub ledgers on a regular basis. These reconciliations should be signed and dated by the preparer thereof and should be independently reviewed.

Note: This document is for audit purposes only to document matters discussed with management and is not intended to express nor imply any opinion or assurance. It should be read in conjunction with our covering letter in respect of our interim audit visit.



2.0 COMPLIANCE

2.1 MONTHLY FINANCIAL ACTIVITY STATEMENT

OBSERVATION

Our review of Monthly Financial Activity Statements noted the following:

- Whilst an “*” denotes where material variances have occurred, the actual material variances, in \$ or % terms, were not disclosed as required by FM Reg 34(1)(d).
- Some material variances in Monthly Financial Activity Statements did not have adequate explanations.

COMMENT

- To help ensure compliance with FM Reg 34(2)(b) together with FM Reg 34(5), as Council have defined a material variance in both percentage (%) and Dollar (\$) terms, both the % and \$ values of variances should be detailed in the Monthly Financial Activity Statements.
As the above matter raised represents non-compliance with Financial Management Regulations, this may be carried forward to our audit report for the year ended 30 June 2013.
- To help assist users of the monthly reports to assess reasons for material variances and make decisions resulting there from the explanations for material variances could be more detailed.

2.2 FINANCIAL INTEREST REGISTER

OBSERVATION

Our review of the annual returns in the financial Interest Register noted the period covered in the annual returns was from 1 July 2012 to 30 June 2013 instead of 1 July 2011 to 30 June 2012.

COMMENT

To help ensure compliance with Section 5.76 of the LG Act annual returns should be lodged “in arrears” i.e. returns lodged in the period 1 July 2012 to 31 August 2012 should cover the year ended 30 June 2012.

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UHY HAINES NORTON
CHARTERED ACCOUNTANTS



3.0 READINESS TO ADOPT FAIR VALUE ACCOUNTING

OBSERVATION

As mandated by Financial Management Regulation 17A, a local government in Western Australia must show all of the assets in its financial report at fair value by 30 June 2015. Implementation is to be phased in over three years from 1 July 2012 and commences with all plant and equipment being reported at fair value for the financial year ending 30 June 2013. During our interim audit visit, we made observations and held discussions with a view to assessing the Shire's readiness for meeting the requirements and noted the following:

MAJOR TASK REQUIRED	OBJECTIVE	STATUS
Design of an overall strategy and plan.	To ensure resources are available and organised for proper implementation and hence compliance with regulations in respect to fair value reporting. This also helps to ensure external services are scoped properly.	Management indicated the Shire will implement this mandatory requirement over three years starting with valuation of plant and equipment in accordance with Financial Management Regulation 17A(3). Management has just started considering the process and are thinking of using a mixture of in house resources and external consultants. The plan will be documented in due course for all classes of assets.
Selection of the valuation method (including fair value hierarchy) for different classes or segmentation of assets.	To ensure the most appropriate approach and hierarchy of fair value inputs for valuation techniques are applied.	Management has started to consider this for plant and equipment and will do so for other classes of assets in due course.
Consideration and application of Highest and Best Use valuation principles	To help ensure proper disclosure in accordance with paragraph 93 of AASB 13 "Fair Value Measurement" i.e. need to disclose fact and why an asset is being used in a manner different from its highest and best use.	Management is in the process of reviewing the methodologies and aiming to complete the process by June 2013 for plant and equipment. Other classes of assets will follow in due course.
Review of accounting policies in respect of fair value reporting and disclosure requirements.	To ensure fair value accounting and relevant disclosure requirements are properly incorporated and adopted for financial reporting purposes.	Management are yet to consider this for all classes of assets and will do so in due course.

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UHY HAINES NORTON
 CHARTERED ACCOUNTANTS



2.0 READINESS TO ADOPT FAIR VALUE ACCOUNTING (CONTINUED)

OBSERVATION (CONTINUED)

MAJOR TASK INVOLVED	OBJECTIVE	STATUS
Review of Assets Capitalisation Policy for fair value reporting purposes.	To help ensure capitalisation thresholds for different classes of assets are reasonable in term of materiality and practicality.	Management has just started to consider this for all classes of assets.
Review of current fixed assets system and records for fair value reporting purposes.	To help ensure the asset system and records are up-to-date and complete with all information required (including asset hierarchy with appropriate segmentation, condition, initial cost, previous revaluation increment and etc), prior to the commencement of the valuation. Also, this helps to ensure detailed information (i.e. initial cost recognised, fair value, annual useful life & residual value, basis and support of valuation etc) for each individual asset is adequately maintained post revaluation.	Management has just started to consider this for plant and equipment and will do this for all other classes of assets in due course.
Identification and recognition (at fair value) of Crown land or other land not owned but operated by the Council either as a golf course, showground, racecourse or any other sporting or recreational facility of State or regional significance.	To help ensure proper compliance with Financial Management Regulation 16(a) and fair value accounting.	Management are yet to consider this and will do so for the year ending 30 June 2013 as required by Financial Management Regulation 16.
Identification and recognition (at fair value) of easements within the Shire as intangible assets.	To help ensure proper compliance with AASB 138 "Intangible Assets", Financial Management Regulation 16(b)(ii) and hence proper financial reporting.	Management are yet to consider this and will do so for the year ending 30 June 2013 as required by Financial Management Regulation 16.

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UHY HAINES NORTON
 CHARTERED ACCOUNTANTS



2.0 READINESS TO ADOPT FAIR VALUE ACCOUNTING (CONTINUED)

OBSERVATION (CONTINUED)

In summary, management are aware of the mandated requirements and the timing involved in adopting fair value for reporting different classes of assets. At the time of our visit, management have just started considering the process for revaluation of plant and equipment and indicated internal resources will be utilised.

This process will commence with a review of asset records and capitalisation threshold(s).

In addition, staff will commence the process of identifying land and easements as required by Financial Management Regulation 16.

For other classes of assets, management will consider and deal with the tasks as identified above in due course.

COMMENT

We will follow up at year end with a view to ensuring fair value accounting in relation to plant and equipment has been addressed and adequate progress has been made in respect of other classes of assets.

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UHY HAINES NORTON
CHARTERED ACCOUNTANTS



4.0 REMINDERS

- The Delegations Register was last reviewed in June 2012 and will be due for its annual review prior to June 2013.
- FBT return for the year ended 31 March 2013 is required to be completed and submitted during May 2013.

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UHY HAINES NORTON
CHARTERED ACCOUNTANTS

