



SHIRE OF  
**Chapman Valley**  
*love the rural life!*

# **CONFIRMED MINUTES**

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

**17 JULY 2019**

### **COUNCIL CHAMBERS NABAWA**

## **Commencing immediately after closure of Council, Concept Forum & Staff Report Meetings**

#### Committee Purpose & Delegations

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

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

Delegation – Nil

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

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

<b>Chief Executive Officer</b>	<b>(Observer)</b>
<b>Manager Finance &amp; Corporate Services</b>	<b>(Observer)</b>
<b>Accountant</b>	<b>(Observer)</b>

# 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, circular scribble.

Maurice Battilana  
**CHIEF EXECUTIVE OFFICER**

# UNCONFIRMED MINUTES

## FINANCE, AUDIT & RISK COMMITTEE MEETING TO BE HELD IN THE COUNCIL CHAMBERS, NABAWA 17 JULY 2019 Commencing immediately after Closure of Council, Concept Forum & Staff Report Meetings

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### ORDER OF BUSINESS

#### 1.0 Declaration of Opening / Announcements of Visitors

The Presiding Member, Cr Farrell welcomed Councillors and Staff and opened the meeting at 2.07pm.

#### 2.0 Announcements from the Presiding Member

Nil

#### 3.0 Attendance

##### a. Councillors

Members
Cr Anthony Farrell (President)
Cr Darrell Forth
Cr Peter Humphrey

##### 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
Nil

#### 3.2 Apologies

Nil
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#### 3.3 Leave of Absence (Previously approved)

Nil
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#### 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 HUMPHREY**

**SECONDED: CR FORTH**

Finance and Audit Committee Meeting held on 1 May 2019

Recommend that the Minutes of the Finance and Audit Committee of the Shire of Chapman Valley held on 1 May 2019 be confirmed as a true and accurate record of proceedings.

**CARRIED**

**Voting 3/0**

**Minute Reference FAC 07/19 - 1**

#### 7.0 Items to be dealt with En Bloc

Nil

#### 8.0 Officers' Reports

8.1 Interim Audit Report

8.2 Financial Management Review

# **Manager Finance & Corporate Services July 2019**

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## **Contents**

### **8.0 AGENDA ITEMS**

8.1 Interim Management Report

8.2 Financial Management Review

<b>AGENDA ITEM:</b>	<b>8.1</b>
<b>SUBJECT:</b>	<b>INTERIM AUDIT MANAGEMENT REPORT</b>
<b>PROPONENT:</b>	<b>FINANCE, RISK &amp; AUDIT COMMITTEE</b>
<b>SITE:</b>	<b>COUNCIL CHAMBERS</b>
<b>FILE REFERENCE:</b>	<b>305.05</b>
<b>PREVIOUS REFERENCE:</b>	<b>N/A</b>
<b>DATE:</b>	<b>17 JULY 2019</b>
<b>AUTHOR:</b>	<b>MAURICE BATTILANA &amp; DIANNE RAYMOND</b>

#### SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.1(a)	Interim Management Report	√	

#### DISCLOSURE OF INTEREST

Nil

#### BACKGROUND

The Shire of Chapman Valley has received the *Interim Audit Management Report* from its Auditors - Moore Stephens (Please refer to **Attachments 8.1(a)** below).

#### COMMENT

##### Interim Management Report

The Local Government (Audit) Regulation has legislated a greater role for the Finance, Audit & Risk Management Committee 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 encompasses more involvement in the oversight of the financial systems and responses to audit recommendations.

The Interim Audit Management Report identifies all areas raised by the Auditors for Committee and Council consideration:

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Monthly fixed asset reconciliations are not reviewed and signed by a senior staff member independent of preparation as evidence of review.		√	
2. We noted interest on some trust fund moneys were not retained in trust or repaid to the entitled recipient on return of their moneys. Rather the Shire recognised this interest as revenue.		√	

#### KEY TO RATINGS

As stated in the Interim Management Report the Ratings 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. The Auditors 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.

Staff concur with the Auditors recommended actions for Item 1; which has already been implemented. However; the recommendation for Item 2 (Trust Fund Interest) needs to be considered against the resources required to establish what minimal interest was not allocated to those trust deposits where this was not done (e.g. Venue Hire Bonds).

The larger Trust amounts (e.g. *Contributions from Sub-dividers; Bill Hemsley Park Community Centre*) have had the interest earned allocated back to these areas and not placed into the Municipal Fund.

The Staff Recommendation is to confirm the position of the interest on those funds held in Trust, which have not been put back to the individual fund areas, as being insignificant and therefore immaterial. The current Trust Bank Account is a Community Solutions account and does not incur any monthly bank charges. Over the last three (3) years the interest credited from the Trust Account to the Municipal Account has been a total of \$266.73 being:

2016/2017	2017/2018	2018/2019
\$77.46	\$79.52	\$109.75

All future funds to be held in Trust will be place into a non-interest-bearing bank account so this matter will not be an issue in the future. In the event amounts are to be held in Trust by Council, and it is determined by a legal arrangement/agreement for interest to be earned on these funds and allocated back to the specific funds held then a separate bank account will be established.

## **STATUTORY ENVIRONMENT**

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

## **POLICY IMPLICATIONS**

Not 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 HUMPHREY**

**SECONDED: CR FORTH**

The Committee recommend the following to Council regarding items identified in the Interim Audit Management Report:

Index of Findings	Rating	Recommended Action
1. Monthly fixed asset reconciliations are not reviewed and signed by a senior staff member independent of preparation as evidence of review.	Moderate	A senior officer, independent of preparation of the fixed asset reconciliation, will review the reconciliation and evidenced accordingly. <b>Responsible person: Manager Finance &amp; Corporate Services</b> <b>Completion date: 30<sup>th</sup> June 2019</b>
2. We noted interest on some trust fund moneys were not retained in trust or repaid to the entitled recipient on return of their moneys. Rather the Shire recognised this interest as revenue.	Moderate	a. Council confirm the interest not allocated to past funds held in Trust are considered insignificant and therefore immaterial to the overall operations of the Shire. Therefore, resources will not be allocated to determining the actual unallocated interest earned on these Trust Funds. <b>Responsible person: Manager Fin &amp; Corp Serv</b> <b>Completion date: 31st July 2019</b>



		<p>b. All future funds to be held in Trust will be place into non-interest-bearing bank account so the matter of interest earned will not be an issue.  <b>Responsible person: Manager Fin &amp; Corp Serv</b>  <b>Completion date: 1st July 2019</b></p> <p>c. In the event amounts are to be held in Trust by Council, and it is determined by a legal arrangement/agreement for interest to be earned on these funds and allocated back to the specific funds held then a separate bank account will be established.  <b>Responsible person: Manager Fin &amp; Corp Serv</b>  <b>Completion date: Ongoing</b></p>
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**CARRIED**  
**Voting 3/0**  
**Minute Reference FAC 07/19 - 2**

**SHIRE OF CHAPMAN VALLEY  
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019  
FINDINGS IDENTIFIED DURING THE *INTERIM* AUDIT**

**FINDINGS**

**1. MONTHLY FIXED ASSET RECONCILIATIONS**

**Finding**

Whilst monthly fixed asset reconciliations are done, they are not reviewed and signed by a senior staff member independent of preparation as evidence of review.

**Rating: Moderate**

**Implication**

The fixed assets additions, disposals and depreciation may not be complete, and the general ledger could be under or overstated.

**Recommendation**

To help confirm the accuracy of the fixed asset reconciliation, a senior officer independent of preparation should review the reconciliation and this should be evidenced accordingly.

**Management comment**

**Responsible person:**

**Completion date:**

## **2. TREATMENT OF INTEREST ON TRUST MONIES**

### **Finding**

We noted interest earnings on some trust fund moneys were not retained in trust or repaid to the entitled recipient on return of their moneys. Rather the Shire recognised this interest as revenue.

### **Rating: Moderate**

### **Implication**

Non-compliance with Local Government Act 1995.

### **Recommendation**

Section 6.9 of the Local Government Act 1995 (Act) requires:

Where money or other property is held in the trust fund, the local government is to - in the case of money, pay it to the person entitled to it together with, if the money has been invested, any interest earned from that investment.

Although the cumulative value of interest revenue may not be material, the necessary steps to identify any obligations to return moneys incorrectly retained from the current and previous years should be undertaken.

The Shire should ensure future trust fund moneys and associated interest are managed in accordance with the Act.

### **Management comment**

**Responsible person:**

**Completion date:**

<b>AGENDA ITEM:</b>	<b>8.2</b>
<b>SUBJECT:</b>	<b>FINANCIAL MANAGEMENT REVIEW</b>
<b>PROPONENT:</b>	<b>FINANCE, RISK &amp; AUDIT COMMITTEE</b>
<b>SITE:</b>	<b>COUNCIL CHAMBERS</b>
<b>FILE REFERENCE:</b>	<b>305.05</b>
<b>PREVIOUS REFERENCE:</b>	<b>N/A</b>
<b>DATE:</b>	<b>17 JULY 2019</b>
<b>AUTHOR:</b>	<b>MAURICE BATTILANA &amp; DIANNE RAYMOND</b>

#### SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.2(a)	Financial Management Review		√

#### DISCLOSURE OF INTEREST

Nil

#### BACKGROUND

The Shire is required by legislation (*Local Government (Financial Management) Regulation, 1996*) to undertake a review on the financial management procedures of the organisation i.e.

#### 5. CEO's duties as to financial management

(2) *The CEO is to —*

- (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
- (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
- (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

The Shire of Chapman Valley has recently undertaken the latest review in accordance with the legislated time frame stipulated and received the *Financial Management Review Report* from Moore Stephens (Please refer to **Attachments 8.2(a)**)

#### COMMENT

The *Local Government (Auditing) Act, 2017* amended the *Local Government Act 1995* requiring a local government authority to address all matters identified in the financial management system and procedures reviews and audits of a **Significant** nature i.e.

#### 7.12A. Duties of local government with respect to audits

(3) *A local government must —*




- (aa) *examine an audit report received by the local government; and*
- (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*
- (b) *ensure that appropriate action is taken in respect of those matters.*



- (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.




The 2019 financial management review has not highlighted any items of **significance**, which is a positive reflection on the financial management systems and procedures the Shire currently has in place and how these are being adhered to by staff. Though this is a very positive outcome, there are some areas we can improve upon and where actions have either already been put in place or are planned for in the near future.




Items identified in the 2019 financial management review are shown in the Moore Stephens Report (**Attachments 8.2(a)**). However; are also listed below:

**Key for Rating Assessment:**

<p><b>Significant</b></p> <p>Issue represents a weakness which may have an adverse effect on the ability to achieve business objectives. Requires immediate management action.</p>	
<p><b>Moderate</b></p> <p>Issue represents a weakness which may become more serious if not addressed. Requires management action within a reasonable time period.</p>	
<p><b>Minor</b></p> <p>Issue represents an opportunity for improvement. Management should consider cost benefit analysis within a reasonable time period.</p>	

Area	Rating	Matters Identified / Improvements
Cost and Administration Allocations		At the time of review, cost and administration overheads were materially overallocated.
		Improvement: Costs and administration overheads should be reconciled, and rates reviewed at least monthly for proper monthly financial reporting purpose.
		<u>Management Comment</u> Costs and administration allocations are monitored monthly; the over/under allocations are dealt with periodically and finalised as an End of Year process, as this is considered more appropriate from a resource aspect of the organisation.
Fixed Assets		Noted instances where the depreciation rates used were not in line with the accounting policy.

Area	Rating	Matters Identified / Improvements
		<p>Improvement:</p> <p>To help ensure the correct calculation of depreciation expense, management must review the depreciation policy to ensure this is in-line with any adjustments to the estimated asset useful lives as a result of recent revaluation processes.</p>
		<p><u>Management Comment</u> The aspect of depreciation within the significant accounting policies will be reassessed as will the internal procedures which will review the assets residual values and remaining useful lives regularly throughout the reporting periods.</p>
Fixed Assets		<p>Monthly fixed asset reconciliations are not signed by a senior staff member independent of preparation as evidence of review.</p>
		<p>Improvement:</p> <p>To help confirm the accuracy of the fixed asset reconciliation, a senior officer independent of preparation should review the reconciliation and this should be evidenced accordingly.</p>
		<p><u>Management Comment</u> The monthly subsidiary ledger reconciliations will be reviewed and evidenced with signed off by senior staff member independent of the preparation process.</p>
Fixed Assets		<p>Noted instances where assets under the \$5,000 capitalisation threshold have been incorrectly capitalised.</p>
		<p>Improvement:</p> <p>To help ensure compliance with Local Government (Functions and Management) Regulation 17A(5) and the Shire's adopted accounting policies, all assets under the \$5,000 capitalisation threshold should be expensed.</p>
		<p><u>Management Comment</u> The Asset Register will be brought into line with the new Regulations to ensure compliance.</p>
Fixed Assets		<p>At the time of review, we noted two instances where the sale value of an asset was not recognised.</p>
		<p>Improvement:</p> <p>To ensure loss on disposal is not overstated, the sale value of all assets disposed of should be appropriately recognised.</p>
		<p><u>Management Comment</u> Internal procedures are in place and will be adhered to in regard to recognising profit/loss on the disposal of assets.</p>

Area	Rating	Matters Identified / Improvements
Purchases, Payments and Payables		The sundry creditors reconciliation for the month of October 2018 was not signed by a senior staff member independent of preparation as evidence of review.
		Improvement: To ensure that creditor reconciliation is documented and signed by both preparer and reviewer.
		<u>Management Comment</u> A one-off administrative oversight, which is obviously not the norm. Will continue to be monitored.
Borrowing		Whilst borrowings and repayments were updated in the loan register on a regular basis, the register was not reconciled to the general ledger from July 2018 to December 2018.
		Improvement: To ensure that borrowings reconciliations are reconciled regularly and reviewed by a senior officer independent of preparation. The independent review should seek to confirm the accuracy of the reconciliation and should be evidenced accordingly.
		<u>Management Comment</u> Internal procedures are now in place to ensure subsidiary ledger reconciliations of Loan Register are reviewed and evidenced monthly.
Trust		We noted interest earnings on some trust fund moneys were not retained in trust or repaid to the entitled recipient on return of their moneys. Rather the Shire recognised this interest as revenue.
		Improvement: Section 6.9 of the Local Government Act 1995 (Act) requires:  Where money or other property is held in the trust fund, the local government is to - in the case of money, pay it to the person entitled to it together with, if the money has been invested, any interest earned from that investment.  Although the cumulative value of interest revenue may not be material, the necessary steps to identify any obligations to return moneys incorrectly retained from the current and previous years should be undertaken.  The Shire should ensure future trust fund moneys and associated interest are managed in accordance with the Act.

Area	Rating	Matters Identified / Improvements
		<p><a href="#">Management Comment (as per Recommendation at Item 8.1)</a></p> <p>a. Council confirm the interest not allocated to past funds held in Trust are considered insignificant and therefore immaterial to the overall operations of the Shire. Therefore, resources will not be allocated to determining the actual unallocated interest earned on these Trust Funds.</p> <p>b. All future funds to be held in Trust will be place into non-interest-bearing bank account so the matter of interest earned will not be an issue</p> <p>c. In the event amounts are to be held in Trust by Council, and it is determined by a legal arrangement/agreement for interest to be earned on these funds and allocated back to the specific funds held then a separate bank account will be established.</p>

## STATUTORY ENVIRONMENT

*Local Government Act, 1995*

*Local Government (Auditing) Act, 2017*

*Local Government (Financial Management) Regulation, 1996*

*Local Government (Audit) Regulations, 1995*

## 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):**

No effect on the LTFP.

## STRATEGIC IMPLICATIONS

The financial management 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

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 FARRELL**

**SECONDED: CR FORTH**

The Finance, Audit & Risk Committee recommends to Council the the following action being endorsed for items identified in the Moore Stephens Financial Management Review 2019:

Cost and Administration Allocations	At the time of review, cost and administration overheads were materially overallocated.
	Improvement:  Costs and administration overheads should be reconciled, and rates reviewed at least monthly for proper monthly financial reporting purpose.
	<u>Management Comment</u> Costs and administration allocations are monitored monthly; the over/under allocations are dealt with periodically and finalised as an End of Year process, as this is considered more appropriate from a resource aspect of the organisation.
Fixed Assets	Noted instances where the depreciation rates used were not in line with the accounting policy.
	Improvement:  To help ensure the correct calculation of depreciation expense, management must review the depreciation policy to ensure this is in-line with any adjustments to the estimated asset useful lives as a result of recent revaluation processes.
	<u>Management Comment</u> The aspect of depreciation within the significant accounting policies will be reassessed as will the internal procedures which will review the assets residual values and remaining useful lives regularly throughout the reporting periods.

Fixed Assets	Monthly fixed asset reconciliations are not signed by a senior staff member independent of preparation as evidence of review.
	Improvement:  To help confirm the accuracy of the fixed asset reconciliation, a senior officer independent of preparation should review the reconciliation and this should be evidenced accordingly.
	<u>Management Comment</u> The monthly subsidiary ledger reconciliations will be reviewed and evidenced with signed off by senior staff member independent of the preparation process.
Fixed Assets	Noted instances where assets under the \$5,000 capitalisation threshold have been incorrectly capitalised.
	Improvement:  To help ensure compliance with Local Government (Functions and Management) Regulation 17A(5) and the Shire's adopted accounting policies, all assets under the \$5,000 capitalisation threshold should be expensed.
	<u>Management Comment</u> The Asset Register will be brought into line with the new Regulations to ensure compliance.
Fixed Assets	At the time of review, we noted two instances where the sale value of an asset was not recognised.
	Improvement:  To ensure loss on disposal is not overstated, the sale value of all assets disposed of should be appropriately recognised.
	<u>Management Comment</u> Internal procedures are in place and will be adhered to in regard to recognising profit/loss on the disposal of assets.
Purchases, Payments and Payables	The sundry creditors reconciliation for the month of October 2018 was not signed by a senior staff member independent of preparation as evidence of review.
	Improvement:  To ensure that creditor reconciliation is documented and signed by both preparer and reviewer.
	<u>Management Comment</u> A one-off administrative oversight, which is obviously not the norm. Will continue to be monitored.
Borrowing	Whilst borrowings and repayments were updated in the loan register on a regular basis, the register was not reconciled to the general ledger from July 2018 to December 2018.

	<p>Improvement:</p> <p>To ensure that borrowings reconciliations are reconciled regularly and reviewed by a senior officer independent of preparation. The independent review should seek to confirm the accuracy of the reconciliation and should be evidenced accordingly.</p> <p><u>Management Comment</u> Internal procedures are now in place to ensure subsidiary ledger reconciliations of Loan Register are reviewed and evidenced monthly.</p>
Trust	<p>We noted interest earnings on some trust fund moneys were not retained in trust or repaid to the entitled recipient on return of their moneys. Rather the Shire recognised this interest as revenue.</p> <p>Improvement:</p> <p>Section 6.9 of the Local Government Act 1995 (Act) requires:</p> <p>Where money or other property is held in the trust fund, the local government is to - in the case of money, pay it to the person entitled to it together with, if the money has been invested, any interest earned from that investment.</p> <p>Although the cumulative value of interest revenue may not be material, the necessary steps to identify any obligations to return moneys incorrectly retained from the current and previous years should be undertaken.</p> <p>The Shire should ensure future trust fund moneys and associated interest are managed in accordance with the Act.</p> <p><u>Management Comment (as per Recommendation at Item 8.1)</u></p> <ul style="list-style-type: none"> <li>a. Council confirm the interest not allocated to past funds held in Trust are considered insignificant and therefore immaterial to the overall operations of the Shire. Therefore, resources will not be allocated to determining the actual unallocated interest earned on these Trust Funds.</li> <li>b. All future funds to be held in Trust will be place into non-interest-bearing bank account so the matter of interest earned will not be an issue</li> <li>c. In the event amounts are to be held in Trust by Council, and it is determined by a legal arrangement/agreement for interest to be earned on these funds and allocated back to the specific funds held then a separate bank account will be established.</li> </ul>

**CARRIED**  
**Voting 3/0**  
**Minute Reference FAC 07/19 - 3**

**9.0 Information Items**

Nil

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

Nil

**11.0 Closure**

The Presiding Members thanked Elected Members and Staff for their attendance and closed the meeting at 2.15pm.