



UNCONFIRMED MINUTES

FINANCE, AUDIT & RISK COMMITTEE MEETING 26TH JULY 2018 COUNCIL CHAMBERS NABAWA 1.30PM

Committee Purpose

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.

Committee Delegations

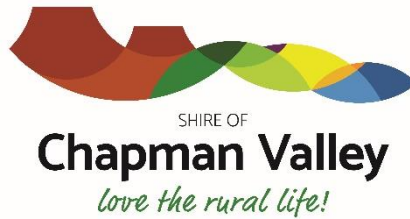
Nil

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



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", is written over a large, stylized, looping graphic element that resembles a signature flourish or a large letter 'B'.

Maurice Battilana
CHIEF EXECUTIVE OFFICER

UNCONFIRMED MINUTES

FINANCE, AUDIT & RISK COMMITTEE MEETING TO BE HELD IN THE COUNCIL CHAMBERS, NABAWA FRIDAY 26th JULY 2018 AT 1.30PM

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 1.37pm.

2.0 Announcements from the Presiding Member

Nil

3.0 Attendance

4.1 Present

a. Councillors

Members
Cr Anthony Farrell (President)
Cr Darrell Forth
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

4.2 Apologies

Nil

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.”

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

Nil

6.0 Confirmation of Minutes from previous meetings

COMMITTEE RECOMMENDATION

MOVED: CR FORTH

SECONDED: CR FARRELL

Finance and Audit Committee Meeting held on 6th February 2018

Recommend that the Minutes of the Finance and Audit Committee of the Shire of Chapman Valley held on the 6th February 2018 be confirmed as a true and accurate record of proceedings. (Supplied under separate cover).

CARRIED

Voting 3/0

Minute Reference FAC 07/18 - 1

7.0 Items to be dealt with En Bloc

Nil

8.0 Officers’ Reports

8.1 Interim Audit Management Report July 2018

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Chief Executive Officer February 2018

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8.0 AGENDA ITEMS

8.1 Interim Audit Management Report July 2018

AGENDA ITEM:	8.1
SUBJECT:	INTERIM AUDIT MANAGEMENT REPORT JULY 2018
PROPONENT:	FINANCE, RISK & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	305.05
PREVIOUS REFERENCE:	N/A
DATE:	26th JULY 2018
AUTHOR:	MAURICE BATTILANA & DIANNE RAYMOND

SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.1(a)	Interim Audit Management Report July 2018	√	
8.1(b)	Annual Audit Strategy Memorandum		√

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

Further to the recent amendments to the Audit Regulations the Audit Committee has a greater role in assisting the Chief Executive Officer to monitor and advise in relation to risk management, internal control, and legislative compliance. The purpose of the committee now encompasses more involvement in the oversight of the financial systems and responses to audit recommendations.

The Interim Audit Management Report July 2018 (below) identifies all areas raised by the Auditors for Committee and Council consideration.

Additionally, Attachment 8.1(b) Annual Audit Strategy Memorandum (provided under separate cover) outlines the key audit risks to be covered in the Annual Audit for the year ended 30 June 2018; and the audit methodology and procedures conducted to address those identified risks.

The Interim Audit identified the following three items:

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Instances of incomplete primary and annual returns.		√	
2. Local public notice was not given after endorsement of Strategic Community Plan.			√
3. Instances where purchase orders were raised after the service was performed or goods were received.		√	

Recommended Management responses to the items raised are included in the Staff Recommendation.

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

STRATEGIC IMPLICATIONS

The interim and 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

COMMITTEE / STAFF RECOMMENDATION

MOVED: CR ROYCE

SECONDED: CR FORTH

The Finance, Audit & Risk Committee recommends to Council the Interim Audit Management Report July 2018 be received with the following action being endorsed for items identified:

FINDINGS	ACTIONS
1. Instances of incomplete primary and annual returns.	<p>Elected Members and relevant staff be formally reminded of the requirements for completing Primary & Annual Financial Returns to ensure all returns submitted are not at risk of being amended (i.e. all sections should be completed).</p> <p>Responsible Person: CEO Completion Date: Prior to next due date for Returns (30th August 2018)</p>
2. Local public notice was not given after endorsement of Strategic Community Plan.	<p>Administrative error, considered minor. However; the <i>Dates to Remember</i> list will be amended to reflect the need to advertise at time next full review is undertaken (2021).</p> <p>Responsible Person: CEO Completion Date: 30th August 2018</p>
3. Instances where purchase orders were raised after the service was performed or goods were received.	<p>Staff with Purchasing Authority have all been through the mandatory procurement training course where this was clearly identified as a requirement. Staff with Purchasing Authority to be formally reminded of this requirement again.</p> <p>Responsible Person: CEO Completion Date: 30th August 2018</p>

CARRIED
Voting 3/0
Minute Reference FAC 07/18 - 2

SHIRE OF CHAPMAN VALLEY
 PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
 FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Instances of incomplete primary and annual returns.		✓	
2. Local public notice was not given after endorsement of Strategic Community Plan.			✓
3. Instances where purchase orders were raised after the service was performed or goods were received.		✓	

KEY TO RATINGS

The Ratings in this management letter 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).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF CHAPMAN VALLEY
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. ANNUAL AND PRIMARY RETURNS

Finding

Whilst reviewing the annual and primary returns of Councillors and staff we noted 3 returns contained sections which had been left blank.

Rating:

Moderate

Implication

Blank sections on returns are at risk of being amended without appropriate authorisation.

Recommendation

To help ensure compliance with Departmental Circular 18-2005 and to help ensure returns submitted are not at risk of being amended, all sections should be completed. We note it is acceptable to record N/A, Nil, or No Change or to rule a clear line through a N/A section whilst leaving sections blank is not recommended practice.

Whilst we note the CEO or any other Shire staff are not responsible for the content of the returns submitted, it is acceptable, and quite common, for the content to be reviewed prior to receipt being acknowledged.

Management Comment

Elected Members and relevant staff be formally reminded of the requirements for completing Primary & Annual Financial Returns to ensure all returns submitted are not at risk of being amended (i.e. all sections should be completed).

Responsible Person:

CEO

Completion Date:

Prior to next due date for Returns (30th August 2018)

SHIRE OF CHAPMAN VALLEY
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. STRATEGIC COMMUNITY PLAN

Finding

Local Public notice was not given after endorsement of this Strategic Community Plan on 15th November 2017.

Rating:

Minor

Implication

By not giving Local Public notice, the broader community would not be informed of key strategic decisions made by the Local Government.

Recommendation

To help ensure compliance with statutory provisions, this requirement should be correctly addressed in the future.

Management Comment

Administrative error, considered minor. However; the *Dates to Remember* list will be amended to reflect the need to advertise at time next full review is undertaken (2021).

Responsible Person: CEO

Completion Date: 30th August 2018

SHIRE OF CHAPMAN VALLEY
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. PURCHASE ORDERS

Finding

We noted 2 instances where the purchase orders were raised after the invoice was received.

Rating:

Moderate

Implication

Unauthorised purchases could arise.

Recommendation

To help ensure proper budgetary controls, compliance with the Shire's purchasing policy, and that invoices for goods and services as ordered and prices are as quoted, purchase orders should be issued prior to goods and services being sourced. They should also contain all the necessary details (including quantity and price).

Management Comment

Staff with Purchasing Authority have all been through the mandatory procurement training course where this was clearly identified as a requirement. Staff with Purchasing Authority to be formally reminded of this requirement again.

Responsible Person: CEO

Completion Date: 30th August 2018

**SHIRE OF CHAPMAN VALLEY
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2018
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

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

Nil

11.0 Closure

The Presiding Members thanked Elected Members and Staff for their attendance and closed the meeting at 2.01pm