



SHIRE OF

Chapman Valley

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FINANCE, AUDIT & RISK MANAGEMENT COMMITTEE

AGENDA

9:00am Wednesday
14/12/2022

Nabawa Council Chambers

Committee Purpose & Delegations

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

Delegation – Nil

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

4 x Councillors

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

Observers:

- CEO
- Manager Finance & Corporate Services

DISCLAIMER



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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.

Jamie Criddle
CHIEF EXECUTIVE OFFICER

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ORDER OF BUSINESS

1.0 DECLARATION OF OPENING/ANNOUNCEMENTS OF VISITORS

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

2.0 ANNOUNCEMENTS FROM THE PRESIDING MEMBER

3.0 RECORD OF ATTENDANCE

3.1 Attendees

3.2 Apologies

3.3 Previously Approved Leave of Absence

4.0 DISCLOSURE OF INTEREST

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

Section 5.60A:

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

Section 5.60B:

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

(a) a proposed change to a planning scheme affecting land that adjoins the person’s land; or

(b) a proposed change to the zoning or use of land that adjoins the person’s land; or

(c) a proposed development (as defined in section 5.63(5)) of land that adjoins the person’s land.”

Regulation 34C (Impartiality):

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

5.0 PETITIONS/DEPUTATIONS/PRESENTATIONS

5.1 Petitions

5.2 Presentations

5.3 Deputations

6.0 CONFIRMATION OF MINUTES FROM PREVIOUS MEETINGS

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

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

7.0 ITEMS TO BE DEALT WITH EN BLOC

8.0 OFFICERS REPORTS

8.0

Chief Executive Officer and Manager Finance & Corporate Services

- 8.1 Independent Auditor Report 2022
- 8.2 Management Report 2022

8.1 Independent Audit Report 30 June 2022

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

SUPPORTING DOCUMENTS:

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

DISCLOSURE OF INTEREST

Nil

BACKGROUND

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

COMMENT

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

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

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

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

STATUTORY ENVIRONMENT

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

POLICY/PROCEDURE IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

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

Long Term Financial Plan (LTFP):

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

STRATEGIC IMPLICATIONS

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

Strategic Community Plan/Corporate Business Plan:

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

CONSULTATION

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

RISK ASSESSMENT

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

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

VOTING REQUIREMENTS

Simple Majority

STAFF RECOMMENDATION

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

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

8.2 Management Report 30 June 2022

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

SUPPORTING DOCUMENTS:

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

DISCLOSURE OF INTEREST

Nil

BACKGROUND

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

COMMENT

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

STATUTORY ENVIRONMENT

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

POLICY/PROCEDURE IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

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

Long Term Financial Plan (LTFP):

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

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

STAFF RECOMMENDATION

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

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

10 CLOSURE



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SOURCE DOCUMENTATION



Auditor General

INDEPENDENT AUDITOR'S REPORT 2022 Shire of Chapman Valley

To the Councillors of the Shire of Chapman Valley

Opinion

I have audited the financial report of the Shire of Chapman Valley (Shire) which comprises:

- the Statement of Financial Position at 30 June 2022, the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 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

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial report and my auditor's report.

My opinion on the financial report does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and Council and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer of the Shire is responsible for:

- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report 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
- 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.

Auditor's responsibilities for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my 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 my 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. 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, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

My independence and quality control relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Chapman Valley for the year ended 30 June 2022 included in the annual report 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. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.

Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
12 December 2022

SHIRE OF CHAPMAN VALLEY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Fair Value of Infrastructure Assets – Frequency of Valuations	✓		
2. Non-Compliance with Regulation 5 of the Local Government (Financial Management) Regulations 1996		✓	
3. Bank reconciliation prepared without review		✓	

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 report, 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 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Fair Value of Infrastructure Assets – Frequency of Valuations**Finding**

The Shire has performed a high-level assessment to determine whether the carrying value of its infrastructure assets represent their fair value. This assessment is based on an internal assessment of current market conditions, based on which management has concluded that in their view, the value of infrastructure assets at 30 June 2022 was not materially different from their fair value. The assessment however does not include detailed assessments of the specific market factors considered.

Rating: Significant**Implication**

Without a robust assessment of fair value of the Shire's infrastructure assets, there is a risk that the fair value of infrastructure assets may not have been assessed adequately and in compliance with *AASB 13 Fair Value Measurement*, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

Recommendation

The Shire should consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist that would trigger a requirement to perform a formal revaluation of Infrastructure Assets. This process is to ensure that the Shire's infrastructure assets are recorded at fair value in compliance with *AASB 13 Fair Value Measurement* and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets is likely to have been impacted to any significant / material extent from the prior year.

Management Comment

Management believe compliance with Regulation 17A(4)(b) has been met by an external professional revaluation taken place 30 June 2018, with the next revaluation scheduled for the 22/23 financial year. With regards to AASB 13, management believe adequate assessment of infrastructure fair value has taken place, given the resources, costs involved and the lack of any material change to infrastructure assets after internal review. Ultimately management endeavours to balance the cost of additional compliance with our obligation to provide our constituents a clear overview of the Shire financial position whilst ensuring municipal funds are utilised in the most beneficial manner.

Responsible Person: Manager Finance and Corporate Services

Completion Date: 6 December 2022

SHIRE OF CHAPMAN VALLEY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Non-Compliance with Regulation 5 of the Local Government (Financial Management) Regulations 1996

Finding

We noted that the Shire had not undertaken a review of the appropriateness and effectiveness of its financial management systems and procedures every 3 years, as required by Regulation 5 of the Local Government (Financial Management) Regulations 1996. The Shire completed the last review in May 2019.

We acknowledged that while management had engaged an external contractor to perform this work on their behalf, this work had commenced only in October 2022.

Rating: Moderate

Implication

By not reviewing its financial management systems and procedures regularly (at least every 3 years), the Shire is in breach of Regulation 5 of the Local Government (Financial Management) Regulations 1996.

Furthermore, the Shire risks procedures becoming outdated if regular reviews are not performed.

Recommendation

Management should ensure that Regulation 5 of the Local Government (Financial Management) Regulations 1996 is complied with going forward and that a review of the Shire's financial management systems and procedures is completed every 3 years.

Management Comment

Management understands the timing of the Shires financial management review has caused issues with compliance with Regulation 5 of the Local Government (Financial Management) Regulations 1996. Unfortunately, the Shire was unable to source a contractor to perform this review until after 30 June 2022. The review is now completed with reports expected to be provided in the near future.

Responsible person: Manager Finance and Corporate Services

Completion date: 6 December 2022

SHIRE OF CHAPMAN VALLEY
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

3. Bank reconciliation prepared without review

Finding

We noted that the June 2022 Municipal bank reconciliation was prepared by the Senior Finance Officer but was not independently reviewed by the Manager Finance and Corporate Services.

Rating: Moderate

Implication

The absence of an independent review process could prevent issues in the bank reconciliations from being detected and corrected in a timely manner, which could potentially lead to misstatements in the cash and cash equivalents balances in the financial report.

Recommendation

Management should ensure that the bank reconciliation is reviewed by an independent senior officer, to ensure that the cash and cash equivalents balances in the financial report are not misstated.

Management Comment

Management believes this issue is information technology related only. All bank reconciliations are thoroughly reviewed by the Manager of Finance and Corporate Services after being completed by the Senior Finance Officer. What appears to have occurred is the MFCS has omitted to save the PDF document after reviewing and digitally signing the document. Management can confirm no absence in review has occurred in this instance.

Responsible Person: Manager Finance and Corporate Services
Completion Date: 6 December 2022



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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

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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.

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 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.