



SHIRE OF

**Chapman Valley**

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# **FINANCE, AUDIT & RISK MANAGEMENT COMMITTEE**

## **UNCONFIRMED MINUTES**

**9:30am Monday  
31/01/2022**

### **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

# DISCLAIMER



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**Chapman Valley**  
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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.

**Maurice Battilana**  
**CHIEF EXECUTIVE OFFICER**

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## ORDER OF BUSINESS

### 1.0 DECLARATION OF OPENING/ANNOUNCEMENTS OF VISITORS

The Chief Executive Officer welcomed elected members and staff opening the meeting at 9.34am and called for nominations for Presiding Member.

### 2.0 PRESIDING MEMBER

#### 2.1 Appointment of Presiding Member

Cr Forth nominated Cr Warr as Presiding Member of the Shire of Chapman Valley's Finance, Audit & Risk Management Committee. The Chief Executive Officer confirmed with Cr Warr she was willing to accept this nomination.

The Chief Executive Officer called for any further nominations.

There being no further nominations the Chief Executive Officer declared Cr Warr as Presiding Member of the Shire of Chapman Valley's Finance, Audit & Risk Management Committee.

#### 2.2 Appointment of Deputy Presiding Member not considered necessary.

### 3.0 RECORD OF ATTENDANCE

#### 3.1 Attendees

Elected Members	In	Out
Cr Warr (Presiding Member)	9:34am	9.55am
Cr Forth	9:34am	9.55am
Cr Davidson	9:34am	9.55am
Cr Batten	9.39am	9.55am

Officers	In	Out
Maurice Battilana, Chief Executive Officer	9:34am	9.55am
Jamie Criddle, Chief Executive Officer	9:34am	9.55am
Dianne Raymond, Manager Finance & Corporate Services	9:34am	9.55am
Beau Raymond, Senior Finance Officer (Minute Taker)	9:34am	9.55am

Visitors	In	Out
Nil		

#### 3.2 Apologies

Grant Middleton (External, Independent Member)

### 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.”

Nil

## 5.0 PETITIONS/DEPUTATIONS/PRESENTATIONS

Nil

## 6.0 CONFIRMATION OF MINUTES FROM PREVIOUS MEETINGS

6.1 Finance, Audit & Risk Management Committee held on 4 February 2021.

### COMMITTEE RESOLUTION

**MOVED: CR FORTH**

**SECONDED: CR DAVIDSON**

The Minutes of the Ordinary Meeting of Council held on 4 February 2021 be confirmed as true and accurate.

**Voting 3/0  
CARRIED**

**Minute Reference: FARM 22/01-01**

## **7.0 ITEMS TO BE DEALT WITH EN BLOC**

Nil

## **8.0 OFFICERS REPORTS**

# 8.0

## Chief Executive Officer and Manager Finance & Corporate Services

### 8.1 Compliance Audit Return 2021

PROPONENT:	Finance, Audit & Risk Management Committee
SITE:	Council Chambers
FILE REFERENCE:	403.05 & 305.12
PREVIOUS REFERENCE:	Nil
DATE:	31 January 2022
AUTHOR:	Maurice Battilana, Chief Executive Officer

#### SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.1(a)	Compliance Audit Return 2021		✓

#### 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 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 2021 Compliance Audit Return has been provided to Councillors as Attachment 8.1(a).

#### STATUTORY ENVIRONMENT

*Local Government Act 1995 Section 6.4*

#### POLICY/PROCEDURE IMPLICATIONS

Nil

## FINANCIAL IMPLICATIONS

Nil

### Long Term Financial Plan (LTFP):

No significant effect on the LTFP

## STRATEGIC IMPLICATIONS

Nil

### 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 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

Risk rating is considered Level 1 – Insignificant.

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 RESOLUTION

**MOVED: CR DAVIDSON**

**SECONDED: CR FORTH**

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

1. The 2021 Compliance Audit Return be signed by the CEO and Shire President
2. The 2021 Compliance Audit Return be received and recorded in the Minutes of Council
3. The 2021 Compliance Audit Return is submitted to the Department of Local Government and placed on the Shire Website.



**Voting 3/0**  
**CARRIED**  
**Minute Reference: FARM 22/01-02**

## 8.2 Independent Audit Report 30 June 2021

PROPONENT:	Finance, Audit & Risk Management Committee
SITE:	Council Chambers
FILE REFERENCE:	403.05 & 305.00
PREVIOUS REFERENCE:	Nil
DATE:	31 January 2022
AUTHOR:	Dianne Raymond, Manager of Finance & Corporate Services

### SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.2(a)	Independent Auditors Report 30 June 2021		✓

### DISCLOSURE OF INTEREST

Nil

### BACKGROUND

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

### COMMENT

Some Councillors, Chief Executive Officer, 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 6 December 2021 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 area of Leave Management and IT Disaster Recovery Plan. The only item highlighted as a matter of significance is the adverse trends in the financial ratios for the Operating Surplus Ratio. This ratios has been below the Department of Local Government, Sport and Cultural Industries standard for some years.

In relation to matters raised as a significant item, Section 7.12A(4)(a) of the Local Government Act 1995 states:

- “(4) A local government must —
- (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
  - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government’s official website.”

This same item of significance was raised at the conclusion of the 2019/2020 annual audit and a similar response has been prepared and sent to the Minister.

### 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

Cr Batten entered chambers 9:39am.

## COMMITTEE RESOLUTION

MOVED: CR FORTH

SECONDED: CR DAVIDSON

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

1. the Final Audit Report of the Chief Executive Officer for the year ending 30 June 2021 be received and,
2. the report sent to the Minister addressing the significant adverse trend as identified in the Audit be endorsed.

**Voting 4/0  
CARRIED**

**Minute Reference: FARM 22/01-03**

## 8.3 Management Report 30 June 2021

PROPONENT:	Finance, Audit & Risk Management Committee
SITE:	Council Chambers
FILE REFERENCE:	403.05 & 305.00
PREVIOUS REFERENCE:	Nil
DATE:	31 January 2022
AUTHOR:	Dianne Raymond, Manager Finance & Corporate Services

### SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.3(a)	Management Report 30 June 2021		✓

### 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

### 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	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.

#### 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

#### COMMITTEE RESOLUTION

**MOVED: CR FORTH**

**SECONDED: CR BATTEN**

The Finance, Audit & Risk Management Committee recommends to Council the Management Report for the year ending 30 June 2021 be received and actions taken on items listed endorsed.

**Voting 4/0**

**CARRIED**

**Minute Reference: FARM 22/01-04**

## 8.4 Internal Risk Management Review

PROPONENT:	Finance, Audit & Risk Management Committee
SITE:	Council Chambers
FILE REFERENCE:	305.00
PREVIOUS REFERENCE:	Nil
DATE:	31 January 2022
AUTHOR:	Maurice Battilana & Dianne Raymond

### SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.4(a)	Risk Management Review 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.

### COMMENT

A local government is required to undertake an internal control audit at least once every two years. The areas mentioned above reviewed in accordance with legislation, with the *Internal Risk Management Review* being undertaken by Staff in November 2021.

Internal audits are designed to assist the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management systems, managing material operating risks, internal controls and legislative compliance processes.

The purpose of this item is to inform the Committee of the *Risk Management Review* undertaken by staff and report any future improvements considered necessary. All actionable items are listed in an internal document "*Governance – Risk – Insurance – People*" (GRIP) matrix which is monitored and controlled by the CEO. The GRIP data is then extracted to compile the Quarterly Audit Report provided to Council and Staff.

### STATUTORY ENVIRONMENT

Local Government (Audit) Regulations, 1996

Reg 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 sub regulation (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.

#### **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**

The Manager Finance & Corporate Services and Chief Executive Officer have been in discussion with relevant staff through the risk management review process.

#### **RISK ASSESSMENT**

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

<b>Measures of Consequence</b>							
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 RESOLUTION**

**MOVED: CR BATTEN**

**SECONDED: CR DAVIDSON**



The Finance, Audit & Risk Management Committee recommend Council receives and endorses the *Risk Management Review Report*.

**Voting 4/0**

**CARRIED**

**Minute Reference: FARM 22/01-05**

## 8.5 Long Term Financial Plan & Asset Management Plan Review

PROPONENT:	Finance, Audit & Risk Management Committee
SITE:	Council Chambers
FILE REFERENCE:	403.05 & 305.00
PREVIOUS REFERENCE:	Nil
DATE:	31 January 2022
AUTHOR:	Dianne Raymond, Manager Finance & Corporate Services

### SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.5(a)	Long Term Financial Plan		✓
8.5(b)	Asset Management Plan		✓

### DISCLOSURE OF INTEREST

Nil

### BACKGROUND

The Shire of Chapman Valley Finance, Audit & Risk Management Committee on 4 February 2021 previously reviewed the Long Term Financial Plan (LTFP) and Asset Management Plan (AMP) which were then presented to Council at the February 2021 Ordinary Council Meeting and endorsed.

### COMMENT

Staff have continued to work on improvements to the LTFP and AMP since the original adoption of these plans in an attempt to 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.

### STATUTORY ENVIRONMENT

Local Government Act 1995 & 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 review of the Shire's operations is integral to monitoring how the Shire is tracking with its integrated strategic planning.

### STRATEGIC IMPLICATIONS

The annual 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:**

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

Consultation has occurred during the budget process

#### RISK ASSESSMENT

No areas of any significant risk highlighted.

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 RESOLUTION

MOVED: CR FORTH

SECONDED: CR BATTEN

The Finance, Audit & Risk Management Committee recommends Council receive and endorse the reviewed Long Term Financial Plan and Asset Management Plan and present to council for endorsement.

**Voting 4/0  
CARRIED  
Minute Reference: FARM 22/01-06**

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

Nil

## **10 CLOSURE**

The Shire President thanked Elected Members and Staff for their attendance and for the great effort put in by everyone during the annual audit process. The Shire President declared the meeting closed at 9:55am.